

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF RURAL/METRO CORPORATION, *ET AL.***

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**TO: THE HOLDERS OF UNSECURED NON-FUNDED DEBT CLAIMS AGAINST
RURAL/METRO CORPORATION AND ITS AFFILIATED DEBTORS**

FOR THE REASONS DESCRIBED BELOW, THE COMMITTEE SUPPORTS THE PLAN, BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF UNSECURED CREDITORS UNDER THE CIRCUMSTANCES OF THESE CASES AND URGES UNSECURED CREDITORS TO VOTE TO ACCEPT THE PLAN.

Brown Rudnick LLP and Womble Carlyle Sandridge & Rice, LLP are counsel to the Official Committee of Unsecured Creditors (the “Committee”) in the bankruptcy cases of Rural/Metro Corporation, *et al.* (collectively, the “Debtors”), Chapter 11 Case No. 13-11952 (KJC) (Jointly Administered). On August 14, 2013, the Committee was appointed to represent the interests of the Debtors’ unsecured creditors (the “Unsecured Creditors”).¹

We write to advise you of the Committee’s recommendation regarding the *First Amended Joint Chapter 11 Plan of Reorganization for Rural/Metro Corporation and its Affiliated Debtors* dated October 31, 2013 (the “Plan”). The Plan, described in the *Disclosure Statement With Respect to the First Amended Joint Chapter 11 Plan of Reorganization for Rural/Metro Corporation and its Affiliated Debtors* dated October 31, 2013 (the “Disclosure Statement”), outlines the treatment of “Other Unsecured Claims” (Class 5), or non-priority, unsecured, non-funded debt claims against the Debtors.² The Committee is in favor of the Plan and urges all unsecured creditors to vote to accept.

Treatment of Other Unsecured Claims (Class 5) Under the Plan

Holders of Other Unsecured Claims will receive (A) the option of **either** cash **or** stock in the Reorganized Debtors **and** (B) interests in a “Litigation Trust” created pursuant to the Plan and rights to other potential recoveries. In the Disclosure Statement, the Debtors estimate that holders of Other Unsecured Claims who elect cash will recover approximately **12.5%**³ of the total allowed amount of their claims.

¹ The Committee comprises three members – one of the Debtors’ vendors, a holder of the Debtors’ unsecured notes, and the indenture trustee for the Debtors’ unsecured notes.

² Capitalized terms used but not otherwise defined in this letter shall have the meanings assigned to them in the Plan or the Disclosure Statement.

³ This recovery estimate provided by the Debtors (i) assumes that holders of Other Unsecured Claims will elect to receive cash (not stock), as described in Section A below, (ii) assumes that the actual aggregate amount of allowed Other Unsecured Claims will be consistent with the estimates set forth in the Disclosure Statement, and (iii) does not include any of the potential additional recoveries described in Section B below.

A. Cash or Stock in the Reorganized Debtors

1. Cash Election

Holders of Other Unsecured Claims may elect to receive their pro rata share of “Other Unsecured Cash.” Other Unsecured Cash consists of the following amounts:

- If the aggregate amount of allowed Other Unsecured Claims that elect to receive cash is less than **\$32 million**, the total amount of Other Unsecured Cash will be **\$4.0 million**.
- If the aggregate amount of allowed Other Unsecured Claims that elect to receive cash is between **\$32 million** and **\$40 million**, the total amount of Other Unsecured Cash will be an amount sufficient to provide each holder of an allowed Other Unsecured Claim that elects to receive cash with a cash distribution equal to **12.5%** of the allowed amount of its claim.
- If the aggregate amount of allowed Other Unsecured Claims that elect to receive cash is greater than **\$40 million**, the total amount of Other Unsecured Cash will be **\$5.0 million**.

Thus, if the aggregate amount of allowed Other Unsecured Claims that elect to receive cash is less than \$32 million, holders of allowed Other Unsecured Claims will receive a cash distribution in an amount that is more than 12.5% of the allowed amount of their claims. On the other hand, if the aggregate amount of allowed Other Unsecured Claims that elect to receive cash is greater than \$40 million, holders of allowed Other Unsecured Claims will receive a cash distribution in an amount that is less than 12.5% of the allowed amount of their claims. In the Disclosure Statement, the Debtors estimate that the aggregate amount of allowed Other Unsecured Claims will be approximately \$40.0 million.⁴

2. Stock Election

In the alternative, holders of Other Unsecured Claims may elect to receive new common stock of the Reorganized Debtors. Concurrently with soliciting votes on the Plan, the Reorganized Debtors will conduct a “Rights Offering,” pursuant to which they will offer \$135 million in new preferred stock (with 15% paid-in-kind dividends) to holders of the Debtors’ unsecured notes (Class 4 under the Plan). Participants in the Rights Offering also will receive 70% of the new common stock in the Reorganized Debtors. Holders of Other Unsecured Claims that elect stock will share in the remaining 30% on a pro rata basis, including with holders of the Debtors’ unsecured notes in Class 4 (who will receive that stock on account of their notes, as distinct from the preferred stock and 70% of common stock that will be distributed on account of the new investments they make pursuant to the Rights Offering).⁵

The Disclosure Statement provides that the Debtors do not anticipate paying dividends on the new common stock in the foreseeable future. The Disclosure Statement also notes that the Debtors value the equity in the Reorganized Debtors (including the preferred stock, which has rights that are senior to the new common stock) between \$30 million and \$138 million. (Please refer to Section 7.2(b) of and Exhibit 7 to the Disclosure Statement for an in-depth discussion of this valuation.) Given these valuation assumptions, the

⁴ After confirmation of the Plan, designees of the three members of the Committee will serve as the “Creditor Representative,” which will consult with the Reorganized Debtors concerning the ongoing claims objection and resolution process. In addition, for certain of the most significant asserted unsecured claims, any proposed resolution of such claims will require the affirmative written consent of the Creditor Representative (which consent shall not be unreasonably withheld).

⁵ The remaining 30% is subject to further dilution by the options to purchase the new common stock that may be issued to the Reorganized Debtors’ directors, officers and employees.

\$135 million in preferred stock may be “out of the money.” Moreover, a trading market may not develop for the new common stock. In addition, holders of new common stock may be restricted in their ability to transfer or sell their stock (either pursuant to applicable law or by the Reorganized Debtors’ governance documents).⁶

The terms of the new common stock will be set forth in the Reorganized Debtors’ corporate governance documents, including their amended bylaws, amended certificate of incorporation and (to the extent deemed necessary) their stockholders’ agreement and registration rights agreement. The Reorganized Debtors’ ownership will be concentrated in a small group of their current noteholders, who will also control the Reorganized Debtors’ board of directors. Please refer to Article XII of the Disclosure Statement for a complete discussion of the risk factors associated with the new common stock.

Holders of Other Unsecured Claims that do not make an affirmative election with respect to their treatment will be deemed to have elected to receive their pro rata share of the Other Unsecured Cash and not stock.

B. Litigation Trust Interests and Estate Accounting-Related Causes of Action

In addition to the option to choose cash or new common stock, in satisfaction of their allowed Other Unsecured Claim, all holders of Other Unsecured Claims will receive “Litigation Trust Interests” (i.e., beneficial interests in a Litigation Trust⁷ created pursuant to the Plan). The Litigation Trust Interests received by holders of Other Unsecured Claims will allow such claimants to share pro rata (along with the Class 4 noteholders) in any recoveries on causes of action, if any, that may be pursued by the Litigation Trust. The Litigation Trust Interests have zero value today, and there can be no reliable estimate as to whether the Litigation Trust will ever realize any recoveries.

Pursuant to the Plan, the Litigation Trust will be granted authority, and will have access to funding of \$250,000, to pursue certain causes of action that the Committee and the Litigation Trustee may determine should be pursued (to the extent such causes of action have not been retained by the Reorganized Debtors). The Committee is in the process of investigating potential causes of action that may be assigned to the Litigation Trust.⁸

The Reorganized Debtors will retain certain causes of action of the Debtors (or their estates) relating to accounting/revenue recognition related matters (the “Estate Accounting-Related Causes of Action”).⁹ In addition to any recoveries on causes of action that may be pursued by the Litigation Trust, holders of Other Unsecured Claims shall also share pro rata (along with the Class 4 noteholders) in any net recoveries on the Estate Accounting-Related Causes of Action (to the extent that the Reorganized Debtors or the *ad hoc* group of noteholders, in their sole discretion, decide to prosecute such causes of action).

⁶ Specifically, holders of new common stock who are deemed to be “underwriters” as defined in section 1145(b) of the Bankruptcy Code will be restricted in their ability to transfer or sell their securities. In addition, the Reorganized Debtors may restrict transfers that would result in the Reorganized Debtors’ having 2,000 or more holders of record or 500 or more holders of record who are not accredited investors.

⁷ Designees of the three members of the Committee will serve as the “Litigation Trustee,” which will oversee the activities of the Litigation Trust.

⁸ The \$250,000 funding will also be used to fund the Creditor Representative’s role in the claims objection and resolution process (as described in note 4 above).

⁹ The Estate Accounting-Related Causes of Action may also vest with a litigation trustee or another party designated by the *ad hoc* group of noteholders that will own the substantial majority of the equity of the Reorganized Debtors.

The Committee believes that the agreements embodied in the Plan, and the recoveries to be provided to Unsecured Creditors under the Plan, represent a fair and reasonable resolution of the numerous issues that have been negotiated during these Chapter 11 cases. Moreover, the Committee believes that any alternative, other than confirmation of the Plan, could result in extensive delays and increased administrative expenses, which, in turn, would result in smaller distributions on account of claims asserted in these Chapter 11 cases.

THE FOREGOING IS NOT INTENDED AS A SUBSTITUTE FOR THE PLAN AND DISCLOSURE STATEMENT. ALL UNSECURED CREDITORS SHOULD READ THE PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY, AND THEN, IN CONSULTATION WITH THEIR ADVISORS, MAKE THEIR OWN RESPECTIVE INDEPENDENT DECISION AS TO WHETHER THE PLAN IS ACCEPTABLE.

The Debtors have provided you with a Ballot to vote to accept or reject the Plan. In order to have your vote counted, you must complete and return the Ballot in accordance with the procedures set forth therein and in the accompanying Disclosure Statement.

PLEASE READ THE DIRECTIONS ON THE BALLOT CAREFULLY AND COMPLETE YOUR BALLOT IN ITS ENTIRETY BEFORE RETURNING IT TO THE DEBTORS' VOTING AGENT SO THAT IT WILL BE RECEIVED BY **DECEMBER 9, 2013**, THE VOTING DEADLINE.

Your timely vote is important, as only those Unsecured Creditors that timely vote on the Plan will have their vote counted for purposes of determining whether the classes of claims in the Plan in which unsecured creditors have been classified have accepted the Plan. ***In short, the Committee supports approval of the Plan and strongly recommends that you timely vote to accept the Plan in accordance with the procedures that have been established by the Bankruptcy Court.***

**COUNSEL TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF RURAL/METRO CORPORATION, ET AL.**

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