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JUL 15 2016

HEALTH FACILITIES & SERVICES REVIEW BOARD

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD**
**APPLICATION FOR EXEMPTION FOR THE**
**CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY**

**1. INFORMATION FOR EXISTING FACILITY**

Current Facility Name The Lake Bluff IL Endoscopy ASC, LLC, d/b/a North Shore Endosocopy Center
Address 101 Waukegan Road, Suite 980
City Lake Bluff Zip Code 60044 County Lake
Name of current licensed entity for the facility Lake Bluff IL Endoscopy ASC, LLC, d/b/a North Shore Endoscopy Center
Does the current licensee: own this facility ______ OR lease this facility X (if leased, check if sublease □)
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
X Limited Liability Company ______ Other, specify ______
Illinois State Senator for the district where the facility is located: Sen. Julie Morrison
State Senate District Number 29 Mailing address of the State Senator
700 Osterman Avenue, Deerfield, IL 60015
Illinois State Representative for the district where the facility is located: Rep. Scott Drury
State Representative District Number 58 Mailing address of the State Representative
425 Sheridan Rd., Highwood, IL 60040

**2. OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes □ No ☒ If yes, refer to Section 1130.520(f), and indicate the projects by Project # ______

**3. NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant New Amethyst Corporation
Address 1A Burton Hills Boulevard
City, State & Zip Code Nashville, TN 37215
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation X For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

**4. NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed Lake Bluff IL Endoscopy ASC, LLC, d/b/a North Shore Endoscopy Center
Address 101 Waukegan Road, Suite 980
City, State & Zip Code Lake Bluff, IL 60044
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
X Limited Liability Company ______ Other, specify ______

**5. BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY**

Exact Legal Name of Entity That Will Own the Site Franklin 101 Waukegan, LLC
Address 55 Shuman Blvd., Suite 178
City, State & Zip Code Naperville, IL 60563
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
X Limited Liability Company ______ Other, specify ______

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD**
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Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
________ Not-for-Profit Corporation ________ For Profit Corporation ________ Partnership ________ Governmental
________ Limited Liability Company ________ Other, specify ______________________
Illinois State Senator for the district where the facility is located: Sen. ______________________
State Senate District Number ________ Mailing address of the State Senator ______________________

Illinois State Representative for the district where the facility is located: Rep. ______________________
State Representative District Number ________ Mailing address of the State Representative ______________________

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes □ No □. If yes, refer to Section 1130.520(f), and indicate the projects by Project # ______________________

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant AmSurg Corp.
Address 1A Burton Hills Boulevard
City, State & Zip Code Nashville, TN 37215
Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
________ Not-for-Profit Corporation ________ For Profit Corporation ________ Partnership ________ Governmental
X Limited Liability Company ________ Other, specify ______________________

4. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed ______________________
Address ______________________
City, State & Zip Code ______________________
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**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD**
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Current Facility Name ______________________
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Illinois State Senator for the district where the facility is located: Sen. ______________
State Senate District Number __________ Mailing address of the State Senator ______________
______________________
Illinois State Representative for the district where the facility is located: Rep. ______________
State Representative District Number ________ Mailing address of the State Representative ______________
______________________

2. **OUTSTANDING PERMITS**. Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes ☐ No ☐. If yes, refer to Section 1130.520(f), and indicate the projects by Project # ______________________

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant AmSurg Holdings, Inc.
Address 1A Burton Hills Boulevard
City, State & Zip Code Nashville, TN 37215
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_______ Not-for-Profit Corporation __X__ For Profit Corporation ________ Partnership ____ Governmental
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State Senate District Number ______ Mailing address of the State Senator ______

Illinois State Representative for the district where the facility is located: Rep. ______
State Representative District Number ______ Mailing address of the State Representative ______

**2. OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes □ No □. If yes, refer to Section 1130.520(f), and indicate the projects by Project # ______

**3. NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Envision Healthcare Holdings, Inc.
Address 6363 S. Fiddlers Green Circle, 14th Floor
City, State & Zip Code Greenwood Village, CO 80111
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation X For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

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3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
<u>Exact</u> Legal Name of Applicant Lake Bluff IL Endoscopy ASC, LLC, d/b/a North Shore Endoscopy Center
Address 101 Waukegan Road, Suite 890
City, State & Zip Code Lake Bluff, IL 60044
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
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______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

6. **TRANSACTION TYPE. CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:**
   - o Purchase resulting in the issuance of a license to an entity different from current licensee;
   - o Lease resulting in the issuance of a license to an entity different from current licensee;
   - o Stock transfer resulting in the issuance of a license to a different entity from current licensee;
   - o Stock transfer resulting in no change from current licensee;
   - o Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
   - o Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
   - o Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
   - o Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a health care facility's operations, license, certification or physical plant and assets;
   - o Change in the sponsorship or control of the person who is licensed, certified or owns the physical plant and assets of a governmental health care facility;
   - o Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
   - X Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant and assets, and explain in "Attachment 3 Narrative Description"

7. **APPLICATION FEE.** Submit the application fee in the form of a check or money order for $2,500 payable to the Illinois Department of Public Health and append as **ATTACHMENT #1.**

8. **FUNDING.** Indicate the type and source of funds which will be used to acquire the facility (e.g., mortgage through Health Facilities Authority; cash gift from parent company, etc.) and append as **ATTACHMENT #2.**

9. **ANTICIPATED ACQUISITION PRICE:** $ This is a merger; See Attachment 3

10. **FAIR MARKET VALUE OF THE FACILITY:** $ 10.5 Billion; See Attachment 3
    (to determine fair market value, refer to 77 IAC 1130.140)

11. **DATE OF PROPOSED TRANSACTION:** September 30, 2016 or as soon as practicable pending regulatory approvals

12. **NARRATIVE DESCRIPTION.** Provide a narrative description explaining the transaction, and append it to the application as **ATTACHMENT #3.**

13. **BACKGROUND OF APPLICANT** (co-applicants must also provide this information). Corporations and Limited Liability Companies must provide a current Certificate of Good Standing from the Illinois Secretary of State. Limited Liability Companies and Partnerships must provide the name and address of each partner/ member and specify the percentage of ownership of each. Append this information to the application as **ATTACHMENT #4.**

14. **TRANSACTION DOCUMENTS.** Provide a copy of the complete transaction document(s) including schedules and exhibits which detail the terms and conditions of the proposed transaction (purchase, lease, stock transfer, etc). Applicants should note that the document(s) submitted should reflect the applicant's (and co-applicant's, if applicable) involvement in the transaction. The document must be signed by both parties and contain language stating that the transaction is contingent upon approval of the Illinois Health Facilities and Services Review Board. Append this document(s) to the application as **ATTACHMENT #5.**

15. FINANCIAL STATEMENTS. (Co-applicants must also provide this information) Provide a copy of the applicants latest audited financial statements, and append it to this application as ATTACHMENT #6. If the applicant is a newly formed entity and financial statements are not available, please indicate by checking YES ____ , and indicate the date the entity was formed ______

16. **PRIMARY CONTACT PERSON**. Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Joe Ourth
Address: Arnstein & Lehr LLP
City, State & Zip Code: 120 S. Riverside Plaza, Suite 1200, Chicago, IL 60606
Telephone ( ) Ext. (312) 876-7815

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this** application and act on behalf of the applicant.

Name: Mary Beth Fortugno
Address: Bass, Berry & Sims PLC, 150 Third Avenue South, Suite 2800
City, State & Zip Code: Nashville, TN 37201
Telephone ( ) Ext. 615-742-7739

18. **CERTIFICATION** New Amethyst Corporation

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer ____________

Typed or Printed Name of Authorized Officer Clint Cromwell

Title of Authorized Officer: Vice President

Address: 1A Burton Hills Blvd.

City, State & Zip Code: Nashville, TN 37215

Telephone (615) 263-4071 Date: 7/12/16

**NOTE: complete a separate signature page for each co-applicant and insert following this page.**

THE STATE OF Tennessee
COUNTY OF Davidson

On this 12th day of July, 2016, before me, the undersigned officer, personally appeared Clint Cromwell known personally to me to be the same person whose name is signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereto set my hand and official seal.

____________

Notary Public/Commissioner of Oaths

(SEAL)

My Commission Expires: 11/5/18

JENNIFER A DAVIS
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

16. **PRIMARY CONTACT PERSON**. Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: ______________________
Address: ______________________
City, State & Zip Code: ______________________
Telephone ( ) Ext. ______________________

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this** application and act on behalf of the applicant.

Name: ______________________
Address: ______________________
City, State & Zip Code: ______________________
Telephone ( ) Ext. ______________________

18. **CERTIFICATION** AmSurg Holdings, Inc.

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer ______________________

Typed or Printed Name of Authorized Officer Clint Cromwell

Title of Authorized Officer: Vice President

Address: 1A Burton Hills Blvd.

City, State & Zip Code: Nashville, TN 37215

Telephone (615) 263-4671 Date: 7/12/16

**NOTE: complete a separate signature page for each co-applicant and insert following this page.**

THE STATE OF Tennessee
COUNTY OF Davidson

On this 12th day of July, 2016, before me, the undersigned officer, personally appeared Clint Cromwell known personally to me to be the same person whose name is signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereto set my hand and official seal.

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Notary Public/Commissioner of Oaths

(SEAL)
My Commission Expires: 11/5/18

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STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

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Name: ________________
Address: ________________
City, State & Zip Code: ________________
Telephone ( ) Ext. ________________

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this** application and act on behalf of the applicant.

Name: ________________
Address: ________________
City, State & Zip Code: ________________
Telephone ( ) Ext. ________________

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I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer ________________

Typed or Printed Name of Authorized Officer Clint Cromwell

Title of Authorized Officer: Vice President

Address: 1A Burton Hills Blvd

City, State & Zip Code: Nashville, TN 37215

Telephone (615) 263-4071 Date: 7/12/16

**NOTE: complete a separate signature page for each co-applicant and insert following this page.**

THE STATE OF Tennessee
COUNTY OF Davidson

On this 12th day of July, 2016, before me, the undersigned officer, personally appeared Clint Cromwell known personally to me to be the same person whose name is signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereto set my hand and official seal.

________________
Notary Public/Commissioner of Oaths

(SEAL)
My Commission Expires: 11/5/18

JENNIFER A DAVIS
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

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Name: ______
Address: ______
City, State & Zip Code: ______
Telephone ( ) Ext. ______

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Name: ______
Address: ______
City, State & Zip Code: ______
Telephone ( ) Ext. ______

18. **CERTIFICATION** Envision Healthcare Holdings, Inc.

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer ______

Typed or Printed Name of Authorized Officer Randel G. Owen

Title of Authorized Officer: EVP, COO/CFO

Address: 6363 S. Fiddlers Green Circle, Suite 1400

City, State & Zip Code: Greenwood Village CO 80111

Telephone (303) 495-1223 Date: 7-12-2016

**NOTE: complete a separate signature page for each co-applicant and insert following this page.**

THE STATE OF Colorado
COUNTY OF Arapahoe

On this 12 day of July, 2016 before me, the undersigned officer, personally appeared Randel Owen, known personally to me to be the same person whose name is signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereto set my hand and official seal.

______

Notary Public/Commissioner of Oaths
(SEAL)
My Commission Expires: 11/16/2017

ANGELA M WILLOUGHBY
NOTARY PUBLIC
STATE OF COLORADO
Notary ID 20014015310
My Commission Expires 11/16/2017

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Typed or Printed Name of Authorized Officer Clint Cromwell

Title of Authorized Officer: Vice President

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City, State & Zip Code: Nashville, TN 37215

Telephone (615 ) 263-4071 Date: 7/12/16

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THE STATE OF Tennessee
COUNTY OF Davidson

On this 12th day of July, 2016, before me, the undersigned officer, personally appeared Clint Cromwell known personally to me to be the same person whose name is signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereto set my hand and official seal.

______________________
Notary Public/Commissioner of Oaths

(SEAL)
My Commission Expires: 11/5/18

JENNIFER A DAVIS
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

**Section 7, Application Fee**

**Attachment 1**

**Application Fee**

Attached is a check for Two Thousand Five Hundred Dollars ($2,500.00) payable to the Illinois Department of Public Health for the required application fee.

**Section 8, Funding**

**Attachment 2**

**Funding Sources**

There is no monetary consideration being exchanged between the parties as part of the transaction.

**Section 12, Narrative Description**

**Attachment 3**

**<u>Narrative Description</u>**

AmSurg Corp. ("AmSurg"), Envision Healthcare Holdings, Inc. ("Envision") and New Amethyst Corp. ("Amethyst") have entered into an Agreement and Plan of Merger (the "Merger Agreement"). Under this Agreement, AmSurg and Envision will merge in an all-stock transaction.

AmSurg is a publically traded Tennessee corporation. AmSurg owns a controlling interest in three ambulatory surgical treatment healthcare facilities in Illinois: (i) The Lake Bluff IL Endoscopy ASC, LLC, d/b/a North Shore Endoscopy Center, in Lake Bluff, Illinois, (ii) Oak Lawn IL Endoscopy ASC, LLC, d/b/a Oak Lawn Endoscopy Center, in Oak Lawn, Illinois, and (iii) Glen Endoscopy Center, LLC, in Glenview, Illinois. Envision is a publically traded Delaware corporation providing various health services.

Pursuant to the Merger Agreement, and contingent on Review Board approval, AmSurg and Envision will merge in an all-stock transaction. First, AmSurg will merge with and into its wholly-owned Delaware subsidiary, New Amethyst Corporation ("New Amethyst"), with New Amethyst as the surviving corporation. The purpose of this merger is to change AmSurg's domicile from Tennessee to Delaware.

Envision will then merge with and into New Amethyst, with New Amethyst as the surviving corporation. Upon closing, New Amethyst will then be renamed "Envision Healthcare Corporation."

Based on the share exchange ratio, Envision shareholders will receive approximately fifty-three percent (53%) and AmSurg shareholders will receive approximately forty-seven percent (47%) of the equity interests in New Amethyst.

This application is part of a package of three applications seeking Review Board approval for Certificate of Exemption ("COEs") for a change of ownership. The two other applications are for Oak Lawn IL Endoscopy ASC, LLC, d/b/a Oak Lawn Endoscopy Center and Glen Endoscopy Center, LLC, all of which are currently owned by AmSurg Holdings, Inc. and associated physicians, with AmSurg Holdings, Inc. owning fifty-one percent (51%).

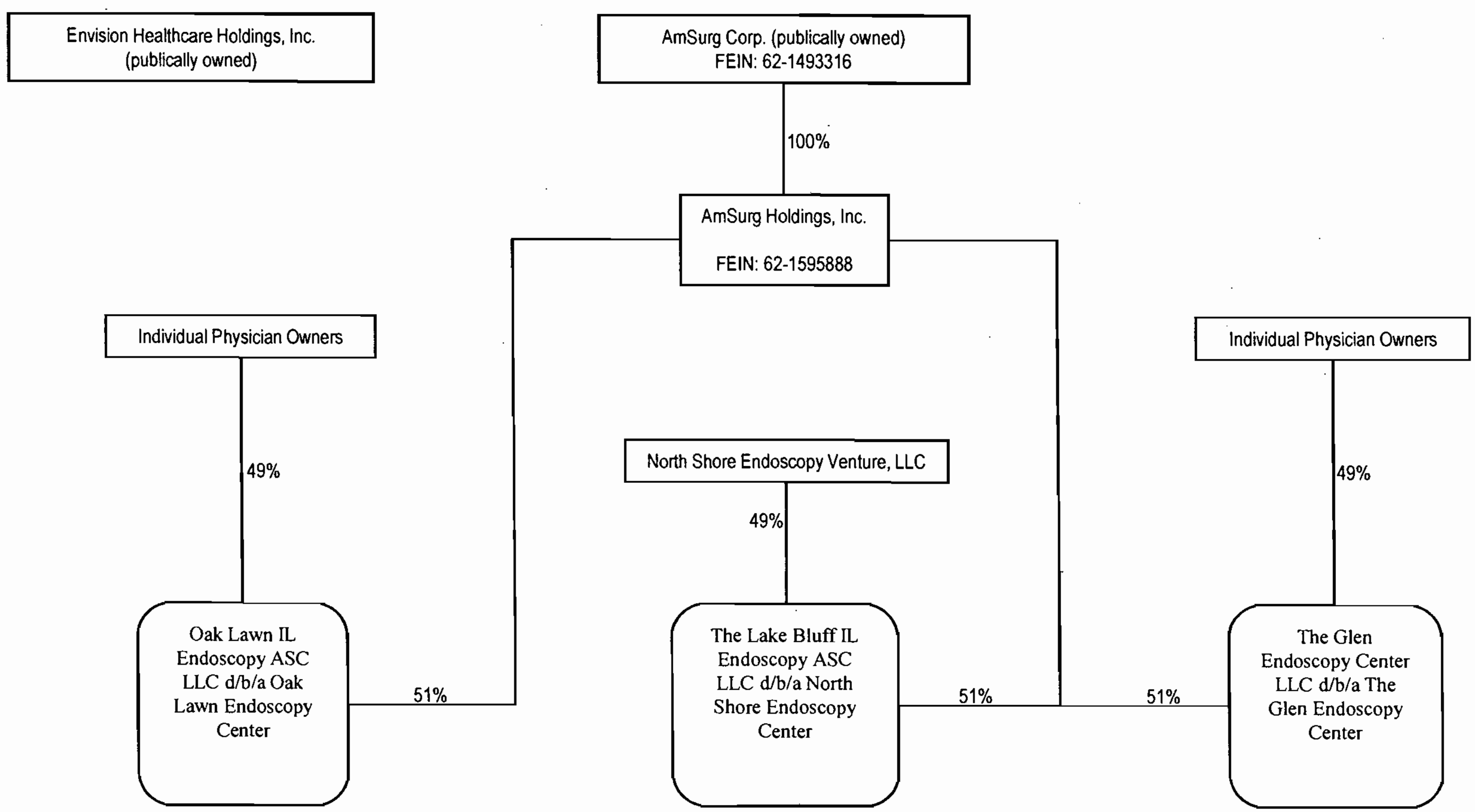
There is no monetary consideration being exchanged between the parties as part of the transaction since this is an all-stock transaction.

The facility will continue to be owned fifty-one percent (51%) by AmSurg Holdings, Inc. and forty-nine percent (49%) by participating physicians. There will be no change in the ownership of the facility and no change in the licensed entity.

Because of the complexity of the corporate transaction, counsel for the facilities met and discussed the transaction with the Review Board's legal counsel in a technical assistance meeting and determined that COE applications were required.

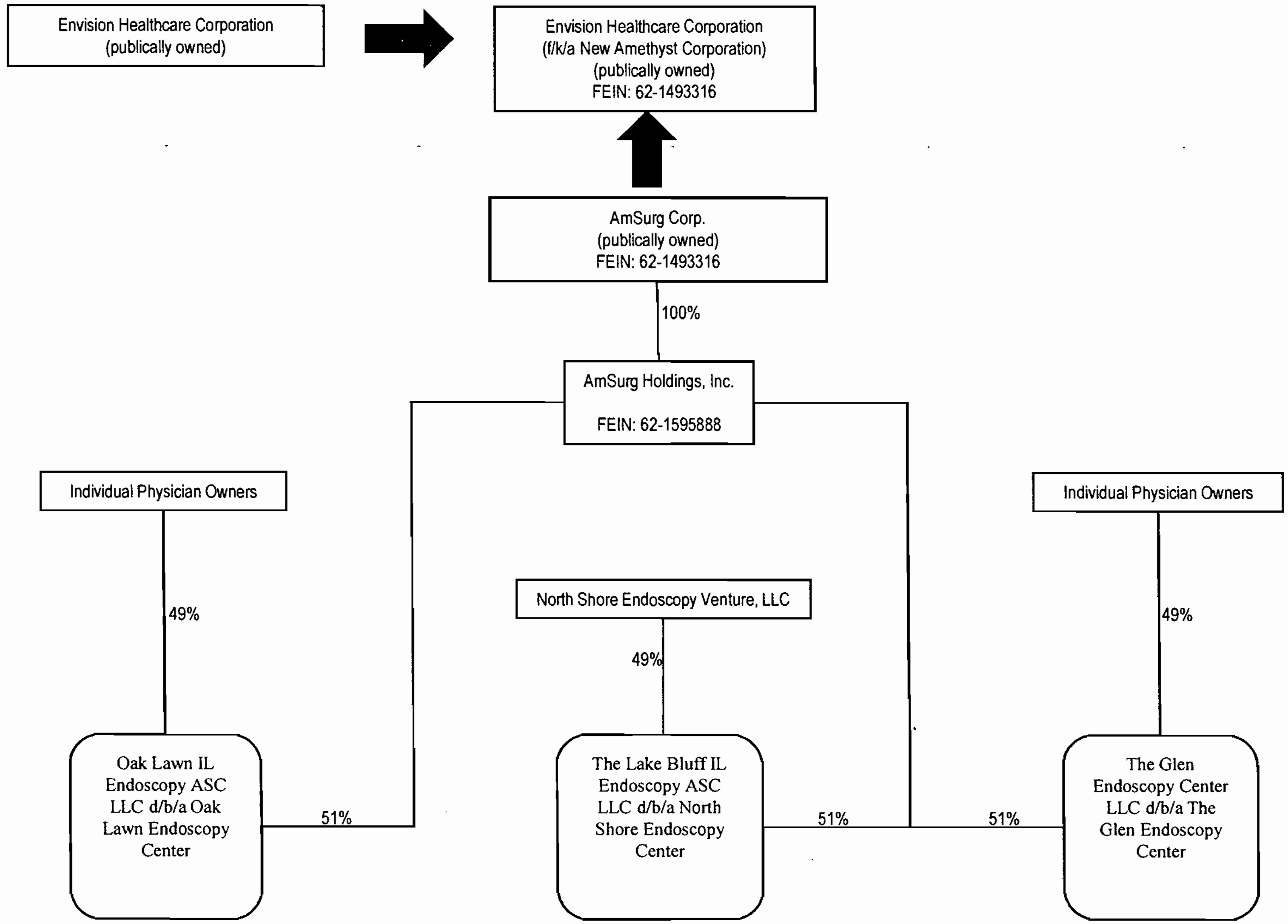
The applicants anticipate closing September 30, 2016 or as soon as practicable pending regulatory approvals.

# Corporate Organizational Structure In Illinois
# Prior to Change




ATTACHMENT 3

# Corporate Organizational Structure In Illinois
# After the Change




In this public company merger, AmSurg Corp. will merge into New Amethyst Corporation. Envision Healthcare Holdings, Inc. will then merge into New Amethyst Corporation and New Amethyst Corporation will change its name to "Envision Healthcare Corporation." The tax-ID numbers, direct ownership, and management of each Illinois center will remain exactly the same.



ATTACHMENT 3

## Section 13 Background of Applicants

## Attachment 4

## Background of Applicants

1. **AmSurg Corp. Overview**

AmSurg Corp. ("AmSurg") is a publically traded Tennessee corporation which owns licensed healthcare facilities across the county, including three in Illinois: (i) The Lake Bluff IL Endoscopy ASC, LLC, d/b/a North Shore Endoscopy Center, (ii) Oak Lawn IL Endoscopy ASC, LLC, d/b/a Oak Lawn Endoscopy Center, and (iii) Glen Endoscopy Center, LLC.

AmSurg's Ambulatory Services Division acquires, develops and operates ambulatory surgery centers in partnership with physicians throughout the U.S. AmSurg's Physician Services Division, Sheridan, provides outsourced physician services in multiple specialties to hospitals, ASCs and other healthcare facilities throughout the U.S., primarily in the areas of anesthesiology, radiology, children's services and emergency medicine. Through these businesses as of March 31, 2016, AmSurg owned and operated 256 ASCs and one surgical hospital in 34 states and the District of Columbia and provided physician services to more than 450 healthcare facilities in 29 states. AmSurg has partnerships with, or employs, over 5,000 physicians and other healthcare professionals in 38 states and the District of Columbia.

2. **Envision Healthcare Holdings, Inc. Overview**

Envision Healthcare Holdings, Inc. ("Envision") offers an array of physician-led healthcare-related services to consumers, hospitals, healthcare systems, health plans and local, state and national government entities. The organization provides care across a broad patient continuum via American Medical Response, Inc. ("AMR"), EmCare Holdings, Inc. ("EmCare") and Evolution Health, LLC (Evolution Health). AMR provides community-based medical transportation services, including emergency ('911'), non-emergency, managed transportation, air ambulance and disaster response. EmCare's integrated facility-based physician services include emergency, anesthesiology, hospitalist/inpatient care, intensive medicine, obstetrics and gynecology, radiology, tele-radiology and surgery.

3. **Organizational Chart and Good Standing Certificates**

An organizational chart showing the current ownership structure and the post-closing ownership relating to the facilities is included in Attachment 3. Good standing certificates for the following entities are also attached:

A. **The Lake Bluff IL Endoscopy ASC, LLC, d/b/a North Shore Endoscopy Center**: The Lake Bluff IL Endoscopy ASC, LLC, d/b/a North Shore Endoscopy Center ("Lake Bluff Endoscopy Center") is an Illinois limited liability company licensed as an ambulatory surgical treatment center by the Illinois Department of Public Health ("IDPH"). A copy of Lake Bluff Endoscopy Center's Illinois Good Standing Certificate is attached.

B. **AmSurg Holdings, Inc.**: AmSurg Holdings, Inc. ("AmSurg Holdings") is a Tennessee corporation. AmSurg Holdings is the entity that presently holds the interest in the three Illinois surgery centers and will continue to hold this interest following the merger. A copy of AmSurg Holdings' Delaware Good Standing Certificate and Illinois Good Standing Certificate as a foreign corporation are attached.

E. **AmSurg Corp.**: AmSurg Corp. ("AmSurg") is a publically traded Tennessee corporation and the ultimate parent of AmSurg Holdings. AmSurg Corp. will merge into New Amethyst Corp. with New Amethyst Corp. as the surviving corporation. A copy of AmSurg's Tennessee Good Standing Certificate and Illinois Good Standing Certificate as a foreign corporation are attached.

F. **New Amethyst Corp.**: New Amethyst Corp. ("New Amethyst") is a Delaware corporation. After AmSurg merges into New Amethyst, Envision Healthcare Holdings, Inc. will merge into New Amethyst and New Amethyst will be renamed "Envision Healthcare Corporation". New Amethyst will assume the same tax ID number held by AmSurg. A copy of New Amethyst's Good Standing Certificate is attached. Because New Amethyst performs no operations in Illinois, it is not required to obtain authorization to conduct business in Illinois and, therefore an Illinois Good Standing Certificate for a foreign corporation is not applicable.

G. **Envision Healthcare Holdings, Inc.**: Envision Healthcare Holdings, Inc. ("Envision") is a Delaware corporation. After AmSurg merges into New Amethyst, Envision will merge into New Amethyst with New Amethyst as the surviving corporation which will then be renamed "Envision Healthcare Corporation" This change does not result in a new corporate entity being created and Envision Healthcare Corporation will retain the same tax ID number of New Amethyst. A copy of Envision's Delaware Good Standing Certificate is attached. Because Envision performs no operations in Illinois, it is not required to obtain authorization to conduct business in Illinois and, therefore an Illinois Good Standing Certificate for a foreign corporation is not applicable.

*File Number* 0127098-2

# STATE OF ILLINOIS
## OFFICE OF THE SECRETARY OF STATE

## *To all to whom these Presents Shall Come, Greeting:*

*I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that*

THE LAKE BLUFF IL ENDOSCOPY ASC, LLC, A TENNESSEE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON AUGUST 17, 2004, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

***In Testimony Whereof,*** *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 12TH *day of* JULY *A.D.* 2016 .

Authentication #: 1619402858 verifiable until 07/12/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE



ATTACHMENT 4

# Delaware

The First State



*I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "AMSURG HOLDINGS, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE FOURTEENTH DAY OF JULY, A.D. 2016.*

*AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.*

*AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "AMSURG HOLDINGS, INC." WAS INCORPORATED ON THE FOURTEENTH DAY OF JULY, A.D. 2014.*

*AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.*

SECRETARY'S OFFICE 1793 DELAWARE 1855

Jeffrey W. Bullock, Secretary of State

5567812 8300

SR# 20164904366

Authentication: 202655493

Date: 07-14-16

You may verify this certificate online at corp.delaware.gov/authver.shtml



**ATTACHMENT 4**

*File Number* 6377-024-8

# STATE OF ILLINOIS

## OFFICE OF THE SECRETARY OF STATE

## To all to whom these Presents Shall Come, Greeting:

*I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that*

AMSURG HOLDINGS, INC., INCORPORATED IN TENNESSEE AND LICENSED TO TRANSACT BUSINESS IN THIS STATE ON SEPTEMBER 01, 2004, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

**In Testimony Whereof,** *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 14TH *day of* JULY *A.D.* 2016 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1619600496 verifiable until 07/14/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE



ATTACHMENT 4

**STATE OF TENNESSEE**
**Tre Hargett, Secretary of State**
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

**INFINITY PROFESSIONAL SERVICES GROUP INC.**
SUITE 104
600 S. 2ND STREET
SPRINGFIELD, IL 62704

July 14, 2016

**Request Type: Certificate of Existence/Authorization**
Request #: 0208281

Issuance Date: 07/14/2016
Copies Requested: 1

**Document Receipt**

| | | |
|---|---|---|
| Receipt # : 002796991 | Filing Fee: | $20.00 |
| Payment-Credit Card - State Payment Center - CC #: 3678343005 | | $20.00 |

| | | | |
|---|---|---|---|
| **Regarding:** | **AMSURG CORP.** | | |
| Filing Type: | For-profit Corporation - Domestic | Control # : | 250839 |
| Formation/Qualification Date: | 03/06/1992 | Date Formed: | 03/06/1992 |
| Status: | Active | Formation Locale: | TENNESSEE |
| Duration Term: | Perpetual | Inactive Date: | |
| Business County: | DAVIDSON COUNTY | | |

## CERTIFICATE OF EXISTENCE

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

**AMSURG CORP.**

* is a Corporation duly incorporated under the law of this State with a date of incorporation and duration as given above;

* has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;

* has filed the most recent annual report required with this office;

* has appointed a registered agent and registered office in this State;

* has not filed Articles of Dissolution or Articles of Termination. A decree of judicial dissolution has not been filed.

Tre Hargett

Tre Hargett
Secretary of State

Processed By: Cert Web User

**Verification #: 018180727**

Phone (615) 741-6488 * Fax (615) 741-7310 * Website: http://tnbear.tn.gov/



ATTACHMENT 4

*File Number* 6377-718-8

# STATE OF ILLINOIS
## OFFICE OF THE SECRETARY OF STATE

UNION
NATIONAL
SOVEREIGNTY
STATE

## *To all to whom these Presents Shall Come, Greeting:*

*I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that*

AMSURG CORP., INCORPORATED IN TENNESSEE AND LICENSED TO TRANSACT BUSINESS IN THIS STATE ON SEPTEMBER 02, 2004, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

SEAL OF THE STATE OF ILLINOIS
AUG. 26TH 1818
UNION
NATIONAL
SOVEREIGNTY
STATE
1868
1818

***In Testimony Whereof,*** *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 14TH *day of* JULY *A.D.* 2016 .

Authentication #: 1619602216 verifiable until 07/14/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE



ATTACHMENT 4

# Delaware

The First State



*I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "NEW AMETHYST CORP." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE FOURTEENTH DAY OF JULY, A.D. 2016.*

*AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.*

*AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "NEW AMETHYST CORP." WAS INCORPORATED ON THE TENTH DAY OF JUNE, A.D. 2016.*

*AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL FRANCHISE TAXES HAVE BEEN ASSESSED TO DATE.*

SECRETARY'S OFFICE 1793 DELAWARE 1893

Jeffrey W. Bullock, Secretary of State

6065421 8300

SR# 20164904408

You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202655501

Date: 07-14-16

**ATTACHMENT 4**

# Delaware

The First State



*I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ENVISION HEALTHCARE HOLDINGS, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWELFTH DAY OF JULY, A.D. 2016.*

*AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.*

*AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "ENVISION HEALTHCARE HOLDINGS, INC." WAS INCORPORATED ON THE TWENTY-EIGHTH DAY OF FEBRUARY, A.D. 2011.*

*AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.*

Jeffrey W. Bullock, Secretary of State

4946157 8300

SR# 20164877134

You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202644357

Date: 07-12-16

**ATTACHMENT 4**

**Section 14, Transaction Documents**

**Attachment 5**

**Summary of Transaction Documents**

1. **Names and Background of the Parties**

A. **The Lake Bluff IL Endoscopy ASC, LLC, d/b/a North Shore Endoscopy Center ("Lake Bluff Endoscopy Center")**

Lake Bluff Endoscopy Center is located in Lake Bluff, Illinois, thirty-five minutes north of downtown Chicago. Lake Bluff Endoscopy Center is owned fifty-one (51%) by AmSurg Corp. ("AmSurg") and forty-nine percent (49%) by participating physicians.

B. **AmSurg Holdings, Inc. ("Amsurg Holdings")**

AmSurg Holdings is a Delaware corporation. AmSurg Holdings is the entity that presently holds interest surgery centers across the country, including three in Illinois: (i) The Lake Bluff IL Endoscopy ASC, LLC, d/b/a North Shore Endoscopy Center, (ii) Oak Lawn IL Endoscopy ASC, LLC, d/b/a Oak Lawn Endoscopy Center, and (iii) Glen Endoscopy Center, LLC. AmSurg Holdings will continue to hold these interests following the merger.

C. **AmSurg Corp. ("AmSurg")**

AmSurg is a publically traded Tennessee corporation. AmSurg will merge into New Amethyst and then Envision Healthcare Holdings, Inc. will also merge into New Amethyst. AmSurg is the parent of AmSurg Holdings.

D. **Envision Healthcare Holdings, Inc. ("Envision")**

Envision is a publically traded Delaware corporation. Envision will merge into New Amethyst.

E. **<u>New Amethyst Corporation ("New Amethyst")</u>**

New Amethyst is a new created wholly-owned Delaware subsidiary of AmSurg. After the closing of the proposed transaction, New Amethyst will be renamed "Envision Healthcare Corporation" which will be the parent of AmSurg Holdings.

## 2. Structure of the Transaction

AmSurg, Envision and New Amethyst have entered into an Agreement and Plan of Merger (the "Merger Agreement"). Under the Merger Agreement, after first obtaining Review Board and other regulatory approvals, AmSurg and Envision will merge in an all-stock transaction.

First, AmSurg will merge with and into its wholly-owned Delaware subsidiary, New Amethyst Corp. ("New Amethyst"), with New Amethyst as the surviving corporation. The purpose of this merger is to change AmSurg's domicile from Tennessee to Delaware.

Envision will then merge with and into New Amethyst, with New Amethyst as the surviving corporation. At the time of closing New Amethyst will then be renamed "Envision Healthcare Corporation."

Based on the share exchange ratio, Envision shareholders will receive approximately fifty-three percent (53%) and AmSurg shareholders will receive approximately forty-seven percent (47%) of the equity interests in New Amethyst.

This application is part of a package of three applications seeking Review Board approval for Certificate of Exemption ("COEs") for changes of ownership resulting from this transaction. The three facilities are: (i) The Lake Bluff IL Endoscopy ASC, LLC, d/b/a North Shore Endoscopy Center, (ii) Oak Lawn IL Endoscopy ASC, LLC, d/b/a Oak Lawn Endoscopy Center, and (iii) Glen Endoscopy Center, LLC, all of which are currently owned by AmSurg Holdings, Inc. (51%) and affiliated physicians (49%).

There is no monetary consideration being exchanged between the parties as part of the transaction since this is an all-stock transaction.

## 3. The Person Who Will Be the Licensed Entity After the Transaction

The Lake Bluff IL Endoscopy ASC, LLC, d/b/a North Shore Endoscopy Center will continue to be the licensed entity.

4. **The Ownership Interest in the Licensed Entity Pre and Post Transaction**

An organizational chart showing the current membership and ownership structure and the post-closing ownership structure of Lake Bluff Endoscopy Center is included in Attachment 3. There is no change in the direct ownership of the licensed ambulatory surgical treatment centers. The change creating this COE application relates only to changes at the ultimate parent level.

5. **Fair Market Value of the Assets Being Transferred**

Because this is a merger there is no acquisition price or cash consideration being paid. On June 15, 2016, Envision Healthcare Holdings, Inc. and AmSurg Corp. entered into a definitive merger agreement, subject to necessary regulatory approvals, pursuant to which the companies will combine in an all-stock transaction at a fixed exchange ratio of 0.334 AmSurg shares per Envision share. The combined organization will have a pro forma market capitalization of approximately $10 billion and enterprise value of approximately $15 billion based on the closing stock prices of Envision and AmSurg on June 14, 2016. Envision shareholders will own approximately 53% percent and AmSurg shareholders will own approximately 47% percent of the combined organization on a fully diluted basis, including preferred shares. As part of the transaction, AmSurg did not assign any specific value to the facility or obtain a valuation of any specific facility.

6. **Purchase Price and Other Consideration**

There is no monetary consideration being exchanged between the parties as part of the transaction. Instead, this is a merger and all-stock exchange.

7. **Post-Closing Attestation**

Within ninety (90) days of after the closing of the proposed transaction, the Applicants will provide certification to the Review Board that the change in ownership has been completed in accordance with the terms set forth in this application.

**Section 15, Financial Statements**

**Attachment 6**

**Financial Statements**

Attached are copies of the most recently audited consolidated financial statements for AmSurg and Envision for the year ending December 31, 2015.

Because both AmSurg and Envision are publically traded companies, the financial statements are extracted from the companies' most recent 10-K filings with the Security and Exchange Commission.

New Amethyst is a newly created entity and, as such, does not have audited financial statements.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of
AmSurg Corp.
Nashville, Tennessee

We have audited the accompanying consolidated balance sheets of AmSurg Corp. and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of earnings, changes in equity, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of AmSurg Corp. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Nashville, Tennessee
February 25, 2016

**AmSurg Corp.**
**Consolidated Balance Sheets**
**(In thousands)**

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 106,660 | $ 208,079 |
| Restricted cash and marketable securities | 13,506 | 10,219 |
| Accounts receivable, net of allowance of $167,411 and $113,357, respectively | 337,330 | 233,053 |
| Supplies inventory | 21,406 | 19,974 |
| Prepaid and other current assets | 75,771 | 92,900 |
| Total current assets | 554,673 | 564,225 |
| Property and equipment, net | 189,168 | 180,448 |
| Investments in unconsolidated affiliates | 169,170 | 75,475 |
| Goodwill | 3,970,210 | 3,381,149 |
| Intangible assets, net | 1,641,811 | 1,273,879 |
| Other assets | 21,450 | 25,886 |
| Total assets | $ 6,546,482 | $ 5,501,062 |
| **Liabilities and Equity** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 20,377 | $ 18,826 |
| Accounts payable | 32,561 | 29,585 |
| Accrued salaries and benefits | 202,537 | 140,044 |
| Accrued interest | 30,480 | 29,644 |
| Other accrued liabilities | 119,237 | 67,986 |
| Total current liabilities | 405,192 | 286,085 |
| Long-term debt | 2,405,130 | 2,232,186 |
| Deferred income taxes | 699,498 | 611,018 |
| Other long-term liabilities | 96,183 | 89,443 |
| Commitments and contingencies | | |
| Noncontrolling interests – redeemable | 175,732 | 184,099 |
| Equity: | | |
| Preferred stock, no par value, 5,000 shares authorized, 1,725 shares issued and outstanding | 166,632 | 166,632 |
| Common stock, no par value, 120,000 and 70,000 shares authorized, respectively, 54,294 and 48,113 shares issued and outstanding, respectively | 1,345,418 | 885,393 |
| Retained earnings | 781,413 | 627,522 |
| Total AmSurg Corp. equity | 2,293,463 | 1,679,547 |
| Noncontrolling interests – non-redeemable | 471,284 | 418,684 |
| Total equity | 2,764,747 | 2,098,231 |
| Total liabilities and equity | $ 6,546,482 | $ 5,501,062 |

See accompanying notes to the consolidated financial statements.

**AmSurg Corp.**
**Consolidated Statements of Earnings**
**(In thousands, except earnings per share)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Revenues | $ 2,832,958 | $ 1,738,950 | $ 1,057,196 |
| Provision for uncollectibles | (266,074) | (117,001) | — |
| Net revenue | 2,566,884 | 1,621,949 | 1,057,196 |
| Operating expenses: | | | |
| Salaries and benefits | 1,314,392 | 694,576 | 327,585 |
| Supply cost | 184,222 | 164,296 | 153,126 |
| Other operating expenses | 397,794 | 284,928 | 216,501 |
| Transaction costs | 8,324 | 33,890 | 300 |
| Depreciation and amortization | 97,493 | 60,344 | 32,400 |
| Total operating expenses | 2,002,225 | 1,238,034 | 729,912 |
| Net gain on deconsolidations | 36,694 | 3,411 | 2,237 |
| Equity in earnings of unconsolidated affiliates | 16,152 | 7,038 | 3,151 |
| Operating income | 617,505 | 394,364 | 332,672 |
| Interest expense, net | 121,586 | 83,285 | 29,525 |
| Debt extinguishment costs | — | 16,887 | — |
| Earnings from continuing operations before income taxes | 495,919 | 294,192 | 303,147 |
| Income tax expense | 113,790 | 48,103 | 48,654 |
| Net earnings from continuing operations | 382,129 | 246,089 | 254,493 |
| Net earnings (loss) from discontinued operations | (1,013) | (1,296) | 7,051 |
| Net earnings | 381,116 | 244,793 | 261,544 |
| Less net earnings attributable to noncontrolling interests | 218,169 | 191,092 | 188,841 |
| Net earnings attributable to AmSurg Corp. shareholders | 162,947 | 53,701 | 72,703 |
| Preferred stock dividends | (9,056) | (4,503) | — |
| Net earnings attributable to AmSurg Corp. common shareholders | $ 153,891 | $ 49,198 | $ 72,703 |
| | | | |
| Amounts attributable to AmSurg Corp. common shareholders: | | | |
| Earnings from continuing operations, net of income tax | $ 154,892 | $ 50,777 | $ 71,009 |
| Earnings (loss) from discontinued operations, net of income tax | (1,001) | (1,579) | 1,694 |
| Net earnings attributable to AmSurg Corp. common shareholders | $ 153,891 | $ 49,198 | $ 72,703 |
| | | | |
| Basic earnings per share attributable to AmSurg Corp. common shareholders: | | | |
| Net earnings from continuing operations | $ 3.22 | $ 1.29 | $ 2.27 |
| Net earnings (loss) from discontinued operations | (0.02) | (0.04) | 0.05 |
| Net earnings | $ 3.20 | $ 1.25 | $ 2.32 |
| Diluted earnings per share attributable to AmSurg Corp. common shareholders: | | | |
| Net earnings from continuing operations | $ 3.18 | $ 1.28 | $ 2.22 |
| Net earnings (loss) from discontinued operations | (0.02) | (0.04) | 0.05 |
| Net earnings | $ 3.16 | $ 1.24 | $ 2.28 |

Weighted average number of shares and share equivalents outstanding:

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| | | | |
|---|---|---|---|
| Basic | 48,058 | 39,311 | 31,338 |
| Diluted | 51,612 | 39,625 | 31,954 |

See accompanying notes to the consolidated financial statements.



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**AmSurg Corp.**
**Consolidated Statements of Changes in Equity**
**(In thousands)**

| | AmSurg Corp. Shareholders | | | | | | | Noncontrolling Interests – Redeemable (Temporary Equity) |
|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Preferred Stock | | Retained Earnings | Noncontrolling Interests – Non-Redeemable | Total Equity (Permanent) | |
| | Shares | Amount | Shares | Amount | | | | |
| Balance at January 1, 2013 | 31,941 | $ 183,867 | — | $ — | $ 505,621 | $ 310,978 | $ 1,000,466 | $ 175,382 |
| Net earnings | — | — | — | — | 72,703 | 49,789 | 122,492 | 139,052 |
| Issuance of restricted common stock | 292 | — | — | — | — | — | — | — |
| Cancellation of restricted common stock | (16) | — | — | — | — | — | — | — |
| Stock options exercised | 1,393 | 33,349 | — | — | — | — | 33,349 | — |
| Stock repurchased | (1,257) | (45,964) | — | — | — | — | (45,964) | — |
| Share-based compensation | — | 8,321 | — | — | — | — | 8,321 | — |
| Tax benefit related to exercise of share-based awards | — | 7,247 | — | — | — | — | 7,247 | — |
| Acquisitions and other transactions impacting noncontrolling interests | — | 679 | — | — | — | 48,115 | 48,794 | (319) |
| Distributions to noncontrolling interests, net of capital contributions | — | — | — | — | — | (49,533) | (49,533) | (134,298) |
| Disposals and other transactions impacting noncontrolling interests | — | (1,626) | — | — | — | 2,010 | 384 | (2,120) |
| Balance at December 31, 2013 | 32,353 | $ 185,873 | — | $ — | $ 578,324 | $ 361,359 | $ 1,125,556 | $ 177,697 |
| Net earnings | — | — | — | — | 53,701 | 56,048 | 109,749 | 135,044 |
| Issuance of stock | 15,490 | 693,289 | 1,725 | 166,632 | — | — | 859,921 | — |
| Issuance of restricted stock | 272 | — | — | — | — | — | — | — |
| Cancellation of restricted stock | (12) | — | — | — | — | — | — | — |
| Stock options exercised | 111 | 2,630 | — | — | — | — | 2,630 | — |
| Stock repurchased | (101) | (4,615) | — | — | — | — | (4,615) | — |
| Share-based compensation | — | 10,104 | — | — | — | — | 10,104 | — |
| Tax benefit related to exercise of share-based awards | — | 3,177 | — | — | — | — | 3,177 | — |
| Dividends paid on preferred stock | — | — | — | — | (4,503) | — | (4,503) | — |
| Acquisitions and other transactions impacting noncontrolling interests | — | 744 | — | — | — | 54,725 | 55,469 | 6,482 |
| Distributions to noncontrolling interests, net of capital contributions | — | — | — | — | — | (56,439) | (56,439) | (133,594) |
| Disposals and other transactions impacting noncontrolling interests | — | (5,809) | — | — | — | 2,991 | (2,818) | (1,530) |
| Balance at December 31, 2014 | 48,113 | $ 885,393 | 1,725 | $ 166,632 | $ 627,522 | $ 418,684 | $ 2,098,231 | $ 184,099 |
| Net earnings | — | — | — | — | 162,947 | 67,568 | 230,515 | 150,601 |
| Issuance of stock | 5,835 | 447,720 | — | — | — | — | 447,720 | — |
| Issuance of restricted stock | 314 | — | — | — | — | — | — | — |
| Cancellation of restricted stock | (14) | — | — | — | — | — | — | — |
| Stock options exercised | 113 | 2,584 | — | — | — | — | 2,584 | — |
| Stock repurchased | (67) | (3,684) | — | — | — | — | (3,684) | — |
| Share-based compensation | — | 15,009 | — | — | — | — | 15,009 | — |
| Tax benefit related to exercise of share-based awards | — | 4,001 | — | — | — | — | 4,001 | — |
| Dividends paid on preferred stock | — | — | — | — | (9,056) | — | (9,056) | — |
| Acquisitions and other transactions impacting noncontrolling interests | — | 1,019 | — | — | — | 81,863 | 82,882 | (725) |
| Distributions to noncontrolling interests, | | | | | | | | |

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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| net of capital contributions | — | — | — | — | — | (66,294) | (66,294) | (147,182) |
| Disposals and other transactions impacting noncontrolling interests | — | (6,624) | — | — | — | (30,537) | (37,161) | (11,061) |
| Balance at December 31, 2015 | 54,294 | $ 1,345,418 | 1,725 | $ 166,632 | $ 781,413 | $ 471,284 | $ 2,764,747 | $ 175,732 |

See accompanying notes to the consolidated financial statements.

**AmSurg Corp.**
**Consolidated Statements of Cash Flows**
**(In thousands)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Cash flows from operating activities:** | | | |
| Net earnings | $ 381,116 | $ 244,793 | $ 261,544 |
| Adjustments to reconcile net earnings to net cash flows provided by operating activities: | | | |
| Depreciation and amortization | 97,493 | 60,344 | 32,400 |
| Amortization of deferred loan costs | 8,362 | 17,715 | 1,977 |
| Provision for uncollectibles | 287,427 | 139,274 | 21,947 |
| Net (gain) loss on sale of long-lived assets | (12) | 2,843 | (1,468) |
| Net gain on deconsolidations | (36,694) | (3,411) | (2,237) |
| Share-based compensation | 15,009 | 10,104 | 8,321 |
| Excess tax benefit from share-based compensation | (4,001) | (3,177) | (7,247) |
| Deferred income taxes | 19,037 | 30,780 | 38,363 |
| Equity in earnings of unconsolidated affiliates | (16,152) | (7,038) | (3,151) |
| Debt extinguishment costs | — | 4,536 | — |
| Net change in fair value of contingent consideration | 8,804 | — | — |
| Increases (decreases) in cash and cash equivalents, net of acquisitions and dispositions: | | | |
| Accounts receivable | (326,234) | (137,663) | (23,244) |
| Supplies inventory | (342) | (206) | 132 |
| Prepaid and other current assets | 25,880 | (9,091) | (5,308) |
| Accounts payable | 3,131 | (8,440) | 441 |
| Accrued expenses and other liabilities | 66,600 | 66,175 | 6,693 |
| Other, net | 8,535 | 4,833 | 3,661 |
| Net cash flows provided by operating activities | 537,959 | 412,371 | 332,824 |
| **Cash flows from investing activities:** | | | |
| Acquisitions and related expenses | (962,689) | (2,184,058) | (73,594) |
| Acquisition of property and equipment | (60,305) | (40,217) | (28,856) |
| Proceeds from sale of interests in surgery centers | 7,114 | 7,069 | 3,553 |
| Purchases of marketable securities | (3,984) | (6,474) | — |
| Maturities of marketable securities | 4,233 | 3,486 | — |
| Other | (1,194) | (4,941) | 159 |
| Net cash flows used in investing activities | (1,016,825) | (2,225,135) | (98,738) |
| **Cash flows from financing activities:** | | | |
| Proceeds from long-term borrowings and revolving credit facility | 560,133 | 2,048,958 | 162,204 |
| Repayment on long-term borrowings and revolving credit facility | (392,586) | (408,475) | (202,083) |
| Distributions to noncontrolling interests | (214,899) | (190,097) | (184,149) |
| Proceeds from preferred stock offering | — | 172,500 | — |
| Proceeds from common stock offering | 466,777 | 439,875 | — |
| Proceeds from issuance of common stock upon exercise of stock options | 2,584 | 2,630 | 33,349 |
| Repurchase of common stock | (3,684) | (4,615) | (45,964) |
| Payments of equity issuance costs | (19,058) | (24,494) | — |
| Financing costs incurred | (1,111) | (65,811) | (1,322) |
| Other | (20,709) | (468) | 8,321 |
| Net cash flows provided by (used in) financing activities | 377,447 | 1,970,003 | (229,644) |

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| | | | |
|---|---|---|---|
| Net increase (decrease) in cash and cash equivalents | (101,419) | 157,239 | 4,442 |
| Cash and cash equivalents, beginning of period | 208,079 | 50,840 | 46,398 |
| Cash and cash equivalents, end of period | $ 106,660 | $ 208,079 | $ 50,840 |
| **Supplemental cash flow information:** | | | |
| Interest payments | $ 112,678 | $ 38,129 | $ 28,378 |
| Income tax payments, net of refunds | $ 74,602 | $ 19,224 | $ 7,756 |

See accompanying notes to the consolidated financial statements.

## AmSurg Corp.
## Notes to the Consolidated Financial Statements

### (1) Summary of Accounting Policies

Below are a summary of the Company's policies that are not otherwise found within other notes.

#### a. Principles of Consolidation

*Ambulatory Services*

AmSurg Corp. (the "Company"), through its wholly-owned subsidiaries, owns interests, primarily 51%, in limited liability companies (LLCs) and limited partnerships (LPs) which own and operate ASCs primarily in the following specialties: gastroenterology; multi-specialty; ophthalmology; and orthopaedics. All LLCs and LPs and noncontrolling partners are referred to herein as "partnerships" and "partners", respectively. The Company does not have an ownership interest in a partnership greater than 51% which it does not consolidate. The Company has ownership interests of less than 51% in 23 partnerships, 2 of which it consolidates as the Company has substantive participation rights and 21 of which it does not consolidate as the Company's rights are limited to protective rights only. Consolidation of certain less than wholly owned partnerships is necessary as the Company's wholly-owned subsidiaries have primarily 51% or more of the financial interest of the partnership, are the general partner or majority member with all the duties, rights and responsibilities thereof, are responsible for the day-to-day management of the partnership, and have control of the entities. The responsibilities of the Company's noncontrolling partners (LPs and noncontrolling members) are to supervise the delivery of medical services, with their rights being restricted to those that protect their financial interests, such as approval of the acquisition of significant assets or the incurrence of debt which they are generally required to guarantee on a pro rata basis based upon their respective ownership interests. Intercompany profits, transactions and balances have been eliminated.

Ownership interests in consolidated subsidiaries held by parties other than the Company are identified and generally presented in the consolidated financial statements within the equity section but separate from the Company's equity. However, for instances in which certain redemption features that are not solely within the control of the Company are present, classification of noncontrolling interests outside of permanent equity is required. Consolidated net income attributable to the Company and to the noncontrolling interests are identified and presented on the consolidated statements of earnings; changes in ownership interests are accounted for as equity transactions; and when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary are measured at fair value. Certain transactions with noncontrolling interests are also classified within financing activities in the statements of cash flows.

As further described in note 19, upon the occurrence of various fundamental regulatory changes, the Company would be obligated, under the terms of certain partnership and operating agreements, to purchase the noncontrolling interests related to a substantial majority of the Company's partnerships. While the Company believes that the likelihood of a change in current law that would trigger such purchases was remote as of December 31, 2015, the occurrence of such regulatory changes is outside the control of the Company. As a result, these noncontrolling interests that are subject to this redemption feature are not included as part of the Company's equity and are classified as noncontrolling interests – redeemable on the Company's consolidated balance sheets.

Center profits and losses of consolidated entities are allocated to the Company's partners in proportion to their ownership percentages and reflected in the aggregate as net earnings attributable to noncontrolling interests. The partners of the Company's center partnerships typically are organized as general partnerships, LLCs or LPs that are not subject to federal income tax. Each partner shares in the pre-tax earnings of the center in which it is a partner. Accordingly, the earnings attributable to noncontrolling interests in each of the Company's consolidated partnerships are generally determined on a pre-tax basis, and total net earnings attributable to noncontrolling interests are presented after net earnings. However, the Company considers the impact of the net earnings attributable to noncontrolling interests on earnings before income taxes in order to determine the amount of pre-tax earnings on which the Company must determine its income tax expense. In addition, distributions from the partnerships are made to both the Company's wholly-owned subsidiaries and the partners on a pre-tax basis.

*Physician Services*

On July 16, 2014, the Company completed its acquisition of Sheridan Healthcare (Sheridan). Sheridan is a national provider of multi-specialty physician and administrative services to hospitals, ambulatory surgery centers and other healthcare facilities. Sheridan focuses on delivering comprehensive physician services, primarily in the areas of anesthesiology, radiology, children's services and emergency medicine to healthcare facilities. Through its contracts with healthcare facilities, Sheridan is authorized to bill and collect charges for fee for service medical services rendered by its healthcare professionals and employees in exchange for the provision of

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services to the patients of these facilities. Contract revenue is earned directly from hospital customers through a variety of payment arrangements that are established to supplement payments from third-party payors. Sheridan also provides physician services and manages office-based practices in the areas of gynecology, obstetrics and perinatology. The consolidated financial statements include the accounts of Sheridan and its wholly-owned subsidiaries along with the accounts of affiliated professional corporations (PCs) with which Sheridan has certain management arrangements. Sheridan's agreements with these PCs provide that the term of the arrangements is permanent, subject only to termination by the Company, except in the case of gross negligence, fraud or bankruptcy of the Company. The PC structure is primarily used in states which prohibit the corporate practice of medicine. The arrangements are captive in nature as a majority of the outstanding voting equity instruments of the PCs are owned by nominee shareholders appointed at the sole discretion of the Company. The nominee shareholder is generally a medical doctor who is generally a senior corporate employee of the Company. The Company has a contractual right to transfer the ownership of the PCs at any time to any person it designates as the nominee shareholder. The Company has the right to all assets and to receive income, both as ongoing fees and as proceeds from the sale of any interest in the PCs, in an amount that fluctuates based on the performance of the PCs and the change in the fair value of the interest in the PCs. The Company has exclusive responsibility for the provision of all non-medical services required for the day-to-day operation and management of the PCs and establishes the guidelines for the employment and compensation of the physicians and other employees of the PCs which is consistent with the operation of the Company's wholly-owned affiliates. Based on the provisions of these agreements, the Company has determined that the PCs are variable interest entities and that the Company is the primary beneficiary as defined in ASC 810 "Consolidations."

**b. Cash and Cash Equivalents**

Cash and cash equivalents are comprised principally of demand deposits at banks and other highly liquid short-term investments with maturities of less than three months when purchased. Cash and cash equivalents are reflected in the financial statements at cost, which approximates fair value.

**c. Restricted Cash and Marketable Securities**

As of December 31, 2015 and 2014, the Company had $27.4 million and $30.3 million, respectively, of restricted cash and marketable securities in the accompanying consolidated balance sheets which is restricted for the purpose of satisfying the obligations of the Company's wholly-owned captive insurance company. The Company has reflected $13.9 million and $20.1 million as of December 31, 2015 and 2014, respectively, of its restricted cash and marketable securities as a component of other assets in the accompanying consolidated balance sheets. Restricted cash and marketable securities reflected as a component of total current assets in the accompanying consolidated balance sheets represent amounts available to satisfy the claims payments estimated to occur in the next 12 months. As of December 31, 2015 and 2014, the Company had $2.7 million and $3.0 million, respectively, included in restricted cash and marketable securities at cost, consisting of certificates of deposit with maturities less than 180 days, which approximates fair value.

**d. Supplies Inventory**

Supplies inventory consists of medical and drug supplies and is recorded at cost on a first-in, first-out basis.

**e. Fair Value Measurements**

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between market participants to sell the asset or transfer the liability. The inputs used by the Company to measure fair value are classified into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3: Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

In determining the fair value of assets and liabilities that are measured on a recurring basis at December 31, 2015 and 2014, with the exception of contingent purchase price payables and the retained interests of investments in unconsolidated affiliates (further discussed in note 4 and note 5, respectively), the Company utilized Level 1 and 2 inputs to perform such measurements methods, which were commensurate with the market approach. There were no transfers to or from Levels 1 and 2 during the year ended

December 31, 2015. The Company's non-patient receivables and accounts payable are reflected in the financial statements at cost, which approximates fair value.

**f. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**g. Reclassifications**

Certain amounts in the consolidated financial statements and these notes have been reclassified for the retrospective adoption of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2015-17 "Balance Sheet Classification of Deferred Taxes". See below for further explanation.

**h. Recent Accounting Pronouncements**

In April 2014, the FASB issued ASU 2014-08 "Presentation of Financial Statements and Property, Plant and Equipment," which raised the threshold for a disposal to qualify as a discontinued operation and requires certain new disclosures for individually material disposals that do not meet the new definition of a discontinued operation. The ASU's intent is to reduce the number of disposals reported as discontinued operations by focusing on strategic shifts that have or will have a major effect on the Company's operations and financial results rather than routine disposals that are not a change in the Company's strategy. The guidance is effective for interim and annual periods beginning after December 15, 2014, with earlier adoption permitted. From time to time, the Company will dispose of certain of its entities due to management's assessment of the Company's strategy in the market and due to limited growth opportunities at those entities. Historically, these dispositions were classified as discontinued operations and recorded separately from continuing operations. The Company adopted this ASU effective January 1, 2015.

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers," which will eliminate the transaction and industry-specific revenue recognition guidance under current GAAP and replace it with a principle-based approach using the following steps: identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14 "Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date" which granted a one-year deferral of this ASU. The guidance in ASU 2014-09 will now be effective for public entities for annual reporting periods beginning after December 15, 2017, including interim periods therein. Early adoption will be permitted for annual reporting periods beginning after December 15, 2016, including interim periods therein. The Company has yet to assess the impact, if any, this ASU will have on the Company's consolidated financial position, results of operations or cash flows.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidations (Topic 810) - Amendments to the Consolidation Analysis". The new guidance makes amendments to the current consolidation guidance, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities. Under this analysis, limited partnerships and other similar entities will be considered a variable-interest entity unless the limited partners hold substantive kick-out rights or participating rights. The standard is effective for annual periods beginning after December 15, 2015, including interim periods therein. The Company does not believe this ASU will impact the Company's consolidated financial position, results of operations or cash flows. However, the Company continues to evaluate the disclosures required under this ASU and has not yet determined the impact, if any.

In April 2015, the FASB issued ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs". ASU 2015-03 amends current presentation guidance by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15 "Interest - Imputation of Interest (Subtopic 835-50), Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to Securities and Exchange Commission (SEC) Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update)" which incorporates into the Accounting Standards Codification an SEC staff announcement that the SEC staff will not object to an entity presenting the cost of securing a revolving line of credit as an asset, regardless of whether a balance is outstanding. The standards are effective for annual periods beginning after December 15, 2015, and interim periods within those fiscal years. Upon adoption, the Company will reclassify debt issuance costs which are currently presented as a component of intangible assets in the accompanying consolidated balance sheets to long-term debt, except those debt issuance costs associated with the Company's revolving credit facility. The Company expects the adoption of this standard will not have a significant impact on the Company's

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consolidated financial position and will have no impact on the results of operations or cash flows.

In September 2015, the FASB issued ASU 2015-16 "Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments" which eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment, including the effect on earnings of any amounts it would have recorded in previous periods if the accounting had been completed at the acquisition date. The guidance is effective for fiscal years, including interim periods within those fiscal years, beginning after December 31, 2015 with early adoption permitted. The Company adopted this standard as of September 2015. The adoption of this ASU did not have a material effect on the Company's consolidated financial position, results of operations or cash flows as of December 31, 2015.

In November 2015, the FASB issued ASU 2015-17 "Balance Sheet Classification of Deferred Taxes" which requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and non-current. The guidance is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is permitted and companies may adopt the guidance prospectively or retrospectively. The Company adopted this standard retrospectively as of December 31, 2015 and as a result, reclassified $22.5 million from prepaid and other current assets to noncurrent deferred income taxes at December 31, 2014 in the accompanying consolidated balance sheets.

**(2) Revenue Recognition**

*Ambulatory Services*

Ambulatory services revenues consist of billing for the use of the centers' facilities directly to the patient or third-party payor and, at certain of the Company's centers (primarily centers that perform gastrointestinal endoscopy procedures), billing for anesthesia services provided by medical professionals employed or contracted by the Company's centers. Such revenues are recognized when the related surgical procedures are performed. Revenues exclude any amounts billed for physicians' surgical services, which are billed separately by the physicians to the patient or third-party payor.

Revenues from ambulatory services are recognized on the date of service, net of estimated contractual adjustments from third-party medical service payors including Medicare and Medicaid. During the years ended December 31, 2015, 2014 and 2013, the Company derived approximately 26%, 25% and 25%, respectively, of its ambulatory services revenues from governmental healthcare programs, primarily Medicare and managed Medicare programs.

*Physician Services*

Physician services revenues primarily consist of fee for service revenue and contract revenue and is derived principally from the provision of physician services to patients of the healthcare facilities the Company serves. Contract revenue represents income earned from the Company's hospital customers to supplement payments from third-party payors.

The Company records revenue at the time services are provided, net of a contractual allowance and a provision for uncollectibles. Revenue less the contractual allowance represents the net revenue expected to be collected from third-party payors (including managed care, commercial and governmental payors such as Medicare and Medicaid) and patients insured by these payors. The Company also recognizes revenue for services provided during the period but are not yet billed. Expected collections are estimated based on fees and negotiated payment rates in the case of third-party payors, the specific benefits provided for under each patient's healthcare plan, mandated payment rates under the Medicare and Medicaid programs, and historical cash collections.

The Company's provision for uncollectibles includes its estimate of uncollectible balances due from uninsured patients, uncollectible co-pay and deductible balances due from insured patients and special charges, if any, for uncollectible balances due from managed care, commercial and governmental payors. The Company records net revenue from uninsured patients at its estimated realizable value, which includes a provision for uncollectible balances, based on historical cash collections (net of recoveries).



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Net revenue for the physician services segment consists of the following major payors (in thousands):

| | Year Ended December 31, 2015 | | Period from July 16, 2014 - December 31, 2014 (1) | |
|---|---|---|---|---|
| Medicare | $ 172,783 | 12.9 % | $ 61,378 | 12.0 % |
| Medicaid | 69,607 | 5.2 | 28,224 | 5.5 |
| Commercial and managed care | 1,007,902 | 75.4 | 382,343 | 74.7 |
| Self-pay | 222,830 | 16.7 | 102,727 | 20.1 |
| Net fee for service revenue | 1,473,122 | 110.2 | 574,672 | 112.3 |
| Contract and other revenue | 129,786 | 9.7 | 54,343 | 10.6 |
| Provision for uncollectibles | (266,074) | (19.9) | (117,001) | (22.9) |
| Net revenue for physician services | $ 1,336,834 | 100.0 % | $ 512,014 | 100.0 % |

(1) On July 16, 2014, the Company completed the acquisition of Sheridan. Accordingly, historical amounts for periods prior to that date are not included.

### (3) Accounts Receivable

The Company manages accounts receivable by regularly reviewing its accounts and contracts and by providing appropriate allowances for contractual adjustments and uncollectible amounts. Some of the factors considered by management in determining the amount of such allowances are the historical trends of cash collections, contractual and bad debt write-offs, accounts receivable agings, established fee schedules, contracts with payors, changes in payor mix and procedure statistics. Assessment of actual collections of accounts receivable in subsequent periods may require changes in the estimated contractual allowance and provision for uncollectibles. The Company routinely tests its analysis by comparing cash collections to net patient revenues and monitoring self-pay utilization. In addition, when actual collection percentages differ from expected results, for each facility or contract, supplemental detailed reviews of the outstanding accounts receivable balances may be performed by the Company to determine whether there are facts and circumstances existing that may cause a different conclusion as to the estimate of the collectability of that contract's accounts receivable from the estimate resulting from using the historical collection experience. The Company may also supplement its allowance for doubtful accounts policy for its physician services using a hindsight calculation that utilizes write-off data for all payor classes during the previous periods to estimate the allowance for doubtful accounts at a point in time. Material changes in estimates may result from unforeseen write-offs of patient or third party accounts receivable, unsuccessful disputes with managed care payors, adverse macro-economic conditions which limit patients' ability to meet their financial obligations for the care provided by physicians, or broad changes to government regulations that adversely impact reimbursement rates for services provided by the Company. Significant changes in payor mix, specialty mix, acuity, business office operations, general economic conditions and health care coverage provided by federal or state governments or private insurers may have a significant impact on the Company's estimates and significantly affect its results of operations and cash flows.

Due to the nature of the Company's operations, it is required to separate the presentation of its bad debt expense on the consolidated statement of earnings. The Company records the portion of its bad debts associated with its physician services segment as a component of net revenue in the accompanying consolidated statement of earnings, and the remaining portion, which is associated with its ambulatory services segment, is recorded as a component of other operating expenses in the accompanying consolidated statement of earnings. The bifurcation is a result of the Company's ability to assess the ultimate collection of the patient service revenue associated with its ambulatory services segment before services are provided. The Company's ambulatory services segment is generally able to verify a patient's insurance coverage and ability to pay before services are provided as those services are pre-scheduled and non-emergent. Bad debt expense for the ambulatory services segment is included in other operating expenses and was approximately $21.4 million, $21.9 million and $21.7 million for the years ended December 31, 2015, 2014 and 2013, respectively. Bad debt expense related to physician services was $266.1 million for the year ended December 31, 2015 and $117.0 million during the period from July 16, 2014 through December 31, 2014.

At December 31, 2015 and 2014 allowances for doubtful accounts were $167.4 million and $113.4 million, respectively. The increase in the allowance for doubtful accounts is primarily a result of operations from acquisitions completed during the year ended December 31, 2015. At December 31, 2015 and 2014, approximately 80% and 73%, respectively, of the Company's allowance for doubtful accounts was related to fee for service patient receivables associated with the Company's physician services segment. The principal exposure for uncollectible fee for service visits is from self-pay patients and, to a lesser extent, for co-payments and deductibles from patients with insurance. Concentration of credit risk is limited by the diversity and number of facilities, patients, payors and by the geographic dispersion of the Company's operations.

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## (4) Acquisitions

The Company accounts for its business combinations under the fundamental requirements of the acquisition method of accounting and under the premise that an acquirer be identified for each business combination. The acquirer is the entity that obtains control of one or more businesses in the business combination and the acquisition date is the date the acquirer achieves control. The assets acquired, liabilities assumed and any noncontrolling interests in the acquired business at the acquisition date are recognized at their fair values as of that date, and the direct costs incurred in connection with the business combination are recorded and expensed separately from the business combination. Acquisitions in which the Company is able to exert significant influence but does not have control are accounted for using the equity method.

*Ambulatory Services Acquisitions*

During 2015 and 2014, the Company, through a wholly-owned subsidiary, acquired a controlling interest in seven and eight surgery centers, respectively. Of the centers acquired during 2014, three were acquired as part of the Sheridan transaction and five were individually acquired in separate transactions. The aggregate amount paid for the centers and for settlement of purchase price payable obligations during December 31, 2015 and 2014 was approximately $131.3 million and $50.9 million, respectively, and was paid in cash and funded by a combination of operating cash flow and borrowings under the Company's revolving credit facility. The acquisitions completed during the year ended December 31, 2015 consist of the following:

| Acquired Operations | Location | Date Acquired | Specialty |
|---|---|---|---|
| River Drive Surgery & Laser Center, LLC | Elmwood Park, NJ | February 2015 | Ophthalmology |
| Campus Surgery Center, LLC | Daly City, CA | June 2015 | Multi-Specialty |
| Waverly Surgery Center, LLC | Palo Alto, CA | June 2015 | Multi-Specialty |
| Surgical Center at Millburn, LLC | Millburn-East Willow, NJ | July 2015 | Multi-Specialty |
| Eye Surgery Center of Western Ohio, LLC | Lima, OH | August 2015 | Ophthalmology |
| Surgical Specialty Center of Northeastern PA, LLC | Forty Fort, PA | October 2015 | Multi-Specialty |
| South Portland Surgical Center, LLC | Tualatin, OR | November 2015 | Multi-Specialty |

*Physician Services Acquisitions*

The Company completed the acquisition of nine physician practices in 2015 and two physician practices in 2014 following the acquisition of Sheridan. During 2015 and 2014, the total consideration consisted of cash of $831.4 million and $19.0 million, respectively, which was funded at closing through available cash, current year operating cash flow and borrowings through the Company's credit facility. The acquisitions completed during the year ended December 31, 2015 consist of the following:

| Acquired Operations | Location | Date Acquired | Specialty |
|---|---|---|---|
| Ambulatory Anesthesia Care, PC | Mountainside, NJ | January 2015 | Anesthesia |
| Sheridan Radiology Management Services, Inc. | Beachwood, OH | January 2015 | Radiology |
| Radiology Associates of Hollywood, P.A. | Pembroke Pines, FL | March 2015 | Radiology |
| Halifax Anesthesiology Associates, P.A. | Daytona Beach, FL | April 2015 | Anesthesia |
| Coastal Anesthesiology Consultants, P.A. | St. Augustine, FL | July 2015 | Anesthesia |
| Bay Area Anesthesia, LLC | Tampa, FL | August 2015 | Anesthesia |
| Valley Anesthesia Consultants, Ltd. | Phoenix, AZ | November 2015 | Anesthesia |
| Chandler Emergency Medical Group, LLC | Phoenix, AZ | December 2015 | Emergency |
| Northside Anesthesiology Consultants, LLC | Atlanta, GA | December 2015 | Anesthesia |

As a result of certain acquisitions completed during the year ended December 31, 2014, the Company has agreed to pay as additional consideration, amounts which are contingent on the acquired entities achieving future performance metrics. As of December 31, 2015 and December 31, 2014, the Company had accrued $5.5 million and $20.7 million, respectively, as a component of accrued liabilities and other long-term liabilities in the accompanying consolidated balance sheets which represents management's estimate of the fair values of the contingent consideration. During the year ended December 31, 2015, the Company made a payment of $28.7 million, of

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which $15.7 million was to settle the amount recorded at the acquisition date and represents a financing outflow in the consolidated statement of cash flows. As of December 31, 2015, the Company estimates it may have to pay between $5.0 million and $6.0 million in future contingent payments for acquisitions made prior to December 31, 2014 based upon the current projected financial performance or anticipated achievement of other targets of the acquired operations. The current estimate of future contingent payments could increase or decrease depending upon the actual performance of the acquisitions over each respective measurement period. During the year ended December 31, 2015, the Company recorded a net increase of $10.0 million based on results of operations of the associated acquisitions, of which $8.8 million is included in other operating expenses in the accompanying consolidated statements of earnings. Additionally, the Company recorded an increase in the contingent liability of $3.5 million during the year ended December 31, 2015 as a result of the acquisition accounting associated with the purchase of Sheridan. The acquisitions completed during the year ended December 31, 2015 did not contain provisions for contingent consideration.

The Company utilizes Level 3 inputs, which include unobservable data, to measure the fair value of the contingent consideration. The fair value was determined utilizing future forecasts of both earnings and other performance metrics which are expected to be achieved during the performance period, in accordance with each respective purchase agreement. In estimating the fair value, management developed various scenarios and weighted the probable outcome of each scenario using a range of expected probability specific to each agreement. Management utilized a market rate to discount the results of such analysis in order to record the present value of the expected future payout. The timing of the payments of the additional consideration varies by agreement but is expected to occur within one to three years from the respective date of acquisition.

*Sheridan Acquisition*

On July 16, 2014 (the "acquisition date"), the Company completed the acquisition of Sheridan in a cash and stock transaction. At closing, the Company paid approximately $2.1 billion in cash and issued 5,713,909 shares of its common stock to the former owners of Sheridan in exchange for all of the outstanding equity interests of Sheridan. The shares issued to Sheridan were valued at approximately $272.0 million based on the closing price of the Company's common stock on July 16, 2014. The acquisition of Sheridan enhances the growth profile and diversity of the Company focusing on complementary specialties across the healthcare continuum.

To fund the transaction, the Company completed offerings of common stock and mandatory convertible preferred stock resulting in the issuance of 9,775,000 shares of common stock and 1,725,000 shares of mandatory convertible preferred stock. Proceeds from the common stock offering and mandatory preferred stock offering, net of transaction fees, were approximately $421.3 million and $166.6 million, respectively. In addition, on July 16, 2014, the Company entered into a new senior secured credit facility, which includes an $870.0 million term loan and a $300.0 million revolving credit facility, and completed a private offering of $1.1 billion aggregate principal amount of 5.625% senior unsecured notes due 2022.

Fees and expenses associated with the Sheridan transaction, which includes fees incurred related to the Company's equity issuances and debt financings, was approximately $139.1 million during the year ended December 31, 2014. Approximately $53.0 million was capitalized as deferred financing costs, $24.5 million was related to the equity offerings and recorded as a reduction to equity, $31.9 million was expensed as transaction costs, $12.8 million was amortized through interest expense and $16.9 million was recorded as debt extinguishment costs during the year ended December 31, 2014.

*Purchase Price Allocations*

The acquisition date fair value of the total consideration transferred and acquisition date fair value of each major class of consideration for the acquisitions completed during 2015 and 2014, including post acquisition date adjustments recorded to purchase price allocations, are as follows (in thousands):

| | 2015 | 2014 | |
|---|---|---|---|
| | Individual Acquisitions [(1)] | Individual Acquisitions | Sheridan |
| Accounts receivable | $ 62,216 | $ 1,816 | $ 130,260 |
| Other current assets | 21,477 | 1,075 | 105,757 |
| Property and equipment | 15,484 | 3,294 | 20,185 |
| Goodwill | 682,458 | 101,865 | 1,534,656 |
| Intangible assets | 420,414 | 14,207 | 1,200,028 |
| Other long-term assets | 342 | — | 50,304 |
| Accounts payable | (3,641) | (2,519) | (5,862) |
| Other accrued liabilities | (45,386) | (626) | (118,548) |
| Deferred income taxes | (88,728) | — | (432,792) |
| Other long-term liabilities | (4,958) | (8,588) | (69,456) |
| Long-term debt | (6,046) | (717) | (4,594) |
| Total fair value | 1,053,632 | 109,807 | 2,409,938 |
| Less: Fair value attributable to noncontrolling interests | 85,443 | 39,371 | 24,365 |
| Acquisition date fair value of total consideration transferred | $ 968,189 | $ 70,436 | $ 2,385,573 |

(1) Represents the preliminary allocation of fair value of acquired assets and liabilities associated with these acquisitions at December 31, 2015.

During 2015, no significant changes were made to the purchase price allocation of assets and liabilities, existing at the date of acquisition, related to individual acquisitions completed in 2014. During 2015, factors became known to the Company that resulted in changes to the purchase price allocation of assets and liabilities, existing at the date of acquisition, related to Sheridan and resulted in a net decrease to goodwill of $8.3 million, an increase to other accrued expenses, a decrease to other current assets and a decrease to deferred income taxes.

The total fair value of acquisitions completed by the Company include amounts allocated to goodwill, which result from the acquisitions' favorable reputations in their markets, their market positions and their ability to deliver quality care with high patient satisfaction consistent with the Company's business model. Fair value attributable to noncontrolling interests is based on significant inputs that are not observable in the market. Key inputs used to determine the fair value include financial multiples used in the purchase of noncontrolling interests primarily from acquisitions of centers. Such multiples, based on earnings, are used as a benchmark for the discount to be applied for the lack of control or marketability. The fair value of noncontrolling interests for acquisitions where the purchase price allocation is not finalized may be subject to adjustment as the Company completes its initial accounting for acquired intangible assets. Additionally, the Company continues to obtain information relative to the fair values of assets acquired, liabilities assumed and any noncontrolling interests associated with acquisitions completed in the last twelve months. Acquired assets and assumed liabilities include, but are not limited to, fixed assets, licenses, intangible assets and professional liabilities. The valuations are based on appraisal reports, discounted cash flow analyses, actuarial analyses or other appropriate valuation techniques to determine the fair value of the assets acquired or liabilities assumed. A majority of the deferred income taxes recognized as a component of the Company's purchase price allocation is a result of the difference between the book and tax basis of the amortizable intangible assets recognized. The amount allocated to the deferred income tax liability is subject to change as a result of the final allocation of purchase price to amortizable intangibles. The Company expects to finalize the purchase price allocation for its most recent acquisitions as soon as practical.

During the year ended December 31, 2015, the Company incurred approximately $8.3 million of transaction costs associated with its acquisition of surgery centers and physician practices. During the year ended December 31, 2014, the Company incurred approximately $33.9 million of transaction costs primarily associated with the acquisition of Sheridan. Such costs excluded those amounts that were either capitalized or expensed as part of the financing transactions associated with acquisitions.

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Revenues and net earnings included in the years ended December 31, 2015 and 2014 associated with completed acquisitions are as follows (in thousands):

| | 2015 | 2014 | |
|---|---|---|---|
| | Individual Acquisitions | Individual Acquisitions | Sheridan |
| Net revenue | $ 179,113 | $ 20,844 | 517,213 |
| Net earnings | 26,901 | 5,155 | 26,776 |
| Less: Net earnings attributable to noncontrolling interests | 7,448 | 2,859 | 459 |
| Net earnings attributable to AmSurg Corp. common shareholders | $ 19,453 | $ 2,296 | $ 26,317 |

The unaudited consolidated pro forma results for the years ended December 31, 2015 and 2014, assuming all 2015 acquisitions had been consummated on January 1, 2014, all 2014 acquisitions had been consummated on January 1, 2013 are as follows (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Net revenue | $ 2,858,544 | $ 2,680,273 |
| Net earnings | 401,950 | 322,653 |
| Amounts attributable to AmSurg Corp. common shareholders: | | |
| Net earnings | 170,453 | 104,548 |
| Net earnings per common share: | | |
| Basic | $ 3.55 | $ 2.21 |
| Diluted | $ 3.48 | $ 2.20 |

### (5) Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates in which the Company exerts significant influence but does not control or otherwise consolidate are accounted for using the equity method. Equity method investments are initially recorded at cost, unless such investments are a result of the Company entering into a transaction whereby the Company loses control of a previously controlled entity but retains a noncontrolling interest. Such transactions, which result in the deconsolidation of a previously consolidated entity, are measured at fair value. The fair value measurement utilizes Level 3 inputs, which include unobservable data, to measure the fair value of the retained noncontrolling interest. The fair value determination are generally based on a combination of multiple valuation methods which can include discounted cash flow, income approach, or market value approach which incorporates estimates of future earnings and market valuation multiples for certain guideline companies. These investments are included as investments in unconsolidated affiliates in the accompanying consolidated balance sheets. The Company's share of the profits and losses from these investments is reported in equity in earnings of unconsolidated affiliates in the accompanying consolidated statements of earnings. The Company monitors its investments for other-than-temporary impairment by considering factors such as current economic and market conditions and the operating performance of the companies and records reductions in carrying values when necessary.

As of December 31, 2015 and 2014, the Company has recorded in the accompanying consolidated balance sheets its investments in unconsolidated affiliates of $169.2 million and $75.5 million, respectively. The Company's net earnings from these investments during the years ended December 31, 2015, 2014 and 2013 were approximately $16.2 million, $7.0 million and $3.2 million, respectively.

During the year ended December 31, 2015, the Company's ambulatory services segment entered into five separate equity method investments. As a result of these investment transactions, the Company contributed its controlling interest in nine centers and received net cash of $8.5 million in exchange for noncontrolling interests in the new investments. Each of these investments is jointly owned by a health system and the Company. The newly formed investments (including the contributed centers) are controlled by the health systems. Also, as part of these transactions, the Company obtained a non-controlling interest in three additional centers and one surgical hospital which were contributed by the health systems.

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During the year ended December 31, 2015, the Company's physician services segment contributed three contracts into an entity jointly owned by the Company and a health system.

During the year ended December 31, 2014, the Company's ambulatory services segment entered into four separate equity method investments. As a result of these investment transactions, the Company contributed its controlling interest in four of its centers and received net cash of $1.2 million in exchange for noncontrolling interests in the new investments. Each of these investments is jointly owned by a health system and the Company. The newly formed investments (including the contributed centers) are controlled by the health systems. Also, as part of these transactions, the Company obtained a non-controlling interest in one additional centers which was contributed by a health system.

During the year ended December 31, 2013, the Company's ambulatory services segment entered into one equity method investment. As a result of this investment transaction, the Company contributed cash of $0.3 million and its controlling interest in one center in exchange for a noncontrolling interests in the new investment. This investment is jointly owned by a health system and the Company. The newly formed investment (including the contributed center) are controlled by the health system. Also, as part of this transaction, the Company obtained a non-controlling interest in one additional center which was contributed by the health system.

As a result of these transactions, for the years ended December 31, 2015 and 2014, the Company recorded the fair value of the Company's investment in these entities of approximately $83.1 million and $56.4 million, respectively, in the accompanying consolidated balance sheets, as a component of investments in unconsolidated affiliates.

In each of these transactions, the gain or loss on deconsolidation, which is primarily non-cash in nature, is determined based on the difference between the fair value of the Company's interest, which is based on estimates of the expected future earnings, in the new entity and the carrying value of both the tangible and intangible assets of the contributed centers or contracts immediately prior to each transaction. In certain cases, the Company evaluated likely scenarios which were weighted by a range of expected probabilities of 10% to 50% which were primarily based on third party valuations received by the Company. Accordingly, the Company recognized a net gain on deconsolidations in the accompanying consolidated statements of earnings of approximately $36.7 million, $3.4 million, and $2.2 million during the years ended December 31, 2015, 2014 and 2013.

Included in the Company's investments in unconsolidated affiliates are certain investments which the Company has determined meet the definition of a variable interest entity. The Company has a variable interest in these investments through its equity interests; however, the Company is not the primary beneficiary of these entities as it only holds 50% of the voting rights and does not have the power to direct the activities that most significantly impact the entities' economic performance as a result of the Company's shared control. As a result, the Company has accounted for these investments under the equity method of accounting. The Company's investment in these entities was $89.6 million and $53.2 million as of December 31, 2015 and 2014, respectively, and are reflected in the accompanying consolidated balance sheets as a component of investments in unconsolidated affiliates. During the year ended December 31, 2015, the Company contributed four centers which were previously controlled into an entity deemed by the Company to meet the definition of a variable interest entity which resulted in the Company's recording the fair value of its retained noncontrolling interest of approximately $27.1 million as a component of investments in unconsolidated affiliates in the accompanying consolidated balance sheets. During the year ended December 31, 2014, as part of the acquisition of Sheridan, the Company acquired an interest in an entity deemed to be a variable interest entity and recorded the estimated fair value of the investment of $49.4 million on the acquisition date. The Company's ownership interest in these investments ranges from 49% to 51% and under the terms of the operating agreements, the Company earns billing and management fees and receives its share of earnings distributions from each entity. The Company has no other material obligations or guarantees related to these entities.

The Company has recorded its share of the earnings of these investments of $11.0 million and $3.4 million as a component of equity in earnings of unconsolidated affiliates in the accompanying consolidated statement of earnings during 2015 and 2014, respectively. In addition, the Company recognized management and billing fees totaling $14.3 million and $4.7 million during 2015 and 2014, respectively, which are included in net revenue in the accompanying consolidated statement of earnings. Additionally, the Company has recorded receivables from these entities in the amount of $2.3 million and $3.5 million as of December 31, 2015 and 2014, respectively. These receivables are included in other current assets in the accompanying consolidated balance sheets.

## (6) Discontinued Operations

During the years ended December 31, 2014 and 2013, the Company discontinued the operations of certain centers in its ambulatory services segment due to management's assessment of the Company's strategy in the market and due to the limited growth opportunities at these centers. For centers discontinued in 2014 and prior, the results of operations of those centers have been classified as discontinued operations in all periods presented. As of January 1, 2015, the Company adopted ASU 2014-08 which raised the threshold for a disposal to qualify as a discontinued operation. As a result, the Company expects that any future disposals of its centers will no longer meet the definition to be accounted for as discontinued operations, and any gain or loss from such disposals will be included in continuing operations. The Company did not dispose of any centers during the year ended December 31, 2015, but continues to have operating activity associated with centers previously classified as discontinued operations.

Results of operations and associated gain (loss) on discontinued centers for the years ended December 31, 2015, 2014 and 2013 are as follows (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Revenues | $ — | $ 9,545 | $ 25,373 |
| Earnings before income taxes | — | 893 | 5,607 |
| Results of discontinued operations, net of tax: | | | |
| Earnings (loss) from operations of discontinued interests in surgery centers | (1,013) | 710 | 4,449 |
| Gain (loss) on disposal of discontinued interests in surgery centers | — | (2,006) | 2,602 |
| Net earnings (loss) from discontinued operations | (1,013) | (1,296) | 7,051 |
| Less: Net earnings (loss) from discontinued operations attributable to noncontrolling interests | (12) | 283 | 5,357 |
| Net earnings (loss) from discontinued operations attributable to AmSurg Corp. common shareholders | $ (1,001) | $ (1,579) | $ 1,694 |

Cash proceeds from centers discontinued for the years ended December 31, 2014 and 2013 were $7.1 million and $3.6 million, respectively. There were no cash proceeds during 2015.

## (7) Prepaid and Other Current Assets

The following table presents a summary of items comprising prepaid and other current assets in the accompanying consolidated balance sheets as of December 31, 2015 and 2014 (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Income taxes receivable | $ 7,908 | $ 28,694 |
| Prepaid expenses | 18,900 | 18,682 |
| Deferred compensation plan assets | 16,623 | 17,320 |
| Other | 32,340 | 28,204 |
| Total prepaid and other current assets | $ 75,771 | $ 92,900 |

## (8) Property and Equipment

Property and equipment are stated at cost. Equipment held under capital leases is stated at the present value of minimum lease payments at the inception of the related leases. Depreciation for buildings and improvements is recognized under the straight-line method over 20 to 40 years or, for leasehold improvements, over the remaining term of the lease plus renewal options for which failure to renew the lease imposes a penalty on the Company in such an amount that a renewal appears, at the inception of the lease, to be reasonably assured. The primary penalty to which the Company is subject is the economic detriment associated with existing leasehold improvements which might be impaired if a decision is made not to continue the use of the leased property. Depreciation for movable equipment is recognized over useful lives of three to ten years.

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Property and equipment at December 31, 2015 and 2014 were as follows (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Building and improvements | $ 177,253 | $ 170,420 |
| Movable equipment | 237,312 | 215,444 |
| Construction in progress | 8,676 | 11,940 |
| | 423,241 | 397,804 |
| Less accumulated depreciation | (234,073) | (217,356) |
| Property and equipment, net | $ 189,168 | $ 180,448 |

At December 31, 2015, the Company and its partnerships had unfunded construction and equipment purchases of approximately $18.3 million in order to complete construction in progress primarily associated with the construction of the Company's new physician services headquarters. Depreciation expense for continuing and discontinued operations for the years ended December 31, 2015, 2014 and 2013 was $35.4 million, $33.2 million and $29.8 million, respectively.

**(9) Goodwill and Intangible Assets**

The Company's intangible assets include goodwill and other intangibles, which include the fair value of both the customer relationships with hospitals and trade names acquired in the Company's physician services segment. The Company's indefinite lived intangibles include goodwill and trade names. Goodwill represents the excess of purchase price over the fair value of net assets acquired. The Company evaluates indefinite lived intangible assets, including goodwill, for impairment at least on an annual basis and more frequently if certain indicators are encountered. Indefinite lived intangibles are to be tested at the reporting unit level, defined as an operating segment or one level below an operating segment (referred to as a component), with the fair value of the reporting unit being compared to its carrying amount. If the fair value of a reporting unit exceeds its carrying amount, the indefinite lived intangibles associated with the reporting unit is not considered to be impaired. The Company completed its annual impairment test as of October 1, 2015, and determined that its indefinite lived intangibles were not impaired. The Company's finite-lived intangibles includes its customer relationship with hospitals. The Company tests its finite-lived intangibles for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The Company's policy is to recognize an impairment charge when the carrying amount is not recoverable and such amount exceeds fair value. During the year ended December 31, 2015, there were no events or circumstances that indicated a potential impairment in the Company's finite-lived intangibles.

The changes in the carrying amount of goodwill for the years ended December 31, 2015 and 2014 are as follows (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Balance, beginning of year | $ 3,381,149 | $ 1,758,970 |
| Goodwill acquired, including post acquisition adjustments | 674,476 | 1,636,521 |
| Goodwill disposed, including impact of deconsolidation transactions | (85,415) | (14,342) |
| Balance, end of year | $ 3,970,210 | $ 3,381,149 |

As of December 31, 2015, the ambulatory services segment and the physician services segment each had approximately $2.0 billion of goodwill compared to $1.9 billion for ambulatory services and $1.5 billion for physician services, respectively, at December 31, 2014. During the year ended December 31, 2015, goodwill increased $123.4 million for the ambulatory services segment primarily due to the acquisition of seven centers, net of nine deconsolidations. During the year ended December 31, 2015, goodwill increased by $465.7 million for the physician services segment primarily due to the acquisition of nine physician practices, net of three deconsolidations. For the years ended December 31, 2015 and 2014 approximately $295.7 million and $64.5 million, respectively, of goodwill recorded was deductible for tax purposes.

Intangible assets consist primarily of customer relationships with hospitals, deferred financing costs, capitalized software and certain amortizable and non-amortizable non-compete and customer agreements. Customer relationships with hospitals are initially recorded at their estimated fair value and amortized on a straight-line basis over 20 years. Deferred financing costs and amortizable non-compete agreements and customer agreements are amortized over the term of the related debt as interest expense and the contractual term or estimated life (five to ten years) of the agreements as amortization expense. Capitalized software is amortized over estimated useful lives of three to eight years.

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Intangible assets at December 31, 2015 and 2014 consisted of the following (in thousands):

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net | Gross Carrying Amount | Accumulated Amortization | Net |
| Amortizable intangible assets: | | | | | | |
| Customer relationships with hospitals | $1,379,977 | $ (74,490) | $1,305,487 | $ 971,645 | $ (22,145) | $ 949,500 |
| Deferred financing costs | 60,664 | (13,490) | 47,174 | 59,574 | (5,151) | 54,423 |
| Capitalized software | 71,462 | (28,125) | 43,337 | 50,387 | (19,197) | 31,190 |
| Agreements, contracts and other | 11,267 | (2,449) | 8,818 | 3,523 | (2,752) | 771 |
| Total amortizable intangible assets | 1,523,370 | (118,554) | 1,404,816 | 1,085,129 | (49,245) | 1,035,884 |
| Non-amortizable intangible assets: | | | | | | |
| Trade name | 228,000 | — | 228,000 | 228,000 | — | 228,000 |
| Restrictive covenant arrangements | 8,995 | — | 8,995 | 9,995 | — | 9,995 |
| Total non-amortizable intangible assets | 236,995 | — | 236,995 | 237,995 | — | 237,995 |
| Total intangible assets | $1,760,365 | $ (118,554) | $1,641,811 | $1,323,124 | $ (49,245) | $1,273,879 |

Amortization of intangible assets for the years ended December 31, 2015, 2014 and 2013 was $70.5 million, $32.5 million and $2.2 million, respectively. Included in the 2014 amount above is also $12.8 million that was charged to interest expenses related to a write-off of a commitment fee for bridge financing, which the Company had secured in order to complete the acquisition of Sheridan but did not require upon obtaining permanent financing. Estimated amortization of intangible assets for the five years and thereafter subsequent to December 31, 2015 is $90.3 million, $89.1 million, $87.8 million, $84.8 million, $81.6 million and $971.2 million, respectively. The Company expects to recognize amortization of all intangible assets over a weighted average period of 17.8 years with no expected residual values.

**(10) Other Accrued Liabilities**

The following table presents a summary of items comprising other accrued liabilities in the accompanying consolidated balance sheets as of December 31, 2015 and 2014 (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Accrued professional liabilities | $ 14,362 | $ 11,983 |
| Contingent purchase price payable | 5,509 | 12,213 |
| Current income taxes payable | 7,892 | — |
| Refunds payable | 48,415 | 17,752 |
| Other | 43,059 | 26,038 |
| Total other accrued liabilities | $ 119,237 | $ 67,986 |

**(11) Accrued Professional Liabilities**

The Company maintains professional liability insurance policies with third-party insurers generally on a claims-made basis, subject to self-insured retention, exclusions and other restrictions. A substantial portion of the professional liability loss risks are being provided by a third-party insurer which is fully reinsured by the Company's wholly-owned captive insurance subsidiary. The Company records an estimate of liabilities for self-insured amounts and claims incurred but not reported based on an actuarial valuation using historical loss patterns, which are not discounted.

At December 31, 2015, the Company's accrued professional liabilities are presented in the accompanying consolidated balance sheets as a component of other accrued liabilities and other long-term liabilities as follows (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Estimated losses under self-insured programs | $ 30,748 | $ 25,337 |
| Incurred but not reported losses | 36,166 | 28,448 |
| Total accrued professional liabilities | 66,914 | 53,785 |
| Less estimated losses payable within one year | 14,362 | 11,983 |
| Total | $ 52,552 | $ 41,802 |

The changes to the Company's estimated losses under self-insured programs as of December 31, 2015 and 2014 were as follows (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Balance, beginning of year | $ 53,785 | $ 1,171 |
| Assumed liabilities through acquisitions | 13,317 | 53,512 |
| Provision related to current period reserves | 15,943 | 5,423 |
| Payments for current period reserves | (4,475) | (1,595) |
| Benefit related to changes in prior period reserves | (425) | (661) |
| Payments for prior period reserves | (8,863) | (6,055) |
| Other, net | (2,368) | 1,990 |
| Balance, end of year | $ 66,914 | $ 53,785 |

**(12) Long-term Debt**

Long-term debt at December 31, 2015 and 2014 consisted of the following (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Revolving credit agreement | $ 175,000 | $ — |
| Term Loan | 856,950 | 865,650 |
| Senior Unsecured Notes due 2020 (5.625%) | 250,000 | 250,000 |
| Senior Unsecured Notes due 2022 (5.625%) | 1,100,000 | 1,100,000 |
| Other debt at an average interest rate of 3.4%, due through 2022 | 24,944 | 20,156 |
| Capitalized lease arrangements at an average interest rate of 5.4%, due through 2021 | 18,613 | 15,206 |
| | 2,425,507 | 2,251,012 |
| Less current portion | 20,377 | 18,826 |
| Long-term debt | $ 2,405,130 | $ 2,232,186 |

Principal payments required on the Company's long-term debt and capital leases in the five years and thereafter subsequent to December 31, 2015 are $20.4 million, $18.0 million, $14.8 million, $187.0 million, $261.0 million, and $1.9 billion. The fair value of the Company's fixed rate long-term debt and variable rate long-term debt approximated its carrying values of $1.4 billion and $1.0 billion at December 31, 2015, respectively. With the exception of the Company's 2020 and 2022 Senior Unsecured Notes, the fair value of fixed rate debt (Level 2) is determined based on an estimation of discounted future cash flows of the debt at rates currently quoted or offered to the Company for similar debt instruments of comparable maturities by its lenders. The fair value of the Company's 2020 and 2022 Senior Unsecured Notes (Level 1) is determined based on quoted prices in an active market.

**a. Term Loan and Credit Facility**

On July 16, 2014, the Company entered into a credit facility that is comprised of an $870.0 million term loan and a $300.0 million revolving credit facility. On October 21, 2015, the Company exercised the accordion feature of its revolving credit facility and increased the Company's borrowing capacity by $200.0 million to $500.0 million. As of December 31, 2015, the Company had available $325.0 million under the revolving credit facility.

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The term loan matures on July 16, 2021 and bears interest at a rate equal to, at the Company's option, the alternative base rate as defined in the agreement (ABR) plus 1.75% to 2.00% or LIBOR plus 2.75% to 3.00%, with a LIBOR floor of 0.75%, or a combination thereof (3.75% on December 31, 2015). The term loan requires quarterly principal payments of 0.25% of the face amount totaling $8.7 million annually.

The revolving credit facility matures on July 16, 2019 and permits the Company to borrow at an interest rate equal to, at the Company's option, the ABR plus 1.75% to 2.00% or LIBOR plus 2.75% to 3.00%, or a combination thereof; and provides for a fee of 0.375% of unused commitments. The Company has the option to increase borrowings under the senior secured credit facility by an unlimited amount as long as certain financial covenants are met and lender approval is obtained. The senior credit facility contains certain covenants relating to the ratio of debt to operating performance measurements and interest coverage ratios and is secured by a pledge of the stock of the Company's wholly-owned subsidiaries and certain of the Company's less than wholly-owned subsidiaries. As of December 31, 2015, the Company was in compliance with the covenants contained in the term loan and credit facility.

Prior to entering into the Company's credit facility, the Company maintained a revolving credit facility which had a maturity of June 2018. On July 3, 2014, the Company utilized proceeds received from its common and preferred stock offerings to repay its outstanding obligation under the existing revolving credit facility. As a result of the early termination, the Company recognized approximately $4.5 million as debt extinguishment costs in the accompanying statements of earnings during the year ended December 31, 2014 related to the write-off of net deferred loan costs.

**b. Senior Unsecured Notes**

*2020 Senior Unsecured Notes*

On November 20, 2012, the Company completed a private offering of $250.0 million aggregate principal amount of 5.625% senior unsecured notes due 2020 (2020 Senior Unsecured Notes). On May 31, 2013, the Company completed an offer to exchange the outstanding 2020 Senior Unsecured Notes for an equal amount of such notes that are registered under the Securities Act of 1933, as amended (Securities Act). The net proceeds from the issuance of the 2020 Senior Unsecured Notes were used to reduce the outstanding indebtedness under the Company's revolving credit agreement. The 2020 Senior Unsecured Notes are unsecured obligations of the Company and are guaranteed by its existing and subsequently acquired or organized wholly-owned domestic subsidiaries. The 2020 Senior Unsecured Notes are *pari passu* in right of payment with all the existing and future senior debt of the Company and senior to all existing and future subordinated debt of the Company. Interest on the 2020 Senior Unsecured Notes accrues at the rate of 5.625% per annum and is payable semi-annually in arrears on May 30 and November 30, through the maturity date of November 30, 2020.

The Company may redeem the 2020 Senior Unsecured Notes in whole or in part. The redemption price for such a redemption (expressed as percentages of principal amount) is set forth below, plus accrued and unpaid interest and liquidated damages, if any, if redeemed during the twelve-month period beginning on November 30 of the years indicated below:

| Period | Redemption Price |
|---|---|
| 2015 | 104.219% |
| 2016 | 102.813% |
| 2017 | 101.406% |
| 2018 and thereafter | 100.000% |

The 2020 Senior Unsecured Notes contain certain covenants which, among other things, limit, but may not restrict the Company's ability to enter into or guarantee additional borrowings, sell preferred stock, pay dividends and repurchase stock. The Company was in compliance with the covenants contained in the indenture relating to the 2020 Senior Unsecured Notes at December 31, 2015.

*2022 Senior Unsecured Notes*

On July 16, 2014, the Company completed a private offering of $1.1 billion aggregate principal amount of 5.625% senior unsecured notes due 2022 (2022 Senior Unsecured Notes). On February 19, 2015, the Company completed an offer to exchange the outstanding 2022 Senior Unsecured Notes, for an equal amount of such notes that are registered under the Securities Act. The 2022 Senior Unsecured Notes are unsecured obligations of the Company and are guaranteed by the Company and existing and subsequently acquired or organized wholly-owned domestic subsidiaries. The 2022 Senior Unsecured Notes are *pari passu* in right of payment with all the existing and future senior debt of the Company and senior to all existing and future subordinated debt of the Company. Interest on the 2022 Senior Unsecured Notes accrues at the rate of 5.625% per annum and is payable semi-annually in arrears on

January 15 and July 15, beginning on January 15, 2015, and ending on the maturity date of July 15, 2022.

Prior to July 15, 2017, the Company may redeem up to 35% of the aggregate principal amount of the 2022 Senior Unsecured Notes at a redemption price of 105.625% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages, if any, using proceeds of one or more equity offerings. On or after July 15, 2017, the Company may redeem the 2022 Senior Unsecured Notes in whole or in part. The redemption price for such a redemption (expressed as percentages of principal amount) is set forth below, plus accrued and unpaid interest and liquidated damages, if any, if redeemed during the twelve-month period beginning on July 15 of the years indicated below:

| Period | Redemption Price |
|---|---|
| 2017 | 104.219% |
| 2018 | 102.813% |
| 2019 | 101.406% |
| 2020 and thereafter | 100.000% |

The 2022 Senior Unsecured Notes contain certain covenants which, among other things, limit, but may not restrict the Company's ability to enter into or guarantee additional borrowings, sell preferred stock, pay dividends and repurchase stock. Based on the terms of the 2022 Notes, the Company has adequate ability to meet its obligations to pay dividends as required under the terms of its mandatory preferred stock. The Company was in compliance with the covenants contained in the indenture relating to the 2022 Senior Unsecured Notes at December 31, 2015.

**c. Senior Secured Notes**

During 2010, the Company issued $75.0 million principal amount of senior secured notes due 2020 (Senior Secured Notes) pursuant to a note purchase agreement. The Senior Secured Notes had a maturity date of May 28, 2020. On July 16, 2014, the Company redeemed the Senior Secured Notes utilizing proceeds received from its common and preferred stock offerings. As a result of the early extinguishment, the Company paid an early termination fee of approximately $12.4 million to the holders of the Senior Secured Notes, which is recognized as a component of debt extinguishment costs during the year ended December 31, 2014 in the accompanying statements of earnings.

**d. Other debt**

Certain partnerships included in the Company's consolidated financial statements have loans with local lending institutions, included above in other debt, which are collateralized by certain assets of the surgery centers with a book value of approximately $41.7 million. The Company and the partners have guaranteed payment of the loans in proportion to the relative partnership interests.

**(13) Other Long-term Liabilities**

The following table presents a summary of items comprising other long-term liabilities in the accompanying consolidated balance sheets as of December 31, 2015 and 2014 (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Accrued professional liabilities | $ 52,552 | $ 41,802 |
| Contingent purchase price payable | — | 8,470 |
| Deferred rent | 18,958 | 16,814 |
| Tax-effected unrecognized benefits | 3,426 | 8,353 |
| Other | 21,247 | 14,004 |
| Other long-term liabilities | $ 96,183 | $ 89,443 |

**(14) Income Taxes**

The Company files a consolidated federal income tax return. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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The Company applies recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return as it relates to accounting for uncertainty in income taxes. In addition, it is the Company's policy to recognize interest accrued and penalties, if any, related to unrecognized benefits as income tax expense in its statement of earnings. The Company does not expect significant changes to its tax positions or liability for tax uncertainties during the next 12 months.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or state income tax examinations for years prior to 2012.

Total income taxes expense (benefit) for the years ended December 31, 2015, 2014 and 2013 was included within the following sections of the consolidated financial statements as follows (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Earnings from continuing operations | $ 113,790 | $ 48,103 | $ 48,654 |
| Discontinued operations | (694) | (643) | 9 |
| Shareholders' equity | (2,227) | (3,177) | (7,381) |
| Total | $ 110,869 | $ 44,283 | $ 41,282 |

Income tax expense from continuing operations for the years ended December 31, 2015, 2014 and 2013 was comprised of the following (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Current: | | | |
| Federal | $ 83,228 | $ 8,640 | $ 7,895 |
| State | 14,268 | 4,396 | 3,598 |
| Deferred: | | | |
| Federal | 11,715 | 27,505 | 31,509 |
| State | 4,579 | 7,562 | 5,652 |
| Income tax expense | $ 113,790 | $ 48,103 | $ 48,654 |

Income tax expense from continuing operations for the years ended December 31, 2015, 2014 and 2013 differed from the amount computed by applying the U.S. federal income tax rate of 35% to earnings before income taxes as a result of the following (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Statutory federal income tax | $ 173,572 | $ 102,967 | $ 106,101 |
| Less federal income tax assumed directly by noncontrolling interests | (76,364) | (66,783) | (64,219) |
| State income taxes, net of federal income tax benefit | 11,604 | 6,616 | 5,539 |
| Increase in valuation allowances | 317 | 4,662 | 924 |
| Interest related to unrecognized tax benefits | (548) | (161) | (155) |
| Other | 5,209 | 802 | 464 |
| Income tax expense | $ 113,790 | $ 48,103 | $ 48,654 |

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. Decreases in interest and penalty obligations of $0.2 million, $0.1 million and $0.2 million were recognized in the consolidated statement of earnings for the years ended December 31, 2015, 2014 and 2013, respectively, resulting in a total recognition of interest and penalty obligations of approximately $0.8 million and $1.2 million in the consolidated balance sheet at December 31, 2015 and 2014, respectively.

The Company primarily has unrecognized tax benefits that represent an amortization deduction which is temporary in nature. A reconciliation of the beginning and ending amount of the liability associated with unrecognized tax benefits for the years ended December 31, 2015, 2014 and 2013 is as follows (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Balance at beginning of year | $ 7,336 | $ 6,330 | $ 9,235 |
| Additions for tax positions of current year | — | 204 | 46 |
| Increases (decreases) for tax positions taken during a prior period | (1,006) | 1,069 | — |
| Lapse of statute of limitations | (3,178) | (267) | (2,951) |
| Balance at end of year | $ 3,152 | $ 7,336 | $ 6,330 |

The Company believes that the total amount of increases in unrecognized tax benefits within the next 12 months is not considered significant. The total amount of unrecognized tax benefits that would affect the Company's effective tax rate if recognized is approximately $0.1 million.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2015 and 2014 were as follows (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Deferred tax assets: | | |
| Allowance for uncollectible accounts | $ 3,276 | $ 1,096 |
| Accrued assets and other | 36,600 | 27,537 |
| Share-based compensation | 10,710 | 7,719 |
| Interest on unrecognized tax benefits | 113 | 245 |
| Accrued liabilities and other | 4,080 | 3,931 |
| Medical malpractice | 19,035 | 16,240 |
| Operating and capital loss carryforwards | 29,718 | 22,709 |
| Valuation allowances | (21,814) | (17,457) |
| Total deferred tax assets | 81,718 | 62,020 |
| Deferred tax liabilities: | | |
| Prepaid expenses | 1,789 | 2,435 |
| Property and equipment, principally due to differences in depreciation | 16,787 | 15,235 |
| Goodwill, intangible assets and other, principally due to differences in amortization | 762,640 | 655,358 |
| Total deferred tax liabilities | 781,216 | 673,028 |
| Net deferred tax liabilities | $ 699,498 | $ 611,008 |

The Company has provided valuation allowances on its gross deferred tax assets to the extent that management does not believe that it is more likely than not that such asset will be realized. Capital loss carryforwards began to expire in 2014, and state net operating losses began to expire in 2015.

**(15) Shareholders' Equity**

**a. Common Stock**

During December 2015, the Company issued 5,835,000 shares of its common stock in a public offering, at $80.00 per share, prior to underwriting discounts, commissions and other related offering expenses of approximately $19.1 million. Proceeds were used to repay a portion of the Company's revolving credit facility, to fund a portion of the acquisitions completed during the year ended 2015 and for general corporate purposes.

On July 2, 2014, the Company issued 9,775,000 shares of its common stock in a public offering, at $45.00 per share, prior to underwriting discounts, commissions and other related offering expenses of approximately $18.5 million. Proceeds from the issuance were used to satisfy certain debt obligations with the remaining amount utilized to fund a portion of the Sheridan acquisition. In

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addition, on July 16, 2014, the Company issued 5,713,909 shares of its common stock directly to the former owners of Sheridan as part of the total consideration for the Sheridan acquisition. The Company registered these shares with the SEC in October of 2014. The former owners of Sheridan subsequently sold their shares in November of 2014.

During 2013, under a board authorized stock repurchase program, the Company purchased 1,154,378 shares of the Company's common stock for approximately $42.7 million, at an average price of $36.93 per share, in order to mitigate the dilutive effect of shares issued upon the exercise of stock options pursuant to the Company's stock incentive plans. The stock repurchase program expired during 2014.

In addition, the Company repurchases shares by withholding a portion of employee restricted stock that vested to cover payroll withholding taxes in accordance with the restricted stock agreements. During 2015 and 2014, the Company repurchased 67,000 shares and 100,720 shares, respectively, of common stock for approximately $3.7 million and $4.6 million, respectively.

**b. Preferred Stock**

On July 2, 2014, the Company issued 1,725,000 shares of its mandatory convertible preferred stock in a public offering, at $100.00 per share, prior to underwriting discounts, commissions and other related offering expenses of approximately $5.9 million.

The mandatory convertible preferred stock pays dividends at an annual rate of 5.25% of the initial liquidation preference of $100 per share. Dividends accrue and cumulate from the date of issuance and, to the extent lawful and declared by the Company's Board of Directors, will be paid on each January 1, April 1, July 1 and October 1 in cash or, at the Company's election (subject to certain limitations), by delivery of any combination of cash and shares of common stock. Each share of the mandatory convertible preferred stock has a liquidation preference of $100, plus an amount equal to accrued and unpaid dividends. Each share of the mandatory convertible preferred stock will automatically convert on July 1, 2017 (subject to postponement in certain cases), into between 1.8141 and 2.2222 shares of common stock (the "minimum conversion rate" and "maximum conversion rate," respectively), each subject to adjustment. The number of shares of common stock issuable on conversion will be determined based on the average volume weighted average price per share of the Company's common stock over the 20 consecutive trading day period commencing on and including the 22nd scheduled trading day prior to July 1, 2017. At any time prior to July 1, 2017, holders may elect to convert all or a portion of their shares of mandatory convertible preferred stock into shares of common stock at the minimum conversion rate. If any holder elects to convert shares of mandatory convertible preferred stock during a specified period beginning on the effective date of a fundamental change the conversion rate will be adjusted under certain circumstances and such holder will also be entitled to a fundamental change dividend make-whole amount.

During the year ended December 31, 2015, the Company's Board of Directors declared four dividends each totaling $1.3125 per share in cash, or $2.3 million, for the Company's mandatory convertible preferred stock. All dividends declared during 2015 have been paid except those dividends declared on November 19, 2015, which were funded to the paying agent to be paid on January 1, 2016 to the shareholders of record as of December 15, 2015.

On August 29, 2014, the Company's Board of Directors declared its first dividend of $1.2979 per share in cash, or $2.2 million and on November 25, 2014, the Company's Board of Directors declared a dividend for $1.3125 per share, or $2.3 million for the Company's mandatory convertible preferred stock.

**c. Stock Incentive Plans**

Transactions in which the Company receives employee and non-employee services in exchange for the Company's equity instruments or liabilities that are based on the fair value of the Company's equity securities or may be settled by the issuance of these securities are accounted using a fair value method. The Company applies the Black-Scholes method of valuation in determining share-based compensation expense for option awards.

Benefits of tax deductions in excess of recognized compensation cost are reported as a financing cash flow, thus reducing the Company's net operating cash flows and increasing its financing cash flows by $4.0 million, $3.2 million and $7.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The Company examines its concentrations of holdings, its historical patterns of award exercises and forfeitures as well as forward-looking factors, in an effort to determine if there were any discernible employee populations. From this analysis, the Company has identified three employee populations, consisting of senior executives, officers and all other recipients. The expected volatility rate applied was estimated based on historical volatility. The expected term assumption applied is based on contractual terms, historical exercise and cancellation patterns and forward-looking factors where present for each population identified. The risk-free interest rate used is based on the U.S. Treasury yield curve in effect at the time of the grant. The pre-vesting forfeiture rate is based on historical rates and forward-looking factors for each population identified. The Company will adjust the estimated forfeiture rate to its actual experience. The Company intends to retain its earnings to finance growth and development of the business and does not expect to

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declare or pay any cash dividends in the foreseeable future except as required in accordance with the terms of the Company's mandatory convertible preferred stock.

In May 2014, the Company adopted the AmSurg Corp. 2014 Equity and Incentive Plan. The Company also has unvested restricted stock and fully vested options outstanding under the AmSurg Corp. 2006 Stock Incentive Plan, as amended, and the AmSurg Corp. 1997 Stock Incentive Plan, as amended; under which no additional awards may be granted. Under these plans, the Company has granted restricted stock and non-qualified options to purchase shares of common stock to employees and outside directors from its authorized but unissued common stock. At December 31, 2015, 1,200,000 shares were authorized for grant under the 2014 Equity and Incentive Plan and 900,039 shares were available for future equity grants. Restricted stock granted to outside directors vests on the first anniversary of the date of grant. Restricted stock granted to employees vests over four years in three equal installments beginning on the second anniversary of the date of grant. The fair value of restricted stock is determined based on the closing bid price of the Company's common stock on the grant date. Under Company policy, shares held by outside directors and senior management are subject to certain holding requirements and restrictions.

The Company has not issued options subsequent to 2008, and all outstanding options are fully vested. Options were granted at market value on the date of the grant and vested over four years. Outstanding options have a term of ten years from the date of grant.

Other information pertaining to share-based activity for the years ended December 31, 2015, 2014 and 2013 was as follows (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Share-based compensation expense | $ 15,009 | $ 10,104 | $ 8,321 |
| Fair value of shares vested | 13,220 | 15,126 | 11,742 |
| Cash received from option exercises | 2,584 | 2,630 | 33,349 |
| Tax benefit from option exercises | 4,001 | 3,177 | 7,247 |

As of December 31, 2015, the Company had total unrecognized compensation cost of approximately $16.6 million related to non-vested awards, which the Company expects to recognize through 2019 and over a weighted average period of 1.1 years. During the years ended December 31, 2015, 2014 and 2013, there were no options that were anti-dilutive.

A summary of the status of and changes for non-vested restricted shares for the three years ended December 31, 2015, is as follows:

| | Number of Shares | Weighted Average Grant Price |
|---|---|---|
| Non-vested shares at January 1, 2013 | 828,686 | $ 22.50 |
| Shares granted | 291,863 | 31.66 |
| Shares vested | (360,337) | 21.55 |
| Shares forfeited | (16,343) | 23.11 |
| Non-vested shares at December 31, 2013 | 743,869 | $ 26.54 |
| Shares granted | 272,780 | 43.12 |
| Shares vested | (336,160) | 25.69 |
| Shares forfeited | (12,380) | 38.94 |
| Non-vested shares at December 31, 2014 | 668,109 | $ 33.51 |
| Shares granted | 313,498 | 56.19 |
| Shares vested | (233,831) | 28.19 |
| Shares forfeited | (13,675) | 42.15 |
| Non-vested shares at December 31, 2015 | 734,101 | $ 44.73 |

In addition to the non-vested restricted shares, during the year ended December 31, 2015, the Company granted 68,533 performance-based restricted stock units (RSUs) to certain of its officers and physician employees. The fair value of the Company's common stock on the grant date of these RSUs was $55.40. The RSUs will vest ratably over a three year period from the grant date. The conversion of the RSUs to restricted stock is contingent on the Company's achievement of a specified one-year financial performance goal for the year ended December 31, 2015 and, if achieved, would occur during the first quarter of 2016. If the financial performance goal is not achieved, the RSUs will be forfeited. The number of RSUs that will ultimately be received by the holders range from 0% to 150% of the units granted, depending on the Company's level of achievement with respect to the financial performance goal. At December 31, 2015, the financial performance goal was achieved at a level that will result in the conversion of the RSUs to restricted stock at 150%.

A summary of stock option activity for the three years ended December 31, 2015 is summarized as follows:

| | Number of Shares | | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) |
|---|---|---|---|---|
| Outstanding at January 1, 2013 | 1,662,830 | $ | 23.82 | 2.9 |
| Options exercised with total intrinsic value of $33.3 million | (1,392,366) | | 23.95 | |
| Outstanding at December 31, 2013 | 270,464 | $ | 23.16 | 2.5 |
| Options exercised with total intrinsic value of $2.6 million | (111,743) | | 23.53 | |
| Outstanding at December 31, 2014 | 158,721 | $ | 22.89 | 1.7 |
| Options exercised with total intrinsic value of $4.9 million | (113,220) | | 22.81 | |
| Options terminated | (11,750) | | 23.42 | |
| Outstanding, Vested and Exercisable at December 31, 2015 with an aggregate intrinsic value of $1.8 million | 33,751 | $ | 22.98 | 1.1 |

The aggregate intrinsic value represents the total pre-tax intrinsic value received by the option holders on the exercise date or that would have been received by the option holders had all holders of in-the-money outstanding options at December 31, 2015 exercised their options at the Company's closing stock price on December 31, 2015.

**d. Earnings per Share**

Basic net earnings attributable to AmSurg Corp. common stockholders, per common share, excludes dilution and is computed by dividing net earnings attributable to AmSurg Corp. common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net earnings attributable to AmSurg common stockholders, per common share is computed by dividing net earnings attributable to AmSurg Corp. common stockholders by the weighted-average number of common shares outstanding during the period plus any potential dilutive common share equivalents, including shares issuable (1) upon the vesting of restricted stock awards as determined under the treasury stock method and (2) upon conversion of the Company's mandatory convertible preferred stock as determined under the if-converted method. For purposes of calculating diluted earnings per share, preferred stock dividends have been subtracted from both net earnings from continuing operations attributable to AmSurg Corp. and net earnings attributable to AmSurg Corp. common shareholders in periods in which utilizing the if-converted method would be anti-dilutive.

The following is a reconciliation of the numerator and denominators of basic and diluted earnings per share (in thousands, except per share amounts):

| | Earnings (Numerator) | Shares (Denominator) | Per Share Amount |
|---|---|---|---|
| **For the year ended December 31, 2015:** | | | |
| Net earnings from continuing operations attributable to AmSurg Corp. common shareholders (basic) | $ 154,892 | 48,058 | $ 3.22 |
| Preferred stock dividends | 9,056 | — | |
| Effect of dilutive securities, options and non-vested shares | — | 3,554 | |
| Net earnings from continuing operations attributable to AmSurg Corp. common shareholders (diluted) | $ 163,948 | 51,612 | $ 3.18 |
| **For the year ended December 31, 2014:** | | | |
| Net earnings from continuing operations attributable to AmSurg Corp. common shareholders (basic) | $ 50,777 | 39,311 | $ 1.29 |
| Effect of dilutive securities, options and non-vested shares | — | 314 | |
| Net earnings from continuing operations attributable to AmSurg Corp. common shareholders (diluted) | $ 50,777 | 39,625 | $ 1.28 |
| **For the year ended December 31, 2013:** | | | |
| Net earnings from continuing operations attributable to AmSurg Corp. common shareholders (basic) | $ 71,009 | 31,338 | $ 2.27 |
| Effect of dilutive securities, options and non-vested shares | — | 616 | |
| Net earnings from continuing operations attributable to AmSurg Corp. common shareholders (diluted) | $ 71,009 | 31,954 | $ 2.22 |

**(16) Leases**

The Company has entered into various building and equipment capital and operating leases in operation and under development and for office space, expiring at various dates through 2037. Future minimum lease payments, including payments during expected renewal option periods, at December 31, 2015 were as follows (in thousands):

| Year Ended December 31, | Capital Leases | Operating Leases |
|---|---|---|
| 2016 | $ 3,021 | $ 55,636 |
| 2017 | 2,776 | 55,857 |
| 2018 | 2,502 | 53,515 |
| 2019 | 2,068 | 52,034 |
| 2020 | 1,866 | 50,378 |
| Thereafter | 12,991 | 331,746 |
| Total minimum rentals | 25,224 | $ 599,166 |
| Less amounts representing interest at rates ranging from 1.7% to 13.4% | 6,611 | |
| Capital lease obligations | $ 18,613 | |

At December 31, 2015, buildings and equipment with a cost of approximately $23.4 million and accumulated depreciation of approximately $5.6 million were held under capital leases. The Company and the partners in the partnerships have guaranteed payment of certain of these leases. Rental expense for operating leases for the years ended December 31, 2015, 2014 and 2013 was approximately $74.6 million, $66.1 million and $52.6 million, respectively.

## (17) Related Party Transactions

Certain surgery centers lease space from entities affiliated with their physician partners at negotiated rates that management believes were equal to fair market value at the inception of the leases based on relevant market data. Certain surgery centers reimburse their physician partners for salaries and benefits and billing fees related to time spent by employees of their practices on activities of the centers at current market rates. In addition, certain centers compensate at market rates their physician partners for physician advisory services provided to the surgery centers, including medical director and performance improvement services.

Excluding transactions with investments in unconsolidated affiliates disclosed in Note 5, related party payments for the years ended December 31, 2015, 2014 and 2013 were as follows (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Operating leases | $ 27,622 | $ 27,559 | $ 29,240 |
| Salaries and benefits | 62,590 | 66,763 | 72,892 |
| Billing fees | 10,873 | 9,899 | 11,591 |
| Medical advisory services | 2,635 | 2,811 | 2,993 |

The Company also reimburses their physician partners for operating expenses paid by the physician partners to third party providers on the behalf of the surgery center. The Company believes that the foregoing transactions are reasonably expected to benefit the Company and that the amount of reimbursed expenses included in other operating expenses in the accompanying consolidated statements of earnings for each of the years ended December 31, 2015, 2014 and 2013 were not significant.

It is the Company's policy that all transactions by the Company with officers, directors, five percent shareholders and their affiliates be entered into only if such transactions are on terms no less favorable to the Company than could be obtained from unaffiliated third parties, are reasonably expected to benefit the Company and are approved by the Nominating and Corporate Governance Committee of the Company's Board of Directors.

## (18) Employee Benefit Programs

The Company maintains multiple qualified contributory savings plans as allowed under Section 401(k) of the Internal Revenue Code. These plans are defined contribution plans covering substantially all employees of the Company and provide for voluntary contributions by employees, subject to certain limits. Company contributions are primarily based on specified percentages of employee compensation. In some instances, the plan may allow for elective or required Company contributions subject to the limits defined by each plan. The Company funds contributions as accrued. The Company's contributions for the years ended December 31, 2015, 2014 and 2013 were approximately $14.1 million, $1.6 million and $1.1 million, respectively, and vest immediately or incrementally over a period of four to five years, depending on the plan and the tenures of the respective employees for which the contributions were made. During 2014, the Company recorded expenses of approximately $5.6 million related to Sheridan which represented the period July 16, 2014 through December 31, 2014.

The Company maintains the Supplemental Executive and Director Retirement Savings Plan. This plan is a defined contribution plan covering all officers of the Company and provides for voluntary contributions of up to 50% of employee annual compensation. Company contributions are at the discretion of the Compensation Committee of the Board of Directors and vest incrementally over five years. The employee and employer contributions are placed in a Rabbi Trust and recorded in the accompanying consolidated balance sheets in prepaid and other current assets. Employer contributions to this plan for the years ended December 31, 2015, 2014 and 2013 were approximately $5.2 million, $0.8 million and $2.3 million, respectively. As of December 31, 2015 and 2014, the cash surrender value of the supplemental executive and director retirement savings plan investments, which are included in prepaid and other current assets in the accompanying consolidated balance sheets, was $16.6 million and $17.3 million, respectively.

## (19) Commitments and Contingencies

*Litigation*

From time to time the Company is named as a party to legal claims and proceedings in the ordinary course of business. The Company's management is not aware of any claims or proceedings that are expected to have a material adverse impact on the Company's consolidated financial condition, results of operations or cash flows.

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*Insurance Programs*

Given the nature of the services provided, the Company and its subsidiaries are subject to professional and general liability claims and related lawsuits in the ordinary course of business. The Company maintains professional insurance with third-party insurers generally on a claims-made basis, subject to self-insured retentions, exclusions and other restrictions. A substantial portion of the professional liability loss risks are being provided by a third-party insurer which is fully reinsured by the Company's wholly-owned captive insurance subsidiary. In addition, the captive provides stop loss coverage for the Company's self-insured employee health program. The assets, liabilities and results of operations of the wholly-owned captive are consolidated in the accompanying consolidated financial statements. The liabilities for self-insurance in the accompanying consolidated balance sheets include estimates of the ultimate costs related to both reported claims on an individual and aggregate basis and unreported claims. The Company also obtains professional liability insurance on a claims-made basis from third party insurers for its surgery centers and certain of its owned practices and employed physicians.

The Company's reserves for professional liability claims within the self-insured retention are based upon periodic actuarial calculations. These actuarial estimates consider historical claims frequency and severity, loss development patterns and other actuarial assumptions and are not discounted to present value.

The Company also maintains insurance for director and officer liability, workers' compensation liability and property damage. Certain policies are subject to deductibles. In addition to the insurance coverage provided, the Company indemnifies its officers and directors for actions taken on behalf of the Company and its subsidiaries.

*Redeemable Noncontrolling Interests*

Certain of the Company's wholly-owned subsidiaries are responsible for all debts incurred but unpaid by the Company's less than wholly-owned partnerships as these subsidiaries are the general partner. As manager of the operations of these partnerships, the Company has the ability to limit potential liabilities by curtailing operations or taking other operating actions. In the event of a change in current law that would prohibit the physicians' current form of ownership in the partnerships, the Company would be obligated to purchase the physicians' interests in a substantial majority of the Company's partnerships. The purchase price to be paid in such event would be determined by a predefined formula, as specified in the partnership agreements. The Company believes the likelihood of a change in current law that would trigger such purchases was remote as of December 31, 2015. As a result, the noncontrolling interests that are subject to this redemption feature are not included as part of the Company's equity and are classified as noncontrolling interests – redeemable on the Company's consolidated balance sheets.

*Physician Services Headquarters Operating Lease*

On January 16, 2015, the Company entered into an agreement to lease approximately 222,000 square feet of office space in Plantation, Florida which it intends to be the future headquarters of its physician services operations. The Company took possession of the space in the fourth quarter of 2015 and began tenant improvements on approximately 167,000 square feet of space, which it intends to occupy during the third quarter of 2016. In addition, the Company plans to begin tenant improvements on an additional 55,000 square feet of space during the third quarter of 2016, which it intends to occupy during the fourth quarter of 2016. Annual rent expense is expected to be approximately $2.9 million. The initial term of this lease agreement expires in February 2029.

**(20) Segment Reporting**

Prior to the Sheridan acquisition, the Company operated its centers as individual components of one operating and reportable segment. Upon completion of the Sheridan acquisition, the Company operates in two major lines of business - the operation of ambulatory surgery centers and providing multi-specialty outsourced physician services, which have been identified as its operating and reportable segments. Through the ambulatory services segment, the Company acquires, develops and operates ambulatory surgery centers in partnership with physicians. Through the physician services segment, the Company provides outsourced physician services in multiple specialties to hospitals, ambulatory surgery centers and other healthcare facilities, primarily in the areas of anesthesiology, radiology, children's services and emergency medicine.

The Company's financial information by operating segment is prepared on an internal management reporting basis and includes allocations of corporate overhead to each segment. This financial information is used by the chief operating decision maker to allocate resources and assess the performance of the operating segments. The Company's operating segments have been defined based on the separate financial information that is regularly produced and reviewed by the Company's chief operating decision maker which is its Chief Executive Officer.

The following table presents financial information for each reportable segment (in thousands):

| | Year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Net Revenue:** | | | |
| Ambulatory Services | $ 1,230,050 | $ 1,109,935 | $ 1,057,196 |
| Physician Services [1] | 1,336,834 | 512,014 | — |
| Total | $ 2,566,884 | $ 1,621,949 | $ 1,057,196 |
| **Adjusted Segment EBITDA:** | | | |
| Ambulatory Services | $ 226,229 | $ 197,377 | $ 187,972 |
| Physician Services [1] | 266,031 | 107,105 | — |
| Total | $ 492,260 | $ 304,482 | $ 187,972 |
| **Adjusted Segment EBITDA:** | $ 492,260 | $ 304,482 | $ 187,972 |
| Earnings from continuing operations attributable to noncontrolling interests | 218,181 | 190,809 | 183,484 |
| Interest expense, net | (121,586) | (83,285) | (29,525) |
| Depreciation and amortization | (97,493) | (60,344) | (32,400) |
| Share-based compensation | (15,009) | (10,104) | (8,321) |
| Net change in fair value of contingent consideration | (8,804) | — | — |
| Transaction costs | (8,324) | (33,890) | (300) |
| Debt extinguishment costs | — | (16,887) | — |
| Net gain on deconsolidations | 36,694 | 3,411 | 2,237 |
| **Earnings from continuing operations before income taxes** | $ 495,919 | $ 294,192 | $ 303,147 |
| **Acquisition and Capital Expenditures:** | | | |
| Ambulatory Services [2] | $ 168,593 | $ 81,156 | $ 102,450 |
| Physician Services | 854,401 | 28,909 | — |
| Total | $ 1,022,994 | $ 110,065 | $ 102,450 |

| | 2015 | 2014 |
|---|---|---|
| **Assets:** | | |
| Ambulatory Services | $ 2,609,479 | $ 2,526,625 |
| Physician Services | 3,937,003 | 2,974,437 |
| Total | $ 6,546,482 | $ 5,501,062 |

(1) On July 16, 2014, the Company completed the acquisition of Sheridan. Accordingly, historical amounts for periods prior to that date are not included.

(2) Excludes the purchase price to acquire Sheridan in 2014.

## (21) Financial Information for the Company and Its Subsidiaries

The 2020 Senior Unsecured Notes and 2022 Senior Unsecured Notes are senior unsecured obligations of the Company and are guaranteed by its existing and subsequently acquired or organized 100% owned domestic subsidiaries. The 2020 Senior Unsecured Notes and 2022 Senior Unsecured Notes are guaranteed on a full and unconditional and joint and several basis, with limited exceptions considered customary for such guarantees, including the release of the guarantee when a subsidiary's assets are sold. The following condensed consolidating financial statements present the Company (as parent issuer), the subsidiary guarantors, the subsidiary non-guarantors and consolidating adjustments. These condensed consolidating financial statements have been prepared and presented in accordance with Rule 3-10 of Regulation S-X "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered." The operating and investing activities of the separate legal entities are fully interdependent and integrated. Accordingly, the results of the separate legal entities are not representative of what the operating results would be on a stand-alone basis.

**Condensed Consolidating Balance Sheet - December 31, 2015 (In thousands)**

| | Parent Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 20,437 | $ 27,507 | $ 58,716 | $ — | $ 106,660 |
| Restricted cash and marketable securities | — | — | 13,506 | — | 13,506 |
| Accounts receivable, net | — | 223,434 | 113,896 | — | 337,330 |
| Supplies inventory | — | — | 21,406 | — | 21,406 |
| Prepaid and other current assets | 28,739 | 39,046 | 16,062 | (8,076) | 75,771 |
| Total current assets | 49,176 | 289,987 | 223,586 | (8,076) | 554,673 |
| Property and equipment, net | 12,515 | 14,601 | 162,052 | — | 189,168 |
| Investments in and receivables from unconsolidated affiliates | 4,901,026 | 1,775,272 | — | (6,507,128) | 169,170 |
| Goodwill | — | 1,956,741 | — | 2,013,469 | 3,970,210 |
| Intangible assets, net | 59,928 | 1,579,537 | 2,346 | — | 1,641,811 |
| Other assets | 4,653 | 1,717 | 17,078 | (1,998) | 21,450 |
| Total assets | $ 5,027,298 | $ 5,617,855 | $ 405,062 | $ (4,503,733) | $ 6,546,482 |
| **Liabilities and Equity** | | | | | |
| Current liabilities: | | | | | |
| Current portion of long-term debt | $ 8,700 | $ — | $ 11,677 | $ — | $ 20,377 |
| Accounts payable | 2,816 | 3,760 | 29,837 | (3,852) | 32,561 |
| Accrued salaries and benefits | 31,510 | 158,705 | 12,322 | — | 202,537 |
| Accrued interest | 30,463 | — | 17 | — | 30,480 |
| Other accrued liabilities | 13,962 | 76,590 | 32,909 | (4,224) | 119,237 |
| Total current liabilities | 87,451 | 239,055 | 86,762 | (8,076) | 405,192 |
| Long-term debt | 2,373,251 | — | 55,275 | (23,396) | 2,405,130 |
| Deferred income taxes | 268,573 | 432,923 | — | (1,998) | 699,498 |
| Other long-term liabilities | 4,560 | 71,509 | 20,114 | — | 96,183 |
| Intercompany payable | — | 1,228,157 | — | (1,228,157) | — |
| Noncontrolling interests – redeemable | — | — | 63,060 | 112,672 | 175,732 |
| Equity: | | | | | |
| Total AmSurg Corp. equity | 2,293,463 | 3,646,211 | 132,267 | (3,778,478) | 2,293,463 |
| Noncontrolling interests – non-redeemable | — | — | 47,584 | 423,700 | 471,284 |
| Total equity | 2,293,463 | 3,646,211 | 179,851 | (3,354,778) | 2,764,747 |

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| | | | | | |
|---|---|---|---|---|---|
| Total liabilities and equity | $ 5,027,298 | $ 5,617,855 | $ 405,062 | $ (4,503,733) | $ 6,546,482 |



ATTACHMENT 6

**Condensed Consolidating Balance Sheet - December 31, 2014 (In thousands)**

| | Parent Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 134,351 | $ 23,471 | $ 50,257 | $ — | $ 208,079 |
| Restricted cash and marketable securities | — | — | 10,219 | — | 10,219 |
| Accounts receivable, net | — | 123,772 | 109,281 | — | 233,053 |
| Supplies inventory | — | 301 | 19,673 | — | 19,974 |
| Prepaid and other current assets | 46,097 | 37,826 | 13,795 | (4,818) | 92,900 |
| Total current assets | 180,448 | 185,370 | 203,225 | (4,818) | 564,225 |
| Property and equipment, net | 10,391 | 9,972 | 160,085 | — | 180,448 |
| Investments in and receivables from unconsolidated affiliates | 3,912,804 | 1,587,881 | — | (5,425,210) | 75,475 |
| Goodwill | — | 1,490,981 | — | 1,890,168 | 3,381,149 |
| Intangible assets, net | 67,678 | 1,203,218 | 2,983 | — | 1,273,879 |
| Other assets | 3,323 | 943 | 23,086 | (1,466) | 25,886 |
| Total assets | $ 4,174,644 | $ 4,478,365 | $ 389,379 | $ (3,541,326) | $ 5,501,062 |
| **Liabilities and Equity** | | | | | |
| Current liabilities: | | | | | |
| Current portion of long-term debt | $ 8,700 | $ — | $ 10,126 | $ — | $ 18,826 |
| Accounts payable | 1,849 | 35 | 31,781 | (4,080) | 29,585 |
| Accrued salaries and benefits | 25,035 | 101,395 | 13,614 | — | 140,044 |
| Accrued interest | 29,621 | — | 23 | — | 29,644 |
| Other accrued liabilities | 8,051 | 44,305 | 16,368 | (738) | 67,986 |
| Total current liabilities | 73,256 | 145,735 | 71,912 | (4,818) | 286,085 |
| Long-term debt | 2,206,950 | — | 53,648 | (28,412) | 2,232,186 |
| Deferred income taxes | 207,500 | 404,984 | — | (1,466) | 611,018 |
| Other long-term liabilities | 7,391 | 63,616 | 18,436 | — | 89,443 |
| Intercompany payable | — | 1,219,979 | 8,010 | (1,227,989) | — |
| Noncontrolling interests – redeemable | — | — | 63,544 | 120,555 | 184,099 |
| Equity: | | | | | |
| Total AmSurg Corp. equity | 1,679,547 | 2,644,051 | 130,206 | (2,774,257) | 1,679,547 |
| Noncontrolling interests – non-redeemable | — | — | 43,623 | 375,061 | 418,684 |
| Total equity | 1,679,547 | 2,644,051 | 173,829 | (2,399,196) | 2,098,231 |
| Total liabilities and equity | $ 4,174,644 | $ 4,478,365 | $ 389,379 | $ (3,541,326) | $ 5,501,062 |



ATTACHMENT 6

**Condensed Consolidating Statement of Earnings - Year Ended December 31, 2015 (In thousands)**

| | Parent Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|
| Net revenue | $ 28,554 | $ 1,331,042 | $ 1,245,292 | $ (38,004) | $ 2,566,884 |
| Operating expenses: | | | | | |
| Salaries and benefits | 69,102 | 937,484 | 308,313 | (507) | 1,314,392 |
| Supply cost | — | 2,436 | 181,866 | (80) | 184,222 |
| Other operating expenses | 24,682 | 145,369 | 265,160 | (37,417) | 397,794 |
| Transaction costs | 1,762 | 6,562 | — | — | 8,324 |
| Depreciation and amortization | 3,912 | 61,658 | 31,923 | — | 97,493 |
| Total operating expenses | 99,458 | 1,153,509 | 787,262 | (38,004) | 2,002,225 |
| Gain (loss) on deconsolidations | — | 37,350 | (656) | — | 36,694 |
| Equity in earnings of unconsolidated affiliates | 349,139 | 251,093 | — | (584,080) | 16,152 |
| Operating income | 278,235 | 465,976 | 457,374 | (584,080) | 617,505 |
| Interest expense, net | 41,140 | 77,947 | 2,499 | — | 121,586 |
| Earnings from continuing operations before income taxes | 237,095 | 388,029 | 454,875 | (584,080) | 495,919 |
| Income tax expense | 73,159 | 38,891 | 1,740 | — | 113,790 |
| Net earnings from continuing operations | 163,936 | 349,138 | 453,135 | (584,080) | 382,129 |
| Net loss from discontinued operations | (989) | — | (24) | — | (1,013) |
| Net earnings | 162,947 | 349,138 | 453,111 | (584,080) | 381,116 |
| Net earnings attributable to noncontrolling interests | — | — | 218,169 | — | 218,169 |
| Net earnings attributable to AmSurg Corp. shareholders | 162,947 | 349,138 | 234,942 | (584,080) | 162,947 |
| Preferred stock dividends | (9,056) | — | — | — | (9,056) |
| Net earnings attributable to AmSurg Corp. common shareholders | $ 153,891 | $ 349,138 | $ 234,942 | $ (584,080) | $ 153,891 |
| Amounts attributable to AmSurg Corp. common shareholders: | | | | | |
| Earnings from continuing operations, net of income tax | $ 154,880 | $ 349,138 | $ 234,954 | $ (584,080) | $ 154,892 |
| Loss from discontinued operations, net of income tax | (989) | — | (12) | — | (1,001) |
| Net earnings attributable to AmSurg Corp. common shareholders | $ 153,891 | $ 349,138 | $ 234,942 | $ (584,080) | $ 153,891 |



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**Condensed Consolidating Statement of Earnings - Year Ended December 31, 2014 (In thousands)**

| | Parent Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|
| Net revenue | $ 24,773 | $ 508,572 | $ 1,112,940 | $ (24,336) | $ 1,621,949 |
| Operating expenses: | | | | | |
| Salaries and benefits | 65,697 | 350,615 | 284,050 | (5,786) | 694,576 |
| Supply cost | — | 1,292 | 163,004 | — | 164,296 |
| Other operating expenses | 18,667 | 53,413 | 231,398 | (18,550) | 284,928 |
| Transaction costs | 29,004 | 4,886 | — | — | 33,890 |
| Depreciation and amortization | 4,044 | 25,610 | 30,690 | — | 60,344 |
| Total operating expenses | 117,412 | 435,816 | 709,142 | (24,336) | 1,238,034 |
| Gain on deconsolidation | — | 3,411 | — | — | 3,411 |
| Equity in earnings of unconsolidated affiliates | 237,657 | 211,889 | — | (442,508) | 7,038 |
| Operating income | 145,018 | 288,056 | 403,798 | (442,508) | 394,364 |
| Interest expense, net | 47,997 | 33,026 | 2,262 | — | 83,285 |
| Debt extinguishment costs | 16,887 | — | — | — | 16,887 |
| Earnings from continuing operations before income taxes | 80,134 | 255,030 | 401,536 | (442,508) | 294,192 |
| Income tax expense | 29,166 | 17,373 | 1,564 | — | 48,103 |
| Net earnings from continuing operations | 50,968 | 237,657 | 399,972 | (442,508) | 246,089 |
| Net earnings (loss) from discontinued operations | 2,733 | — | (4,029) | — | (1,296) |
| Net earnings | 53,701 | 237,657 | 395,943 | (442,508) | 244,793 |
| Net earnings attributable to noncontrolling interests | — | 21 | 191,071 | — | 191,092 |
| Net earnings attributable to AmSurg Corp. shareholders | 53,701 | 237,636 | 204,872 | (442,508) | 53,701 |
| Preferred stock dividends | (4,503) | — | — | — | (4,503) |
| Net earnings attributable to AmSurg Corp. common shareholders | $ 49,198 | $ 237,636 | $ 204,872 | $ (442,508) | $ 49,198 |
| Amounts attributable to AmSurg Corp. common shareholders: | | | | | |
| Earnings from continuing operations, net of income tax | $ 46,465 | $ 237,636 | $ 209,184 | $ (442,508) | $ 50,777 |
| Earnings (loss) from discontinued operations, net of income tax | 2,733 | — | (4,312) | — | (1,579) |
| Net earnings attributable to AmSurg Corp. common shareholders | $ 49,198 | $ 237,636 | $ 204,872 | $ (442,508) | $ 49,198 |

**Condensed Consolidating Statement of Earnings - Year Ended December 31, 2013 (In thousands)**

| | Parent Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|
| Net revenue | $ 24,167 | $ — | $ 1,050,547 | $ (17,518) | $ 1,057,196 |
| Operating expenses: | | | | | |
| Salaries and benefits | 61,038 | — | 267,014 | (467) | 327,585 |
| Supply cost | — | — | 153,126 | — | 153,126 |
| Other operating expenses | 22,360 | — | 211,192 | (17,051) | 216,501 |
| Transaction costs | 300 | — | — | — | 300 |
| Depreciation and amortization | 3,186 | — | 29,214 | — | 32,400 |
| Total operating expenses | 86,884 | — | 660,546 | (17,518) | 729,912 |
| Gain on deconsolidation | — | 2,237 | — | — | 2,237 |
| Equity in earnings of unconsolidated affiliates | 207,199 | 204,962 | — | (409,010) | 3,151 |
| Operating income | 144,482 | 207,199 | 390,001 | (409,010) | 332,672 |
| Interest expense, net | 27,282 | — | 2,243 | — | 29,525 |
| Earnings from continuing operations before income taxes | 117,200 | 207,199 | 387,758 | (409,010) | 303,147 |
| Income tax expense | 47,139 | — | 1,515 | — | 48,654 |
| Net earnings from continuing operations | 70,061 | 207,199 | 386,243 | (409,010) | 254,493 |
| Net earnings from discontinued operations | 2,642 | — | 4,409 | — | 7,051 |
| Net earnings | 72,703 | 207,199 | 390,652 | (409,010) | 261,544 |
| Net earnings attributable to noncontrolling interests | — | — | 188,841 | — | 188,841 |
| Net earnings attributable to AmSurg Corp. common shareholders | $ 72,703 | $ 207,199 | $ 201,811 | $ (409,010) | $ 72,703 |
| Amounts attributable to AmSurg Corp. common shareholders: | | | | | |
| Earnings from continuing operations, net of income tax | $ 70,061 | $ 207,199 | $ 202,759 | $ (409,010) | $ 71,009 |
| Earnings (loss) from discontinued operations, net of income tax | 2,642 | — | (948) | — | 1,694 |
| Net earnings attributable to AmSurg Corp. common shareholders | $ 72,703 | $ 207,199 | $ 201,811 | $ (409,010) | $ 72,703 |

**Condensed Consolidating Statement of Cash Flows - Year Ended December 31, 2015 (In thousands)**

| | Parent Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Net cash flows provided by operating activities | $ 40,432 | $ 353,932 | $ 489,820 | $ (346,225) | $ 537,959 |
| Cash flows from investing activities: | | | | | |
| Acquisitions and related transactions | (757,775) | (969,259) | — | 764,345 | (962,689) |
| Acquisition of property and equipment | (5,876) | (22,988) | (31,441) | — | (60,305) |
| Proceeds from sale of interests in surgery centers | — | 7,114 | — | — | 7,114 |
| Purchases of marketable securities | — | — | (3,984) | — | (3,984) |
| Maturities of marketable securities | — | — | 4,233 | — | 4,233 |
| Other | — | (2,927) | 1,733 | — | (1,194) |
| Net cash flows used in investing activities | (763,651) | (988,060) | (29,459) | 764,345 | (1,016,825) |
| Cash flows from financing activities: | | | | | |
| Proceeds from long-term borrowings | 546,000 | — | 14,133 | — | 560,133 |
| Repayment on long-term borrowings | (379,700) | — | (12,886) | — | (392,586) |
| Distributions to owners, including noncontrolling interests | — | (109,862) | (451,262) | 346,225 | (214,899) |
| Capital contributions | — | 757,775 | — | (757,775) | — |
| Proceeds from common stock offering | 466,777 | — | — | — | 466,777 |
| Payments of equity issuance costs | (19,058) | — | — | — | (19,058) |
| Financing cost incurred | (1,101) | — | (10) | — | (1,111) |
| Changes in intercompany balances with affiliates, net | 5,016 | — | (5,016) | — | — |
| Other financing activities, net | (8,629) | (9,749) | 3,139 | (6,570) | (21,809) |
| Net cash flows provided by (used in) financing activities | 609,305 | 638,164 | (451,902) | (418,120) | 377,447 |
| Net increase (decrease) in cash and cash equivalents | (113,914) | 4,036 | 8,459 | — | (101,419) |
| Cash and cash equivalents, beginning of period | 134,351 | 23,471 | 50,257 | — | 208,079 |
| Cash and cash equivalents, end of period | $ 20,437 | $ 27,507 | $ 58,716 | $ — | $ 106,660 |



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**Condensed Consolidating Statement of Cash Flows - Year Ended December 31, 2014 (In thousands)**

| | Parent Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Net cash flows provided by operating activities | $ 96,681 | $ 298,415 | $ 430,880 | $ (413,605) | $ 412,371 |
| Cash flows from investing activities: | | | | | |
| Acquisitions and related transactions | (2,124,124) | (2,188,191) | 1,520 | 2,126,737 | (2,184,058) |
| Acquisition of property and equipment | (7,877) | (9,933) | (22,407) | — | (40,217) |
| Proceeds from sale of interests in surgery centers | — | 7,069 | — | — | 7,069 |
| Purchases of marketable securities | — | — | (6,474) | — | (6,474) |
| Maturities of marketable securities | — | — | 3,486 | — | 3,486 |
| Other | (3,068) | (6,594) | 4,721 | — | (4,941) |
| Net cash flows used in investing activities | (2,135,069) | (2,197,649) | (19,154) | 2,126,737 | (2,225,135) |
| Cash flows from financing activities: | | | | | |
| Proceeds from long-term borrowings | 2,040,000 | — | 8,958 | — | 2,048,958 |
| Repayment on long-term borrowings | (396,493) | — | (11,982) | — | (408,475) |
| Distributions to owners, including noncontrolling interests | — | (202,247) | (401,455) | 413,605 | (190,097) |
| Capital contributions | — | 2,124,124 | — | (2,124,124) | — |
| Proceeds from preferred stock offering | 172,500 | — | — | — | 172,500 |
| Proceeds from common stock offering | 439,875 | — | — | — | 439,875 |
| Payments of equity issuance costs | (24,494) | — | — | — | (24,494) |
| Financing cost incurred | (65,811) | — | — | — | (65,811) |
| Changes in intercompany balances with affiliates, net | 2,965 | — | (2,965) | — | — |
| Other financing activities, net | (2,513) | 828 | 1,845 | (2,613) | (2,453) |
| Net cash flows provided by (used in) financing activities | 2,166,029 | 1,922,705 | (405,599) | (1,713,132) | 1,970,003 |
| Net increase in cash and cash equivalents | 127,641 | 23,471 | 6,127 | — | 157,239 |
| Cash and cash equivalents, beginning of period | 6,710 | — | 44,130 | — | 50,840 |
| Cash and cash equivalents, end of period | $ 134,351 | $ 23,471 | $ 50,257 | $ — | $ 208,079 |



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**Condensed Consolidating Statement of Cash Flows - Year Ended December 31, 2013 (In thousands)**

| | Parent Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total Consolidated |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Net cash flows provided by operating activities | $ 45,127 | $ 208,773 | $ 426,572 | $ (347,648) | $ 332,824 |
| Cash flows from investing activities: | | | | | |
| Acquisitions and related transactions | — | (74,288) | — | 694 | (73,594) |
| Acquisition of property and equipment | (3,693) | — | (25,163) | — | (28,856) |
| Proceeds from sale of interests in surgery centers | — | 3,553 | — | — | 3,553 |
| Other | — | 159 | — | — | 159 |
| Net cash flows used in investing activities | (3,693) | (70,576) | (25,163) | 694 | (98,738) |
| Cash flows from financing activities: | | | | | |
| Proceeds from long-term borrowings | 152,700 | — | 9,504 | — | 162,204 |
| Repayment on long-term borrowings | (188,081) | — | (14,002) | — | (202,083) |
| Distributions to owners, including noncontrolling interests | — | (138,875) | (392,922) | 347,648 | (184,149) |
| Changes in intercompany balances with affiliates, net | 88 | — | (88) | — | — |
| Other financing activities, net | (6,690) | 678 | 1,090 | (694) | (5,616) |
| Net cash flows used in financing activities | (41,983) | (138,197) | (396,418) | 346,954 | (229,644) |
| Net increase (decrease) in cash and cash equivalents | (549) | — | 4,991 | — | 4,442 |
| Cash and cash equivalents, beginning of period | 7,259 | — | 39,139 | — | 46,398 |
| Cash and cash equivalents, end of period | $ 6,710 | $ — | $ 44,130 | $ — | $ 50,840 |

### (22) Subsequent Events

The Company assessed events occurring subsequent to December 31, 2015 for potential recognition and disclosure in the consolidated financial statements. No events have occurred that would require adjustment to or disclosure in the consolidated financial statements.

## Quarterly Statement of Earnings Data (Unaudited)

The following table presents certain quarterly statement of earnings data for the years ended December 31, 2015 and 2014. The quarterly statement of earnings data set forth below was derived from the Company's unaudited financial statements and includes all adjustments, consisting of normal recurring adjustments, which the Company considers necessary for a fair presentation thereof. Results of operations for any particular quarter are not necessarily indicative of results of operations for a full year or predictive of future periods.

| | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 [1] | Q4 |
| | (In thousands, except per share data) | | | | | | | |
| Net revenues | $570,445 | $641,950 | $650,227 | $704,262 | $259,561 | $278,227 | $502,350 | $581,811 |
| Earnings from continuing operations before income taxes | 83,004 | 115,940 | 135,797 | 161,178 | 73,028 | 80,487 | 39,142 | 101,535 |
| Net earnings from continuing operations | 68,755 | 90,747 | 98,279 | 124,348 | 60,046 | 67,689 | 39,120 | 79,234 |
| Net earnings (loss) from discontinued operations | — | — | — | (1,013) | 68 | 483 | (1,697) | (150) |
| Net earnings | 68,755 | 90,747 | 98,279 | 123,335 | 60,114 | 68,172 | 37,423 | 79,084 |
| Net earnings (loss) attributable to AmSurg Corp. common shareholders: | | | | | | | | |
| Continuing | 18,774 | 31,411 | 40,397 | 64,310 | 17,392 | 18,771 | (10,697) | 25,311 |
| Discontinued | — | — | — | (1,001) | (197) | 190 | (1,376) | (196) |
| Net earnings (loss) | $ 18,774 | $ 31,411 | $ 40,397 | $ 63,309 | $ 17,195 | $ 18,961 | $ (12,073) | $ 25,115 |
| Basic net earnings (loss) from continuing operations per share | $ 0.39 | $ 0.66 | $ 0.85 | $ 1.31 | $ 0.55 | $ 0.59 | $ (0.23) | $ 0.53 |
| Basic net earnings (loss) per share | $ 0.39 | $ 0.66 | $ 0.85 | $ 1.28 | $ 0.54 | $ 0.60 | $ (0.26) | $ 0.53 |
| Diluted net earnings (loss) from continuing operations per share | $ 0.39 | $ 0.65 | $ 0.83 | $ 1.26 | $ 0.54 | $ 0.58 | $ (0.23) | $ 0.53 |
| Diluted net earnings (loss) per share | $ 0.39 | $ 0.65 | $ 0.83 | $ 1.24 | $ 0.54 | $ 0.59 | $ (0.26) | $ 0.53 |

(1) The results of operations for Sheridan are effective July 16, 2014. Additionally, $16.9 million of debt extinguishment costs and $25.1 million of transaction costs were incurred during the quarter.

**Index to Financial Statements**
**Envision Healthcare Holdings, Inc.**







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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Envision Healthcare Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Envision Healthcare Holdings, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at page F-1. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Envision Healthcare Holdings, Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Envision Healthcare Holdings, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 29, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
February 29, 2016

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Envision Healthcare Holdings, Inc.

We have audited Envision Healthcare Holdings, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Envision Healthcare Holdings, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Scottsdale Emergency Associates, Vista Staffing Solutions, Emergency Medical Associates, Carefirst, Inc., Vital/Marlboro, Northwest Tucson Emergency Physicians, Rural/Metro Corporation, Questcare Medical Services and MetroCare Services-Abilene GP, LLC, which are included in the 2015 consolidated financial statements of Envision Healthcare Holdings, Inc. and constituted 28% of total assets as of December 31, 2015 and 10% of net revenues for the year then ended. Our audit of internal control over financial reporting of Envision Healthcare Holdings, Inc. also did not include an evaluation of the internal control over financial reporting of Scottsdale Emergency Associates, Vista Staffing Solutions, Emergency Medical Associates, Carefirst, Inc., Vital/Marlboro, Northwest Tucson Emergency Physicians, Rural/Metro Corporation, Questcare Medical Services and MetroCare Services-Abilene GP, LLC.

In our opinion, Envision Healthcare Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Envision Healthcare Holdings, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2015 of Envision Healthcare Holdings, Inc. and our report dated February 29, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
February 29, 2016

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## ENVISION HEALTHCARE HOLDINGS, INC.

## CONSOLIDATED BALANCE SHEETS
**(in thousands, except share and per share amounts)**

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 141,677 | $ 318,895 |
| Insurance collateral | 68,849 | 32,828 |
| Trade and other accounts receivable, net | 1,257,021 | 950,115 |
| Parts and supplies inventory | 34,023 | 24,484 |
| Prepaids and other current assets | 96,857 | 36,917 |
| Total current assets | 1,598,427 | 1,363,239 |
| Non-current assets: | | |
| Property, plant and equipment, net | 335,869 | 211,276 |
| Intangible assets, net | 1,051,631 | 524,482 |
| Insurance collateral | 9,065 | 10,568 |
| Goodwill | 3,271,933 | 2,538,633 |
| Other long-term assets | 121,266 | 55,555 |
| Total assets | $6,388,191 | $4,703,753 |
| **Liabilities and Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 68,985 | $ 47,584 |
| Accrued liabilities | 612,445 | 412,657 |
| Current deferred tax liabilities | 85,765 | 104,278 |
| Current portion of long-term debt and capital lease obligations | 24,550 | 12,349 |
| Total current liabilities | 791,745 | 576,868 |
| Long-term debt and capital lease obligations | 2,993,100 | 2,025,877 |
| Long-term deferred tax liabilities | 283,345 | 130,963 |
| Insurance reserves | 252,650 | 180,639 |
| Other long-term liabilities | 65,910 | 20,365 |
| Total liabilities | 4,386,750 | 2,934,712 |
| Commitments and contingencies | | |
| Equity: | | |
| Common stock ($0.01 par value; 2,000,000,000 shares authorized, 186,924,004 and 183,679,113 issued and outstanding as of December 31, 2015 and 2014, respectively) | 1,869 | 1,837 |
| Preferred stock ($0.01 par value; 200,000,000 shares authorized, none issued and outstanding as of December 31, 2015 and 2014) | — | — |
| Additional paid-in capital | 1,677,578 | 1,616,747 |
| Retained earnings | 288,741 | 143,849 |
| Accumulated other comprehensive income (loss) | (1,649) | (1,856) |
| Total Envision Healthcare Holdings, Inc. equity | 1,966,539 | 1,760,577 |
| Noncontrolling interest | 34,902 | 8,464 |
| Total equity | 2,001,441 | 1,769,041 |
| Total liabilities and equity | $6,388,191 | $4,703,753 |

The accompanying notes are an integral part of these financial statements.

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## ENVISION HEALTHCARE HOLDINGS, INC.
## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
**(in thousands, except share and per share amounts)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Revenue, net of contractual discounts | $ 9,853,009 | $ 7,884,953 | $ 6,771,522 |
| Provision for uncompensated care | (4,405,093) | (3,487,309) | (3,043,210) |
| Net revenue | 5,447,916 | 4,397,644 | 3,728,312 |
| Compensation and benefits | 3,922,273 | 3,156,480 | 2,667,439 |
| Operating expenses | 681,342 | 487,841 | 424,865 |
| Insurance expense | 145,829 | 120,983 | 106,293 |
| Selling, general and administrative expenses | 120,158 | 90,731 | 106,659 |
| Depreciation and amortization expense | 182,897 | 146,155 | 140,632 |
| Restructuring and other charges | 30,169 | 6,968 | 5,669 |
| Income from operations | 365,248 | 388,486 | 276,755 |
| Interest income from restricted assets | 651 | 1,135 | 792 |
| Interest expense, net | (117,183) | (110,505) | (186,701) |
| Realized gains (losses) on investments | 21 | 371 | 471 |
| Other income (expense), net | (966) | (3,980) | (12,760) |
| Loss on early debt extinguishment | — | (66,397) | (68,379) |
| Income (loss) before income taxes and equity in earnings of unconsolidated subsidiary | 247,771 | 209,110 | 10,178 |
| Income tax benefit (expense) | (97,374) | (89,498) | 994 |
| Income (loss) before equity in earnings of unconsolidated subsidiary | 150,397 | 119,612 | 11,172 |
| Equity in earnings of unconsolidated subsidiary | 353 | 254 | 323 |
| Net income (loss) | 150,750 | 119,866 | 11,495 |
| Less: Net (income) loss attributable to noncontrolling interest | (5,858) | 5,642 | (5,500) |
| Net income (loss) attributable to Envision Healthcare Holdings, Inc. | $ 144,892 | $ 125,508 | $ 5,995 |
| Net income (loss) per share attributable to Envision Healthcare Holdings, Inc.: | | | |
| Basic | $ 0.78 | $ 0.69 | $ 0.04 |
| Diluted | $ 0.76 | $ 0.66 | $ 0.04 |
| Weighted-average common shares outstanding: | | | |
| Basic | 185,603,780 | 182,019,732 | 150,156,216 |
| Diluted | 191,538,699 | 189,921,434 | 156,962,385 |
| **Comprehensive income (loss):** | | | |
| Net income (loss) | $ 150,750 | $ 119,866 | $ 11,495 |
| Other comprehensive income (loss), net of tax: | | | |
| Unrealized holding gains (losses) during the period | (486) | (723) | (892) |
| Unrealized gains (losses) on derivative financial instruments | 693 | (294) | 266 |
| Total other comprehensive income (loss), net of tax | 207 | (1,017) | (626) |
| Comprehensive income (loss) | 150,957 | 118,849 | 10,869 |
| Less: Comprehensive (income) loss attributable to noncontrolling interest | (5,858) | 5,642 | (5,500) |
| Comprehensive income (loss) attributable to Envision Healthcare Holdings, Inc. | $ 145,099 | $ 124,491 | $ 5,369 |

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The accompanying notes are an integral part of these financial statements.

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# ENVISION HEALTHCARE HOLDINGS, INC.
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
### (in thousands, except share data)

| | Common Stock Shares | Common Stock | Preferred Stock Shares | Preferred Stock | Additional Paid-in Capital | Retained Earnings | Accumulated other Comprehensive Income (Loss) | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balances January 1, 2013 | 130,661,627 | $ 1,307 | — | $ — | $ 524,717 | $ 12,346 | $ (213) | $ 6,530 | $ 544,687 |
| Equity offering, net of issuance costs of $4,031 and 5.5% underwriter discount | 48,300,000 | 483 | — | — | 1,045,769 | — | — | — | 1,046,252 |
| Shares repurchased | (365,227) | (4) | — | — | (1,463) | — | — | — | (1,467) |
| Equity-based compensation | — | — | — | — | 4,248 | — | — | — | 4,248 |
| Exercise of options | 1,786,485 | 18 | — | — | 859 | — | — | — | 877 |
| Excess tax benefits from stock-based compensation | — | — | — | — | 62 | — | — | — | 62 |
| Net income attributable to Envision Healthcare Holdings, Inc. | — | — | — | — | — | 5,995 | — | — | 5,995 |
| Net income attributable to noncontrolling interest | — | — | — | — | — | — | — | 5,500 | 5,500 |
| Fair value of fuel hedge | — | — | — | — | — | — | (636) | — | (636) |
| Fair value of interest rate swap agreement | — | — | — | — | — | — | 902 | — | 902 |
| Unrealized holding gains | — | — | — | — | — | — | (892) | — | (892) |
| Contributions from noncontrolling interest | — | — | — | — | — | — | — | 3,000 | 3,000 |
| Other | — | — | — | — | 1,225 | — | — | — | 1,225 |
| Balances December 31, 2013 | 180,382,885 | 1,804 | — | — | 1,575,417 | 18,341 | (839) | 15,030 | 1,609,753 |
| Shares repurchased | (570,407) | (6) | — | — | (16,832) | — | — | — | (16,838) |
| Equity-based compensation | — | — | — | — | 5,109 | — | — | — | 5,109 |
| Exercise of options | 3,866,635 | 39 | — | — | 10,132 | — | — | — | 10,171 |
| Excess tax benefits from stock-based compensation | — | — | — | — | 44,550 | — | — | — | 44,550 |
| Net income attributable to Envision Healthcare Holdings, Inc. | — | — | — | — | — | 125,508 | — | — | 125,508 |
| Net income attributable to noncontrolling interest | — | — | — | — | — | — | — | (5,642) | (5,642) |
| Fair value of fuel hedge | — | — | — | — | — | — | (1,317) | — | (1,317) |
| Fair value of interest rate swap agreement | — | — | — | — | — | — | 1,023 | — | 1,023 |
| Unrealized holding losses | — | — | — | — | — | — | (723) | — | (723) |
| Contributions from noncontrolling interest | — | — | — | — | — | — | — | 1,289 | 1,289 |
| Distributions to noncontrolling interest | — | — | — | — | — | — | — | (2,213) | (2,213) |
| Other | — | — | — | — | (1,629) | — | — | — | (1,629) |
| Balances December 31, 2014 | 183,679,113 | 1,837 | — | — | 1,616,747 | 143,849 | (1,856) | 8,464 | 1,769,041 |
| Issuance of stock under employee stock purchase plan and provider stock purchase | | | | | | | | | |

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| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| plan | 162,297 | 1 | — | — | 4,577 | — | — | — | 4,578 |
| Equity-based compensation | — | — | — | — | 6,590 | — | — | — | 6,590 |
| Exercise of options | 3,082,594 | 31 | — | — | 12,804 | — | — | — | 12,835 |
| Excess tax benefits from stock-based compensation | — | — | — | — | 36,860 | — | — | — | 36,860 |
| Net income attributable to Envision Healthcare Holdings, Inc. | — | — | — | — | — | 144,892 | — | — | 144,892 |
| Net income attributable to noncontrolling interest | — | — | — | — | — | — | — | 5,858 | 5,858 |
| Fair value of fuel hedge | — | — | — | — | — | — | (843) | — | (843) |
| Fair value of interest rate swap agreement | — | — | — | — | — | — | 935 | — | 935 |
| Unrealized holding losses | — | — | — | — | — | — | (486) | — | (486) |
| Contributions from noncontrolling interest | — | — | — | — | — | — | — | 20,580 | 20,580 |
| Other | — | — | — | — | — | — | 601 | — | 601 |
| Balances December 31, 2015 | 186,924,004 | $ 1,869 | — | $ — | $1,677,578 | $ 288,741 | $ (1,649) | $ 34,902 | $ 2,001,441 |

The accompanying notes are an integral part of these financial statements.

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**ENVISION HEALTHCARE HOLDINGS, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Cash Flows from Operating Activities** | | | |
| Net income (loss) | $ 150,750 | $ 119,866 | $ 11,495 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 192,017 | 155,629 | 158,588 |
| (Gain) loss on disposal of property, plant and equipment | 138 | (2,131) | (28) |
| Equity-based compensation expense | 6,590 | 5,109 | 4,248 |
| Excess tax benefits from equity-based compensation | (36,860) | (44,550) | (62) |
| Loss on early debt extinguishment | — | 66,397 | 68,379 |
| Equity in earnings of unconsolidated subsidiary | (353) | (254) | (323) |
| Dividends received | 370 | 430 | 556 |
| Deferred income taxes | (593) | 44,651 | 2,416 |
| Payment of dissenting shareholder settlement | — | — | (13,717) |
| Changes in operating assets/liabilities, net of acquisitions: | | | |
| Trade and other accounts receivable, net | (92,541) | (129,239) | (175,968) |
| Parts and supplies inventory | (1,062) | (687) | (1,326) |
| Prepaids and other current assets | (32,099) | (12,157) | 987 |
| Accounts payable and accrued liabilities | 59,026 | 81,997 | (12,841) |
| Insurance reserves | (8,306) | (13,683) | 10,466 |
| Other assets and liabilities, net | 12,031 | 2,670 | 1,245 |
| Net cash provided by (used in) operating activities | 249,108 | 274,048 | 54,115 |
| **Cash Flows from Investing Activities** | | | |
| Purchases of available-for-sale securities | (4,594) | (79,751) | (3,156) |
| Sales and maturities of available-for-sale securities | 11,409 | 62,673 | 14,096 |
| Purchases of property, plant and equipment | (95,090) | (78,046) | (65,879) |
| Proceeds from sale of property, plant and equipment | 713 | 2,444 | 744 |
| Acquisition of businesses, net of cash received | (1,356,926) | (181,642) | (35,098) |
| Net change in insurance collateral | 4,533 | 481 | (7,235) |
| Other investing activities | (320) | (2,977) | (2,069) |
| Net cash provided by (used in) investing activities | (1,440,275) | (276,818) | (98,597) |
| **Cash Flows from Financing Activities** | | | |
| Issuance of common stock | — | — | 1,112,017 |
| Borrowings under the Term Loan | 1,000,000 | — | 150,000 |
| Borrowings under the ABL Facility | 455,000 | 50,000 | 345,440 |
| Proceeds from issuance of senior notes | — | 740,625 | — |
| Repayments of the Term Loan | (13,372) | (13,372) | (13,371) |
| Repayments of the ABL Facility | (455,000) | (50,000) | (470,440) |
| Repayments of senior notes | — | (607,750) | (777,250) |
| Payment for debt extinguishment premiums | — | (37,630) | (39,402) |
| Debt issuance costs | (26,463) | (2,224) | (5,011) |
| Equity issuance costs | — | — | (65,131) |
| Proceeds from stock options exercised and issuance of shares under employee stock purchase plan and provider stock purchase plan | 17,413 | 7,730 | — |
| Excess tax benefits from equity-based compensation | 36,860 | 44,550 | 62 |
| Shares repurchased for tax withholdings | — | (14,430) | — |
| Contributions from (distributions to) noncontrolling interest, net | 100 | (924) | 3,000 |
| Payment of dissenting shareholder settlement | — | — | (38,336) |
| Net change in bank overdrafts | — | — | (10,146) |
| Other financing activities | (589) | 378 | (70) |
| Net cash provided by (used in) financing activities | 1,013,949 | 116,953 | 191,362 |
| Change in cash and cash equivalents | (177,218) | 114,183 | 146,880 |
| Cash and cash equivalents, beginning of period | 318,895 | 204,712 | 57,832 |

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| | | | |
|---|---|---|---|
| Cash and cash equivalents, end of period | $ 141,677 | $ 318,895 | $ 204,712 |

The accompanying notes are an integral part of these financial statements.

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# ENVISION HEALTHCARE HOLDINGS, INC.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. General

### *Basis of Presentation of Financial Statements*

Envision Healthcare Holdings, Inc. ("EVHC" or the "Company") formerly known as CDRT Holding Corporation, is organized as a holding company that operates through various subsidiaries. Envision Healthcare Corporation, formerly known as Emergency Medical Services Corporation, ("Corporation") is a wholly-owned subsidiary of the Company.

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") to reflect the consolidated financial position, results of operations and cash flows of the Company.

The Company operates in two segments, EmCare Holdings, Inc. ("EmCare") in the facility-based and post-acute care physician service business and American Medical Response, Inc. ("AMR") in the healthcare transportation service business. EmCare provides integrated facility-based physician services for emergency departments, anesthesiology, hospitalist/inpatient, radiology, teleradiology and surgery programs with over 900 contracts in 42 states and the District of Columbia. EmCare recruits physicians, gathers their credentials, arranges contracts for their services, assists in monitoring their performance and arranges their scheduling. In addition, EmCare assists clients in such operational areas as staff coordination, quality assurance, departmental accreditation, billing, record-keeping, third-party payment programs, and other administrative services. EmCare also offers physician-led care management solutions outside the hospital. AMR operates in 39 states and the District of Columbia, providing a full range of healthcare transportation services from basic patient transit to the most advanced emergency care and pre-hospital assistance. In addition, AMR operates emergency ("911") call and response services for large and small communities all across the United States, offers contracted medical staffing, and provides telephone triage, transportation dispatch and demand management services.

## 2. Summary of Significant Accounting Policies

### *Consolidation*

The consolidated financial statements of the Company include all of its wholly-owned subsidiaries, including Corporation, EmCare and AMR and their respective subsidiaries and affiliated physician groups. All significant intercompany transactions and balances have been eliminated in consolidation.

### *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions relating to the reporting of results of operations, financial condition and related disclosure of contingent assets and liabilities at the date of the financial statements including, but not limited to, estimates and assumptions for accounts receivable, insurance related reserves and acquired intangible assets. Actual results may differ from those estimates under different assumptions or conditions.

### *Cash and Cash Equivalents*

Cash and cash equivalents are comprised of highly liquid investments with a maturity of three months or less at acquisition, and are recorded at market value.

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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

***Insurance Collateral***

Insurance collateral is comprised of investments in U.S. Treasuries and marketable equity and debt securities held by the Company's captive insurance subsidiary that supports the Company's insurance program and reserves, as well as cash deposits with third parties. Certain of these investments, if sold or otherwise liquidated, would have to be replaced by other suitable financial assurances and are, therefore, considered restricted. These investments are designated as available-for-sale and reported at fair value with the related temporary unrealized gains and losses reported as a separate component of accumulated other comprehensive income (loss), net of deferred income tax. Declines in the fair value of a marketable investment security which are determined to be other-than-temporary are recognized in the statements of operations, thus establishing a new cost basis for such investment. Investment income earned on these investments is reported as interest income from restricted assets in the statements of operations.

Realized gains and losses are determined based on an average cost basis.

Insurance collateral also includes a receivable from insurers of $0.6 million and $1.5 million as of December 31, 2015 and 2014, respectively, for liabilities in excess of the Company's self-insured retention.

***Trade and Other Accounts Receivable, net***

The Company estimates its allowances based on payor reimbursement schedules, historical collections and write-off experience and other economic data. Patient-related accounts receivable are recorded net of estimated allowances for contractual discounts and uncompensated care in the period in which services are performed. Account balances, principally related to receivables recorded for self-pay patients, are charged off against the uncompensated care allowance, when it is probable the receivable will not be recovered. As a result of the estimates used in recording the allowances, the nature of healthcare collections, which may involve lengthy delays, there is a reasonable possibility that recorded estimates will change materially in the short-term.

The following table presents accounts receivable, net and accounts receivable allowances by segment (in thousands):

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **Accounts receivable, net** | | |
| EVHC | $ 826 | $ 28 |
| EmCare | 839,759 | 645,427 |
| AMR | 416,436 | 304,660 |
| Total | $ 1,257,021 | $ 950,115 |
| **Accounts receivable allowances** | | |
| EmCare | | |
| Allowance for contractual discounts | $ 2,778,395 | $ 2,522,622 |
| Allowance for uncompensated care | 1,432,902 | 1,060,270 |
| Total | $ 4,211,297 | $ 3,582,892 |
| AMR | | |
| Allowance for contractual discounts | $ 561,683 | $ 278,230 |
| Allowance for uncompensated care | 346,298 | 167,529 |
| Total | $ 907,981 | $ 445,759 |

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Accounts receivable allowances at EmCare are estimated based on cash collection and write-off experience at a facility level contract and facility specific payor mix. These allowances are reviewed and adjusted monthly through

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

revenue provisions. The Company compares actual cash collected on a date of service basis to the revenue recorded for that period and records any adjustment necessary for an overage or deficit in these allowances based on actual collections and future estimated collections.

AMR contractual allowances are determined primarily on payor reimbursement schedules that are included and regularly updated in the billing systems, and by historical collection experience. The billing systems calculate the difference between payor specific gross billings and contractually agreed to, or governmentally driven, reimbursement rates. The allowance for uncompensated care at AMR is related principally to receivables recorded for self-pay patients. AMR's allowances on self-pay accounts receivable are estimated based on historical write-off experience and future estimated collections.

***Parts and Supplies Inventory***

Parts and supplies inventory is valued at cost, determined on a first-in, first-out basis. Durable medical supplies, including oximeters and other miscellaneous items, are capitalized as inventory and expensed as used.

***Property, Plant and Equipment, net***

Property, plant and equipment are recorded at cost except for property, plant and equipment acquired through business acquisitions, which is initially recorded at fair value. Maintenance and repairs that do not extend the useful life of the property are charged to expense as incurred. Gains and losses from dispositions of property, plant and equipment are recorded in the period incurred. Depreciation of property, plant and equipment is provided substantially on a straight-line basis over their estimated useful lives, which are as follows:

| | |
|---|---|
| Buildings | 35 to 40 years |
| Leasehold improvements | Shorter of expected life or life of lease |
| Vehicles | 5 to 7 years |
| Computer hardware and software | 3 to 5 years |
| Other | 3 to 10 years |

***Goodwill and Other Indefinite Lived Intangibles***

Goodwill and other indefinite lived intangibles, including radio frequencies, licenses and certain trade names, are not amortized, but instead tested for impairment at least annually. The Company performs its annual impairment test in the third quarter for goodwill and other indefinite lived intangibles or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Such indicators include a sustained significant decline in the Company's market capitalization or a significant decline in its expected future cash flows due to changes in company-specific factors or the broader business climate. The evaluation of such factors requires considerable judgment. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and have a material impact on the Company's consolidated financial statements.

Goodwill and other indefinite lived intangible assets have been allocated to three reporting units. Two of the reporting units are aggregated into the EmCare operating segment and the other reporting unit is the AMR operating segment which the Company determined met the criteria to be classified as reporting units. As of December 31, 2015, $1,999.1 million and $1,272.8 million of goodwill had been allocated to EmCare and AMR, respectively.

The Company evaluates the carrying amounts of goodwill on an annual basis to determine if there is potential goodwill impairment.

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For 2015 and 2013, the Company performed a qualitative assessment to determine whether it is more likely than not that the fair value of each reporting unit exceeds its carrying amount. Several qualitative factors were considered in the assessment, including, among others, overall financial performance, industry and market considerations and relevant company specific events. In contemplating all factors in their totality, the Company concluded that it is more likely than not that the fair value of each reporting unit exceeded its carrying amount. As such, no further analysis was required. For 2014, the Company performed a quantitative assessment. Fair value for each of the reporting units was determined using the estimated future cash flows, discounted at a rate commensurate with the risk involved or the market approach. In conducting the quantitative assessment in 2014, the Company determined that fair value of each reporting unit exceeded its carrying amount.

If the fair value of the reporting unit is less than the carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value. No impairment charges were recorded as of December 31, 2015, 2014, or 2013.

***Impairment of Long-lived Assets and Other Definite Lived Intangibles***

Long-lived assets and other definite lived intangibles, including contract values, physician referral network, certain trade names and covenants not to compete, are amortized on a straight-line basis over the estimated useful life, consistent with the Company's expectation of estimated future cash flows. These assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Important factors that could trigger impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the use of the acquired assets or the strategy for the overall business, and significant negative industry or economic trends. If indicators of impairment are present, management evaluates the carrying value of long-lived assets and other definite lived intangibles in relation to the projection of future undiscounted cash flows of the underlying business. Projected cash flows are based on historical results adjusted to reflect management's best estimate of future market and operating conditions, which may differ from actual cash flows. There were no indicators of impairment in 2015, 2014, or 2013.

***Claims Liability and Professional Liability Reserves***

The Company is self-insured up to certain limits for costs associated with workers compensation claims, automobile claims, professional liability claims and general business liabilities. Reserves are established for estimates of the loss that will ultimately be incurred on claims that have been reported but not paid and claims that have been incurred but not reported. These reserves are established based on consultation with independent actuaries. The actuarial valuations consider a number of factors, including historical claim payment patterns and changes in case reserves, the assumed rate of increase in healthcare costs and property damage repairs. Historical experience and recent stable trends in the historical experience are the most significant factors in the determination of these reserves. Management believes the use of actuarial methods to account for these reserves provides a consistent and effective way to measure these subjective accruals. However, given the magnitude of the claims involved and the length of time until the ultimate cost is known, the use of any estimation technique in this area is inherently sensitive. Accordingly, recorded reserves could differ from ultimate costs related to these claims due to changes in accident reporting, claims payment and settlement practices or claims reserve practices, as well as differences between assumed and future cost increases. Prior year insurance provision increases of $7.2 million and $7.5 million were recorded during the years ended December 31, 2015 and 2014, respectively. Accrued unpaid claims and expenses that are expected to be paid within the next 12 months are classified as current liabilities. All other accrued unpaid claims and expenses are classified as non-current liabilities.

***Derivatives and Hedging Activities***

All derivative instruments are recorded on the balance sheet at fair value. The Company uses derivative instruments to manage risks associated with interest rate and fuel pricc volatility. All hedging instruments that



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**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

qualify for hedge accounting are designated and effective as hedges, in accordance with GAAP. If the underlying hedged transaction ceases to exist, all changes in fair value of the related derivatives that have not been settled are recognized in current earnings. Instruments that do not qualify for hedge accounting and the ineffective portion of hedges are marked to market with changes recognized in current earnings. The Company does not hold or issue derivative financial instruments for trading purposes and is not a party to leveraged derivatives (see Note 12).

***EmCare Contractual Arrangements***

EmCare structures its contractual arrangements for emergency department management services in various ways. In most states, a wholly owned subsidiary of EmCare ("EmCare Subsidiary") contracts with hospitals to provide emergency department management services. The EmCare Subsidiary enters into an agreement with a professional association or professional corporation ("PA"), whereby the EmCare Subsidiary provides the PA with management services and the PA agrees to provide physician services for the hospital contract. The PA employs physicians directly or subcontracts with another entity for the physician services. In certain states, the PA contracts directly with the hospital, but provides physician services and obtains management services in the same manner as described above. In consideration for these services, the EmCare Subsidiary receives a monthly fee that may be adjusted from time to time to reflect industry practice, business conditions, and actual expenses for administrative costs and uncollectible accounts. In most states, these fees approximate the excess of the PA's revenues over its expenses. In all arrangements, decisions regarding patient care are made exclusively by the physicians.

Each PA is wholly-owned by a physician who enters into a Stock Transfer and Option Agreement with EmCare. This agreement gives EmCare the right to replace the physician owner with another physician in accordance with the terms of the agreement.

EmCare has determined that these management contracts meet the requirements for consolidation in accordance with GAAP. Accordingly, these financial statements include the accounts of EmCare and its subsidiaries and the PAs. The financial statements of the PAs are consolidated with EmCare and its subsidiaries because EmCare has ultimate control over the assets and business operations of the PAs as described above. Notwithstanding the lack of technical majority ownership, consolidation of the PAs is necessary to present fairly the financial position and results of operations of EmCare because of the existence of a control relationship by means other than record ownership of the PAs' voting stock. Control of a PA by EmCare is perpetual and other than temporary because EmCare may replace the physician owner of the PA at any time and thereby continue EmCare's relationship with the PA.

***Financial Instruments and Concentration of Credit Risk***

The Company's cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, insurance collateral, long-term debt and other long-term liabilities constitute financial instruments. Based on management's estimates, the carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and the senior secured credit facility approximates fair value as of December 31, 2015 and 2014. Concentration of credit risks in accounts receivable is limited, due to the large number of customers comprising the Company's customer base throughout the United States. A significant component of the Company's revenue is derived from Medicare and Medicaid. Given that these are government programs, the credit risk for these customers is considered low. The Company performs ongoing credit evaluations of its other customers, but does not require collateral to support customer accounts receivable. The Company establishes an allowance for uncompensated care based on the credit risk applicable to particular customers, historical trends and other relevant information. For the years ended December 31, 2015 and 2014, the Company derived approximately 35% and 33%, respectively, of its net revenue from Medicare and Medicaid, 62% and 64%, respectively, from insurance providers and contracted payors, and 3% and 3%, respectively, directly from patients.

## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company estimates the fair value of its fixed rate senior notes based on an analysis in which the Company evaluates market conditions, related securities, various public and private offerings, and other publicly available information (Level 2, as defined below). The estimated fair value of the senior notes as of December 31, 2015, was approximately $735.0 million with a carrying amount of $750.0 million.

***Revenue Recognition***

Fee for service revenue is recognized at the time of service and is recorded net of provisions for contractual discounts and estimated uncompensated care. Fee for service revenue represents billings for services provided to patients, for which the Company receives payment from the patient or their third party payor. Provisions for contractual discounts are related to differences between gross charges and specific payor, including governmental, reimbursement schedules. The Company records fee-for-service revenue, net of the contractual discounts based on the information entered into the Company's billing systems from received medical charts. An estimate for unprocessed medical charts for a given service period is made monthly and adjusted in future periods based on actual medical charts processed. Information entered into the billing systems is subject to change, e.g. change in payor status, and may impact recorded fee-for-service revenue, net of the contractual discounts. Such changes are recognized in the period the change is known.

Revenue from home health services, net of revenue adjustments and provisions for contractual discounts, is earned and billed either on an episode of care basis ("episodic-based revenue"), on a per visit basis, or on a daily basis depending upon the payment terms and conditions established with each payor for services provided. Revenue recognized on a non-episodic basis is recorded in a similar manner to the Company's fee-for-service revenue.

Home health service revenue under the Medicare prospective payment system is based on a 60-day episode payment rate that is subject to adjustment based on certain variables including, but not limited to: (a) a low utilization payment adjustment if the number of visits was fewer than five; (b) a partial payment if the patient transferred to another provider or the Company received a patient from another provider before completing the episode; (c) an outlier payment if the patient's care was unusually costly (capped at 10% of total reimbursement per provider number); (d) a payment adjustment based upon the level of therapy services required; (e) acceleration if an episode concludes satisfactorily before the end of the 60-day episode period. Adjustments are made to reflect differences between estimated and actual payment amounts, the inability to obtain appropriate billing documentation or authorizations and other reasons unrelated to credit risk. These adjustments are estimated based on historical experience and are recorded in the period in which services are rendered as an estimated revenue adjustment and a corresponding reduction to patient accounts receivable.

In addition to revenue recognized on completed episodes, a portion of revenue is recognized on episodes in progress. Episodes in progress are 60-day episodes of care that are active during the reporting period, but were not completed as of the end of the period. Revenue is estimated on a monthly basis based upon historical trends. The primary factors underlying this estimate are the number of episodes in progress at the end of the reporting period, expected Medicare revenue per episode and the calculation of the number of days episodes were active in the period based on the 60-day estimate from the episode start date.

Non-Medicare episodic-based revenue is recognized in a similar manner as the Medicare episodic-based revenue; however, rates paid by other insurance carriers can vary based upon the negotiated terms.

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Revenue from contract staffing assignments, net of sales adjustments and discounts, are recognized when earned, based on the hours worked by the Company's contract professionals. Conversion and direct hire fees are recognized when the employment candidate accepts permanent employment and all

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obligations are satisfied. The Company includes reimbursed expenses in revenue, net of contractual discounts, and the associated amount of reimbursement expense in compensation and benefits.

ENVISION HEALTHCARE HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue generated under fire protection service contracts is recognized over the life of the contract. Subscription fees, which are generally received in advance, are deferred and recognized on a straight-line basis over the term of the subscription agreement, which is generally one year.

Subsidy and fee revenue primarily represent hospital subsidies and fees at EmCare and fees for stand by, special event and community subsidies at AMR.

Provisions for estimated uncompensated care, or bad debts, are related principally to the number of self pay patients treated in the period. Provisions for contractual discounts and estimated uncompensated care by segment, as a percentage of gross revenue and as a percentage of gross revenue less provision for contractual discounts are shown below.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **EmCare** | | | |
| Gross revenue | 100.0 % | 100.0 % | 100.0 % |
| Provision for contractual discounts | 61.4 | 60.6 | 57.8 |
| Revenue net of contractual discounts | 38.6 | 39.4 | 42.2 |
| Provision for uncompensated care as a percentage of gross revenue | 19.6 | 20.1 | 21.6 |
| Provision for uncompensated care as a percentage of gross revenue less contractual discounts | 50.7 % | 51.0 % | 51.1 % |
| **AMR** | | | |
| Gross revenue | 100.0 % | 100.0 % | 100.0 % |
| Provision for contractual discounts | 52.8 | 52.8 | 50.7 |
| Revenue net of contractual discounts | 47.2 | 47.2 | 49.3 |
| Provision for uncompensated care as a percentage of gross revenue | 12.5 | 11.9 | 14.7 |
| Provision for uncompensated care as a percentage of gross revenue less contractual discounts | 26.6 % | 25.2 % | 29.7 % |
| **Total** | | | |
| Gross revenue | 100.0 % | 100.0 % | 100.0 % |
| Provision for contractual discounts | 59.6 | 58.8 | 56.0 |
| Revenue net of contractual discounts | 40.4 | 41.2 | 44.0 |
| Provision for uncompensated care as a percentage of gross revenue | 18.1 | 18.2 | 19.8 |
| Provision for uncompensated care as a percentage of gross revenue less contractual discounts | 44.7 % | 44.2 % | 44.9 % |



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**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Net revenue for the years ended December 31, 2015, 2014 and 2013 consisted of the following (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Revenue, net of contractual discounts, excluding subsidies and fees: | | | |
| Medicare | $ 1,660,296 | $ 1,181,762 | $ 982,640 |
| Medicaid | 623,512 | 415,771 | 257,100 |
| Commercial insurance and managed care (excluding Medicare and Medicaid managed care) | 2,835,325 | 2,551,123 | 2,241,422 |
| Self-pay | 3,699,036 | 2,993,997 | 2,660,924 |
| Sub-total | 8,818,169 | 7,142,653 | 6,142,086 |
| Subsidies and fees | 1,034,840 | 742,300 | 629,436 |
| Revenue, net of contractual discounts | 9,853,009 | 7,884,953 | 6,771,522 |
| Provision for uncompensated care | (4,405,093) | (3,487,309) | (3,043,210) |
| Net revenue | $ 5,447,916 | $ 4,397,644 | $ 3,728,312 |

Healthcare reimbursement is complex and may involve lengthy delays. Third-party payors are continuing their efforts to control expenditures for healthcare, including proposals to revise reimbursement policies. The Company has from time to time experienced delays in reimbursement from third-party payors. In addition, third-party payors may disallow, in whole or in part, claims for payment based on determinations that certain amounts are not reimbursable under plan coverage, determinations of medical necessity, or the need for additional information. Laws and regulations governing the Medicare and Medicaid programs are very complex and subject to interpretation. Revenue is recognized on an estimated basis in the period which related services are rendered. As a result, there is a reasonable possibility that recorded estimates will change materially in the short-term. Such amounts, including adjustments between provisions for contractual discounts and uncompensated care, are adjusted in future periods, as adjustments become known. These adjustments in the aggregate increased the contractual discount and uncompensated care provisions (and correspondingly decreased net revenue) by approximately $14.7 million, $12.5 million and $1.0 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The Company provides services to patients who have no insurance or other third-party payor coverage. In certain circumstances, federal law requires providers to render services to any patient who requires care regardless of their ability to pay. Services to these patients are not considered to be charity care and provisions for uncompensated care for these services are estimated accordingly.

***Income Taxes***

Deferred income taxes reflect the impact of temporary differences between the reported amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. A valuation allowance is provided for deferred tax assets when management concludes it is more likely than not that some portion of the deferred tax assets will not be recognized. The respective tax authorities, in the normal course, audit previous tax filings. It is not possible at this time to predict the final outcome of these audits or establish a reasonable estimate of possible additional taxes owing, if any.

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From time to time, the Company may engage in transactions where the tax consequences may be subject to uncertainty. A liability is recorded when a tax filing position does not meet the more likely than not threshold. For tax positions that meet the more likely than not threshold, the Company may record a liability depending on an





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**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

assessment of how the tax position will ultimately be settled. Estimates are adjusted periodically for ongoing examinations by and settlements with various taxing authorities, as well as changes in tax laws, regulations and precedent. Interest and penalties, if any, are classified as a component of interest expense, net in the consolidated statements of operations.

***Equity Based Compensation***

The Company recognizes all share-based payments to employees based on its grant-date fair values and its estimates of forfeitures. The Company recognizes the fair value of outstanding options as a charge to operations over the vesting period. The cash benefits of tax deductions in excess of deferred taxes on recognized compensation expense are reported as a financing cash flow. The Company uses the straight-line method to recognize equity based compensation expense for its outstanding stock awards. Equity based compensation has been issued under the plans described in Note 16.

***Fair Value Measurement***

The Company classifies its financial instruments that are reported at fair value based on a hierarchal framework that ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is impacted by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1—Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The Company does not adjust the quoted price for these assets or liabilities, which include investments held in connection with the Company's captive insurance program.

Level 2—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Balances in this category include corporate bonds and derivatives.

Level 3—Pricing inputs are unobservable as of the reporting date and reflect the Company's own assumptions about the fair value of the asset or liability. Balances in this category include the Company's estimate, using a combination of internal and external fair value analyses, of contingent consideration for acquisitions described in Note 5.

The following table summarizes the valuation of the Company's financial instruments by the above fair value hierarchy levels as of December 31, 2015 and 2014 (in thousands):

| | December 31, 2015 | | | |
|---|---|---|---|---|
| **Description** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets:** | | | | |
| Available-for-sale securities (insurance collateral) | $19,116 | $4,076 | $ — | $23,192 |
| **Liabilities:** | | | | |
| Contingent consideration | — | — | 2,116 | 2,116 |
| Fuel hedge | — | 2,777 | — | 2,777 |

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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | December 31, 2014 | | | |
|---|---|---|---|---|
| Description | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | |
| Available-for-sale securities (insurance collateral) | $30,243 | $ — | $ — | $30,243 |
| **Liabilities:** | | | | |
| Contingent consideration | — | — | 2,000 | 2,000 |
| Fuel hedge | — | 1,433 | — | 1,433 |
| Interest rate swap | — | 1,493 | — | 1,493 |

The contingent consideration balance classified as a Level 3 liability has increased $0.1 million since December 31, 2014 as a result of recent acquisitions completed during the year ended December 31, 2015.

During the year ended December 31, 2015, the Company had transfers of $4.1 million out of Level 1 and into Level 2 due to limited quoted market prices at the measurement date for certain available-for-sale securities. During the year ended December 31, 2014, the Company had no transfers in and out of Level 1 and Level 2 fair value measurements.

***Recent Accounting Pronouncements***

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09") to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards. The guidance will be effective for public companies for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption for annual reporting periods beginning after December 15, 2016, permitted. The Company has not yet determined the effects, if any, that adoption of ASU 2014-09 may have on its consolidated financial position or results of operations or the method of adoption.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15") which requires management to evaluate, in connection with preparing financial statements for each annual and interim reporting period, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable) and provide related disclosures. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. The adoption of ASU 2014-15 is not expected to impact the Company's consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, Amendments to the Consolidation Analysis ("ASU 2015-02"), which amends existing accounting standards for consolidation under the variable interest entity and voting interest entity models. The new guidance changes the analysis for determining whether a fee paid to a decision maker or service provider is a variable interest. ASU 2015-02 is effective for interim and annual periods beginning after December 15, 2015. Early adoption is permitted. Entities may choose to adopt the standard using either a full retrospective approach or a modified retrospective approach. The Company has not yet determined the effects, if any, that adoption of ASU 2015-02 may have on its consolidated financial position or results of operations or the method of adoption.

In April 2015, the FASB issued ASU No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03") which req[illegible] issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period.

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company expects to adopt this guidance when effective, and does not expect this guidance to have a significant impact on its financial statements.

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes ("ASU 2015-17") which simplifies the presentation of deferred income taxes and requires that deferred tax liabilities and assets be classified as non-current in the consolidated balance sheets. ASU 2015-17 is effective for annual reporting periods beginning after December 15, 2016. The Company expects to adopt this guidance when effective, and does not expect this guidance to have a significant impact on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases ("ASU 2016-02") which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on the consolidated balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective for annual periods beginning after December 15, 2018 with early adoption permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact of adopting the new leases standard on the consolidated financial statements.

**3. Basic and Diluted Net Income Per Share**

The Company presents both basic earnings per share ("EPS") and diluted EPS. Basic EPS excludes potential dilution and is computed by dividing "Net income attributable to Envision Healthcare Holdings, Inc." by the "Weighted-average common shares outstanding" for the period. Diluted EPS reflects the potential dilution that could occur if stock awards were exercised. The potential dilution from stock awards was computed using the treasury stock method based on the average market value of the Company's common stock. The following table presents EPS amounts for all periods and the basic and diluted weighted-average shares outstanding used in the calculation (in thousands, except per share amounts).

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Net income (loss) attributable to Envision Healthcare Holdings, Inc. | $ 144,892 | $125,508 | $ 5,995 |
| Weighted-average common shares outstanding — common stock: | | | |
| Basic | 185,604 | 182,020 | 150,156 |
| Dilutive impact of stock awards outstanding | 5,935 | 7,901 | 6,806 |
| Diluted | 191,539 | 189,921 | 156,962 |
| Net income (loss) per share attributable to Envision Healthcare Holdings, Inc.: | | | |
| Basic | $ 0.78 | $ 0.69 | $ 0.04 |
| Diluted | $ 0.76 | $ 0.66 | $ 0.04 |

For the year ended December 31, 2015, there were stock awards to acquire 82,872 shares of common stock outstanding, not included in the weighted-average common shares outstanding above, as their effect is anti-dilutive. For the years ended December 31, 2014 and 2013, there were no stock awards of common stock outstanding excluded from the weighted-average common shares outstanding above.

**4. Statements of Cash Flows Data**

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The following presents supplemental cash flow statement disclosure (in thousands).

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | Year-ended December 31, | | |
|---|---|---|---|
| **Supplemental cash flow data** | 2015 | 2014 | 2013 |
| Cash paid for interest | $119,754 | $95,079 | $198,098 |
| Net cash paid for taxes | 38,687 | 2,898 | 13,351 |

## 5. Acquisitions

2015 Acquisitions

*Scottsdale Emergency Associates, LTD ("SEA").* On January 30, 2015, the Company acquired the stock of SEA for total purchase consideration of $104.8 million paid in cash. SEA is an emergency physician group serving the greater Phoenix market, with 40 physicians and more than a dozen mid-level providers. The Company acquired SEA to achieve certain operational and strategic benefits.

The goodwill recognized in connection with the SEA acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of SEA into the existing operations of EmCare. Of the goodwill recorded, none is tax deductible. Prior to the acquisition, SEA had a pension plan and is in the process of terminating and liquidating the plan. As the pension plan assets and liabilities of $10.1 million are offsetting, they are presented net in the consolidated balance sheets.

The allocation of the purchase price is in the table below, which is subject to adjustment based upon the completion of purchase price allocations and working capital adjustments (in thousands):

| | |
|---|---|
| Cash and cash equivalents | $ 545 |
| Accounts receivable | 7,516 |
| Prepaid and other current assets | 210 |
| Acquired intangible assets | 86,200 |
| Goodwill | 47,389 |
| Accounts payable | (1,153) |
| Accrued liabilities | (182) |
| Current deferred tax liabilities | (2,862) |
| Long-term deferred tax liabilities | (32,829) |
| Total purchase price | $104,834 |

*VISTA Staffing Solutions ("VISTA").* On February 1, 2015, the Company acquired the stock of VISTA, a leading provider of locum tenens staffing and permanent placement services for physicians, nurse practitioners and physician assistants for total purchase consideration of $123.8 million, subject to a working capital adjustment of $0.5 million, paid in cash. VISTA operates throughout the United States as well as in Australia and New Zealand. The Company acquired VISTA to expand into locum tenens staffing.

The goodwill recognized in connection with the VISTA acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of VISTA into the existing operations of EmCare. Of the goodwill recorded, $15.4 million is tax deductible.

The allocation of the purchase price is in the table below, which is subject to adjustment based upon the completion of purchase price allocations and working capital adjustments (in thousands):

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| | |
|---|---|
| Cash and cash equivalents | $ 1,062 |
| Accounts receivable | 22,548 |

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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | |
|---|---|
| Current deferred tax assets | 633 |
| Prepaid and other current assets | 1,245 |
| Property, plant and equipment | 2,739 |
| Acquired intangible assets | 53,270 |
| Goodwill | 73,555 |
| Other long-term assets | 5,920 |
| Accounts payable | (1,940) |
| Accrued liabilities | (5,493) |
| Long-term deferred tax liabilities | (14,197) |
| Insurance reserves | (13,639) |
| Other long-term liabilities | (1,365) |
| Total purchase price | $124,338 |

*Emergency Medical Associates.* On February 27, 2015, the Company acquired the stock of Emergency Medical Associates of New Jersey, P.A. and assets of Alpha Physician Resources, LLC (collectively "EMA") for total purchase consideration of $271.8 million, subject to working capital adjustments, paid in cash. EMA provides emergency department, hospitalist and urgent care services at 47 facilities in New Jersey, New York, Rhode Island, and North Carolina. The Company acquired EMA to achieve certain operational and strategic benefits.

The goodwill recognized in connection with the EMA acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of EMA into the existing operations of EmCare. Of the goodwill recorded, $99.1 million is tax deductible.

The allocation of the purchase price is in the table below, which is subject to adjustment based upon the completion of purchase price allocations and working capital adjustments (in thousands):

| | |
|---|---|
| Cash and cash equivalents | $ 7,388 |
| Accounts receivable | 52,978 |
| Prepaid and other current assets | 4,848 |
| Property, plant and equipment | 2,276 |
| Acquired intangible assets | 147,300 |
| Goodwill | 115,905 |
| Other long-term assets | 22,327 |
| Accounts payable | (12,863) |
| Accrued liabilities | (34,699) |
| Current deferred tax liabilities | (3,994) |
| Insurance reserves | (29,700) |
| Total purchase price | $271,766 |

*Rural/ Metro Corporation.* On October 28, 2015, the Company completed the acquisition of Rural/ Metro Corporation ("Rural/ Metro") for total purchase consideration of approximately $620.0 million, subject to working capital adjustments of $48.0 million paid in cash. Rural/ Metro provides ambulance and fire protection services in 19 states and approximately 700 communities through the United States. The Company acquired Rural/ Metro to achieve certain operational and strategic benefits.

The goodwill recognized in connection with the Rural/ Metro acquisition is assigned to the AMR segment and is primarily attributable to synergies that are expected to be achieved through the

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integration of Rural/ Metro into the existing operations of AMR. Of the goodwill recorded, $4.2 million is tax deductible.

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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The allocation of the purchase price is in the table below, which is subject to adjustment based upon the completion of purchase price allocations and working capital adjustments (in thousands):

| | |
|---|---|
| Cash and cash equivalents | $ 18,559 |
| Insurance collateral | 39,934 |
| Accounts receivable | 89,000 |
| Parts and supplies inventory | 7,835 |
| Current deferred tax assets | 79,103 |
| Prepaid and other current assets | 18,244 |
| Property, plant and equipment | 92,490 |
| Acquired intangible assets | 224,800 |
| Goodwill | 402,823 |
| Other long-term assets | 2,676 |
| Accounts payable | (16,802) |
| Other current liabilities | (1,318) |
| Accrued liabilities | (84,700) |
| Capital lease obligations | (1,408) |
| Insurance reserves | (25,510) |
| Long-term deferred tax liabilities | (150,856) |
| Other long-term liabilities | (26,833) |
| Total purchase price | $ 668,037 |

*Questcare Medical Services, P.A and QRx Medical Management, LLC.* On December 3, 2015, the Company completed the acquisition of Questcare Medical Services, P.A. and QRx Medical Management, LLC (collectively "Questcare") for total purchase consideration of $136.3 million in cash, subject to working capital adjustments. Questcare has more than 800 clinical providers to staff more than 50 facilities in Texas, Oklahoma and Colorado. Questcare clinicians manage patient care across multiple hospital-based clinical specialties including emergency department, hospitalist, critical care unit and pediatric and obstetric hospitalist care services. In addition, Questcare provides post-acute facility-based care as well as primary care, urgent care and telemedicine services. The Company acquired Questcare to achieve certain operational and strategic benefits.

The goodwill recognized in connection with the Questcare acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of Questcare into the existing operations of EmCare. Of the goodwill recorded, $22.6 million is tax deductible.

The allocation of the purchase price is in the table below, which is subject to adjustment based upon the completion of purchase price allocations and working capital adjustments (in thousands):

| | |
|---|---|
| Cash and cash equivalents | $ 1,682 |
| Insurance collateral | 6,420 |
| Accounts receivable | 22,210 |
| Current deferred tax asset | 790 |
| Prepaid and other current assets | 2,609 |
| Property, plant and equipment | 2,623 |
| Acquired intangible assets | 67,200 |
| Goodwill | 53,066 |
| Long-term deferred tax asset | 825 |
| Other long-term assets | 2,188 |

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| | |
|---|---|
| Accounts payable | (2,646) |
| Accrued liabilities | (12,628) |

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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | |
|---|---|
| Insurance reserves | (8,047) |
| Other long-term liabilities | (33) |
| Total purchase price | $ 136,259 |

The Company has accounted for these acquisitions using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill.

The Company's statements of operations for the year ended December 31, 2015 include net revenue of $527.6 million for SEA, VISTA, EMA, Rural/ Metro and Questcare.

*Other 2015 Acquisitions.*

On February 23, 2015 the Company acquired the stock of CareFirst, Inc., a provider of home health services in Birmingham, Alabama and surrounding areas for total purchase consideration of $7.3 million, subject to a working capital adjustment of $0.7 million, paid in cash.

On July 10, 2015, the Company completed the acquisition of Vital Enterprises, Inc., Emergency Medical Transportation, Inc., and Marlboro Hudson Ambulance & Wheelchair Service, Inc. (collectively "Vital/ Marlboro"), providers of ambulance service operations located in the northeastern United States for total purchase consideration of $42.5 million, subject to working capital adjustments, paid in cash. The goodwill recognized in connection with Vital/ Marlboro is assigned to the AMR segment and is primarily attributable to synergies that are expected to be achieved through the integration of Vital/ Marlboro into the existing operations of AMR. Of the goodwill recorded, $9.3 million is tax deductible.

On September 30, 2015, the Company completed the acquisition of Northwest Tucson Emergency Physicians ("NTEP"), an emergency physician group serving the greater Tucson market, with 27 physicians and five mid-level providers for total purchase consideration of $25.0 million, subject to working capital adjustments, paid in cash. Prior to the acquisition, NTEP had a pension plan and is in the process of terminating and liquidating the plan. As the pension plan assets and liabilities of $2.8 million are offsetting, they are presented net in the consolidated balance sheets. The goodwill recognized in connection with the NTEP acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of NTEP into the existing operations of EmCare. Of the goodwill recorded, none is tax deductible.

On December 24, 2015, the Company completed the acquisition of MetroCare Services-Abilene GP, LLC. ("MetroCare"), provider of ambulance service operations located in Texas for total purchase consideration of $5.0 million, subject to working capital adjustments. The goodwill recognized in connection with the MetroCare acquisition is assigned to the AMR segment and is primarily attributable to synergies that are expected to be achieved through the integration of MetroCare into the existing operations of AMR. Of the goodwill recorded, $1.0 million is tax deductible.

The Company has accounted for these acquisitions using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. The total purchase price for these acquisitions was allocated to goodwill of $24.3 million, other acquired intangible assets of $53.1 million, net assets of $6.7 million, current deferred tax liabilities of $2.3 million and long-term deferred tax liabilities of $9.2 million. These allocations are subject to adjustment based upon the completion of purchase price allocations.

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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2014 Acquisitions

*Phoenix Physicians, LLC ("Phoenix Physicians").* On June 17, 2014, the Company acquired the stock of Phoenix Physicians for a total purchase price of $169.5 million paid in cash. Phoenix Physicians, in part through management services agreements with professional entities, is engaged in providing medical practices support and emergency department management and staffing services to hospitals, physicians and healthcare facilities in Florida. The Company has accounted for the acquisition of Phoenix Physicians using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. All of the goodwill is tax deductible and assigned to the EmCare segment.

The final allocation of the purchase price is in the table below (in thousands):

| | |
|---|---|
| Cash and cash equivalents | $ 24,795 |
| Accounts receivable | 16,748 |
| Current deferred tax assets | 137 |
| Prepaid and other current assets | 139 |
| Property, plant, and equipment | 92 |
| Acquired intangible assets | 57,630 |
| Goodwill | 98,200 |
| Accounts payable | (1,073) |
| Accrued liabilities | (13,128) |
| Long-term deferred tax liabilities | (374) |
| Insurance reserves | (13,716) |
| Total purchase price | $169,450 |

During the year ended December 31, 2015, the Company made purchase price allocation adjustments that increased goodwill by $1.0 million and increased accrued liabilities by $1.2 million to record an adjustment to accrued wages and benefits.

*Other 2014 Acquisitions.* The Company completed the acquisitions of Life Line Ambulance Service, Inc., an emergency medical transportation service provider with operations in Arizona, on February 6, 2014, MedStat EMS, Inc., an emergency and non-emergency medical ground transportation service provider with operations in Mississippi, on March 7, 2014, and Streamlined Medical Solutions, LLC, a healthcare technology company which has developed proprietary software to enhance patient direct admission and referral management processes, on May 21, 2014 for total aggregate purchase consideration of approximately $38.0 million paid in cash.

The Company has accounted for these acquisitions using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. During the year ended December 31, 2015, the Company made purchase price allocation adjustments including a reclassification from goodwill to intangible assets of $1.3 million. The total purchase price for these acquisitions was allocated to goodwill of $9.5 million, $4.9 million of which is tax deductible goodwill, other acquired intangible assets of $28.7 million, net current assets of $3.5 million and long-term deferred tax liabilities of $3.7 million.

2013 Acquisitions

During the year ended December 31, 2013, indirect, wholly-owned subsidiaries of the Company completed the acquisitions of CMORx, LLC and Loya Medical Services, PLLC, which provide clinical management software,





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**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

each of T.M.S. Management Group, Inc. and Transportation Management Services of Brevard, Inc., two related corporations that leverage the provision of non-emergency healthcare transportation services by third-party transportation service providers, Jackson Emergency Consultants, which provides facility based physician staffing in northern Florida, and other smaller acquisitions for a combined purchase price of $34.2 million paid in cash.

The Company has accounted for these acquisitions using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. During 2014, the Company made purchase price allocation adjustments including a reclassification from goodwill to intangible assets of $5.4 million. The total purchase price for these acquisitions was allocated to goodwill of $20.8 million, all of which is tax deductible goodwill, other acquired intangible assets of $14.9 million, and net current liabilities of $1.5 million.

Contingent Consideration

As of December 31, 2015, the Company has accrued $2.1 million as its estimate of the additional payments to be made in future periods as contingent consideration for acquisitions made prior to December 31, 2015. As of December 31, 2014, the Company had accrued $2.0 million as its estimate of the additional payments to be made in future periods as contingent consideration for acquisitions made prior to December 31, 2014. These balances were included in accrued liabilities in the accompanying balance sheets. These payments will be made should the acquired operations achieve the terms as agreed to in the respective acquisition agreements.

Pro Forma Information

The following unaudited pro forma operating results give effect to the Phoenix Physicians, SEA, VISTA, EMA and Rural/ Metro acquisitions, as if they had been completed as of January 1, 2014. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on such date. The pro forma adjustments are based on certain assumptions that the Company believes are reasonable.

| | Year-ended December 31, | |
|---|---|---|
| (in thousands) | 2015 | 2014 |
| Net revenue | $5,997,176 | $5,489,956 |
| Net income (loss) | 128,388 | 102,892 |

**6. Property, Plant and Equipment, net**

Property, plant and equipment, net consisted of the following as of December 31 (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Land | $ 6,163 | $ 4,553 |
| Building and leasehold improvements | 36,363 | 25,516 |
| Vehicles | 258,087 | 175,082 |
| Computer hardware and software | 129,398 | 97,978 |
| Communication and medical equipment and other | 187,421 | 114,849 |
| | 617,432 | 417,978 |
| Less: accumulated depreciation and amortization | (281,563) | (206,702) |
| Property, plant and equipment, net | $ 335,869 | $ 211,276 |

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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Depreciation expense was $76.5 million, $65.6 million, and $63.9 million for the years ended December 31, 2015, 2014, and 2013, respectively.

### 7. Intangible Assets, net

*Intangible Assets, excluding Goodwill*

Intangible assets, net consisted of the following as December 31 (in thousands):

| | Estimated Useful Life (in years) | 2015 Gross Carrying Amount | 2015 Accumulated Amortization | 2014 Gross Carrying Amount | 2014 Accumulated Amortization |
|---|---|---|---|---|---|
| **Amortized intangible assets** | | | | | |
| Contract values | 4 to 15 | $1,218,590 | $ (339,302) | $651,190 | $ (245,803) |
| Physician referral network | 8 | 58,650 | (22,177) | 58,650 | (14,679) |
| Covenants not to compete | 5 to 9 | 5,350 | (4,045) | 5,490 | (3,725) |
| Trade names | 4 to 21 | 52,420 | (2,865) | 2,470 | (167) |
| Other | 2 to 4 | 8,060 | (2,346) | — | — |
| | | 1,343,070 | (370,735) | 717,800 | (264,374) |
| **Unamortized intangible assets** | | | | | |
| Trade names | | 37,485 | — | 36,045 | — |
| Radio frequencies | | 901 | — | 901 | — |
| Licenses | | 40,910 | — | 34,110 | — |
| Total | | $1,422,366 | $ (370,735) | $788,856 | $ (264,374) |

Amortization expense was $106.4 million, $80.6 million and $76.7 million for the years ended December 31, 2015, 2014 and 2013, respectively. Estimated annual amortization over each of the next five years is expected to be:

| | |
|---|---|
| 2016 | $121,478 |
| 2017 | 114,978 |
| 2018 | 107,691 |
| 2019 | 101,342 |
| 2020 | 99,213 |

*Goodwill*

Changes in the carrying amount of goodwill during 2015 are set forth as below (in thousands):

| | January 1, 2015 | 2015 Acquisitions | Deferred Taxes | Adjustments | December 31, 2015 |
|---|---|---|---|---|---|
| EmCare | $1,679,495 | $ 257,776 | $ 60,981 | $ 863 | $ 1,999,115 |
| AMR | 859,138 | 341,010 | 73,916 | (1,246) | 1,272,818 |
| Total | $2,538,633 | $ 598,786 | $134,897 | $ (383) | $ 3,271,933 |

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**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Changes in the carrying amount of goodwill during 2014 are set forth as below (in thousands):

| | January 1, 2014 | 2014 Acquisitions | Deferred Taxes | Adjustments | December 31, 2014 |
|---|---|---|---|---|---|
| EmCare | $1,574,882 | $ 100,529 | $ 445 | $ 3,639 | $ 1,679,495 |
| AMR | 860,788 | 2,836 | 4,173 | (8,659) | 859,138 |
| Total | $2,435,670 | $ 103,365 | $4,618 | $ (5,020) | $ 2,538,633 |

Adjustments in the carrying amount of goodwill during 2015 and 2014 relate to other purchase price allocation adjustments and reclassifications.

## 8. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes were as follows at December 31 (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Current deferred tax assets (liabilities): | | |
| Accounts receivable | $ 7,425 | $ 8,278 |
| Accrual to cash | (143,861) | (128,507) |
| Accrued liabilities | 26,702 | 11,171 |
| Credit carryforwards | — | 2,375 |
| Net operating loss carryforwards | 23,969 | 2,405 |
| Net current deferred tax liabilities | (85,765) | (104,278) |
| Long term deferred tax assets (liabilities): | | |
| Intangible assets | (277,705) | (160,186) |
| Insurance and other long-term liabilities | 54,385 | 46,760 |
| Excess of tax over book depreciation | (52,685) | (39,927) |
| Net operating loss carryforwards | 68,236 | 30,836 |
| Credit carryforwards | 3,051 | 2,580 |
| Valuation allowance | (15,811) | (11,026) |
| Attribute reduction | (62,816) | — |
| Net long-term deferred tax liabilities | (283,345) | (130,963) |
| Net deferred tax liabilities | $(369,110) | $(235,241) |

The total of all deferred tax assets is $183.8 million and $104.4 million for the years ended December 31, 2015 and 2014, respectively. The total of all deferred tax liabilities is $552.9 million and $339.6 million for the years ended December 31, 2015 and 2014, respectively. A valuation allowance is established when it is "more likely than not" that all, or a portion, of net deferred tax assets will not be realized. Based on our review of available evidence, the Company has determined that it is more likely than not that certain deferred tax assets may not be realized. Therefore, a valuation allowance of $15.8 million and $11.0 million has been established for the years ended December 31, 2015 and 2014, respectively. The increase of $4.8 million is primarily attributable to the acquisition of certain Rural/Metro net operating loss carryforwards ("NOLs").

The Company has federal NOLs of $208.2 million which expire in the years 2018 to 2034. The increase to the NOLs is due to tax losses acquired in connection with the purchase of Rural/Metro.

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ENVISION HEALTHCARE HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unrecognized tax benefits reflect the difference between positions taken or expected to be taken on income tax returns and the amounts recognized in the financial statements.The Company operates in multiple taxing jurisdictions and in the normal course of business is examined by federal and state tax authorities. The Company does not expect the final resolution of tax examinations to have a material impact on the Company's financial results. In nearly all jurisdictions, the tax years prior to 2011 are no longer subject to examination.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Balance as of beginning of period | $ 1,626 | $ 614 | $ 3,467 |
| Additions for tax positions of prior years | 4,457 | 1,494 | 216 |
| Reductions for tax positions of prior years | — | — | — |
| Reductions for tax positions due to lapse of statute of limitations | (1,016) | (482) | (3,069) |
| Balance as of end of period | $ 5,067 | $1,626 | $ 614 |

The Company does not expect a reduction of unrecognized tax benefits within the next twelve months.

Accrued interest and penalties on unrecognized tax benefits are recorded as a component of income tax expense. The Company recognized $0.8 million, $0.3 million and $0.2 million related to interest and penalties for the years ended December 31, 2015, 2014 and 2013, respectively. The Company reversed $0.4 million, $0.1 million and $0.5 million of the interest and penalties previously recognized for the years ended December 31, 2015, 2014 and 2013, respectively.

The unrecognized tax benefits recorded by the Company included approximately $1.5 million, $1.6 million and $0.2 million for the years ended December 31, 2015, 2014 and 2013, respectively, which may reduce future tax expense.

The components of income tax expense were as follows (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Current tax expense (benefit)** | | | |
| Federal | $ 89,640 | $ 40,245 | $ (7,347) |
| State | 8,326 | 4,602 | 3,937 |
| Total | 97,966 | 44,847 | (3,410) |
| **Deferred tax expense (benefit)** | | | |
| Federal | (4,019) | 40,298 | 8,002 |
| State | 3,427 | 4,353 | (5,586) |
| Total | (592) | 44,651 | 2,416 |
| **Total tax expense (benefit)** | | | |
| Federal | 85,621 | 80,543 | 655 |
| State | 11,753 | 8,955 | (1,649) |
| Total | $ 97,374 | $ 89,498 | $ (994) |

For the year ended December 31, 2015, the Company realized a tax benefit of approximately $8.0

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million as a result of its utilization of federal NOLs.

## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A reconciliation of the provision for income taxes at the federal statutory rate compared to the effective tax rate is as follows (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Income tax expense at the statutory rate | $86,719 | $73,188 | $ 3,562 |
| Increase in income taxes resulting from: | | | |
| State taxes, net of federal | 11,065 | 6,453 | 1,834 |
| Tax settlements and filings | (169) | 1,012 | (2,853) |
| Tax credits | (849) | (338) | (779) |
| Dissenting shareholder settlement | — | — | 3,203 |
| Change in valuation allowance | (363) | 3,816 | (3,126) |
| State deferred rate change | 1,067 | (1,170) | (1,161) |
| Other | 820 | (967) | 419 |
| Income tax expense (benefit) before noncontrolling interest | 98,290 | 81,994 | 1,099 |
| Noncontrolling interests | (916) | 7,504 | (2,093) |
| Income tax expense (benefit) | $97,374 | $89,498 | $ (994) |

### 9. Insurance Collateral

Insurance collateral consisted of the following as of December 31, 2015 and 2014 (in thousands):

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Available-for-sale securities: | | |
| U.S. Treasuries | $ — | $ 1,191 |
| Corporate bonds/ Fixed income | 13,096 | 15,397 |
| Corporate equity | 10,096 | 13,655 |
| Total available-for-sale securities | 23,192 | 30,243 |
| Insurance receivable | 644 | 1,470 |
| Cash deposits and other | 54,078 | 11,683 |
| Total insurance collateral | $ 77,914 | $ 43,396 |

Amortized cost basis and aggregate fair value of the Company's available-for-sale securities as of December 31, 2015 and 2014 were as follows (in thousands):

| | December 31, 2015 | | | |
|---|---|---|---|---|
| Description | Cost Basis | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Corporate bonds/ Fixed income | $13,073 | $ 43 | $ (20) | $13,096 |
| Corporate equity | 10,974 | — | (878) | 10,096 |
| Total available-for-sale securities | $24,047 | $ 43 | $ (898) | $23,192 |

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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | December 31, 2014 | | | |
|---|---|---|---|---|
| Description | Cost Basis | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasuries | $ 1,182 | $ 12 | $ (3) | $ 1,191 |
| Corporate bonds/ Fixed income | 15,339 | 59 | (1) | 15,397 |
| Corporate equity | 13,885 | 27 | (257) | 13,655 |
| Total available-for-sale securities | $30,406 | $ 98 | $ (261) | $30,243 |

As of December 31, 2015, available-for-sale securities included corporate bonds/ fixed income securities of $4.1 million with contractual maturities within one year and $9.0 million with contractual maturities extending longer than one year through five years. Actual maturities may differ from contractual maturities as a result of the Company's ability to sell these securities prior to maturity.

The Company's temporarily impaired investment securities available-for-sale as of December 31, 2015 and 2014 were as follows (in thousands):

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| U.S. Treasuries: | | | | |
| Less than 12 months | $ — | $ — | $ — | $ — |
| 12 months or more | — | — | 130 | (3) |
| Corporate bonds/ Fixed income: | | | | |
| Less than 12 months | 6,103 | (19) | 1,312 | (1) |
| 12 months or more | 250 | (1) | 251 | — |
| Corporate equity: | | | | |
| Less than 12 months | — | — | 11,160 | (257) |
| 12 months or more | 10,096 | (878) | — | — |
| Total | $16,449 | $ (898) | $12,853 | $ (261) |

The Company evaluates the investment securities available-for-sale on a quarterly basis to determine whether declines in the fair value of these securities are other-than-temporary. This quarterly evaluation consists of reviewing the fair value of the security compared to the carrying amount, the historical volatility of the price of each security, and any industry and company specific factors related to each security.

The Company is not aware of any specific factors indicating that the underlying issuers of the corporate bonds/ fixed income securities would not be able to pay interest as it becomes due or repay the principal amount at maturity. Therefore, the Company believes that the changes in the estimated fair values of these debt securities are related to temporary market fluctuations. Additionally, the Company is not aware of any specific factors which indicate the unrealized losses on the investments in corporate equity securities are due to anything other than temporary market fluctuations.

The Company realized net gains of less than $0.1 million, $0.4 million and $0.5 million on the sale and maturities of available-for-sale securities for the years ended December 31, 2015, 2014 and 2013, respectively.

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**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## 10. Accrued Liabilities

Accrued liabilities were as follows as of December 31 (in thousands):

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Accrued wages and benefits | $ 247,991 | $ 190,220 |
| Accrued paid time-off | 37,669 | 27,156 |
| Current portion of self-insurance reserve | 103,922 | 74,212 |
| Accrued severance and related costs | 10,788 | 8,376 |
| Current portion of compliance and legal | 34,021 | 3,407 |
| Accrued billing and collection fees | 3,744 | 3,823 |
| Accrued incentive compensation | 33,090 | 32,324 |
| Accrued income taxes | 17,719 | — |
| Accrued interest | 19,806 | 22,324 |
| Deferred revenue | 27,461 | 3,819 |
| Other | 76,234 | 46,996 |
| Total accrued liabilities | $ 612,445 | $ 412,657 |

## 11. Debt

Senior Unsecured Notes due 2019

On May 25, 2011, Corporation issued $950 million of senior unsecured notes due 2019 ("2019 Notes"). During the second quarter of 2012, the Company's captive insurance subsidiary purchased $15.0 million of the 2019 Notes through an open market transaction and currently holds none of the 2019 Notes subsequent to the redemption of the 2019 Notes on December 30, 2013, and June 18, 2014.

On December 30, 2013, the Company redeemed $332.5 million in aggregate principal amount of the 2019 Notes of which $5.2 million was held by the Company's captive insurance subsidiary at a redemption price of 108.125%, plus accrued and unpaid interest of $2.2 million. During the year ended December 31, 2013, the Company recorded a loss on early debt extinguishment of $38.7 million related to premiums and unamortized debt issuance costs from the partial redemption of the 2019 Notes.

On June 18, 2014, Corporation redeemed the remaining $617.5 million in aggregate principal amount of the 2019 Notes, of which $9.8 million was held by the Company's captive insurance subsidiary, at a redemption price of 106.094%, plus accrued and unpaid interest of $2.4 million. During the year ended December 31, 2014, the Company recorded a loss on early debt extinguishment of $66.4 million related to premiums, financing fees paid to the creditors of the unsecured senior notes due 2022, and unamortized debt issuance costs from the redemption of the 2019 Notes.

Senior Secured Credit Facilities

On May 25, 2011, Corporation entered into $1.8 billion of senior secured credit facilities ("Senior Secured Credit Facilities") that consisted of a $1.44 billion senior secured term loan facility due 2018 (the "Term Loan Facility") and a $350 million asset-based revolving credit facility due 2016 (the "ABL Facility"). The Senior Secured Credit Facilities are secured by substantially all of the assets of the Company.

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On October 28, 2015, Corporation borrowed $635 million of Tranche B-2 incremental term loans (the "Initial October 2022 Tranche B-2 Term Loans") under the Term Loan Facility, pursuant to a

Second Amendment to Credit



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**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Agreement (the "Second Amendment") among the Corporation, the incremental term loan lenders party thereto, Deutsche Bank AG New York Branch, as administrative agent and collateral agent (the "Administrative Agent") and each of the other parties thereto. The Initial October 2022 Tranche B-2 Term Loans were issued with 50 basis points of original issue discount and the proceeds were used to fund the Company's acquisition of Rural/ Metro, as discussed in Note 5.

On November 12, 2015, Corporation borrowed an additional $365 million of Tranche B-2 incremental term loans (the "Additional October 2022 Tranche B-2 Term Loans" and together with the Initial October 2022 Tranche B-2 Term Loans, the "Tranche B-2 Term Loans"). The Additional October 2022 Tranche B-2 Term Loans were issued with 100 basis points of original issue discount, and were used to repay outstanding ABL revolving credit facility borrowings, to pay related fees and expenses and for general corporate purposes. All of the Tranche B-2 Term Loans mature on October 28, 2022, and bear interest at LIBOR plus an applicable margin of 3.50%, subject to a 100 basis point LIBOR floor. While the Initial October 2022 Tranche B-2 Term Loans initially bore interest at a rate of LIBOR plus an applicable margin of 3.25% under the terms of the Second Amendment, on November 12, 2015 the applicable margin applicable to such loans was increased by 25 basis points pursuant to the Third Amendment to Credit Agreement among the Corporation, the incremental term loan lenders party thereto, the Administrative Agent and each of the other parties thereto. All Tranche B-2 Term Loans were issued with six-month soft call protection, running from November 12, 2015, at 101% of the principal amount outstanding. All Tranche B-2 Term Loans otherwise have substantially the same terms as the Corporation's term loans outstanding under the Term Loan Facility prior to November 12, 2015.

On November 12, 2015, the Corporation's term loans outstanding prior to the borrowing of the Tranche B-2 Term Loans were subject to repricing under the terms of the Term Loan Credit Agreement and bear interest at a rate of LIBOR plus an applicable margin equal to 3.25%, which represents an increase of 25 basis points.

*Term Loan Facility*

Prior to February 7, 2013, loans under the Term Loan Facility bore interest at Company's election at a rate equal to (i) the highest of (x) the rate for deposits in U.S. dollars in the London interbank market (adjusted for maximum reserves) for the applicable interest period ("Term Loan LIBOR rate") and (y) 1.50%, plus, in each case, 3.75%, or (ii) the base rate, which will be the highest of (w) the corporate base rate established by the administrative agent from time to time, (x) 0.50% in excess of the overnight federal funds rate, (y) the one-month Term Loan LIBOR rate (adjusted for maximum reserves) plus 1.00% per annum and (x) 2.50%, plus, in each case, 2.75%.

On February 7, 2013, Corporation, the borrower under the Term Loan Facility, entered into a First Amendment (the "Term Loan Amendment") to the credit agreement governing the Term Loan Facility (as amended, the "Term Loan Credit Agreement"). Under the Term Loan Amendment, the Company incurred an additional $150 million in incremental borrowings under the Term Loan Facility, the proceeds of which were used to pay down the ABL Facility. In addition, the rate at which the loans under the Term Loan Credit Agreement bear interest was amended to equal (i) the higher of (x) the rate for deposits in U.S. dollars in the London Interbank Market (adjusted for maximum reserves) for the applicable interest period ("LIBOR") and (y) 1.00%, plus, in each case, 3.00% (with a step-down to 2.75% in the event that the Company meets a consolidated first lien net leverage ratio of 2.50:1.00), or (ii) the alternate base rate, which will be the highest of (w) the corporate base rate established by the administrative agent from time to time, (x) 0.50% in excess of the overnight federal funds rate, (y) the one-month LIBOR (adjusted for maximum reserves) plus 1.00% and (z) 2.00%, plus, in each case, 2.00% (with a step-down to 1.75% in the event that the Company meets a consolidated first lien net leverage ratio of 2.50:1.00). The Company recorded a loss on early debt extinguishment of $0.1 million related to unamortized debt issuance costs as a result of this modification.

**ATTACHMENT 6**

**000150**

If the effective yield applicable to any new incremental term loans issued under the Term Loan

Facility (the "Incremental Term Loans") exceeds the effective yield on the term loans outstanding prior to the incremental borrowing (the "Initial Term Loans") by more than 50 basis points, giving effect to original issue discount, if any,

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

the interest rate on the Initial Term Loans will increase to within 50 basis points of the interest rate on the Incremental Term Loans.

The credit agreement governing the Term Loan Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are limited to the following: limitations on the incurrence of debt, liens, fundamental changes, restrictions on subsidiary distributions, transactions with affiliates, further negative pledge, asset sales, restricted payments, including repurchases of the Company's capital stock, investments and acquisitions, repayment of certain junior debt (including the senior notes) or amendments of junior debt documents related thereto and line of business. The negative covenants are subject to the customary exceptions.

*ABL Facility*

Prior to February 27, 2013, loans under the ABL Facility bore interest at the Company's election at a rate equal to (i) the rate for deposits in U.S. dollars in the London interbank market (adjusted for maximum reserves) for the applicable interest period ("ABL LIBOR rate"), plus an applicable margin that ranges from 2.25% to 2.75% based on the average available loan commitments, or (ii) the base rate, which is the highest of (x) the corporate base rate established by the administrative agent from time to time, (y) the overnight federal funds rate plus 0.5% and (z) the one-month ABL LIBOR rate plus 1.0% per annum, plus, in each case, an applicable margin that ranges from 1.25% to 1.75% based on the average available loan commitments.

On February 27, 2013, Corporation entered into a First Amendment (the "ABL Amendment") to the credit agreement governing the ABL Facility (as amended, the "ABL Credit Agreement"), under which the Company increased its commitments under the ABL Facility to $450 million and extended the term to 2018. In addition, the rate at which the loans under the ABL Credit Agreement bear interest was amended to equal (i) LIBOR plus, (x) 2.00% in the event that average daily excess availability is less than or equal to 33% of availability, (y) 1.75% in the event that average daily excess availability is greater than 33% but less than or equal to 66% of availability and (z) 1.50% in the event that average daily excess availability is greater than 66% of availability, or (ii) the alternate base rate, which will be the highest of (x) the corporate base rate established by the administrative agent from time to time, (y) 0.50% in excess of the overnight federal funds rate and (z) the one-month LIBOR (adjusted for maximum reserves) plus 1.00% plus, in each case, (A) 1.00% in the event that average daily excess availability is less than or equal to 33% of availability, (B) 0.75% in the event that average daily excess availability is greater than 33% but less than or equal to 66% of availability and (C) 0.50% in the event that average daily excess availability is greater than 66% of availability.

On February 5, 2015, Corporation entered into a Second Amendment to the ABL Credit Agreement, under which certain lenders under the ABL Facility increased the commitments available to Corporation under the ABL Facility to $550 million

The ABL Facility bears a commitment fee that ranges from 0.500% to 0.375%, payable quarterly in arrears, based on the utilization of the ABL Facility. The ABL Facility also bears customary letter of credit fees.

As of December 31, 2015, letters of credit outstanding which impact the available credit under the ABL Facility were $140.8 million and the maximum available under the ABL Facility was $409.2 million. These letters of credit primarily secure the Company's obligations under its captive insurance program.

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The credit agreement governing the ABL Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are limited to the following: limitations on indebtedness, dividends and distributions, repurchases of the Company's capital stock, investments, acquisitions, prepayments or redemptions of junior indebtedness, amendments of junior indebtedness, transactions with affiliates, asset sales, mergers, consolidations and sales of all or substantially all assets, liens, negative pledge clauses, changes





ATTACHMENT 6

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

in fiscal periods, changes in line of business and hedging transactions. The negative covenants are subject to the customary exceptions and also permit the payment of dividends and distributions, repurchases of the Company's capital stock, investments, permitted acquisitions and payments or redemptions of junior indebtedness upon satisfaction of a "payment condition." The payment condition is deemed satisfied upon 30-day average excess availability exceeding agreed upon thresholds and, in certain cases, the absence of specified events of default and compliance with a fixed charge coverage ratio of 1.0 to 1.0.

In 2013, the Company recorded $5.0 million of debt issuance expense related to the Term Loan Amendment and ABL Amendment.

Senior PIK Toggle Notes

On October 1, 2012, the Company issued $450 million of Senior PIK Toggle Notes due 2017 (the "PIK Notes") and used the proceeds from the offering to pay an extraordinary dividend to its stockholders, pay debt issuance costs and make certain payments to members of management with rollover options in the Company.

On August 30, 2013, the Company redeemed all of the PIK Notes at a redemption price equal to 102.75% of the aggregate principal amount of the PIK Notes, plus accrued and unpaid interest of $17.2 million. During the year ended December 31, 2013, the Company recorded a loss on early debt extinguishment of $29.5 million related to premiums and unamortized debt issuance costs from the redemption of the PIK Notes.

Senior Unsecured Notes due 2022

On June 18, 2014, Corporation issued $750.0 million of senior unsecured notes due 2022 ("2022 Notes") the proceeds of which were used to redeem the 2019 Notes and for other general corporate purposes. The Company paid $9.4 million in financing fees to the creditors of the 2022 Notes which was recorded to loss on early debt extinguishment in the second quarter of 2014.

The 2022 Notes have a fixed interest rate of 5.125%, payable semi-annually on January 1 and July 1 with the principal due at maturity on July 1, 2022. The 2022 Notes are general unsecured obligations of the Company and are guaranteed by each of the Company's domestic subsidiaries, except for any of the Company's subsidiaries subject to regulation as an insurance company, including the Company's captive insurance subsidiary.

The Company may redeem the 2022 Notes, in whole or in part, at any time prior to July 1, 2017, at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, plus the applicable make-whole premium. The Company may redeem the 2022 Notes, in whole or in part, at any time (i) on and after July 1, 2017, and prior to July 1, 2018, at a price equal to 103.844% of the principal amount of the 2022 Notes, (ii) on or after July 1, 2018 and prior to July 1, 2019, at a price equal to 102.563% of the principal amount of the 2022 Notes, (iii) on or after July 1, 2019, and prior to July 1, 2020, at a price equal to 101.281% of the principal amount of the 2022 Notes, and (iv) on or after July 1, 2020, at a price equal to 100.000% of the principal amount of the 2022 Notes, in each case, plus accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to July 1, 2017, the Company at its option may redeem up to 40% of the aggregate principal amount of the 2022 Notes with the proceeds of certain equity offerings at a redemption price of 105.125%, plus accrued and unpaid interest, if any, to the applicable redemption date.

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**000154**

The indenture governing the 2022 Notes contains covenants that, among other things, limit the Company's ability and the ability of its restricted subsidiaries to: incur additional indebtedness or issue certain preferred shares; pay dividends on, redeem or repurchase stock or make other distributions in respect of its capital stock; repurchase, prepay or redeem subordinated indebtedness; make investments;

create restrictions on the ability of the Company's restricted subsidiaries to pay dividends to the Company or make other intercompany transfers; create liens; transfer or sell assets; consolidate, merge or sell or otherwise dispose of all or substantially all of its assets; enter into certain

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

transactions with affiliates; and designate subsidiaries as unrestricted subsidiaries. Upon the occurrence of certain events constituting a change of control, the Company is required to make an offer to repurchase all of the 2022 Notes (unless otherwise redeemed) at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any to the repurchase date. If the Company sells assets under certain circumstances, it must use the proceeds to make an offer to purchase the 2022 Notes at a price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

Debt and capital leases consisted of the following as of December 31, 2015 and 2014 (in thousands):

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Senior unsecured notes due 2022 | $ 750,000 | $ 750,000 |
| Senior secured term loan due 2018 (4.50% as of December 31, 2015 and 4.00% as of December 31, 2014) | 2,276,204 | 1,289,575 |
| ABL Facility | — | — |
| Notes due at various dates from 2016 to 2022 with interest rates from 6% to 10% | 432 | 482 |
| Capital lease obligations due at various dates from 2016 to 2018 | 3,089 | 1,486 |
| Total | 3,029,725 | 2,041,543 |
| Less current portion | (24,550) | (12,349) |
| Discount on senior secured term loan | (12,075) | (3,317) |
| Total long-term debt and capital lease obligations | $ 2,993,100 | $ 2,025,877 |

The aggregate amount of minimum payments required on long-term debt and capital lease obligations (see Note 17) in each of the years indicated is shown in the table below.

| Year | Amount |
|---|---|
| 2016 | $ 24,548 |
| 2017 | 24,315 |
| 2018 | 1,259,775 |
| 2019 | 10,240 |
| 2020 | 10,262 |
| Thereafter | 1,700,585 |
| | $ 3,029,725 |

## 12. Derivative Instruments and Hedging Activities

The Company manages its exposure to changes in market interest rates and fuel prices and, from time to time, uses highly effective derivative instruments to manage well-defined risk exposures. The Company monitors its positions and the credit ratings of its counterparties and does not anticipate non-performance by the counterparties. The Company does not use derivative instruments for speculative purposes.

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At December 31, 2015, the Company was party to a series of fuel hedge transactions with a major financial institution under one master agreement. Each of the transactions effectively fixes the cost of diesel fuel at prices ranging from $3.16 to $3.58 per gallon. The Company purchases the diesel fuel at the market rate and periodically settles with its counterparty for the difference between the national average price for the period published by the Department of Energy and the agreed upon fixed price. The transactions fix the price for a total of 2.5 million gallons, which represents approximately 18.2% of the Company's total estimated usage during the periods hedged, through December 2016. The Company recorded, as a component of other comprehensive income (loss) before applicable tax impacts, a liability associated with the fair value of the fuel hedge in the amount of $2.8 million and

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

an asset of $1.4 million as of December 31, 2015 and 2014, respectively. Over the next 12 months, the Company expects to reclassify $2.8 million of deferred loss from accumulated other comprehensive income (loss) as the related fuel hedge transactions mature. Settlement of hedge agreements are included in operating expenses and resulted in net payments to the counterparty of $1.3 million and $0.3 million for the years ended December 31, 2015 and 2014, respectively, and net receipts from the counterparty of $0.5 million for the year ended December 31, 2013.

In October 2011, the Company entered into interest rate swap agreements which matured on August 31, 2015. The swap agreements were with major financial institutions and effectively converted a total of $400 million in variable rate debt to fixed rate debt with an effective rate of 4.49%. There will be no further periodic settlements with its counterparties for the difference between the rate paid and the fixed rate. The Company recorded, as a component of other comprehensive income (loss) before applicable tax impacts, a liability associated with the fair value of the interest rate swap in the amount of $1.5 million as of December 31, 2014. Settlement of interest rate swap agreements are included in interest expense and resulted in net payments to the counterparties of $1.5 million, $2.0 million and $2.0 million for the years ended December 31, 2015, 2014 and 2014, respectively.

## 13. Changes in Accumulated Other Comprehensive Income (Loss) by Component

The following table summarizes the changes in the Company's AOCI by component for the years ended December 31, 2015 and 2014 (in thousands). All amounts are after tax.

| | Fuel hedge | Interest rate swap | Unrealized holding gains (losses) on available-for-sale securities | Other | Total |
|---|---|---|---|---|---|
| Balance as of January 1, 2014 | $ 420 | $ (1,958) | $ 699 | $ — | $ (839) |
| Other comprehensive income (loss) before reclassifications | (1,130) | (216) | (491) | — | (1,837) |
| Amounts reclassified from accumulated other comprehensive income (loss) | (187) | 1,239 | (232) | — | 820 |
| Net current-period other comprehensive income (loss) | (1,317) | 1,023 | (723) | — | (1,017) |
| Balance as of December 31, 2014 | (897) | (935) | (24) | — | (1,856) |
| Other comprehensive income (loss) before reclassifications | (1,627) | (6) | (473) | 601 | (1,505) |
| Amounts reclassified from accumulated other comprehensive income (loss) | 784 | 941 | (13) | — | 1,712 |
| Net current-period other comprehensive income (loss) | (843) | 935 | (486) | 601 | 207 |
| Balance as of December 31, 2015 | $ (1,740) | $ — | $ (510) | $ 601 | $ (1,649) |

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**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table shows the line item on the Consolidated Statements of Operations affected by reclassifications out of AOCI (in thousands):

| Details about AOCI components | Amount reclassified from AOCI Year-ended December 31, 2015 | 2014 | Statements of Operations |
|---|---|---|---|
| Gains and losses on cash flow hedges: | | | |
| Fuel hedge | $ (1,254) | $ 300 | Operating expenses |
| Interest rate swap | (1,506) | (1,986) | Interest expense, net |
| | (2,760) | (1,686) | Total before tax |
| | 1,035 | 634 | Tax benefit (expense) |
| | $ (1,725) | $ (1,052) | Net of tax |
| Unrealized holding gains (losses) on available-for-sale securities | $ 21 | $ 371 | Realized gains (losses) on investments |
| | 21 | 371 | Total before tax |
| | (8) | (139) | Tax benefit (expense) |
| | $ 13 | $ 232 | Net of tax |

## 14. Equity

Equity Structure and Initial Public Offering

On August 19, 2013, the Company completed its initial public offering of 42,000,000 shares of Common Stock and an additional 6,300,000 shares of Common Stock, at a price of $23.00 per share, for an aggregate offering price of $1,110.9 million. The Company received net proceeds of approximately $1,025.9 million, after deducting the underwriters' discounts and commissions paid and offering expenses of approximately $85.0 million, including a $20.0 million payment to CD&R in connection with the termination of the consulting agreement with CD&R ("Consulting Agreement") which was recorded to "Selling, general and administrative expenses" in the accompanying consolidated statements of operations as of December 31, 2013, see Note 18.

Net proceeds from the initial public offering were used to (i) redeem in full Holding's PIK Notes for a total of $479.6 million, which included a call premium pursuant to the indenture governing the PIK Notes and all accrued but unpaid interest, (ii) pay CD&R the fee of $20.0 million to terminate the Consulting Agreement, (iii) pay $16.5 million to repay all outstanding revolving credit facility borrowings, and (iv) redeem $332.5 million of aggregate principal amount of the 2019 Notes of which $5.2 million was held by the Company's captive insurance subsidiary for a total of $356.5 million, which included a call premium pursuant to the indenture governing the 2019 Notes and all accrued but unpaid interest. The remaining proceeds were used for general corporate purposes including, among other things, repayment of indebtedness and acquisitions.

On each of February 5, 2014, and July 10, 2014, the Company registered the offering and sale of 27,500,000 shares of common stock, and an additional 4,125,000 shares of common stock, upon the underwriters' exercise of their overallotment option in each offering, which were sold by certain stockholders of the Company, including investment funds sponsored by, or affiliated with CD&R Affiliates, to the underwriters at $30.50 per share and $34.00 per share, respectively, less an underwriting discount. On September 30, 2014, the Company registered the offering and sale of 17,500,000 shares of common stock by certain stockholders of the Company, including the CD&R Affiliates, to the underwriter at $34.97 per share. Additionally, on March 5, 2015, the Company registered the offering and sale of 50,857,145 shares of common stock by CD&R Affiliates, which constituted the remaining shares beneficially owned by them, to the underwriter at $36.25 per share, less an underwriting discount.

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The underwriters in these selling stockholder transactions offered the shares to the public from time to time at

ENVISION HEALTHCARE HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

prevailing market prices or at negotiated prices. The Company did not receive any of the proceeds from the sale of the shares sold by the selling stockholders in these transactions, including any shares sold pursuant to any exercise of the underwriters' overallotment option.

*Common Stock*

Holders of Common Stock are entitled:

- To cast one vote for each share held of record on all matters submitted to a vote of the stockholders;
- To receive, on a pro rata basis, dividends and distributions, if any, that the Board of Directors may declare out of legally available funds, subject to preferences that may be applicable to preferred stock, if any, then outstanding; and
- Upon the Company's liquidation, dissolution or winding up, to share equally and ratably in any assets remaining after the payment of all debt and other liabilities, subject to the prior rights, if any, of holders of any outstanding shares of preferred stock.

The Company's ability to pay dividends on its Common Stock is subject to its subsidiaries' ability to pay dividends, which is in turn subject to the restrictions set forth in the Senior Secured Credit Facilities and the indentures governing the 2022 Notes.

*Preferred Stock*

Under the Company's amended and restated certificate of incorporation, the Company's Board of Directors has the authority, without further action by its stockholders, to issue up to 200,000,000 shares of preferred stock in one or more series and to fix the voting powers, designations, preferences and the relative participating, optional or other special rights and qualifications, limitations and restrictions of each series, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any series.

*Share Repurchase Program*

On October 21, 2015, the Company's board of directors authorized a share repurchase program of up to $500 million of the Company's common stock. Purchases under the share repurchase program may be made through open market purchases, privately negotiated transactions, or Rule 10b5-1 trading plans, subject to market conditions and other factors including compliance with the Company's debt covenants. The Company may elect not to purchase the maximum amount of shares allowable under this program. The Company expects to fund its repurchase program from operating cash flows and new borrowings as needed. The timing of share repurchases depends upon marketplace conditions and other factors. The share repurchase authorization has no expiration. As of December 31, 2015, the Company had not repurchased any shares under its share repurchase program.

ENVISION HEALTHCARE HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**15. Retirement Plans and Employee Benefits**

*Defined Benefit Pension Plan*

Rural/ Metro Pension Plan

Acquired as part of the Company's acquisition of Rural/ Metro on October 28, 2015, the Company provides a defined benefit pension plan (the "Pension Plan") that covers eligible employees of one of Rural/ Metro's subsidiaries, primarily those covered by collective bargaining arrangements. Eligibility is achieved upon the completion of one year of service. Participants become fully vested in their accrued benefit after the completion of five years of service.

The Company's general funding policy is to make annual contributions to the Pension Plan as required by the Employee Retirement Income Security Act. The Company did not make any contributions during the period from the acquisition date of Rural/ Metro of October 28, 2015, to December 31, 2015.

The following table shows a reconciliation of changes in the Pension Plan's benefit obligation and plan assets for the period from October 28, 2015, to December 31, 2015:

| | |
|---|---|
| **Change in benefit obligation:** | |
| Benefit obligation as of acquisition date of Rural/ Metro of October 28, 2015 | $ 40,318 |
| Service costs | 556 |
| Interest costs | 315 |
| Plan participants' contributions | 1 |
| Benefits paid | (16) |
| Actuarial (gain) loss | (1,106) |
| Benefit obligation at December 31, 2015 | $ 40,068 |
| **Change in plan assets:** | |
| Fair value of plan assets as of acquisition date of Rural/ Metro of October 28, 2015 | 18,669 |
| Actual return on plan assets | (272) |
| Employer contributions | — |
| Benefits paid | (16) |
| Plan participants' contributions | 1 |
| Fair value of plan assets at December 31, 2015 | $ 18,382 |
| Funded status at December 31, 2015 | $ (21,686) |

Amounts recognized in the consolidated balance sheets totaling $21.7 million as of December 31, 2015, were classified as other long-term liabilities.

Amounts in accumulated other comprehensive income (loss), before income taxes, that have not been recognized as net periodic benefit cost as of December 31, 2015, consist of $0.6 million of accumulated net actuarial gains.

The accumulated benefit obligation for the Pension Plan was $37.5 million as of December 31, 2015.

Amortization of the net actuarial gain or loss resulting from experience different from that assumed and from changes in assumptions is included as a component of Net Periodic Benefit Cost or Income for each year. If, at the beginning of the year, that net gain or loss exceeds 10% of the greater of the projected benefit obligation and the market-related value of plan assets, the amortization is that excess divided by the average remaining service period of participating employees expected to receive benefits under the plan. The components of net periodic benefit cost and

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

other amounts recognized as comprehensive (loss) income during the period from October 28, 2015 to December 31, 2015, are as follows (in thousands):

| | |
|---|---|
| **Net periodic benefit cost:** | |
| Service cost | $ 556 |
| Interest cost | 315 |
| Expected return on plan assets | (233) |
| Net periodic benefit cost | $ 638 |
| **Other changes in plan assets and benefit obligations recognized as other comprehensive loss (income)** | |
| Net gain | (601) |
| Net gain recognized during the period | — |
| Total recognized in other comprehensive loss (income) | $ (601) |
| Total recognized as net periodic benefit cost and other comprehensive loss (income) | $ 37 |

The assumptions used to determine the Company's benefit obligation were as of December 31, 2015:

| | |
|---|---|
| Discount rate | 4.80% |
| Rate of increase in compensation levels | 2.00% |

The new mortality tables (RP-2015) and mortality improvement scale (MP-2015) issued during October 2015 by the Society of Actuaries were utilized in determining the Company's benefit obligation as of December 31, 2015.

The assumptions used to determine the Company's net periodic benefit cost for the period from October 28, 2015, to December 31, 2015, were:

| | |
|---|---|
| Discount rate | 4.69% |
| Rate of increase in compensation levels | 2.00% |
| Expected long-term rate of return on assets | 7.50% |

In developing the expected long-term rate of return assumption, the Company evaluated the outputs of financial models designed to simulate results under multiple investment scenarios and to estimate long-term investment returns based on the Pension Plan's asset allocation. Expected return on plan assets is determined using the fair value of plan assets.

The Company's Pension Plan target and actual asset allocation as of December 31, 2015, by asset category are shown below:

| | Target Allocation | Actual Allocation |
|---|---|---|
| **Asset allocation:** | | |
| Equity securities | 60 % - 70 % | 57.8 % |
| Debt securities | 25 % - 40 % | 33.9 % |
| Real estate | 5 % - 15 % | 8.3 % |
| Total | 100.0% | 100.0 % |

The Company invests in a diversified portfolio to ensure that adverse or unexpected results from a security class will not have a detrimental impact on the entire portfolio. The portfolio is diversified by asset type, performance and risk characteristics, and number of investments. Asset classes and ranges considered appropriate for investment of the Pension Plan's assets are determined by the Pension Plan's investment

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committee. The asset classes include domestic

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

and foreign equities, emerging market equities, domestic and foreign investment grade and high-yield bonds and domestic real estate.

The Company has adopted the fair value provisions (as described in Note 2) for the plan assets. The Company categorizes plan assets within a three-level fair value hierarchy.

The fair values of the Pension Plan assets as December 31, 2015, by asset class were as follows (in thousands):

| Description | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets:** | | | | |
| Equity securities | $10,350 | $ 277 | $ — | $10,627 |
| Debt securities | 1,560 | 4,679 | — | 6,239 |
| Real estate | 402 | — | 1,114 | 1,516 |
| Total equity securities | $12,312 | $4,956 | $1,114 | $18,382 |

The real estate balance classified as a Level 3 liability has decreased approximately $0.1 million since October 28, 2015 as a result of net purchases and sales during the period ended December 31, 2015.

The Company does not expect to contribute to the Pension Plan during 2016.

Future benefit payments expected to be made from Pension Plan assets are summarized below by year (in thousands):

| **Expected benefit payments:** | |
|---|---|
| 2016 | $ 210 |
| 2017 | 289 |
| 2018 | 395 |
| 2019 | 512 |
| 2020 | 611 |
| 2021-2025 | 5,883 |

Other Pension Plans

SEA has a pension plan (the "SEA Plan") with $10.1 million in accumulated benefit obligations as of the acquisition date. The SEA Plan was frozen at acquisition. The SEA Plan is fully funded, with both investments and escrow funds set-aside to cover any shortfall of the investments in covering the liabilities upon liquidation. The Company received a favorable determination letter from the IRS dated February 2, 2016, and anticipates that the liquidation of the SEA Plan will be completed in the first quarter of 2016. At December 31, 2015, the SEA Plan assets and liabilities are netted in the Company's consolidated balance sheets.

NTEP has a pension plan (the "NTEP Plan") with $2.8 million in accumulated benefit obligations as of the acquisition date. The NTEP Plan was frozen and is in the process of being terminated with the IRS. The NTEP Plan is fully funded, with both investments and escrow funds set-aside to cover any shortfall of the investments in covering the liabilities upon liquidation. The Company anticipates that the NTEP Plan will be terminated and liquidated in 2016. At December 31, 2015, the NTEP Plan assets and liabilities are netted in the Company's consolidated balance sheets.

*Other Postemployment Benefits*

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The Company maintains two 401(k) plans (the "401(k) Plans") and a money purchase plan, collectively "the Plans", for its employees and employees of certain subsidiaries who meet the eligibility requirements set forth in the Plans. The money purchase plan is frozen to new participants. Employees may contribute a maximum of 40% of their compensation each year up to the annual limit established by the

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Internal Revenue Service ($18,000 in 2015). The 401(k) Plans provide a 50% match on up to 6% of eligible compensation.

# ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company's contributions to the Plans were $14.1 million, $12.9 million and $9.3 million for the years ended December 31, 2015, 2014 and 2013, respectively. Contributions are included in compensation and benefits in the accompanying consolidated statements of operations.

EmCare serves as Plan Administrator on a qualified retirement plan established in March 1998 called the Associated Physicians' Retirement Plan (the "Plan"). This plan provides retirement benefits to employed physicians and clinicians in the professional corporations that have adopted this multiple employer plan. Eligible employees may immediately elect to contribute 1% to 25% of their annual compensation on a tax-deferred basis subject to limits established by the Internal Revenue Service through the 401(k) component of the Plan. The Plan also has a separate component that allows participants the ability to make a one-time irrevocable election to reduce their annual compensation up to 20% in exchange for a contribution made to their retirement account from their respective employer company. Total contributions from the subscribing employers were $4.3 million, $2.9 million and $2.0 million for the years ended December 31, 2015, 2014 and 2013, respectively.

*Employee Stock Purchase Plan and Provider Stock Purchase Plan*

Beginning on May 1, 2015, the Company's employees may participate in the Envision Healthcare Holdings, Inc. 2015 Employee Stock Purchase Plan ("the ESPP"), pursuant to which the Company is authorized to issue up to 1.2 million shares of common stock. Substantially all full-time employees who have been employed by the Company for at least 60 days prior to the offering period are eligible to participate in the ESPP. Employee stock purchases are made through payroll deductions.

Beginning on May 1, 2015, certain individuals that provide clinical services for the Company and its subsidiaries or professional association affiliates may participate in the Envision Healthcare Holdings, Inc. 2015 Provider Stock Purchase Plan ("the PSPP"), pursuant to which the Company is authorized to issue up to 1.2 million shares of common stock. All active service providers that customarily work more than 120 hours per month and have provided at least 240 hours of service prior to the relevant offering period are eligible to participate in the PSPP. Provider stock purchases are made through paycheck deductions.

Under the terms of both the ESPP and PSPP, employees and service providers may not deduct an amount which would permit such employee or service provider to purchase the Company's capital stock under all of the Company's stock purchase plans at a rate which would exceed $25,000 in fair value of capital stock in any offering period. The purchase price of the stock is 90% of the closing price of the common stock on the last trading day of the offering period.

During the year ended December 31, 2015, employee and provider purchases of common stock through the ESPP and PSPP totaled approximately 0.2 million shares.

### 16. Equity Based Compensation

*Omnibus Incentive Plan*

Upon completion of the Company's initial public offering, the previous stock compensation plan ("Stock Compensation Plan") terminated and the Envision Healthcare Holdings, Inc. 2013 Omnibus Incentive Plan ("Omnibus Incentive Plan") was adopted pursuant to which options and awards with respect to a total of 16,708,289 shares of Common Stock are available for grant. As of December 31, 2015, a total of 16,376,956 shares remained available for grant under the Omnibus Incentive Plan. Awards under the Omnibus Incentive Plan include both performance and non-performance based awards. As of December 31, 2015, no grants of performance based awards under the Omnibus Incentive Plan had been made. Options are granted with exercise prices equal to the fair value of the Company's common stock at the date of grant. No participant may be granted in any calendar year awards covering more than 2.5 million shares of Common Stock or 1.5 million performance awards up to a maximum dollar

value of $5.0 million. Non-performance based awards have time-based vesting and performance-based awards vest upon achievement of certain company-wide objectives. All options have 10 year terms.

*Equity Based Compensation*

A compensation charge of $6.6 million, $5.1 million and $4.2 million was recorded during the years ended December 31, 2015, 2014 and 2013, respectively, in "Selling, general and administrative expenses" included in the accompanying consolidated statements of operations.

The Company realized approximately $39.1 million and $46.2 million of tax benefits from stock awards exercised during the years ended December 31, 2015 and 2014, respectively, and less than $1.0 million of tax benefits from stock awards exercised during the year ended December 31, 2013.

*Equity Award Activity*

Stock option activity for the year ended December 31, 2015 was as follows (in thousands):

| | Class A Shares | Weighted Average Exercise Price | Aggregate Intrinsic Value | Weighted Average Remaining Life |
|---|---|---|---|---|
| Outstanding at beginning of year | 12,374,898 | $ 4.10 | $ 378,574 | 6.3 years |
| Granted | 102,990 | 35.29 | | |
| Exercised | (3,061,183) | 4.05 | | |
| Expired | (1,865) | 28.16 | | |
| Forfeited | (24,524) | 15.80 | | |
| Outstanding at end of year | 9,390,316 | 4.42 | 203,561 | 5.5 years |
| Exercisable at end of year | 9,000,302 | $ 4.05 | $ 197,854 | 5.4 years |

In August 2011, the non-employee directors of the Company, other than the Chairman of the Board, were given the option to defer a portion of their director fees and receive it in the form of restricted stock units ("RSUs"). These RSUs are fully vested when granted. All other grants of RSUs have time based vesting.

The Company granted 54,272 RSUs during the year ended December 31, 2015, with a weighted average market price of $34.98. The Company granted 45,370 RSUs during the year ended December 31, 2014, with a weighted average market price of $33.32. The Company granted 23,623 RSUs during the year ended December 31, 2013, with a weighted average market price of $7.39.

*Valuation*

The fair value of each stock option award is estimated on the grant date, using the Black-Scholes valuation model with the following assumptions indicated in the below table. The volatility assumptions were based on the historical stock volatility of the Company, the stock volatility of publicly traded peer companies and in consultation with a valuation specialist.

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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Volatility | 35% | 35% | 30% - 35% |
| Risk free rate | 1.53% - 1.92% | 0.33% - 2.17% | 0.67% - 1.56% |
| Expected dividend yield | 0% | 0% | 0% |
| Expected term of options in years | 5.8 - 6.3 | 6.3 - 7.0 | 5.0 |

The weighted average fair values of stock options granted during 2015 and 2014 were $12.96 and $11.03 per share, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2015 and 2014 was $103.7 million and $115.0 million, respectively.

As of December 31, 2015, total unrecognized compensation cost related to unvested stock awards was $1.6 million which will be recognized over the weighted average remaining vesting life of approximately 1.0 year.

### 17. Commitments and Contingencies

*Lease Commitments*

The Company leases various facilities and equipment under operating lease agreements. Rental expense incurred under these leases was $56.8 million, $45.7 million and $44.8 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The Company also records certain leasehold improvements and vehicles under capital leases. Assets under capital leases are capitalized using inherent interest rates at the inception of each lease. Capital leases are collateralized by the underlying assets.

Future commitments under non-cancelable capital and operating leases for premises, equipment and other recurring commitments are as follows (in thousands):

| | Capital Leases | Operating Leases & Other |
|---|---|---|
| **Year Ended December 31,** | | |
| 2016 | $ 1,307 | $101,576 |
| 2017 | 1,009 | 68,007 |
| 2018 | 338 | 57,658 |
| 2019 | 243 | 46,691 |
| 2020 | 243 | 28,068 |
| Thereafter | 567 | 62,244 |
| | 3,707 | $364,244 |
| Less imputed interest | (618) | |
| Total capital lease obligations | 3,089 | |
| Less current portion | (1,126) | |
| Long-term capital lease obligations | $ 1,963 | |

*Services*

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The Company is subject to the Medicare and Medicaid fraud and abuse laws which prohibit, among other things, any false claims, or any bribe, kickback or rebate in return for the referral of Medicare and Medicaid patients. Violation of these prohibitions may result in civil and criminal penalties and exclusion from participation in the

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Medicare and Medicaid programs. Management has implemented policies and procedures that management believes will assure that the Company is in substantial compliance with these laws and regulations but there can be no assurance the Company will not be found to have violated certain of these laws and regulations. From time to time, the Company receives requests for information from government agencies pursuant to their regulatory or investigational authority. Such requests can include subpoenas or demand letters for documents to assist the government agencies in audits or investigations. The Company is cooperating with the government agencies conducting these investigations and is providing requested information to the government agencies. Other than the proceedings described below, management believes that the outcome of any of these investigations would not have a material adverse effect on the Company.

Like other ambulance companies, AMR has provided discounts to its healthcare facility customers (nursing homes and hospitals) in certain circumstances. The Company has attempted to comply with applicable law where such discounts are provided. During the first quarter of fiscal 2004, the Company was advised by the U.S. Department of Justice ("DOJ") that it was investigating certain business practices at AMR. The specific practices at issue were (i) whether ambulance transports involving Medicare eligible patients complied with the "medical necessity" requirement imposed by Medicare regulations, (ii) whether patient signatures, when required, were properly obtained from Medicare eligible patients, and (iii) whether discounts in violation of the federal Anti-Kickback Statute were provided by AMR in exchange for referrals involving Medicare eligible patients. In connection with the third issue, the government alleged that certain of AMR's hospital and nursing home contracts in effect in Texas in periods prior to 2002 contained discounts in violation of the federal Anti-Kickback Statute. The Company negotiated a settlement with the government pursuant to which the Company paid $9 million and obtained a release of all claims related to such conduct alleged to have occurred in Texas in periods prior to 2002. In connection with the settlement, AMR entered into a Corporate Integrity Agreement ("CIA") which was effective for a period of five years beginning September 12, 2006, and which was released in February 2012.

In July 2011, AMR received a subpoena from the Civil Division of the U.S. Attorney's Office for the Central District of California ("USAO") seeking certain documents concerning AMR's provision of ambulance services within the City of Riverside, California. The USAO indicated that it, together with the OIG, was investigating whether AMR violated the federal False Claims Act and/or the federal Anti-Kickback Statute in connection with AMR's provision of ambulance transport services within the City of Riverside. The California Attorney General's Office conducted a parallel state investigation for possible violations of the California False Claims Act. In December 2012, AMR was notified that both investigations were concluded and that the agencies had closed the matter. There were no findings made against AMR, and the closure of the matter did not require any payments from AMR.

***Letters of Credit***

As of December 31, 2015 and 2014, the Company had $140.8 million and $112.3 million, respectively, in outstanding letters of credit.

***Other Legal Matters***

In December 2006, AMR received a subpoena from the U.S. Department of Justice ("DOJ"). The subpoena requested copies of documents for the period from January 2000 through the present. The subpoena required AMR to produce a broad range of documents relating to the operations of certain AMR affiliates in New York. The Company produced documents responsive to the subpoena. The government identified claims for reimbursement that the government believes lack support for the level billed, and invited the Company to respond to the identified areas of concern. The Company reviewed the information provided by the government and provided its response. On May 20, 2011, AMR entered into a settlement agreement with the DOJ and a Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the Department of Health and Human Services ("OIG") in connection with this matter. Under the terms of the settlement, AMR paid $2.7 million to the federal government. In





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**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

connection with the settlement, the Company entered into a CIA with a five-year period beginning May 20, 2011. Pursuant to this CIA, the Company is required to maintain a compliance program, which includes, among other elements, the appointment of a compliance officer and committee, training of employees nationwide, safeguards for its billing operations as they relate to services provided in New York, including specific training for operations and billing personnel providing services in New York, review by an independent review organization and reporting of certain reportable events. The Company entered into the settlement in order to avoid the uncertainties of litigation, and has not admitted any wrongdoing. In May 2013 a subsidiary of the Company entered into an agreement to divest substantially all the assets underlying AMR's services in New York, although the obligations of the Company's compliance program will remain in effect following the expected divestiture. The divesture was completed on July 1, 2013.

Four different putative class action lawsuits were filed against AMR and certain subsidiaries in California alleging violations of California wage and hour laws. On April 16, 2008, Laura Bartoni commenced a suit in the Superior Court for the State of California, County of Alameda; on July 8, 2008, Vaughn Banta filed suit in the Superior Court of the State of California, County of Los Angeles; on January 22, 2009, Laura Karapetian filed suit in the Superior Court of the State of California, County of Los Angeles; and on March 11, 2010, Melanie Aguilar filed suit in Superior Court of the State of California, County of Los Angeles. The Banta, Aguilar and Karapetian cases have been coordinated in the Superior Court for the State of California, County of Los Angeles, and the Aguilar and Karapetian cases have subsequently been consolidated into a single action. In these cases, the plaintiffs allege principally that the AMR entities failed to pay wages, including overtime wages, in compliance with California law, and failed to provide required meal breaks, rest breaks or pay premium compensation for missed breaks. The plaintiffs are seeking to certify classes on these claims and are seeking lost wages, various penalties, and attorneys' fees under California law. While certification of the rest period claims in the consolidated Karapetian/ Aguilar case was denied, the Court certified classes on claims alleging that AMR has not provided meal periods in compliance with the law as to dispatchers and call takers, that AMR has an unlawful time rounding policy, and that AMR has an unlawful practice of setting rates for those employees. On October 13, 2015, the Court decertified all classes in the Karapetian/ Aguilar case, a decision that is being appealed. In the Banta case, the Court denied certification of the meal and rest period claims as to EMTs and paramedics, a decision that is being appealed; the Court indicated that it would certify a class on overtime claims, but plaintiff's counsel has indicated that it intends to dismiss that claim as AMR's policy complies with a recent Court of Appeals decision. In the Bartoni case, the Court denied certification on the meal and rest period claims of all unionized employees in Northern California, a decision that is being appealed; while the Court certified a class on the overtime claims, plaintiffs' counsel stipulated to decertify and dismiss those claims as AMR's policy complies with a recent Court of Appeals decision. The Company is unable at this time to estimate the amount of potential damages, if any.

Merion Capital, L.P. ("Merion"), a former stockholder of Corporation, filed an action in the Delaware Court of Chancery seeking to exercise its right to appraisal of its holdings in Corporation prior to the Merger. During the year ended December 31, 2013, the Company expensed $8.4 million of legal settlement costs and $1.9 million of interest. On April 15, 2013, the Company paid $52.1 million in a settlement of Merion's appraisal action, in which Merion agreed to release its claims against the Company. $13.7 million of this payment is included in cash flows from operations and $38.3 million is included in cash flows from financing activities on the statements of cash flows for the year ended December 31, 2013.

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In September 2009 a qui tam action was filed against Rural/Metro in the U. S. District Court for the Northern District of Alabama. The complaint alleged that Rural/Metro had falsified Medicare required documents and billed Medicare and Medicaid improperly for ambulance services. The federal government intervened in the lawsuit on March 14, 2011, and on June 14, 2012, Rural/Metro entered into a settlement agreement with the DOJ and plaintiff, agreeing to pay $5.5 million to the federal government. In connection with this settlement, Rural/Metro entered into a CIA with the OIG (the

"Rural/Metro CIA"), which requires it to maintain a compliance program. This program includes, among other elements, the appointment of a compliance officer and committee, training of employees nationwide, safeguards for Rural/Metro's billing operations, review by an independent review organization and

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

reporting of certain reportable events. The term of the Rural/Metro CIA is five years and is set to expire in June 2017. On October 28, 2015, the Company completed its acquisition of Rural/Metro.

On December 10, 2012, an OIG subpoena was served on Mercy Hospital, Buffalo, New York, requesting documents related to interfacility specialty care transports provided by Rural/Metro's Buffalo division. Rural/Metro provided responsive documents. On April 14, 2014, the Rural/Metro received a second subpoena from the DOJ, Western District of New York requesting additional information. The investigation was subsequently expanded to include Rural/Metro's Kentucky market. Rural/Metro is cooperating with the government and is in the process of providing additional responsive documents. The Company is unable to determine the potential impact that will result from this investigation.

On August 7, 2012, EmCare received a subpoena from the OIG requesting copies of documents for the period from January 1, 2007, through the present that appears to be primarily focused on EmCare's contracts for services at hospitals that are affiliated with Health Management Associates, Inc. ("HMA"). During the months of December 2013 and January 2014, several lawsuits filed by whistleblowers on behalf of the federal and certain state governments against HMA were unsealed; the Company is a named defendant in two of these lawsuits (the "HMA Lawsuits"). Although the federal government intervened in these lawsuits in connection with certain of the allegations against HMA, the federal government has not, at this time, intervened in these matters as they relate to the Company. The Company has been engaged in dialogue with the relevant federal government representatives in an effort to reach a resolution of this matter. As the Company and these government representatives have made significant progress towards resolution of these matters, the Company recorded a reserve of $30.0 million based on the Company's estimates of probable exposure resulting from the HMA Lawsuits. The reserve has been included in restructuring and other charges in the Company's statements of operations for the year ended December 31, 2015.

On February 14, 2013, EmCare received a subpoena from the OIG requesting documents and other information relating to EmCare's relationship with Community Health Services, Inc. ("CHS"). The Company is cooperating with the government during its investigation, has provided responsive documents, and is engaged in a meaningful dialogue with the relevant government representatives regarding additional requests. At this time, the Company is unable to determine the potential impact, if any, that will result from these investigations.

In November 2013, AMR received a subpoena from the New Hampshire Department of Insurance (the "Department") directed to American Medical Response of Massachusetts, Inc. The subpoena requested documents relating to ambulance services provided to approximately 150 patients residing in the state of New Hampshire who had been involved in motor vehicle accidents and who were ultimately transported by AMR. In addition, the subpoena requested information relating to any agreements for reimbursement between AMR and Progressive Insurance. The Company cooperated with the Department during its investigation and, in March 2014, it was notified that the investigation was concluded and closed without further action by the Department.

On January 8, 2015, the U.S. Attorney's Office for the District of Arizona issued a Civil Investigative Demand ("CID") for copies of documents pertaining to ambulance transports provided by Rural/ Metro in its San Diego and Arizona markets. The CID does not provide any information regarding specific allegations or claims made by the government. Rural/ Metro is cooperating with the government during its investigation and has provided responsive documents. The Company is unable to determine the potential impact, if any, that will result from this investigation.

On March 27, 2015, OIG issued a Request for Information or Assistance to Rural/ Metro relating to its Arvada, Colorado location. The request does not indicate any specific allegation against Rural/ Metro. Rural/ Metro is cooperating with the government during its investigation and has provided responsive documents.

The Company is involved in other litigation arising in the ordinary course of business. Management believes the outcome of these legal proceedings will not have a material adverse impact on its financial condition, results of operations or liquidity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**18. Related Party Transactions**

CD&R Affiliates

*Stockholders Agreement*

In connection with the Company's initial public offering in August of 2013, the Company entered into a stockholders agreement ("Stockholders Agreement") with CD&R Affiliates. Under the Stockholders Agreement, CD&R Affiliates were granted the right to designate nominees for the Company's board, subject to the maintenance of specified ownership requirements. Following the CD&R Affiliates' disposition of their remaining shares of the Company's common stock in a registered secondary offering, on March 11, 2015, the Stockholders Agreement terminated pursuant to its terms and, as a result, the CD&R Affiliates are no longer entitled to designate directors for nomination as of such date.

*Registration Rights Agreement*

In connection with the closing of the Merger, the Company entered into a registration rights agreement ("Registration Rights Agreement") with the CD&R Affiliates, which granted the CD&R Affiliates specified demand and piggyback registration rights with respect to the Company's common stock. Upon the CD&R Affiliates' disposition of the remaining shares of the Company's common stock beneficially owned by them in a registered secondary offering, on March 11, 2015, the Registration Rights Agreement terminated pursuant to its terms.

*Indemnification Agreements*

In connection with the closing of the Merger, the Company entered into separate indemnification agreements with CD&R and CD&R Affiliates (the "CD&R Entities"). Under the indemnification agreement with the CD&R Entities, the Company, subject to certain limitations, agreed to indemnify the CD&R Entities and certain of their affiliates against certain liabilities arising out of performance of the Company's consulting agreement with CD&R, which was terminated in 2013, and certain other claims and liabilities.

Employment agreements with certain of the Company's executive officers include indemnification provisions whereby the Company agrees to indemnify each of these individuals against claims arising out of events or occurrences related to that individual's service as the Company's agent or the agent of any of its subsidiaries to the fullest extent legally permitted.

In connection with the Company's initial public offering, the Company entered into indemnification agreements with each of its directors. On November 11, 2013, the Company entered into an indemnification agreement with Mark V. Mactas. Under these agreements, the Company agreed to indemnify each of these individuals against claims arising out of events or occurrences related to that individual's service as the Company's agent or the agent of any of its subsidiaries to the fullest extent permitted by law.

Other Transactions

In connection with the closing of the Merger, Holding and Corporation entered into separate indemnification agreements with each of Richard J. Schnall, Ronald A. Williams, William A. Sanger, and Kenneth A. Giuricco as the directors of Holding and Corporation. Under the indemnification agreements with the directors of Holding and Corporation, Holding and Corporation, subject to certain limitations, jointly and severally agreed to indemnify the directors against certain liabilities arising out of service as a director.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The executive employment agreements include indemnification provisions whereby the Company agrees to indemnify each of these individuals against claims arising out of events or occurrences related to that individual's service as the Company's agent or the agent of any of its subsidiaries to the fullest extent legally permitted.

In connection with the Company's initial public offering, the Company entered into new indemnification agreements with each of its directors. On November 11, 2013, the Company entered into an indemnification agreement with Mark V. Mactas. Under these agreements, the Company agrees to indemnify each of these individuals against claims arising out of events or occurrences related to that individual's service as the Company's agent or the agent of any of its subsidiaries to the fullest extent legally permitted.

**19. Variable Interest Entities**

GAAP requires the assets, liabilities, noncontrolling interests and activities of Variable Interest Entities ("VIEs") to be consolidated if an entity's interest in the VIE has a controlling financial interest. Under the Variable Interest Model, a controlling financial interest is determined based on which entity, if any, has i) the power to direct the activities of the VIE that most significantly impacts the VIE's economic performance and ii) the obligations to absorb the losses that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. For all consolidated VIEs, the Company is not contractually obligated to fund losses, if any, in excess of its investment.

AHAH-Evolution JV

Evolution Health, LLC ("Evolution"), included within the EmCare segment, entered into an agreement in 2014 with Ascension Health to form an entity which would provide home health, hospice, and home infusion therapy pharmacy services to patients ("AHAH-Evolution JV"). AHAH-Evolution JV began providing services to patients during the first quarter of 2015 and meets the definition of a VIE. The Company determined that, although Evolution holds 50% voting control, Evolution is the primary beneficiary and must consolidate this VIE because:

- Evolution provides management services to AHAH-Evolution JV including providing comprehensive management oversight, operational reporting guidelines, recruiting, credentialing, billing, payroll, accounting, and other various administrative services and therefore substantially all of AHAH-Evolution JV's activities involve Evolution; and

- as payment for management services, Evolution is entitled to receive a variable management fee from AHAH-Evolution.

The following table summarizes the AHAH-Evolution JV assets and liabilities as of December 31, 2015, which are included in the Company's consolidated financial statements (in thousands):

| | December 31, 2015 |
|---|---|
| Current assets | $ 38,815 |
| Current liabilities | 10,095 |

During the year ended December 31, 2015, cash contributions of $0.1 million were made to AHAH-Evolution JV by either of the parties for working capital requirements.

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ENVISION HEALTHCARE HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

UHS-EmCare JV

EmCare entered into an agreement in 2014 with Universal Health Services, Inc. to form an entity which would provide physician services to various healthcare facilities ("UHS-EmCare JV"). UHS-EmCare JV began providing services to healthcare facilities during the second quarter of 2014 and meets the definition of a VIE. The Company determined that, although EmCare holds 50% voting control, EmCare is the primary beneficiary and must consolidate this VIE because:

- EmCare provides management services to UHS-EmCare JV including recruiting, credentialing, scheduling, billing, payroll, accounting and other various administrative services and therefore substantially all of UHS-EmCare JV's activities involve EmCare; and

- as payment for management services, EmCare is entitled to receive a variable management fee from UHS-EmCare JV.

The following table summarizes the UHS-EmCare JV assets and liabilities as of December 31, 2015, which are included in the Company's consolidated financial statements (in thousands):

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Current assets | $ 37,448 | $ 21,427 |
| Current liabilities | 12,638 | 6,748 |

During the year ended December 31, 2015, there were no cash contributions made to UHS-EmCare JV by either of the parties for working capital requirements. During the year ended December 31, 2014, cash contributions of $0.3 million were made to UHS-EmCare JV by each of the parties for working capital requirements.

HCA-EmCare JV

EmCare entered into an agreement in 2011 with an indirect wholly-owned subsidiary of HCA Holdings Inc. to form an entity which would provide physician services to various healthcare facilities ("HCA-EmCare JV"). HCA-EmCare JV began providing services to healthcare facilities during the first quarter of 2012 and meets the definition of a VIE. The Company determined that, although EmCare only holds 50% voting control, EmCare is the primary beneficiary and must consolidate this VIE because:

- EmCare provides management services to HCA-EmCare JV including recruiting, credentialing, scheduling, billing, payroll, accounting and other various administrative services and therefore substantially all of HCA-EmCare JV's activities involve EmCare; and

- as payment for management services, EmCare is entitled to receive a base management fee from HCA-EmCare JV as well as a bonus management fee.

The following is a summary of the HCA-EmCare JV assets and liabilities as of December 31, 2014 and 2013, which are included in the Company's consolidated financial statements (in thousands):

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Current assets | $ 179,632 | $ 155,041 |
| Current liabilities | 54,861 | 31,163 |

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**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

During the year ended December 31, 2015, there were no cash contributions made to HCA-EmCare JV by either of the parties for working capital requirements. During the years ended December 31, 2014 and 2013, cash contributions of $1.0 million and $3.0 million, respectively, were made to HCA-EmCare JV by each of the parties for working capital requirements.

## 20. Insurance

Insurance reserves are established for automobile, workers compensation, general liability and professional liability claims utilizing policies with both fully-insured and self-insured components. This includes the use of an off-shore captive insurance program through a wholly-owned subsidiary for certain professional (medical malpractice), auto, workers' compensation and general liability programs for both EmCare and AMR. In those instances where the Company has obtained third-party insurance coverage, the Company normally retains liability for the first $1 to $3 million of the loss. Insurance reserves cover known claims and incidents within the level of Company retention that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from activities through December 31, 2015.

The Company establishes reserves for claims based upon an assessment of claims reported and claims incurred but not reported. The reserves are established based on consultation with third-party independent actuaries using actuarial principles and assumptions that consider a number of factors, including historical claim payment patterns (including legal costs) and changes in case reserves and the assumed rate of inflation in health care costs and property damage repairs. Claims, other than general liability claims, are discounted at a rate of 1.5%. General liability claims are not discounted.

Provisions for insurance expense included in the statements of operations include annual provisions determined in consultation with third-party actuaries and premiums paid to third-party insurers.

The table below summarizes the non-health and welfare insurance reserves included in the accompanying balance sheets (in thousands):

| | Accrued Liabilities | Insurance Reserves | Total Liabilities |
|---|---|---|---|
| **December 31, 2015** | | | |
| Automobile | $ 14,563 | $ 15,554 | $ 30,117 |
| Workers compensation | 28,025 | 41,528 | 69,553 |
| General/Professional liability | 61,334 | 195,568 | 256,902 |
| | $ 103,922 | $ 252,650 | $ 356,572 |
| **December 31, 2014** | | | |
| Automobile | $ 7,469 | $ 6,230 | $ 13,699 |
| Workers compensation | 18,299 | 30,826 | 49,125 |
| General/Professional liability | 48,444 | 143,583 | 192,027 |
| | $ 74,212 | $ 180,639 | $ 254,851 |

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The changes to the Company's estimated losses under self-insured programs were as follows (in thousands):

| | Year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Balance, beginning of period | $254,851 | $ 249,165 | $238,597 |
| Expense for current period reserves | 59,176 | 62,836 | 74,501 |
| Unfavorable (favorable) changes to prior reserves | 7,264 | 7,539 | 9,141 |
| Changes in losses covered by commercial insurance programs | 15,649 | 17,532 | — |
| Increase in reserves from acquisitions | 90,593 | 18,217 | — |
| Payments for claims | (70,961) | (100,438) | (73,074) |
| Balance, end of period | 356,572 | 254,851 | 249,165 |
| Discount factor | 7,438 | 7,045 | 8,418 |
| Undiscounted reserve, end of period | $364,010 | $ 261,896 | $257,583 |

The following table reflects a summary of expected future claim payments relating to non-health and welfare insurance reserves (in thousands):

| Year | Amount |
|---|---|
| 2016 | $103,922 |
| 2017 | 92,473 |
| 2018 | 65,808 |
| 2019 | 41,584 |
| 2020 | 22,512 |
| Thereafter | 30,273 |
| Total | $356,572 |

## 21. Segment Information

The Company is organized around two separately managed business units: facility-based and post-acute care physician services and healthcare transportation services, which have been identified as reportable operating segments. The facility-based and post-acute care physician services reportable segment provides physician services to hospitals primarily for emergency department, anesthesiology, hospitalist/inpatient, radiology, tele-radiology and surgery services. It also offers physician-led care management solutions outside the hospital. The healthcare transportation services reportable segment focuses on providing a full range of medical transportation services from basic patient transit to the most advanced emergency care and pre-hospital assistance. The Chief Executive Officer has been identified as the chief operating decision maker (the "CODM") as he assesses the performance of the business units and decides how to allocate resources to the business units.

Net income (loss) before equity in earnings of unconsolidated subsidiary, income tax benefit (expense), loss on early debt extinguishment, other income (expense), net, realized gains (losses) on investments, interest expense, net, equity-based compensation expense, transaction costs related to acquisition activity, related party management fees, restructuring and other charges, severance and related costs, adjustment to net (income) loss attributable to noncontrolling interest due to deferred taxes, and depreciation and amortization expense ("Adjusted EBITDA") is the measure of profit and loss that the CODM uses to assess performance and make decisions. Adjusted EBITDA is not



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considered a measure of financial performance under GAAP and the items excluded from Adjusted EBITDA are significant components in understanding and assessing the Company's financial performance. Adjusted EBITDA should not be considered in isolation or as an alternative to such GAAP measures as net income, cash flows provided by or used in operating, investing or financing activities or other financial statement data presented in the Company's financial statements as an indicator of financial performance. Since Adjusted EBITDA is not a measure

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

determined to be in accordance with GAAP and is susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. Pre-tax income from continuing operations represents net revenue less direct operating expenses incurred within the operating segments. The accounting policies for reported segments are the same as for the Company as a whole (see Note 2).

The Company's reportable operating segment results were as follows (in thousands):

| | Year-ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Facility-Based and Post-Acute Care Physician Services** | | | |
| Net revenue | $3,648,392 | $2,842,458 | $2,358,787 |
| Income from operations | 239,499 | 282,495 | 219,842 |
| Adjusted EBITDA | 377,657 | 363,333 | 294,033 |
| Goodwill | 1,999,115 | 1,679,495 | 1,574,882 |
| Intangible Assets, net | 657,787 | 365,094 | 370,897 |
| Total identifiable assets | 3,790,348 | 2,884,250 | 2,624,161 |
| Capital expenditures | 13,832 | 15,480 | 8,215 |
| **Healthcare Transportation Services** | | | |
| Net revenue | $1,799,524 | $1,555,186 | $1,369,525 |
| Income from operations | 125,749 | 105,991 | 56,986 |
| Adjusted EBITDA | 226,662 | 192,891 | 151,745 |
| Goodwill | 1,272,818 | 859,138 | 860,788 |
| Intangible Assets, net | 393,844 | 159,388 | 142,801 |
| Total identifiable assets | 2,577,582 | 1,616,200 | 1,515,162 |
| Capital expenditures | 71,669 | 56,460 | 51,449 |
| **Segment Totals** | | | |
| Net revenue | $5,447,916 | $4,397,644 | $3,728,312 |
| Income from operations | 365,248 | 388,486 | 276,828 |
| Adjusted EBITDA | 604,319 | 556,224 | 445,778 |
| Goodwill | 3,271,933 | 2,538,633 | 2,435,670 |
| Intangible Assets, net | 1,051,631 | 524,482 | 513,698 |
| Total identifiable assets | 6,367,930 | 4,500,450 | 4,139,323 |
| Capital expenditures | 85,501 | 71,940 | 59,664 |

## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A reconciliation of net income (loss) to Adjusted EBITDA (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Net income (loss) | $150,750 | $119,866 | $ 11,495 |
| Add-back of non-operating expense (income): | | | |
| Interest expense, net | 117,183 | 110,505 | 186,701 |
| Income tax expense (benefit) | 97,374 | 89,498 | (994) |
| Loss on early debt extinguishment | — | 66,397 | 68,379 |
| Realized losses (gains) on investments | (21) | (371) | (471) |
| Interest income from restricted assets | (651) | (1,135) | (792) |
| Equity in earnings of unconsolidated subsidiary | (353) | (254) | (323) |
| Other expense (income), net | 966 | 3,980 | 12,760 |
| Corporate operating expense | — | — | 73 |
| Income from operations — segment totals | 365,248 | 388,486 | 276,828 |
| Add-back of operating expense (income): | | | |
| Depreciation and amortization expense | 182,897 | 146,155 | 140,632 |
| Restructuring and other charges | 30,169 | 6,968 | 5,669 |
| Severance and related costs | 4,593 | — | — |
| Net (income) loss attributable to noncontrolling interest | (5,858) | 5,642 | (5,500) |
| Adjustment to net (income) loss attributable to noncontrolling interest due to deferred taxes | 395 | (2,259) | — |
| Interest income from restricted assets | 651 | 1,135 | 792 |
| Equity-based compensation expense | 6,590 | 5,109 | 4,248 |
| Transaction costs | 19,634 | 4,988 | — |
| Related party management fees | — | — | 23,109 |
| Adjusted EBITDA — segment totals | 604,319 | 556,224 | 445,778 |
| Corporate operating expense | — | — | (73) |
| Adjusted EBITDA | $604,319 | 556,224 | 445,705 |

A reconciliation of segment assets to total assets and segment capital expenditures to total capital expenditures is as follows as of December 31 (in thousands):

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Segment total identifiable assets | $6,367,930 | $4,500,450 |
| Corporate cash | (23,392) | 167,345 |
| Other corporate assets | 43,653 | 35,958 |
| Total identifiable assets | $6,388,191 | $4,703,753 |

Other corporate assets principally consist of property, plant and equipment, and other assets.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |

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| | (in thousands) | | |
|---|---|---|---|
| Segment total capital expenditures | $85,501 | $71,940 | $59,664 |
| Corporate capital expenditures | 9,589 | 6,106 | 6,215 |
| Total capital expenditures | $95,090 | $78,046 | $65,879 |

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Collective Bargaining Agreements*

Approximately 45% of AMR employees are represented by 70 active collective bargaining agreements. There are 29 operational locations representing approximately 4,160 employees currently in the process of negotiations or will be subject to negotiation in 2016. In addition, 18 collective bargaining agreements, representing approximately 2,540 employees will be subject to negotiations in 2017. While the Company believes it maintains a good working relationship with its employees, the Company has experienced some union work actions. The Company does not expect these actions to have a material adverse effect on its ability to provide service to its patients and communities.

*Major Customers*

One customer, Hospital Corporation of America, comprised 24.1%, 27.5%, and 21.7% of EmCare's total net revenue as of December 31, 2015, 2014 and 2013, respectively. No other customer (including all facility contracts under a single hospital system) comprised more than 10% of consolidated total net revenue.

## 22. Valuation and Qualifying Accounts

| | Allowance for Contractual Discounts | Allowance for Uncompensated Care | Total Accounts Receivable Allowances |
|---|---|---|---|
| | | (in thousands) | |
| Balance at January 1, 2013 | $ 1,619,488 | $ 841,754 | $ 2,461,242 |
| Additions | 8,607,966 | 3,043,210 | 11,651,176 |
| Reductions | (8,224,750) | (2,846,131) | (11,070,881) |
| Balance as of December 31, 2013 | 2,002,704 | 1,038,833 | 3,041,537 |
| Additions | 11,255,851 | 3,487,309 | 14,743,160 |
| Reductions | (10,457,703) | (3,298,343) | (13,756,046) |
| Balance as of December 31, 2014 | 2,800,852 | 1,227,799 | 4,028,651 |
| Additions | 14,509,853 | 4,405,093 | 18,914,946 |
| Reductions | (13,970,627) | (3,853,692) | (17,824,319) |
| Balance as of December 31, 2015 | $ 3,340,078 | $ 1,779,200 | $ 5,119,278 |

## 23. Consolidating Financial Information

Pursuant to the indenture governing the 2022 Notes, so long as any of the 2022 Notes are outstanding, the Company is required to provide condensed consolidating financial information with a separate column for (i) the Company and its subsidiaries (other than Corporation and its subsidiaries) on a combined basis, (ii) Corporation and its subsidiaries, (iii) consolidating adjustments on a combined basis, and (iv) the total consolidated amount. The consolidating adjustments column represents the elimination of any intercompany activity between EVHC (excluding Corporation and its subsidiaries) and Corporation.

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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Consolidating Balance Sheet
### As of December 31, 2015
### (in thousands)

| | EVHC (excluding Corporation) | Corporation and Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 5 | $ 141,672 | $ — | $ 141,677 |
| Insurance collateral | — | 68,849 | — | 68,849 |
| Trade and other accounts receivable, net | — | 1,257,021 | — | 1,257,021 |
| Parts and supplies inventory | — | 34,023 | — | 34,023 |
| Prepaids and other current assets | 3,650 | 96,857 | (3,650) | 96,857 |
| Total current assets | 3,655 | 1,598,422 | (3,650) | 1,598,427 |
| Property, plant, and equipment, net | — | 335,869 | — | 335,869 |
| Intangible assets, net | — | 1,051,631 | — | 1,051,631 |
| Insurance collateral | — | 9,065 | — | 9,065 |
| Goodwill | — | 3,271,933 | — | 3,271,933 |
| Other long-term assets | 103 | 121,266 | (103) | 121,266 |
| Investment in wholly owned subsidiary | 1,963,780 | — | (1,963,780) | — |
| Total assets | $1,967,538 | $6,388,186 | $(1,967,533) | $6,388,191 |
| **Liabilities and Equity** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 999 | $ 67,986 | $ — | $ 68,985 |
| Accrued liabilities | — | 616,095 | (3,650) | 612,445 |
| Current deferred tax liabilities | — | 85,765 | — | 85,765 |
| Current portion of long-term debt and capital lease obligations | — | 24,550 | — | 24,550 |
| Total current liabilities | 999 | 794,396 | (3,650) | 791,745 |
| Long-term debt and capital lease obligations | — | 2,993,100 | — | 2,993,100 |
| Long-term deferred tax liabilities | — | 283,448 | (103) | 283,345 |
| Insurance reserves | — | 252,650 | — | 252,650 |
| Other long-term liabilities | — | 65,910 | — | 65,910 |
| Total liabilities | 999 | 4,389,504 | (3,753) | 4,386,750 |
| Equity: | | | | |
| Common stock | 1,869 | — | — | 1,869 |
| Preferred stock | — | — | — | — |
| Additional paid-in capital | 1,677,578 | 1,606,975 | (1,606,975) | 1,677,578 |
| Retained earnings | 288,741 | 358,454 | (358,454) | 288,741 |
| Accumulated other comprehensive income (loss) | (1,649) | (1,649) | 1,649 | (1,649) |
| Total Envision Healthcare Holdings, Inc. equity | 1,966,539 | 1,963,780 | (1,963,780) | 1,966,539 |
| Noncontrolling interest | — | 34,902 | — | 34,902 |
| Total equity | 1,966,539 | 1,998,682 | (1,963,780) | 2,001,441 |
| Total liabilities and equity | $1,967,538 | $6,388,186 | $(1,967,533) | $6,388,191 |

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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Consolidating Balance Sheet
### As of December 31, 2014
### (in thousands)

| | EVHC (excluding Corporation) | Corporation and Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 5 | $ 318,890 | $ — | $ 318,895 |
| Insurance collateral | — | 32,828 | — | 32,828 |
| Trade and other accounts receivable, net | — | 950,115 | — | 950,115 |
| Parts and supplies inventory | — | 24,484 | — | 24,484 |
| Prepaids and other current assets | 5,019 | 36,917 | (5,019) | 36,917 |
| Total current assets | 5,024 | 1,363,234 | (5,019) | 1,363,239 |
| Property, plant, and equipment, net | — | 211,276 | — | 211,276 |
| Intangible assets, net | — | 524,482 | — | 524,482 |
| Long-term deferred tax assets | 145 | — | (145) | — |
| Insurance collateral | — | 10,568 | — | 10,568 |
| Goodwill | — | 2,538,633 | — | 2,538,633 |
| Other long-term assets | — | 55,555 | — | 55,555 |
| Investment in wholly owned subsidiary | 1,756,407 | — | (1,756,407) | — |
| Total assets | $1,761,576 | $4,703,748 | $(1,761,571) | $4,703,753 |
| **Liabilities and Equity** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 999 | $ 46,585 | $ — | $ 47,584 |
| Accrued liabilities | — | 416,307 | (3,650) | 412,657 |
| Current deferred tax liabilities | — | 105,647 | (1,369) | 104,278 |
| Current portion of long-term debt and capital lease obligations | — | 12,349 | — | 12,349 |
| Total current liabilities | 999 | 580,888 | (5,019) | 576,868 |
| Long-term debt and capital lease obligations | — | 2,025,877 | — | 2,025,877 |
| Long-term deferred tax liabilities | — | 131,108 | (145) | 130,963 |
| Insurance reserves | — | 180,639 | — | 180,639 |
| Other long-term liabilities | — | 20,365 | — | 20,365 |
| Total liabilities | 999 | 2,938,877 | (5,164) | 2,934,712 |
| Equity: | | | | |
| Common stock | 1,837 | — | — | 1,837 |
| Preferred stock | — | — | — | — |
| Additional paid-in capital | 1,616,747 | 1,544,222 | (1,544,222) | 1,616,747 |
| Retained earnings | 143,849 | 214,041 | (214,041) | 143,849 |
| Accumulated other comprehensive income (loss) | (1,856) | (1,856) | 1,856 | (1,856) |
| Total Envision Healthcare Holdings, Inc. equity | 1,760,577 | 1,756,407 | (1,756,407) | 1,760,577 |
| Noncontrolling interest | — | 8,464 | — | 8,464 |
| Total equity | 1,760,577 | 1,764,871 | (1,756,407) | 1,769,041 |
| Total liabilities and equity | $1,761,576 | $4,703,748 | $(1,761,571) | $4,703,753 |

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**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Condensed Consolidating Statements of Operations**
**(in thousands)**

| | Year Ended December 31, 2015 | | | |
|---|---|---|---|---|
| | EVHC (excluding Corporation) | Corporation and Subsidiaries | Consolidating Adjustments | Total |
| Net revenue | $ — | $5,447,916 | $ — | $5,447,916 |
| Compensation and benefits | — | 3,922,273 | — | 3,922,273 |
| Operating expenses | — | 681,342 | — | 681,342 |
| Insurance expense | — | 145,829 | — | 145,829 |
| Selling, general and administrative expenses | — | 120,158 | — | 120,158 |
| Depreciation and amortization expense | — | 182,897 | — | 182,897 |
| Restructuring and other charges | — | 30,169 | — | 30,169 |
| Income (loss) from operations | — | 365,248 | — | 365,248 |
| Interest income from restricted assets | — | 651 | — | 651 |
| Interest expense, net | — | (117,183) | — | (117,183) |
| Realized gains (losses) on investments | — | 21 | — | 21 |
| Other income (expense), net | (589) | (377) | — | (966) |
| Income (loss) before taxes and equity in earnings of unconsolidated subsidiary | (589) | 248,360 | — | 247,771 |
| Income tax benefit (expense) | 1,068 | (98,442) | | (97,374) |
| Income (loss) before equity in net income (loss) of subsidiary and equity in earnings of unconsolidated subsidiary | 479 | 149,918 | — | 150,397 |
| Equity in net income (loss) of subsidiary | 144,413 | — | (144,413) | — |
| Equity in earnings of unconsolidated subsidiary | — | 353 | — | 353 |
| Net income (loss) | 144,892 | 150,271 | (144,413) | 150,750 |
| Less: Net (income) loss attributable to noncontrolling interest | — | (5,858) | — | (5,858) |
| Net income (loss) attributable to Envision Healthcare Holdings, Inc. | $ 144,892 | $ 144,413 | $ (144,413) | $ 144,892 |

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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Condensed Consolidating Statements of Operations
(in thousands)

| | Year Ended December 31, 2014 | | | |
|---|---|---|---|---|
| | EVHC (excluding Corporation) | Corporation and Subsidiaries | Consolidating Adjustments | Total |
| Net revenue | $ — | $4,397,644 | $ — | $4,397,644 |
| Compensation and benefits | — | 3,156,480 | — | 3,156,480 |
| Operating expenses | — | 487,841 | — | 487,841 |
| Insurance expense | — | 120,983 | — | 120,983 |
| Selling, general and administrative expenses | — | 90,731 | — | 90,731 |
| Depreciation and amortization expense | — | 146,155 | — | 146,155 |
| Restructuring and other charges | — | 6,968 | — | 6,968 |
| Income from operations | — | 388,486 | — | 388,486 |
| Interest income from restricted assets | — | 1,135 | — | 1,135 |
| Interest expense, net | — | (110,505) | — | (110,505) |
| Realized gains (losses) on investments | — | 371 | — | 371 |
| Other income (expense), net | (4,153) | 173 | — | (3,980) |
| Loss on early debt extinguishment | — | (66,397) | — | (66,397) |
| Income (loss) before taxes and equity in earnings of unconsolidated subsidiary | (4,153) | 213,263 | — | 209,110 |
| Income tax benefit (expense) | (273) | (89,225) | | (89,498) |
| Income (loss) before equity in net income (loss) of subsidiary and equity in earnings of unconsolidated subsidiary | (4,426) | 124,038 | — | 119,612 |
| Equity in net income (loss) of subsidiary | 129,934 | — | (129,934) | — |
| Equity in earnings of unconsolidated subsidiary | — | 254 | — | 254 |
| Net income (loss) | 125,508 | 124,292 | (129,934) | 119,866 |
| Less: Net (income) loss attributable to noncontrolling interest | — | 5,642 | — | 5,642 |
| Net income (loss) attributable to Envision Healthcare Holdings, Inc. | $ 125,508 | $ 129,934 | $ (129,934) | $ 125,508 |



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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Condensed Consolidating Statements of Operations (in thousands)

| | Year Ended December 31, 2013 | | | |
|---|---|---|---|---|
| | EVHC (excluding Corporation) | Corporation and Subsidiaries | Consolidating Adjustments | Total |
| Net revenue | $ — | $3,728,312 | $ — | $3,728,312 |
| Compensation and benefits | — | 2,667,439 | — | 2,667,439 |
| Operating expenses | 70 | 424,795 | — | 424,865 |
| Insurance expense | — | 106,293 | — | 106,293 |
| Selling, general and administrative expenses | 3 | 106,656 | — | 106,659 |
| Depreciation and amortization expense | — | 140,632 | — | 140,632 |
| Restructuring and other charges | — | 5,669 | — | 5,669 |
| Income from operations | (73) | 276,828 | — | 276,755 |
| Interest income from restricted assets | — | 792 | — | 792 |
| Interest expense, net | (30,567) | (156,134) | — | (186,701) |
| Realized gains (losses) on investments | — | 471 | — | 471 |
| Other income (expense), net | — | (12,760) | — | (12,760) |
| Loss on early debt extinguishment | (29,519) | (38,860) | — | (68,379) |
| Income (loss) before taxes and equity in earnings of unconsolidated subsidiary | (60,159) | 70,337 | — | 10,178 |
| Income tax benefit (expense) | 17,881 | (16,887) | — | 994 |
| Income (loss) before equity in net income (loss) of subsidiary and equity in earnings of unconsolidated subsidiary | (42,278) | 53,450 | — | 11,172 |
| Equity in net income (loss) of subsidiary | 48,273 | — | (48,273) | — |
| Equity in earnings of unconsolidated subsidiary | — | 323 | — | 323 |
| Net income (loss) | 5,995 | 53,773 | (48,273) | 11,495 |
| Less: Net (income) loss attributable to noncontrolling interest | — | (5,500) | — | (5,500) |
| Net income (loss) attributable to Envision Healthcare Holdings, Inc. | $ 5,995 | $ 48,273 | $ (48,273) | $ 5,995 |

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**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Condensed Consolidating Statement of Cash Flows**
**(in thousands)**

| | Year Ended December 31, 2015 | | |
|---|---|---|---|
| | EVHC (excluding Corporation) | Corporation and Subsidiaries | Total |
| **Cash Flows from Operating Activities** | | | |
| Net cash provided by (used in) operating activities | $ 1,890 | $ 247,218 | $ 249,108 |
| **Cash Flows from Investing Activities** | | | |
| Purchases of available-for-sale securities | — | (4,594) | (4,594) |
| Sales and maturities of available-for-sale securities | — | 11,409 | 11,409 |
| Purchase of property, plant and equipment | — | (95,090) | (95,090) |
| Proceeds from sale of property, plant and equipment | — | 713 | 713 |
| Acquisition of businesses, net of cash received | — | (1,356,926) | (1,356,926) |
| Net change in insurance collateral | — | 4,533 | 4,533 |
| Other investing activities | — | (320) | (320) |
| Net cash provided by (used in) investing activities | — | (1,440,275) | (1,440,275) |
| **Cash Flows from Financing Activities** | | | |
| Borrowings under the Term Loan | — | 1,000,000 | 1,000,000 |
| Borrowings under the ABL Facility | — | 455,000 | 455,000 |
| Repayments of the Term Loan | — | (13,372) | (13,372) |
| Repayments of the ABL Facility | — | (455,000) | (455,000) |
| Debt issuance costs | — | (26,463) | (26,463) |
| Proceeds from stock options exercised and issuance of shares under employee stock purchase plan and provider stock purchase plan | — | 17,413 | 17,413 |
| Excess tax benefits from equity-based compensation | — | 36,860 | 36,860 |
| Contributions from noncontrolling interest, net | — | 100 | 100 |
| Other financing activities | — | (589) | (589) |
| Net intercompany borrowings (payments) | (1,890) | 1,890 | — |
| Net cash provided by (used in) financing activities | (1,890) | 1,015,839 | 1,013,949 |
| Change in cash and cash equivalents | — | (177,218) | (177,218) |
| Cash and cash equivalents, beginning of period | 5 | 318,890 | 318,895 |
| Cash and cash equivalents, end of period | $ 5 | $ 141,672 | $ 141,677 |

**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Condensed Consolidating Statements of Cash flow**
**(in thousands)**

| | Year Ended December 31, 2014 | | |
|---|---|---|---|
| | EVHC (excluding Corporation) | Corporation and Subsidiaries | Total |
| **Cash Flows from Operating Activities** | | | |
| Net cash provided by (used in) operating activities | $ 17,057 | $ 256,991 | $ 274,048 |
| **Cash Flows from Investing Activities** | | | |
| Purchases of available-for-sale securities | — | (79,751) | (79,751) |
| Sales and maturities of available-for-sale securities | — | 62,673 | 62,673 |
| Purchase of property, plant and equipment | — | (78,046) | (78,046) |
| Proceeds from sale of property, plant and equipment | — | 2,444 | 2,444 |
| Acquisition of businesses, net of cash received | — | (181,642) | (181,642) |
| Net change in insurance collateral | — | 481 | 481 |
| Other investing activities | — | (2,977) | (2,977) |
| Net cash provided by (used in) investing activities | — | (276,818) | (276,818) |
| **Cash Flows from Financing Activities** | | | |
| Borrowings under the ABL Facility | — | 50,000 | 50,000 |
| Proceeds from issuance of senior notes | — | 740,625 | 740,625 |
| Repayments of the Term Loan | — | (13,372) | (13,372) |
| Repayments of the ABL Facility | — | (50,000) | (50,000) |
| Repayments of senior notes | — | (607,750) | (607,750) |
| Payment for debt extinguishment premiums | — | (37,630) | (37,630) |
| Debt issuance costs | — | (2,224) | (2,224) |
| Proceeds from stock options exercised and issuance of shares under employee stock purchase plan and provider stock purchase plan | — | 7,730 | 7,730 |
| Excess tax benefits from equity-based compensation | — | 44,550 | 44,550 |
| Shares repurchased for tax withholdings | — | (14,430) | (14,430) |
| Contributions from noncontrolling interest, net | — | (924) | (924) |
| Other financing activities | — | 378 | 378 |
| Net intercompany borrowings (payments) | (98,774) | 98,774 | — |
| Net cash provided by (used in) financing activities | (98,774) | 215,727 | 116,953 |
| Change in cash and cash equivalents | (81,717) | 195,900 | 114,183 |
| Cash and cash equivalents, beginning of period | 81,722 | 122,990 | 204,712 |
| Cash and cash equivalents, end of period | $ 5 | $ 318,890 | $ 318,895 |

## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Condensed Consolidating Statements of Cash Flows
### (in thousands)

| | Year Ended December 31, 2013 | | |
|---|---|---|---|
| | EVHC (excluding Corporation) | Corporation and Subsidiaries | Total |
| **Cash Flows from Operating Activities** | | | |
| Net cash provided by (used in) operating activities | $ (33,425) | $ 87,540 | $ 54,115 |
| **Cash Flows from Investing Activities** | | | |
| Purchases of available-for-sale securities | — | (3,156) | (3,156) |
| Sales and maturities of available-for-sale securities | — | 14,096 | 14,096 |
| Purchase of property, plant and equipment | — | (65,879) | (65,879) |
| Proceeds from sale of property, plant and equipment | — | 744 | 744 |
| Acquisition of businesses, net of cash received | — | (35,098) | (35,098) |
| Net change in insurance collateral | — | (7,235) | (7,235) |
| Other investing activities | — | (2,069) | (2,069) |
| Net cash provided by (used in) investing activities | — | (98,597) | (98,597) |
| **Cash Flows from Financing Activities** | | | |
| Issuance of common stock | 1,110,900 | 1,117 | 1,112,017 |
| Borrowings under the Term Loan | — | 150,000 | 150,000 |
| Borrowings under the ABL Facility | — | 345,440 | 345,440 |
| Repayments of the Term Loan | — | (13,371) | (13,371) |
| Repayments of the ABL Facility | — | (470,440) | (470,440) |
| Repayments of PIK Notes and senior notes | (450,000) | (327,250) | (777,250) |
| Payment for debt extinguishment premiums | (12,386) | (27,016) | (39,402) |
| Dividend paid | 20,813 | (20,813) | — |
| Debt issuance costs | (4) | (5,007) | (5,011) |
| Equity issuance costs | (65,131) | — | (65,131) |
| Excess tax benefits from equity-based compensation | — | 62 | 62 |
| Contributions from noncontrolling interest, net | — | 3,000 | 3,000 |
| Payment of dissenting shareholder settlement | — | (38,336) | (38,336) |
| Net change in bank overdrafts | — | (10,146) | (10,146) |
| Other financing activities | — | (70) | (70) |
| Net intercompany borrowings (payments) | (489,326) | 489,326 | — |
| Net cash provided by (used in) financing activities | 114,866 | 76,496 | 191,362 |
| Change in cash and cash equivalents | 81,441 | 65,439 | 146,880 |
| Cash and cash equivalents, beginning of period | 281 | 57,551 | 57,832 |
| Cash and cash equivalents, end of period | $ 81,722 | $ 122,990 | $ 204,712 |

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**ENVISION HEALTHCARE HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## 24. Quarterly Financial Information (unaudited)

The following tables summarize unaudited results for each quarter in the years ended December 31, 2015 and 2014 (in thousands, except per share amounts).

| | 2015 | | | |
|---|---|---|---|---|
| | For the quarter ended | | | |
| | March 31, | June 30, | September 30, | December 31, |
| Net revenue | $1,244,502 | $1,354,258 | $ 1,367,370 | $ 1,481,786 |
| Income from operations | 83,263 | 114,320 | 59,957 | 107,708 |
| Net income (loss) | 33,930 | 53,688 | 18,570 | 44,562 |
| Net income (loss) attributable to Envision Healthcare Holdings, Inc. | 33,375 | 52,416 | 17,236 | 41,865 |
| Earnings (loss) per share attributable to Envision Healthcare Holdings, Inc.: | | | | |
| Basic | 0.18 | 0.28 | 0.09 | 0.22 |
| Diluted | 0.17 | 0.27 | 0.09 | 0.22 |

| | 2014 | | | |
|---|---|---|---|---|
| | For the quarter ended | | | |
| | March 31, | June 30, | September 30, | December 31, |
| Net revenue | $1,014,211 | $1,075,327 | $ 1,150,329 | $ 1,157,777 |
| Income from operations | 68,318 | 93,139 | 113,901 | 113,128 |
| Net income (loss) | 21,525 | (1,992) | 52,843 | 47,490 |
| Net income (loss) attributable to Envision Healthcare Holdings, Inc. | 24,825 | (1,992) | 52,776 | 49,899 |
| Earnings (loss) per share attributable to Envision Healthcare Holdings, Inc.: | | | | |
| Basic | 0.14 | (0.01) | 0.29 | 0.27 |
| Diluted | 0.13 | (0.01) | 0.28 | 0.26 |



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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Schedule I—Registrant's Condensed Financial Statements
### Envision Healthcare Holdings, Inc.
### Parent Company Only
### Condensed Balance Sheets
### (in thousands, except share and per share amounts)

| | December 31, | |
|---|---|---|
| | 2015 | 2014 |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 5 | $ 5 |
| Prepaids and other current assets | 3,650 | 5,019 |
| Total current assets | 3,655 | 5,024 |
| Non-current assets: | | |
| Investment in wholly owned subsidiary | 1,963,780 | 1,756,407 |
| Long-term deferred tax assets | 103 | 145 |
| Other long-term assets | — | — |
| Total assets | $1,967,538 | $1,761,576 |
| **Liabilities and Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 999 | $ 999 |
| Accrued liabilities | — | — |
| Total current liabilities | 999 | 999 |
| Long-term debt | — | — |
| Total liabilities | 999 | 999 |
| Equity: | | |
| Common stock ($0.01 par value; 2,000,000,000 shares authorized, 186,924,004 and 183,679,113 issued and outstanding as of December 31, 2015 and 2014, respectively) | 1,869 | 1,837 |
| Preferred stock ($0.01 par value; 200,000,000 shares authorized, none issued and outstanding as of December 31, 2015 and 2014) | — | — |
| Additional paid-in capital | 1,677,578 | 1,616,747 |
| Retained earnings | 288,741 | 143,849 |
| Accumulated other comprehensive income (loss) | (1,649) | (1,856) |
| Total stockholders' equity | 1,966,539 | 1,760,577 |
| Total liabilities and stockholders' equity | $1,967,538 | $1,761,576 |

See accompany notes to condensed financial statements.

## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Envision Healthcare Holdings, Inc.**
**Parent Company Only**
**Condensed Statements of Operations and Comprehensive Income**
**(in thousands)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Equity in net income (loss) of subsidiary | $144,413 | $129,934 | $ 48,273 |
| Operating expenses | — | — | (70) |
| Selling, general and administrative expenses | — | — | (3) |
| Interest expense, net | — | — | (30,567) |
| Other income (expense), net | (589) | (4,153) | — |
| Loss on early debt extinguishment | — | — | (29,519) |
| Income (Loss) before income taxes | 143,824 | 125,781 | (11,886) |
| Income tax benefit (expense) | 1,068 | (273) | 17,881 |
| Net income (loss) | 144,892 | 125,508 | 5,995 |
| Other comprehensive income (loss), net of tax: | 207 | (1,017) | (626) |
| Comprehensive income (loss) | $145,099 | $124,491 | $ 5,369 |

See accompany notes to condensed financial statements.

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## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Envision Healthcare Holdings, Inc.
### Parent Company Only
### Condensed Statements of Cash Flows
### (in thousands)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Cash Flows from Operating Activities** | | | |
| Net income (loss) | $ 144,892 | $ 125,508 | $ 5,995 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | |
| Equity in net income (loss) of subsidiary | (144,413) | (129,934) | (48,273) |
| Depreciation and amortization | — | — | 2,817 |
| Loss on early debt extinguishment | — | — | 29,519 |
| Deferred income taxes | 1,411 | 18,926 | (20,353) |
| Changes in operating assets/liabilities | — | 2,557 | (3,130) |
| Net cash provided by (used in) operating activities | 1,890 | 17,057 | (33,425) |
| **Cash Flows from Investing Activities** | | | |
| Net cash provided by (used) in investing activities | — | — | — |
| **Cash Flows from Financing Activities** | | | |
| Issuance of common stock | — | — | 1,110,900 |
| Repayments of PIK Notes | — | — | (450,000) |
| Payments for debt extinguishment premiums | — | — | (12,386) |
| Distribution to Corporation | (1,890) | (98,774) | (489,326) |
| Dividend received | — | — | 20,813 |
| Equity issuance costs | — | — | (65,131) |
| Debt issue costs | — | — | (4) |
| Net cash provided by (used in) financing activities | (1,890) | (98,774) | 114,866 |
| Change in cash and cash equivalents | — | (81,717) | 81,441 |
| Cash and cash equivalents, beginning of period | 5 | 81,722 | 281 |
| Cash and cash equivalents, end of period | $ 5 | $ 5 | $ 81,722 |

See accompany notes to condensed financial statements.





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ENVISION HEALTHCARE HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Notes to Condensed Parent Company Only Financial Statements**

**1. Description of Envision Healthcare Holdings, Inc.**

Envision Healthcare Holdings, Inc. (the "Parent") was incorporated in Delaware on February 28, 2011, in connection with the merger of CDRT Merger Sub, Inc., a wholly-owned subsidiary of Envision Healthcare Intermediate Corporation, a wholly-owned subsidiary of Parent, with and into Envision Healthcare Corporation ("Corporation"). The Parent has no significant operations or assets other than its indirect ownership of the equity of Corporation. Accordingly, the Parent is dependent upon distributions from Corporation to fund its obligations. However, under the terms of Corporation's credit agreements governing Corporation's ABL Facility and Term Loan and the Indenture governing Corporation's 2022 Notes, Corporation's ability to pay dividends or lend to the Parent is restricted, except that Corporation may pay specified amounts to Parent to fund the payment of the Company's tax obligations. Corporation has no obligation to pay dividends to Parent.

**2. Basis of Presentation**

The accompanying condensed financial statements (parent company only) include the accounts of Parent and its investment in Corporation, which is stated at cost plus equity in undistributed earnings of Corporation since the date of acquisition, and do not present the financial statements of the parent and its subsidiary on a consolidated basis. Certain prior period balances in the parent company only financial statements have been reclassified to conform to the current year presentation. These parent company only financial statements should be read in conjunction with the Envision Healthcare Holdings, Inc. consolidated financial statements.

**3. Debt**

On October 1, 2012, the Company issued $450 million of Senior PIK Toggle Notes due 2017 (the "PIK Notes") and used the proceeds from the offering to pay an extraordinary dividend to its stockholders, pay debt issuance costs and make certain payments to members of management with rollover options in the Company

On August 30, 2013, the Company redeemed all of the PIK Notes at a redemption price equal to 102.75% of the aggregate principal amount of the PIK Notes, plus accrued and unpaid interest of $17.2 million. During the year ended December 31, 2013, the Company recorded a loss on early debt extinguishment of $29.5 million related to premiums and unamortized debt issuance costs from the redemption of the PIK Notes.

**4. Equity**

On August 19, 2013, the Company completed its initial public offering of 42,000,000 shares of Common Stock and an additional 6,300,000 shares of Common Stock, at a price of $23.00 per share, for an aggregate offering price of $1,110.9 million. The Company received net proceeds of approximately $1,025.9 million, after deducting the underwriters' discounts and commissions paid and offering expenses of approximately $85.0 million, including a $20.0 million payment to CD&R in connection with the termination of the consulting agreement with CD&R which was recorded to "Selling, general and administrative expenses" in the accompanying consolidated statements of operations as of December 31, 2013.

Net proceeds from the initial public offering were used to (i) redeem in full Parent's PIK Notes for a total of $479.6 million, which included a call premium pursuant to the indenture governing the PIK Notes and all accrued but unpaid interest, (ii) pay CD&R the fee of $20.0 million to terminate the Consulting Agreement, (iii) pay $16.5 million to repay all outstanding revolving credit facility **ATTACHMENT 6** borrowings, and (iv) redeem $332.5 million of aggregate principal amount of the 2019 Notes of which $5.2 million was held by the Company's captive insurance subsidiary for a total of $356.5 million, which included a call premium pursuant to the indenture governing the 2019

## ENVISION HEALTHCARE HOLDINGS, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Notes and all accrued but unpaid interest. The remaining proceeds were used for general corporate purposes including, among other things, repayment of indebtedness and acquisitions.

On each of February 5, 2014, and July 10, 2014, the Company registered the offering and sale of 27,500,000 shares of common stock, and an additional 4,125,000 shares of common stock, upon the underwriters' exercise of their overallotment option in each offering, which were sold by certain stockholders of the Company, including investment funds sponsored by, or affiliated with, CD&R Affiliates, to the underwriters at $30.50 per share and $34.00 per share, respectively, less an underwriting discount. On September 30, 2014, the Company registered the offering and sale of 17,500,000 shares of common stock by certain stockholders of the Company, including the CD&R Affiliates, to the underwriter at $34.97 per share. Additionally, on March 5, 2015, the Company registered the offering and sale of 50,857,145 shares of common stock by CD&R Affiliates, which constituted the remaining shares beneficially owned by them, to the underwriter at $36.25 per share, less an underwriting discount.

The underwriters in these selling stockholder transactions offered the shares to the public from time to time at prevailing market prices or at negotiated prices. The Company did not receive any of the proceeds from the sale of the shares sold by the selling stockholders in these transactions, including any shares sold pursuant to any exercise of the underwriters' overallotment option.

*Common Stock*

Holders of Common Stock are entitled:

- To cast one vote for each share held of record on all matters submitted to a vote of the stockholders;
- To receive, on a pro rata basis, dividends and distributions, if any, that the Board of Directors may declare out of legally available funds, subject to preferences that may be applicable to preferred stock, if any, then outstanding; and
- Upon Parent's liquidation, dissolution or winding up, to share equally and ratably in any assets remaining after the payment of all debt and other liabilities, subject to the prior rights, if any, of holders of any outstanding shares of preferred stock.

Parent's ability to pay dividends on its Common Stock is subject to its subsidiaries' ability to pay dividends to Parent, which is in turn subject to the restrictions set forth in the Senior Secured Credit Facilities and the indentures governing the 2022 Notes.

*Preferred Stock*

Under Parent's amended and restated certificate of incorporation, Parent's Board of Directors has the authority, without further action by its stockholders, to issue up to 200,000,000 shares of preferred stock in one or more series and to fix the voting powers, designations, preferences and the relative participating, optional or other special rights and qualifications, limitations and restrictions of each series, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any series.





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ATTACHMENT 6

Attachment 7

**<u>Section 1130.520, Information Requirements for Change of Ownership of a Health Care Facility</u>**

1. **<u>Affirmations</u>**: In accordance with 77 <u>Ill. Adm. Code</u> §1130.520, the Applicants affirm the following:

    a. The transaction documents contain a provision that closing is subject to CON and/or COE approvals.

    b. No adverse action has been taken against any of the Applicants by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by any of the Applicants, directly or indirectly, within the past three years.

    c. Any projects for which permits have been issued by the Review Board have been completed or will be completed or altered in accordance with the provisions of 77 <u>Ill. Adm. Code</u> §1130.520. The facility has no permits from the Review Board which have not been completed.

    d. The Applicants understand that failure to complete the Affiliation in accordance with the applicable provisions of Section 1130.500(d) no later than 24 months from the date of exemption approval and failure to comply with the material change requirements of this Section will invalidate the exemption.

2. **<u>Statement as to the anticipated benefits of the proposed changes in ownership to the community</u>.**

    There will be no change in the operation of the Applicant facility.

3. **<u>Statement as to the anticipated or potential cost savings, if any, that will result for the community and the facility as a result of the change in ownership</u>.**

    There will be no change in the operation of the Applicant facility.

4. **<u>Description of the facility's quality improvement program mechanism that will be utilized to assure quality control</u>.**

    There will be no change in the operation of the Applicant facility.

5. **<u>Description of the applicants' organizational structure, including a listing of controlling or subsidiary persons</u>.**

Diagrams illustrating the ownership structure both current and post-transaction, are provided in Attachment 3.

6. **<u>Description of the selection process that the acquiring entity will use to select the facility's governing body</u>.**

The facility will continue to be owned fifty-one percent (51%) by AmSurg Holdings, Inc. and forty-nine percent (49%) by affiliated physicians. There will be no change to the governing board of the Illinois licensed facilities.

Envision Healthcare Corporation will become the parent corporation with ultimate control of the Applicant facility as defined by Review Board regulations.

At the corporate parent level, at the time of the merger seven (7) members of the board of directors will be appointed by AmSurg and seven (7) will be appointed by Envision.

7. **<u>Statement that the applicants have prepared a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 and that the response is available for public review on the premises of the health care facility</u>.**

The Applicants have or will prepare a written response addressing the review criteria contained in 77 <u>Ill. Adm. Code</u> 1110.240 that will be available for public review at Lake Bluff Endoscopy Center.

8. **<u>Description or summary of any proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within twenty-four (24) months after acquisition</u>.**

There are no proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within twenty-four (24) months as a result of the transaction.