

National Ambulatory Services Firm Seeks Chapter 11 Bankruptcy Protection

by Joel R. Glucksman on August 16, 2013

Rural/Metro, an ambulance and fire protection services company, announced it has filed for Chapter 11 bankruptcy protection. The company has already established a reorganization plan following an agreement with its lenders to reduce debt liabilities by half.

The company filed paperwork with the U.S. Bankruptcy Court in Wilmington, Delaware, and cited "significant challenges and disruptions operating its billing and collections functions [that resulted in] reduced revenue and delayed cash collections," as the cause of its financial troubles. The services provider was purchased by Warburg Pincus in July 2011 for roughly \$676.5 million. However, the company's financial struggles have since worsened. Rural/Metro missed a July 15 interest payment on senior unsecured notes due in 2019, which prompted Standard & Poor's to downgrade the debt and the corporate credit rating, according to Bloomberg.

Rural/Metro listed both assets and liabilities at more than \$500 million in its court documents.

Under its proposed agreement with lenders, Rural/Metro said it will submit its reorganization plan by September 15. The company's plan, which is subject to court approval, aims to eliminate half of its \$735 million in funded debt by December 20. Rural/Metro noted its plans to renegotiate unprofitable contracts and free up capital to invest in its business, the St. Louis Dispatch reports. Lenders have agreed to provide Rural/Metro with \$75 million in debtor-in-possession financing to meet its operational needs. Finally, holders of \$308 million of senior notes would have their debt swapped for all of the reorganized company's equity, and note-holders that are supporting the reorganization have also agreed to make a \$135 million equity investment when the company exits bankruptcy proceedings, Bloomberg added.

The company currently provides fire and ambulance services to 21 states, as well as industrial fire protection services to airports, oil refineries, and manufacturing plants. Rural/Metro said that it expects to continue its operations throughout the reorganization process.