IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

IN RE ENVISION HEALTHCARE CORP.	Case No. 1:18-cv-01068-RGA CLASS ACTION CONSOLIDATED STOCKHOLDER LITIGATION

AMENDED CLASS ACTION COMPLAINT FOR VIOLATIONS OF SECTIONS 14(a) AND 20(a) OF THE SECURITIES EXCHANGE ACT OF 1934

MONTEVERDE & ASSOCIATES PC
Juan E. Monteverde
The Empire State Building
350 Fifth Avenue, Suite 4405
New York, NY 10118
Tel.: (212) 971-1341
Fax: (212) 202-7880
Email: jmonteverde@monteverdelaw.com

Attorneys for Lead Plaintiff and Lead Counsel for the Putative Class

COOCH AND TAYLOR, P.A.
Blake A. Bennett (#5133)
The Brandywine Building
1000 West Street, 10th Floor
Wilmington, DE 19801
Tel.: (302) 984-3800
Email: bbennett@coochtaylor.com

Liaison Counsel for Plaintiff and the Putative Class

Lead Plaintiff Jon Barrett ("Plaintiff"), by and through his undersigned counsel, alleges upon personal knowledge with respect to himself, and upon information and belief based upon, *inter alia*, the investigation of counsel and review of publicly available sources as to all other allegations herein, as follows:

NATURE OF THE ACTION

1. This is a stockholder class action brought by Plaintiff on behalf of himself and all other similarly situated former public stockholders of Envision Healthcare Corporation ("Envision" or the "Company") against Envision and the former members of the Company's board of directors (collectively, the "Board" or "Individual Defendants," and, together with Envision, the "Defendants") for violations of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78n(a), 78t(a), and Securities and Exchange Commission ("SEC") Rule 14a-9, 17 C.F.R. § 240.14a-9, in connection with the acquisition of Envision by Kohlberg Kravis Roberts & Co. L.P. ("KKR") and its affiliates via a merger (the "Merger").[1]

2. On June 10, 2018, the Board caused the Company to enter into an Agreement and Plan of Merger ("Merger Agreement") with Parent and Merger Sub, affiliates of KKR, pursuant to which each common share of Envision was converted into the right to receive $46.00 in cash (the "Merger Consideration"). As set forth below, the Merger Consideration was inadequate and did not fairly compensate Envision stockholders for their shares.

3. On August 13, 2018, in order to convince Envision's stockholders to vote in favor of the unfair Merger, Defendants authorized the filing of a materially false and misleading

---

[1] Enterprise Parent Holdings Inc. ("Parent") and Enterprise Merger Sub Inc. ("Merger Sub"), an indirect wholly owned subsidiary of Parent, are affiliates of investment funds affiliated with KKR and were formed solely for the purpose of entering into the Merger Agreement and consummating the Merger.

definitive proxy statement (the "Proxy") with the SEC, in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9.

4. Specifically, the Proxy contained the following materially false and/or misleading statements:

(i) that the significantly lower "Management Sensitivity Case" projections (the "Sensitivity Case Projections") Envision management prepared in May 2018 and provided to the Board and Envision's three financial advisors (collectively, the "Financial Advisors")[2] in connection with their evaluation of the Merger reflected "*reasonable* sensitivities" or adjustments to the significantly higher "Management Case" projections management prepared in February 2018 (the "Management Case Projections") (*see* Proxy at 42, 50);

(ii) that the Management Case Projections and Sensitivity Case Projections were "equally likely," which was false or misleading because Defendants knew that the higher Management Case Projections actually reflected the *more* likely projections for the Company, as the reduced Sensitivity Case Projections and incorporated "sensitivities" or adjustments were actually unwarranted based upon the Company's public statements and financial performance during the time period the much lower Sensitivity Case Projections were suddenly prepared, at the behest of bidders and activist investors;

---

[2] Envision's three Financial Advisors were J.P. Morgan Securities LLC ("J.P. Morgan"), Evercore Group L.L.C. ("Evercore"), and Guggenheim Securities, LLC ("Guggenheim"). Each of the Financial Advisors were paid millions of dollars for providing their respective fairness opinions, with such fees being largely contingent upon the Merger being approved by stockholders and consummated.

(iii) the lower Sensitivity Case Projections themselves, which were misleading statements within the meaning of Rule 14a-9 because they did not truly and accurately reflect management's legitimately-held views regarding the Company's future prospects;

(iv) the statement the Financial Advisors' flawed fairness opinions and accompanying valuation analyses were a "positive factor relating to the merger agreement and the merger," Proxy at 44-45, when in fact Defendants knew that the fairness opinions were fundamentally flawed because they were prepared based upon the significantly reduced, last-minute Sensitivity Case Projections; and

(v) the statements in the Proxy indicating that the Merger and Merger Consideration were "fair" to the Company's stockholders, including that "the transaction allows the Company's stockholders to realize a fair value for their investment," Proxy at 45, and that the "merger agreement and the merger are fair, advisable and in the best interests of the Company and its stockholders" (*see* Proxy at 6-7, 44, 48; cover letter to stockholders dated August 13, 2018; Notice of Annual Meeting of Stockholders unnumbered page 2), because, as set forth below, the Defendants knew that the Merger was not in fact fair to the Company's stockholders.

5. As set forth in greater detail below, each of these statements was false or misleading, because the Merger Consideration was not in fact "fair" to the Company's stockholders, and the Defendants and Envision management knew that the Sensitivity Case Projections did not reflect "reasonable sensitives" and were not in fact "equally likely" as compared to the much higher Management Case Projections. Rather, the Sensitivity Case Projections were suddenly crafted by Envision management and approved by the Board in May 2018, in response to pressure from activist stockholders pushing for a sale and bidders trying to

acquire the Company at a steep discount to its inherent value, after it became apparent that the much higher Management Case Projections did not support the fairness of the Merger Consideration and could not independently justify the Financial Advisors' fairness opinions at the $46.00 offer price.

6. The Merger was the unfortunate result of a common tactic employed by activist investors—acquire large positions in a publicly traded corporation shortly after a temporary drop in its stock price, and then immediately start pressuring the board and management to conduct a sales process, which allows the activist to realize a quick premium on their short-term investment at the expense of the Company's long-term stockholders. *See generally* Leo E. Strine, Jr., *Who Bleeds When the Wolves Bite?: A Flesh-and-Blood Perspective on Hedge Fund Activism and Our Strange Corporate Governance System*, 126 YALE L.J. 1870 (April 2017). Here, Envision announced a review of strategic options in October 2017, shortly after well-known activist investor Starboard Value ("Starboard") revealed a stake in the Company and said it would make an attractive takeover target. Corvex Management, another well-known activist firm, also acquired a position in the Company. And on February 21, 2018, an activist stockholder who had previously indicated that it was prepared to propose material changes to the Board's composition absent the announcement of an acceptable outcome of the Company's review of strategic alternatives, submitted a notice of its intention to nominate four candidates for election to the Board at the Company's 2018 annual meeting, which notice was subsequently supplemented on March 16, 2018 with notice of a fifth candidate. In other words, the Individual Defendants were keenly aware that they were going to face a proxy challenge from well-funded activists if they did not promptly agree to sell the Company.

7. In connection with the activist-driven sales process, Envision management prepared a five-year forecast in February 2018, the Management Case Projections. The Management Case Projections reflected management's best estimates of the future financial performance of the Company's various business segments. Nevertheless, a mere three months later, in or around May 2018, management suddenly prepared a significantly lower case of five-year financial projections, the Sensitivity Case Projections. The Sensitivity Case Projections were prepared in response to "feedback" from certain unidentified stockholders (presumably the activist investors who were pushing for a quick sale) and bidders (who were attempting to acquire Envision as cheaply as possible). The Sensitivity Case Projections were also prepared shortly after KKR and two other bidders indicated they were considering an offer price that was likely to fall somewhere within the mid-forties.

8. Without the drastically reduced Sensitivity Case Projections, the Financial Advisors could not have provided their fairness opinions. Indeed, as reflected on pages 55, 62, and 71 of the Proxy, utilizing the higher, more likely Management Case Projections, the implied per share equity value ranges each of the Financial Advisors calculated in connection with their respective Discounted Cash Flow Analyses ***completely exceeded*** the Merger Consideration of $46.00 per share. And the discounted cash flow analysis is universally-regarded as the most important analysis underlying a fairness opinion, particularly in the context of assessing a cash-out merger. Simply stated, *without* the drastically-reduced Sensitivity Case Projections prepared in May 2018, a *mere three months after* management had prepared the much higher Management Case Projections reflecting management's best estimates of the Company's future financial performance and a *mere month before* the Financial Advisors provided their fairness opinions, the

Financial Advisors would only have had one case of projections that resulted in implied valuation ranges completely above the Merger Consideration.

9. The special meeting of Envision stockholders to vote on the Merger was held on September 11, 2018 (the "Stockholder Vote"). A majority of Envision's stockholders voted to approve the Merger, and the Merger closed on October 11, 2018. The materially false and misleading Proxy was an essential link in the consummation of the Merger, as the Stockholder Vote and resulting Merger could not have occurred without the dissemination of the Proxy.

10. For these reasons, and as set forth in detail herein, Plaintiff asserts claims against Defendants for violations of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9. Plaintiff seeks to recover damages resulting from the Defendants' violations of the Exchange Act.

PARTIES

11. Plaintiff was, at all relevant times, a stockholder of Envision common stock. As a result of the Merger, Plaintiff received the unfair Merger Consideration.

12. Defendant Envision is a Delaware corporation, with its principal executive offices located at 1A Burton Hills Boulevard, Nashville, Tennessee 37215. Envision is a leading provider of physician-led services, post-acute care, and ambulatory surgery services. Prior to the Merger, Envision's common stock traded on the New York Stock Exchange under the ticker symbol "EVHC." Envision survived the Merger as an indirect wholly owned subsidiary of KKR's affiliate, Enterprise Parent Holdings Inc.

13. Defendant Christopher A. Holden was, at all relevant times, a director of Envision and also served as the Company's President and Chief Executive Officer.

14. Defendant William A. Sanger was, at all relevant times, a director of Envision, and served as Chairman of the Board.

15. Defendant Carol J. Burt was, all relevant times, a director of Envision.

16. Defendant Leonard M. Riggs was, at all relevant times, a director of Envision.

17. Defendant Michael L. Smith was, at all relevant times, a director of Envision.

18. Defendant James A. Deal was, at all relevant times, a director of Envision.

19. Defendant John T. Gawaluck was, at all relevant times, a director of Envision.

20. Defendant Steven I. Geringer was, at all relevant times, a director of Envision.

21. Defendant James D. Shelton was, at all relevant times, a director of Envision.

22. Defendant Joey A. Jacobs was, at all relevant times, a director of Envision.

23. Defendant Cynthia S. Miller was, at all relevant times, a director of Envision.

24. Defendant Kevin P. Lavender was, at all relevant times, a director of Envision.

JURISDICTION AND VENUE

25. This Court has subject matter jurisdiction pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1331 (federal question jurisdiction) as Plaintiff alleges violations of Section 14(a) and 20(a) of the Exchange Act and SEC Rule 14a-9.

26. Personal jurisdiction exists over each Defendant either because the Defendant conducts business in or maintains operations in this District, or is an individual who is either present in this District for jurisdictional purposes or has sufficient minimum contacts with this District as to render the exercise of jurisdiction over Defendant by this Court permissible under traditional notions of fair play and substantial justice.

27. Venue is proper in this District under 15 U.S.C. § 78aa and 28 U.S.C. § 1391, because the Defendants transact business in this District, Envision was incorporated in this District, and Defendants have received substantial compensation via Envision, which was a Delaware corporation.

CLASS ACTION ALLEGATIONS

28. Plaintiff brings this class action pursuant to Fed. R. Civ. P. 23 on behalf of himself and the other former public common stockholders of Envision who received the inadequate Merger Consideration (the "Class"). Excluded from the Class are Defendants herein and any person, firm, trust, corporation, or other entity related to or affiliated with any Defendant.

29. This action is properly maintainable as a class action because:

a) the Class is so numerous that joinder of all members is impracticable. As of August 2, 2018, there were approximately 121.39 million common shares of Envision outstanding, held by hundreds to thousands of individuals and entities scattered throughout the country. The actual number of public stockholders of Envision will be ascertained through discovery;

b) there are questions of law and fact that are common to the Class that predominate over any questions affecting only individual members, including the following:

i. whether the Proxy contained any statement which, at the time and in the light of the circumstances under which it was made, was false or misleading with respect to any material fact, or omitted to state any material fact necessary in order to make the statements therein not false or misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of a proxy for the same meeting or subject matter which became false or misleading, in violation of Section 14(a) and SEC Rule 14a-9;

ii. whether the Individual Defendants violated Section 20(a) of the Exchange Act; and

iii. whether Plaintiff and other members of the Class suffered damages as a result of the materially false and misleading Proxy and unfair Merger.

c) Plaintiff is an adequate representative of the Class, has retained competent counsel experienced in litigation of this nature and will fairly and adequately protect the interests of the Class;

d) Plaintiff's claims are typical of the claims of the other members of the Class and Plaintiff does not have any interests adverse to the Class;

e) the prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class, which would establish incompatible standards of conduct for the party opposing the Class;

f) Defendants have acted on grounds generally applicable to the Class with respect to the matters complained of herein, thereby making appropriate the relief sought herein with respect to the Class as a whole; and

g) a class action is superior to other available methods for fairly and efficiently adjudicating the controversy.

FURTHER SUBSTANTIVE ALLEGATIONS

I. Envision's Pre-Merger Financial Performance, Strong Future Prospects, and the Pre-Merger Strategic Review Process Forced by Activist Investors

30. Envision is a leading provider of physician-led services, post-acute care, and ambulatory surgery services. The Company was formed on June 10, 2016 for the purpose of

effecting a merger of equals (the "AmSurg Merger") between AmSurg Corp. ("AmSurg") and Envision Healthcare Holdings, Inc. The AmSurg Merger was completed on December 1, 2016, with Envision continuing as the surviving entity, and with former-Amsurg Chief Executive Officer and Defendant Christopher A. Holden ("Holden") named as the CEO of Envision.

31. As of March 31, 2018, Envision delivered physician services, including in the areas of emergency department and hospitalist services, anesthesiology services, radiology/tele-radiology services, and children's services to more than 1,800 clinical departments in healthcare facilities in 45 states and the District of Columbia. Envision delivered post-acute care through an array of clinical professionals and integrated technologies which, when combined, contribute to efficient and effective population health management strategies. Envision owns and operates 261 surgery centers and one surgical hospital in 35 states and the District of Columbia, with medical specialties ranging from gastroenterology to ophthalmology and orthopedics.

32. For purposes of reporting financial results, Envision is divided into two segments: Physician Services and Ambulatory Services.

33. The Physician Services segment includes the Company's hospital-based and non-hospital-based physician services businesses. As of December 31, 2017, Envision had physician services contracts, primarily in the areas of emergency department and hospitalist services, anesthesiology services, radiology/tele-radiology services and children's services, covering more than 1,800 clinical departments in healthcare facilities in 45 states and the District of Columbia, and over 25,200 employed or affiliated physicians and other healthcare professionals.

34. The Company, or its affiliated entities, recruits and hires or contracts with physicians and other healthcare professionals, who then provide services to patients in the facilities with which Envision contracts. The Company bills and collects from each patient or the patient's

insurance provider for the medical services performed. Envision also has agreements with independent physician groups and hospitals to provide management services such as billing and collection, recruiting, risk management and certain other administrative services.

35. The Ambulatory Services segment includes the Company's ambulatory surgery business, which acquires, develops, owns and operates ambulatory surgery centers (ASCs) and surgical hospitals in partnership with physicians and health systems.

36. For the year ended December 31, 2017, approximately 84% and 16% of Envision's revenues were generated by its Physician Services segment and Ambulatory Services segment, respectively.

37. Between March 7 and July 5, 2017, Envision engaged in a rapid expansion process financed by stockholders, investing $758 million in connection with acquisitions of physician groups and radiology firms during the four-month period.

38. On August 7, 2017, Envision announced its second quarter 2017 earnings. The Company announced earnings per share of $0.85, beating analysts' expectations by $0.04. The Company also announced revenue of $1.95 billion, up 157.1% year over year. The second quarter 2017 results also indicated strong cash flow from operations.

39. On August 8, 2017, Envision reached a deal to sells its ambulance business, American Medical Response, in an all-cash deal worth $2.4 billion to KKR. In other words, the Defendants and Envision's management already had an existing relationship with representatives of KKR prior to the time the strategic review process that ultimately led to the Merger with KKR got underway. And since KKR was a financial rather than strategic bidder, Envision's management was undoubtedly aware that they were likely to keep their lucrative jobs with the Company in the event of a sale to KKR.

40. On August 9, 2017, Mizuho Securities issued a $57.00 fair value target for Envision, despite softer guidance from the Company.

41. On November 1, 2017, the Company's common stock price dropped approximately 30% following the announcement of Envision's financial results for the third quarter of 2017, which missed analysts' expectations with respect to earnings per share. However, the significant drop in Envision's stock price was caused by an overaction by the market rather than a legitimate reflection of the Company's value or future prospects. Indeed, the lower-than-expected earnings per share numbers were largely attributable to "an unprecedented combination of natural and other disasters"[3]—namely Hurricanes Harvey and Irma—which impacted the Company's Physician Services and Ambulatory Service operations and, consequently, had a negative impact of $22 million on the Company's revenue. Indeed, analysts at Canaccord Genuity deemed the poor third-quarter results as "expected" in light of the hurricanes, and **maintained their buy rating on Envision with an unchanged $68.00 price target despite the poor third-quarter earnings report and fourth-quarter guidance**.

42. And, despite the poor third quarter results, Holden, Envision's CEO, expressed optimism about the Company's future, and reiterated the anomalous impact the hurricanes had on the Company's third quarter results and fourth quarter guidance, stating in pertinent part:

> We remain bullish on and confident in the strategic direction of the company. We continue to see positive momentum or synergies, new sales, managed care contracting and acquisitions. We believe we are well positioned to grow organically, increase share through new contract growth and continue to make strategic accretive acquisitions in what are very large fragmented addressable markets. And lastly, we point out that the impact of the natural disasters should be

---

[3] *Envision Healthcare Holdings' (EVHC) CEO Christopher Holden on Q3 2017 Results - Earnings Call Transcript*, Seeking Alpha (Oct. 30, 2017), https://seekingalpha.com/article/4119217-envision-healthcare-holdings-evhc-ceo-christopher-holden-q3-2017-results-earnings-call.

> combined to 2017…As I mentioned in my opening comments, we believe that the financial impact of the storms was isolated to Q3 and our operations in storm-affected markets have returned to normal…Now, let's pivot our discussion to the outlook for Q4. The outlook for the fourth quarter for 2017, in our mind does not fully incorporate a number of elements that will be part of our results going forward in 2018. And as a result, it's understandable that there is an optical issue with our run-rate, which we will explain this morning. The important elements of the run-rate calculation include the following.
>
> Number one, we had very strong performance in new sales all year and in particular the third quarter, where we on-boarded more than 65 new contracts. This large bolus of new contracts is certainly a positive for the company and it supports the thesis that our unique suite of solutions is resonating with our health system clients. And while we are pleased with this growth, our start-up costs are incrementally higher than anticipated for the third quarter and into the fourth quarter of 2017.
>
> However, these incremental costs will go away as we achieve optimal staffing on those new contracts.
>
> Number two, the implied run-rate of our 2017 fourth quarter does not include the benefit in our revenue yield as we complete payor negotiations to migrate some out-of-network revenue to in-network status. And third, our 2017 fourth quarter does not include any benefits from meaningful operational improvements we expect to realize during 2018.
>
> At this time we are not providing guidance for 2018, however, we will be providing a revised view on the fundamental revenue drivers of the various business lines as follows. Same contract for Physician Services growth should be in the range of 2% to 3%, which reflects our moderated view on utilization.
>
> Same contract for Ambulatory Services is 1% to 3%. Physician Services new contract growth is 2% to 3% and represents an expected significant improvement in 2018 over 2017. When you add these pieces together, we believe the organic growth profile of our business is in the 3% to 6% range.[4]

43. Nevertheless, true to form, activist stockholders sensed a prime opportunity to make a quick buck. Specifically, activist investor Starboard took a stake in the Company, with Jeff Smith—Starboard's CEO—stating that Envision was an attractive takeover target.

---

[4] *Supra* note 3 (all emphasis added unless stated otherwise).

44. Shortly thereafter, and entirely unsurprisingly, the Board announced that it would initiate a full review of strategic alternatives, *i.e*., commence a sales process.

45. On February 21, 2018, an activist stockholder who had previously indicated that it was prepared to propose material changes to the Board's composition absent the announcement of an acceptable outcome of the Company's review of strategic alternatives, submitted a notice of its intention to nominate four candidates for election to the board at the Company's 2018 annual meeting of stockholders. In other words, the Individual Defendants were keenly aware that they were going to face a proxy challenge from well-funded activists if they did not promptly agree to sell the Company.

46. Also sometime in February 2018, management prepared the Management Case Projections, which reflected management's best estimates of the future financial performance of the Company's various business segments:

<u>February 2018 Management Case Projections</u>

	Fiscal Year Ended December 31,				
(in millions, except per share items)	**2018**	**2019**	**2020**	**2021**	**2022**
Revenue	$8,525.8	$9,407.6	$10,463.4	$11,639.0	$13,085.7
% growth		*10.3%*	*11.2%*	*11.2%*	*12.4%*
Adjusted EBITDA	$994.5	$1,155.5	$1,313.8	$1,477.7	$1,689.6
Adjusted EBITDA Margin	11.7%	12.3%	12.6%	12.7%	12.9%
% growth		*16.2%*	*13.7%*	*12.5%*	*14.3%*
Adjusted EPS	$3.67	$4.63	$5.42	$6.21	$7.15
% growth		*26.1%*	*17.2%*	*14.5%*	*15.1%*
Unlevered Free Cash Flow	$88.6	$25.6	($70.7)	($67.0)	($680.9)

47. Shortly thereafter, on February 27, 2018, the Company announced its fourth quarter 2017 financial results and forward-looking guidance. During the earnings call, Holden commented:

> I'm pleased to present our results for the fourth quarter of 2017. Revenue of $2 billion was in line with our forecast; adjusted EBITDA of $211 million and adjusted EPS of $0.59 exceeded our forecast…Our fourth quarter results demonstrate our ability to align our cost to the volumes across our specialties, and we are driving additional operational efficiencies across the organization in 2018, with full realization into 2019…We remain bullish on our strategy, and our team is engaged

in expanding our market leadership. Positive results from new contract sales, managed care contracting efforts, acquisitions, and others in 2017 confirm our directional momentum headed into 2018. We see a clear path to expand margins by continuing to scale our infrastructure, improving our management processes and business intelligence, and by fine-tuning our portfolios…

On the new contracts front, as I mentioned earlier, our new organic contract growth exceeded expectations in our first year as the new Envision. We started 175 new contracts during the year. A total of 76% of our new contract wins for the year were with existing health system partners. These positive results speak to the trusted relationship that we have with our clients. A**nd while we're very pleased with our new contract growth within our existing customer base, we also note there's a large addressable market available for growth with new health systems.** And as part of our strategy to differentiate our offerings, we continue our market-leading efforts to move the vast majority of our services to an in-network managed care contracting status. In-network status provides several advantages, including patient satisfaction, health system satisfaction, predictable annual increases, and simplified administration. By year end 2017, we shifted 40% of our out-of-network revenue to in-network status and plan to advance toward our goal of 70% in 2018…

Since assuming their new roles at the beginning of Q4, Brian and Karey have made numerous improvements to drive performance in Physician Services. Better analytical tools, heightened management accountability, and focus on premium labor were the key drivers of performance there…

And you may recall that our 2017 budget was prepared separately by the legacy companies at pre-merger. Q4 marked the first time we were able to prepare and finalize our 2018 annual budget as one team using a common budgeting system. **This budgeting process allowed us to go contract-by-contract and center-by-center to inform our view on 2018. We also tested our assumptions on volume and rate, with a focus on anesthesia and emergency services, in order to increase our confidence around our growth assumptions. And it is also important to note that our guidance incorporates our operational improvement plan, which further adds to our confidence in meeting expectations.**[5]

48. Envision's Chief Operating Officer Karey L. Witty ("Witty") further commented:

Moving to clinical labor management. Salaries and benefits for the quarter, both clinical labor and non-clinical labor, were lower than our forecast and

---

[5] *Envision Healthcare (EVHC) Q4 2017 Results - Earnings Call Transcript*, Seeking Alpha (Feb. 28, 2018), https://seekingalpha.com/article/4151775-envision-healthcare-evhc-q4-2017-results-earnings-call-transcript.

> **were the most significant factor for us exceeding our guidance for the quarter**. What is important in this statement is that while revenue was slightly below our internal expectation, volumes were higher than expected and **we were able to better manage labor costs, including premium labor and coverage, to outperform our forecast. Effective labor management occurred across both of our operating segments. We're especially encouraged by labor improvements in our emergency medicine and hospitalist medicine service lines which are more sensitive to volume fluctuations than our other service lines**.

Id.

49. With respect to labor management certainty, Witty added:

> **[T]here's nothing contemplated in our guidance that has not already been agreed to by our partners**. Certainly, a part of this exercise with operational improvement, there is a significant focus towards labor management certainly in an effort to lessen the burden of our partners, so we're doing everything that we can on our side. And to the extent there is still a delta, then certainly, as Chris had said, those gaps have already been negotiated and contemplated in our guidance.

Id.

50. In response to analysts' questions, Holden repeatedly reiterated that management was confident in their projections and guidance because they had been conservative. In response to one question regarding management's guidance:

> [As] I mentioned in my opening comments –given the magnitude of anesthesia and emergency services in our Physician Services, we really tried to be thoughtful this year in our guidance and our forecasting around the organic growth rates. And that, amongst other macro level issues, influenced our view there and that's where we would've taken it into account at the macro level. **I don't think we've been aggressive on our assumptions on volume in any of the service lines or on rate**…

Id.

51. Holden again reiterated management's confidence in its outlook in response to another analyst's question:

> I think one fundamental component of the outlook that I tried to call out in my opening comments is that a large part of our guidance is driven by the incorporation of the cost improvement plan, which we feel like we had a lot of control over and a lot of visibility on execution. Again, Karey, since arriving, has really focused on

> that, and the two presidents have really engaged, so that's a key element. In fact, I think we have, to your second question, moderated the organic growth outlook to reflect continual probing around the macro issues, looking at the volume and rate issues. The two areas that generally get pressed when people are testing our competence in the outlook, really, as I said earlier, emergency services. I know there's been a lot of rhetoric in the past, concern about the volume. **Again, in our outlook I don't think we've been aggressive there. We're at the bottom end of the ranges that I've outlined for the outlook on those, and we've also tested that against sequential prior years and it looks very doable to me.**
>
> And the same thing on the anesthesia rate which I know has been an issue in the past. There's a lot of confusion around that coming out of Q3, but we actually have – we're predominantly in-network. We have visibility on that. We know there's no structural changes. We have a good handle on the comparables and where that will be, so that gives us incremental confidence. And those are probably three of the key drivers of our confidence in the outlook.

Id.

52. In response to another question, Holden stated with respect to projections related to the Company's anesthesia and emergency services components, which fall within its Physician Services business segment:

> **Well obviously on the anesthesia component, again, we have tremendous visibility because it's contracted. We have a long history there. And to give you a couple of other data points along the way, in our last four years, looking at anesthesia total organic growth rate, this would be in the bottom quartile of our projections and at the lower end of the volume over that sequential period of time, and we're not making any heroic assumptions around rate**. We do know that in 2017 rate was negative, but that was driven in large part by a very high comp in the prior year, and we also had some settlements and things like that that happened in the year that we have to climb over now in 2018. So we've taken all of those into account, so **I feel really good about the anesthesia visibility. On the emergency side, I mean, we're really taking a very non-aggressive approach there. It's pretty flat in the assumptions.** We do have visibility into January and February as we thought about the guidance, so I feel like we've taken that into account and moderated that through the remainder of the year.

Id.

53. In response to another analyst's question, Holden reiterated "we have very good visibility on the rates on the contracts. We're well-positioned in our markets. We drive very high client satisfaction." *Id.*

54. Holden then wrapped up the earnings call by restating that the Company has "made great progress in pursuit of our long-term vision. That progress can be measured in terms of portfolio rationalization, **growth via new organic contract wins**, acquisitions, market leadership on managed care contracting, and, most recently, our heightened focus on operational excellence." *Id.*

55. Holden also reiterated management's confidence in its ability to accurately forecast in light of new budgeting processes the Company implemented, explaining that such changes "made a huge difference in not only our collective buy-in to how we get to the strategy but also to our confidence and our ability to achieve the numbers." *Id.*

56. In sum, on February 28, 2018, the Company's management collectively confirmed that they were confident that Envision had successfully positioned itself for growth and financial success in the foreseeable future, that their projections for the future were conservative, and that they were more confident than ever in their ability to accurately forecast.

57. Based on the foregoing, it is clear that the Management Case Projections accurately reflected management's legitimately held view regarding the Company's five-year prospects. Nevertheless, a mere three months later management caved to pressure from activist investors and bidders, and significantly reduced the Management Case Projections—including the unlevered free cash flow projections in particular—by making unjustifiable and unreasonable adjustments to create the Sensitivity Case Projections, which were necessary for the Financial Advisors to render their respective fairness opinions. Indeed, the Management Case Projections resulted in implied

valuation ranges that completely exceeded the mid-forties offer prices the Company had received from bidders in mid-April 2018.

58. **Nothing occurred** between the time the initial Management Case Projections were prepared in February 2018 and the time the significantly lower Sensitivity Case Projections were prepared in May 2018 that actually justified a downward adjustment to the Management Case Projections, let alone adjustments as significant as the adjustments that were made, which caused the Company's free cash flow projections to drop dramatically. To the contrary, Envision's financial operations and management's outlook during that time period only continued to improve.

59. Indeed, on May 8, 2018, Envision announced its first quarter 2018 financial results. And just as management had previously suggested, Envision announced very favorable financial results. As Holden stated:

> We are pleased to report our first quarter 2018 results exceeded the top end of our guided ranges. Revenue of $2.08 billion grew by 10.6% led by Physician Services and **at a pace beyond the anticipated contribution** from an active flu season. An adjusted EBITDA of $207.6 million beat consensus and was $2.5 million **over the high end of our range**. Adjusted EPS was $0.71, which exceeded the top end of our range by $0.04. Physician Services revenue growth of 13.2% included organic revenue growth of 5%, in line with our outlook for the year…As you may recall from our last earnings call, our budget for this year incorporates our operational improvement plan. Our focus is on expanding our margins for the year. Our first quarter results reflect significant progress towards that goal in sync with our 2018 plan of $50 million of realized operational improvements, ending the year at run rate efficiencies of $100 million…**All-in, this was a solid quarter, building on the momentum we established with our results for last quarter. And we maintain our confidence in our forecast for 2018. We continue to have strong new contract sales.** We started 44 new contracts in the first quarter of the year, including starts of contracts that were awarded in 2017. About two-thirds of the contracts we sold during the quarter are to existing health system partners. Approximately two-thirds of the new contracts started were in the emergency medicine and hospital medicine service line.[6]

---

[6] *Envision Healthcare (EVHC) Q1 2018 Results - Earnings Call Transcript*, Seeking Alpha (May 8, 2018), https://seekingalpha.com/article/4171306-envision-healthcare-evhc-q1-2018-results-earnings-call-transcript.

60. Ms.Witty followed with comments regarding the Company's "progress on the operational improvement initiatives [it] began in the fourth quarter of 2017, which [were] primarily focused on [its] Physician Services segment.":

> Our actions contributed to Physician Services adjusted EBITDA growth and drove a 50 basis point margin expansion on a sequential basis. This is a significant accomplishment, considering the impact of the first quarter's seasonal payroll tax expense. We were successful in managing to the key metrics that drove clinical and administrative efficiencies, and I'm encouraged by our progress towards achieving our performance targets for 2018. As Chris stated in his opening remarks, our plan to realize $50 million of incremental adjusted EBITDA from improvements for fiscal 2018 equates to a $100 million run rate plan for 2019. I'll remind you of our three areas of focus. They are revenue cycle management, clinical labor management, and operational efficiencies from support costs…
>
> **Regarding clinical labor, we saw a marked improvement on several fronts**. Our short-term objective was to shift an additional 10% of temporary clinical staffing to our internal solutions. In the first quarter, we moved 4 percentage points of our total 2018 target. We also improved clinical productivity by applying greater disciplines to staffing and adjusting schedules at the margin to reflect current-period volume. **Under our plan, we expect further improvements in labor management in the latter part of 2018**.
>
> Finally, last quarter I committed to provide an update on our efforts to improve our cost structure as a percent of revenue. In the first quarter of 2018, these items were 10.9% of revenue, which is 20 basis points ahead of our expectations. We realized $8 million of improvement across all aspects of our support structure with focused attention to personnel costs, consulting costs, and general overhead costs.
> At the end of the first quarter, we are at an annualized run rate of $27 million of operational improvements and well on our way towards our $100 million target. **Overall, in a short period of time, we have been successful in reducing our support costs, decelerating the rate of growth of other expenses, and successfully challenging ourselves to find efficiencies. Importantly, we were ahead of our expectations on these items in the first quarter, which contributed to the results that exceeded our guidance**.

Id.

61. Envision's Chief Financial Officer, Kevin D. Eastridge ("Eastridge"), then provided a more detailed analysis of the Company's financial achievements and noted that Envision's Physician Services' net revenue was $1.77 billion for the first quarter of 2018, an

increase of 13.2% over the prior year period. Revenue growth was balanced with 8.2% coming from acquisitions and 5% revenue growth from organic sources. Same contract revenue growth contributed 2.7% to total revenue growth, while net new contract growth added 2.3%. Further, organic growth drivers in the first quarter were consistent with and actually at the high end of Envision's expected contribution for 2018 budget, with same contract revenue growth of 3.1%. *Id.*

62. Given the Company's success, CFO Eastridge also announced that Envision was revising its 2018 guidance by **moving up the low end of the guidance range**, indicating that Company management was optimistic that Envision would achieve on the upper, **more optimistic** end of its projected financial results. *Id.*

63. In response to an analyst's question, Holden further emphasized the success the Company was having in what he called "rescuing contracts":

> **I think the biggest positive in the quarter and coming out of the back half of the year, is the positive reception we've had in actually what I would call rescuing contracts. We had contemplated in our guidance that we may have had more terminations than we – given that we've now set a target threshold, we're going through a portfolio rationalization or a contract portfolio rationalization, but as we sat down with those customers and they began to consider switching costs, they considered the benefit of losing a high-performing partner to potentially a weaker alternative, we were able to salvage far more than we thought we could.**

Id.

64. Holden answered several more analysts' questions expressing optimism regarding the Company's net new contract margins and contract growth, and explained why the Company's contract growth rate was "so much higher." He also reiterated that "new sales" were "off to a very good start [] for the year," and reiterated that with respect to the Company's organic growth rate projections made during the February 2018 earnings call, "we don't think we were heroic in those

projections, and we obviously had a good start to the first quarter of this year." With respect to managing the Company's "clinical labor side," Holden reiterated that management's assumptions were not "accelerate[d] [] too aggressively." *Id.*

65. In sum, the statements made by Company management during the first quarter 2018 earnings call on May 8, 2018 not only reaffirmed that Envision was poised for considerable growth going forward, but, perhaps more importantly, that management felt that the Company would easily outperform the low-end of the Company's original forecast, as evidenced by the increased low end of the Company's guidance.

66. Nevertheless, despite the Company's financial results exceeding management's expectations, members of Envision's management caved to pressure from activist stockholders and bidders and developed the significantly reduced, more pessimistic set of projections, the Sensitivity Case Projections.

May 2018 Sensitivity Case Projections

	Fiscal Year Ended December 31,				
(in millions, except per share items)	**2018**	**2019**	**2020**	**2021**	**2022**
Revenue	$8,525.8	$9,297.9	$10,225.5	$11,256.3	$12,550.6
% growth		*9.1%*	*10.0%*	*10.1%*	*11.5%*
Adjusted EBITDA	$994.5	$1,099.6	$1,213.4	$1,326.2	$1,478.7
Adjusted EBITDA Margin	11.7%	11.8%	11.9%	11.8%	11.8%
% growth		*10.6%*	*10.3%*	*9.3%*	*11.5%*
Adjusted EPS	$3.67	$4.29	$4.81	$5.28	$5.84
% growth		*16.9%*	*12.1%*	*9.8%*	*10.7%*
Unlevered Free Cash Flow	$88.6	($15.9)	($147.9)	($182.7)	($843.5)

67. A comparison of the February 2018 Management Case Projections and May 2018 Sensitivity Case Projections reveals two drastically different pictures of Envision's future prospects. And perhaps most concerning is the substantial downward revision in Envision's unlevered free cash flow projections—which are recognized as the single most important financial metric when valuing a company in a cash-out merger:

	2018	2019	2020	2021	2022
Management Case Revenue	$ 8,525.8	$ 9,407.6	$ 10,463.4	$ 11,639.0	$ 13,085.7
Management Sensitivity Case Revenue	$ 8,525.8	$ 9,297.9	$ 10,225.5	$ 11,256.3	$ 12,550.6
Percent Reduced (Management vs. Management Sensivity)	*0.00%*	*1.17%*	*2.27%*	*3.29%*	*4.09%*
Management Case Adjusted EBITDA	$ 994.5	$ 1,155.5	$ 1,313.8	$ 1,477.7	$ 1,689.6
Management Sensitivity Case Adjusted EBITDA	$ 994.5	$ 1,099.6	$ 1,213.4	$ 1,326.2	$ 1,478.7
Percent Reduced (Management vs. Management Sensivity)	*0.00%*	*4.84%*	*7.64%*	*10.25%*	*12.48%*
Management Case Adjusted EPS	$ 3.67	$ 4.63	$ 5.42	$ 6.21	$ 7.15
Management Sensitivity Case Adjusted EPS	$ 3.67	$ 4.29	$ 4.81	$ 5.28	$ 5.84
Percent Reduced (Management vs. Management Sensivity)	*0.00%*	*7.34%*	*11.25%*	*14.98%*	*18.32%*
Management Case Unlevered Free Cash Flow	$ 88.6	$ 25.6	$ (70.7)	$ (67.0)	$ (680.9)
Management Sensitivity Case Unlevered Free Cash Flow	$ 88.6	$ (15.9)	$ (147.9)	$ (182.7)	$ (843.5)
Percent Reduced (Management vs. Management Sensivity)	*0.00%*	*162.11%*	*109.19%*	*172.69%*	*23.88%*

68. The May 2018 Sensitivity Case Projections reflected the following reductions to the February 2018 Management Case Projections: (i) a reduction in same contract rate growth from approximately 1.50% to 1.25% across Physician Services specialties; (ii) a reduction in same contract volume growth of approximately 0.50% across Physician Services specialties; (iii) a 1% reduction in annual net new contract growth; and (iv) an incremental run-rate clinical labor pressure of $25 million on annual basis. *See* Proxy at 50.

69. However, as set forth above, none of these "sensitivities" or adjustments were reasonable—indeed, if anything, based upon management's repeated comments regarding the Company's strong financial results and improving prospects, including specifically with respect to the Physician Services segment, contract growth and retention, and on the clinical labor front, the Management Case Projections should have been revised upward, not significantly reduced. Indeed, management had also previously expressed confidence in its ability to accurately forecast during the February 2018 earnings call in light of new systems that were implemented, and also repeatedly noted that the guidance they had provided in February 2018 was on the low-end of what they actually believed was achievable. Despite the Company's improving financial prospects after

the February 2018 Management Case Projections were prepared, management prepared and the Board allowed the Financial Advisors to utilize the much lower May 2018 Sensitivity Case Projections, which were necessary in order to obtain fairness opinions from the Financial Advisors and to "justify" the otherwise unjustifiably low Merger Consideration. The Defendants then negligently caused the materially false and misleading Proxy to be disseminated to the Company's stockholders, which contained 5 categories of misleading statements discussed herein.

II. The Materially False or Misleading Statements in the Proxy

70. On August 13, 2018, Envision filed the Proxy with the SEC in connection with the Merger. The Proxy solicited the Company's stockholders to vote in favor of the Merger. The Individual Defendants, as directors and officers of the Company, had a duty to carefully review the Proxy before it was filed with the SEC and disseminated to the Company's stockholders to ensure that it did not contain any material misrepresentations or omissions. However, the Proxy contained materially misleading statements, in violation of Sections 14(a) and 20(a) of the Exchange Act. The Defendants were thus negligent in their preparation and review of the Proxy.

71. As set forth above, the Proxy contained 5 categories of materially misleading statements.

72. **First**, the Proxy falsely or misleadingly stated that the significantly lower Sensitivity Case Projections Envision management prepared in May 2018 and provided to the Board and Envision's Financial Advisors in connection with their evaluation of the Merger reflected "*reasonable* sensitivities" or adjustments to the significantly higher Management Case Projections management prepared in February 2018. *See* Proxy at 42, 50. These statements were false or misleading because, as set forth above, the sensitivities were not in fact "reasonable"—they were adjustments made just before the Financial Advisors needed projections they could use

to prepare a fairness opinion at the $46.00 offer price, and were prepared in response to pressure from activist investors pushing for a sale and bidders trying to acquire the Company as cheaply as possible. The "sensitivities" did not reflect management's legitimately held views regarding the Company's future prospects, as indicated by the numerous statements they made during the earnings calls in February and May 2018. By describing the "sensitivities" or adjustments made to the Management Case Projections as "reasonable," the Proxy gave the false or misleading impression that such "sensitivities" were in fact "reasonable," when they were not. Rather, they were unreasonable downward adjustments made to management's best estimate projections prepared in February 2018, that contradicted the public statements regarding the Company's strong and improving operating performance and prospects that management made after February 2018.

73. **Second**, the statements in the Proxy that convey the message that the Management Case Projections and Sensitivity Case Projections were "equally likely," Proxy at 52, 58, 62, Annex B-2, C-2, were false or misleading because, for the reasons set forth above, they were not in fact "equally likely," and management and the Board knew that. Based on: (i) the above-referenced public statements from Company management; (ii) the fact that the Management Case Projections reflected management's best estimates at the time they were prepared; and (iii) the fact that the Company's prospects improved after the creation of the Management Case Projections, the Company's financial results exceeded guidance, and management indicated it had been extremely conservative with its earlier guidance, management and the Board must have believed and known that the much higher Management Case Projections were in fact the more likely set of projections. By describing both cases of projections as "equally likely," the Proxy misled stockholders about the Company's future prospects and management's actual views.

74. **Third,** the lower Sensitivity Case Projections were themselves misleading statements within the meaning of Rule 14a-9, because they did not truly and accurately reflect management's legitimately-held views regarding the Company's future prospects, as explained above and based upon management's public comments.

75. **Fourth,** the statement the Financial Advisors' flawed fairness opinions and accompanying valuation analyses were a "positive factor relating to the merger agreement and the merger," Proxy at 44-45, was misleading because, in reality, the Defendants knew that the fairness opinions were fundamentally flawed because they were prepared based upon the significantly reduced, last-minute Sensitivity Case Projections that did not legitimately reflect the Company's future prospects and management's views as to the Company's future financial performance. A reasonable Envision stockholder understood from this statement that Defendants placed confidence in the Financial Advisors' analysis and opinion. A reasonable stockholder could take the statement to convey that Defendants believed the Financial Advisors accurately analyzed the Company's potential financial growth and prospects and concluded $46.00 to be fair consideration. These facts a reasonable investor could have taken from the statement conflict with undisclosed facts or knowledge held by the Board and management concerning the flaws in the Financial Advisors' analyses, which relied upon the unreasonably lowered Sensitivity Case Projections.

76. **Fifth**, the statements in the Proxy indicating that the Merger Consideration was "fair" to the Company's stockholders, including that "the transaction allows the Company's stockholders to realize a fair value for their investment," Proxy at 45, and that the "merger agreement and the merger are fair, advisable and in the best interests of the Company and its stockholders," *see* Proxy at 6-7, 44, 48; cover letter to stockholders dated August 13, 2018; Notice of Annual Meeting of Stockholders unnumbered page 2, were false or misleading because, for the

reasons set forth herein, the Merger Consideration was not in fact fair to the Company's stockholders, and Defendants and Company management knew so. Indeed, the Defendants and management knew that: (i) the Company's poor third quarter 2017 and resulting stock price drop were largely attributable to anomalous events rather than an actual reflection of the Company's inherent value and future prospects; (ii) activist investors pounced upon the opportunity to buy in when the Company was being undervalued by the market and immediately began agitating for a sale and threatening the Board with a Proxy contest if they did not accede to the activists' wishes; (iii) the much higher Management Case Projections prepared in February 2018 reflected management's best estimates; (iv) management had implemented changes that enabled them to forecast more accurately, and had stated that their guidance and projections in the beginning of 2018 were on the conservative side; (v) the Company's second quarter 2018 results exceeded expectations and management reiterated its confidence in the Company's growth prospects and its projections; (vi) analysts had set price targets for the Company that significantly exceeded the Merger Consideration; and (vii) utilizing management's higher, best estimate Management Case Projections, the Company's Financial Advisors came up with valuation ranges that completely exceeded the Merger Consideration. In light of these facts, the above-referenced statements indicating that the Merger Consideration was "fair" to the Company's stockholders were false or misleading, as Defendants and management in fact knew that the Merger Consideration was not fair to the Company's stockholders and undervalued their shares.

77. In sum, the Proxy contained materially false or misleading statements, in violation of Section 14(a) and Rule 14a-9. The false and misleading Proxy was an essential link in the consummation of the unfair Merger, as the Merger could not have been consummated without the dissemination of the Proxy.

III. The Materially False and Misleading Proxy was an Essential Link in the Consummation of the Merger, Which Caused Plaintiff and the Class Financial Loss, as Their Shares Were Worth More Than the Merger Consideration.

78. As a result of the unfair Merger, which could not have been consummated without the materially false and misleading Proxy, Plaintiff and the Class suffered financial loss in that their shares were worth significantly more than the Merger Consideration. Indeed, certain analysts had set price targets for shares of Envision common stock at $51.00 per share as of June 8, 2018, $5.00 above the Merger Consideration.

79. Additionally, the legitimately prepared Management Case Projections—unlike the unreasonably reduced Sensitivity Case Projections—resulted in valuation ranges that completely exceed the Merger Consideration, up to $80.16 per share.

80. Furthermore, the Company's share price closed at $45.13 on October 20, 2017, just before the sharp drop because of the anomalous third quarter 2017 results, which, as noted above, were the result of unique circumstances including two major hurricanes rather than an actual reflection of the Company's intrinsic value. Indeed, analysts at Canaccord Genuity maintained a price target of $68.00 even after the poor third quarter 2017 results. And the Company's share price closed at $47.67, above the Merger Consideration, on September 18, 2017. Simply stated, the premium Defendants touted in the Proxy was illusory, and the Merger Consideration only represented a "premium" when compared to a share price that dramatically decreased due to market overreaction rather than an actual change to the Company's inherent value and future prospects. Nevertheless, activist investors swooped in, recognizing they could buy at an artificially low price and then agitate for a quick sale.

81. In sum, the Merger Consideration the Company's stockholders received was unfair and inadequate because the intrinsic value of their shares materially exceeded the Merger

Consideration, particularly in light of the Company's strong prospects for future growth and earnings.

IV. The Conflicted Defendants, Financial Advisors, and Envision Management Each Had Personal Financial Reasons for Supporting the Unfair Merger.

82. Envision's directors and management faced personal conflicts of interest that motivated them to support the unfair Merger.

83. First, as noted above, the Individual Defendants faced significant pressure from well-known activist investors to sell the Company and faced a serious threat of being voted off the Board if they did not acquiesce to the activists' demands. Indeed, an activist stockholder indicated that it was prepared to propose material changes to the Board's composition absent the announcement of an acceptable outcome of the Company's review of strategic alternatives, and submitted a notice of its intention to nominate five candidates for election to the Board at the Company's 2018 annual meeting. Being voted off a board has serious professional consequences to a director, and serves as a stain on their resume that impedes them from obtaining future directorships.

84. Additionally, the 11 non-employee Director Defendants stood to and did receive significant payouts for their unvested Company equity awards, in the aggregate amount of $2,032,602.

85. Envision's executive officers and senior management also had significant financial incentives to support the unfair Merger. Management was also fully aware that activist investors had launched a campaign pushing for a sale of the Company, and, just like the directors, it was also in their best financial interests to acquiesce. Furthermore, Envision's management team, including Defendant and CEO Holden and CFO Eastridge, were lured with promises of post-

Merger employment, which allowed them to keep their lucrative jobs with the post-Merger company.

86. Additionally, in the event the Company's named executive officers were terminated upon the consummation of the Merger, they stood to receive significant "change in control" payments, as set forth in the tables below:

Golden Parachute Compensation

Name	Cash ($)(1)	Equity ($)(2)	Pension / NQDC ($)(3)	Perquisites / Benefits ($)(4)	Total ($)
Christopher A. Holden	10,098,450	16,936,694	135,699	48,138	27,218,981
Kevin D. Eastridge	1,500,894	1,956,610	66,882	7,851	3,532,237
Randel G. Owen(5)	—	—	—	—	—
Craig A. Wilson	1,179,690	1,687,326	31,336	7,851	2,906,203
Patrick B. Solomon	2,028,510	1,210,030	59,301	9,107	3,306,948
William A. Sanger(6)	—	5,467,514	—	—	5,467,514
Claire M. Gulmi(7)	—	1,181,878	72,959	—	1,254,837
Robert J. Coward(8)	—	—	—	—	—

) For each of Messrs. Holden and Solomon, the cash payments consist of (a) a severance payment in an amount equal to two times (three times, in the case of Mr. Holden) the sum of the named executive officer's annual base salary and target bonus; and (b) a prorated bonus for the fiscal year in which the qualifying termination occurs (which, for purposes of this proxy statement, is calculated based on target performance). For Messrs. Eastridge and Wilson, the cash payments consist of (i) a severance payment in an amount equal to two times the named executive officer's base salary; and (ii) a prorated bonus for the fiscal year in which the qualifying termination occurs (based on target performance). Both the severance payments and prorated bonus payments are "double-trigger" (i.e., payable upon a qualifying termination following the occurrence of a change in control). Set forth below are the separate values of each of the severance payment and the prorated bonus payment.

Name	Severance Payment ($)	Prorated Bonus Payment ($)
Christopher A. Holden	9,000,000	1,098,450
Kevin D. Eastridge	1,150,000	350,894
Randel G. Owen	—	—
Craig A. Wilson	960,000	219,690
Patrick B. Solomon	1,760,000	268,510
William A. Sanger	—	—
Claire M. Gulmi	—	—
Robert J. Coward	—	—

) As described above, all unvested Company options, Company restricted shares, and Company RSUs will fully vest and be settled as of the effective time. Unvested Company PSUs will be converted into cash-based awards and will vest upon the original vesting date of the corresponding Company PSU or, if earlier, a qualifying termination. The Company options, Company restricted shares, and Company RSUs are "single-trigger" (i.e., payable upon the occurrence of a change in control), while the Company PSUs are "double-trigger" (i.e., payable upon a qualifying termination following the occurrence of a change in control). Set forth below are the values of each type of unvested equity-based award that would be payable upon the effective time (in the case of Company options, Company restricted shares, and Company RSUs) or a qualifying termination following the merger (in the case of Company PSUs), based on the merger consideration per share of Company common stock of $46.00, assuming applicable performance criteria with respect to Company PSUs are achieved at target performance, and less the applicable exercise price in the case of unvested stock options.

-81-

Name	Company Options ($)	Company Restricted Shares ($)	Company RSUs ($)	Company PSUs ($)
Christopher A. Holden	—	6,416,448	3,873,568	6,646,678
Kevin D. Eastridge	—	314,778	621,874	1,019,958
Randel G. Owen	—	—	—	—
Craig A. Wilson	—	—	858,636	828,690
Patrick B. Solomon	—	298,862	288,282	622,886
William A. Sanger	—	—	2,381,282	3,086,232
Claire M. Gulmi	—	517,546	204,424	459,908
Robert J. Coward	—	—	—	—

(3) The amount in the table equals the value of the Company's 401(k) match and unvested Company contributions under the Supplemental Plan that will become vested in connection wi the merger. This benefit is "single-trigger."
(4) The amount in the table equals the estimated value of welfare benefit continuation for each named executive officer for six months (in the case of Messrs. Eastridge and Wilson), 18 months (in the case of Mr. Solomon), and 36 months (in the case of Mr. Holden). All such benefits are "double-trigger."
(5) Mr. Owen left the Company in connection with the divestiture of American Medical Response on March 14, 2018 and is not entitled to any payments or benefits in connection with th merger.
(6) Mr. Sanger ceased to serve as Executive Chairman of the Company, effective December 1, 2017.
(7) Ms. Gulmi retired as the Company's Executive Vice President, Chief Financial Officer, and Secretary, effective October 2, 2017, and will serve as an employee in a non-executive capacity through October 2, 2018.
(8) Mr. Coward resigned from the Company on October 2, 2017 and is not entitled to any payments or benefits in connection with the merger.

87. Each of the Financial Advisors also faced significant conflicts of interest, which routinely plague the fairness opinion process. As a leading scholar on the issue explained in one of the most thorough analyses of the issues that plague the fairness opinion process:

> [C]urrent fairness opinion practice is still deeply flawed. Fairness opinions, and their underlying valuation analyses, are prone to subjectivity and are frequently prepared utilizing methodologies that simply do not jibe with best practices. These defects are exacerbated by the recurring problem of investment banks who are conflicted in their provision of fairness opinions…conflict arises where a bank is asked to opine and advise on a transaction that it stands to benefit from only if the transaction transpires. In fact, under the fee structure explicated above the bank will not be paid if it cannot find fairness. This charge can be made even if the fairness opinion compensation is paid separate from the larger success fee. If the transaction occurs, the remaining overall compensation is significant enough to raise conflict issues.
>
> This explicit conflict is also accompanied by a more subtle one. The relationships between investment banks and corporate management can run deep, and an investment bank often has business with the corporation and its management that span more than one transaction. In these situations, investment banks may be influenced to find a transaction fair to avoid irritating management and other corporate actors who stand to benefit from the transaction. This will ensure future lucrative business.

Steven M. Davidoff, *Fairness Opinions*, 55 AM. U.L. REV. 1557, 1562, 1587 (August 2006).

88. Here, the Company agreed to pay J.P. Morgan an estimated fee of approximately $32.0 million, of which $3.0 million became payable to J.P. Morgan at the time J.P. Morgan delivered its opinion and a substantial portion of which was contingent and payable upon the consummation of the Merger. Furthermore, during the two years preceding the date of its opinion, J.P. Morgan and its affiliates had commercial or investment banking relationships with the Company and Parent and certain of their affiliates, for which J.P. Morgan and its affiliates received significant compensation. Such services included acting as joint lead arranger and bookrunner on the Company's term loan which closed in December 2016 and joint lead bookrunner on an offering of equity securities by an affiliate of KKR which closed in November 2017. In addition, J.P. Morgan's commercial banking affiliate is an agent bank and a lender under outstanding credit facilities of the Company and Parent and certain of its affiliates, for which it receives customary compensation or other financial benefits. During the two-year period preceding the delivery of its opinion, the aggregate fees received by J.P. Morgan from the Company were approximately $46.0 million and from KKR and certain of its affiliates were approximately $110.0 million.

89. Additionally, Evercore received a fee of approximately $10.2 million that was largely contingent on the Merger being approved by stockholders and consummated, of which $1 million was paid upon execution of the Merger Agreement. In addition, in connection with Evercore's general strategic advisory work, Envision agreed to pay Evercore two quarterly retainer fees of $250,000 beginning on October 6, 2017, a fee of $4.5 million for general strategic advisory services provided prior to June 30, 2018 and against which the quarterly retainer fees were creditable, and additional customary fees. Furthermore, during the two-year period prior to the date of its fairness opinion, Evercore and its affiliates provided financial advisory services to Envision for which Evercore received fees, including the reimbursement of expenses, in an amount

equal to approximately $5 million in the aggregate. And during the two-year period prior to the date of its fairness opinion, Evercore and its affiliates also provided financial services to KKR, an affiliate of Parent, and its affiliates and portfolio companies, for which Evercore received fees, including the reimbursement of expenses in an amount equal to approximately $32.5 million in the aggregate.

90. Furthermore, Envision agreed to pay Guggenheim Securities a cash transaction fee of approximately $10,210,103 upon consummation of the Merger. In connection with Guggenheim Securities' engagement, Envision also paid Guggenheim Securities a cash consulting fee of $4,500,000 for services performed pursuant to its engagement. At the time it rendered its fairness opinion, Gugenheim Securities was also actively and/or had previously been engaged by Envision to provide certain financial advisory or investment banking services in connection with matters unrelated to the Merger, including: (i) acting as Envision's financial advisor in connection with the sale of its American Medical Response, Inc. unit to Air Medical Group Holdings, LLC, a portfolio company of KKR, which closed in March 2018; and (ii) acting as financial advisor to Amsurg in connection with its merger with Envision, which closed in December 2016. During those years, Guggenheim Securities had also been engaged to provide financial advisory, capital markets, and other investment banking services in connection with matters unrelated to the Merger that involved KKR and its affiliates, for which Guggenheim Securities received compensation. Such matters included, among other transactions: (i) the reorganization of Energy Futures Holdings Corporation; (ii) various financings for Life Time Fitness, Inc.; (iii) initial public offerings and follow-on equity offerings for National Vision, Inc. and US Foods Holding Corp.; and (iv) the acquisition of Entellus Medical, Inc. by Stryker Corporation. During the two years ended June 10, 2018, Guggenheim Securities received compensation from Envision of

approximately $38 million for financial advisory and investment banking services unrelated to the merger and received compensation from KKR and its affiliates of approximately $9 million for financial advisory, capital markets and other investment banking services unrelated to the merger.

91. In sum, the Defendants, Envision management, and the Financial Advisors all faced significant conflicts of interest and had significant personal financial reasons for supporting the Merger despite the inadequacy of the Merger Consideration to the Company's stockholders.

COUNT I

(Against All Defendants for Violations of Section 14(a) of the Exchange Act and Rule 14a-9 Promulgated Thereunder)

92. Plaintiff incorporates each and every allegation set forth above as if fully set forth herein.

93. Section 14(a)(1) of the Exchange Act makes it "unlawful for any person, by the use of the mails or by any means or instrumentality of interstate commerce or of any facility of a national securities exchange or otherwise, in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors, to solicit or to permit the use of his name to solicit any proxy or consent or authorization in respect of any security (other than an exempted security) registered pursuant to section 78l of this title." 15 U.S.C. § 78n(a)(1).

94. Rule 14a-9, promulgated by the SEC pursuant to Section 14(a) of the Exchange Act, provides that proxy communications shall not contain "any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements therein not false or misleading." 17 C.F.R. § 240.14a-9.

95. The omission of information from a Proxy will violate Section 14(a) and Rule 14a-9 if other SEC regulations specifically require disclosure of the omitted information.

96. Defendants issued the Proxy with the intention of soliciting stockholder support for the Merger. Each of the Defendants reviewed and authorized the dissemination of the Proxy, which contained multiple materially misleading statements, identified above.

97. Defendants knew or were negligent in not knowing that the Proxy was materially false and misleading. The Individual Defendants were obligated to and undoubtedly reviewed the Proxy prior to the time it was sent to stockholders. Further, the Proxy states that the Individual Defendants were privy to and had knowledge of the financial projections for Envision and the details surrounding discussions with other interested parties and the Financial Advisors. Defendants knew or were negligent in not knowing that the Proxy contained the above-referenced materially misleading statements. Indeed, the Individual Defendants were required to review the Financial Advisors' analyses in connection with their receipt of their fairness opinions, question the Financial Advisors as to their derivation of fairness, and be particularly attentive to the procedures followed in preparing the Proxy and review it carefully before it was disseminated, to corroborate that there were no material misstatements or omissions.

98. Defendants were, at the very least, negligent in preparing and reviewing the Proxy. The preparation of a proxy statement by corporate insiders containing materially false or misleading statements or omitting a material fact constitutes negligence. Indeed, Defendants were intricately involved in the process leading up to the signing of the Merger Agreement and the review of Envision's financial projections and the Financial Advisors' valuation analyses and fairness opinions.

99. Each Individual Defendant was negligent as explained below:

a) Individual Defendant William A. Sanger was negligent because, as a member of the Board, he reviewed the financial analyses and fairness opinion with the Financial Advisors, was aware of the existence of the Management Case Projections and Sensitivity Case Projections, knew the truth with respect to such projections and valuation analyses, and he nevertheless approved the dissemination of the Proxy despite the fact that it contained the above-referenced false and misleading statements;

b) Individual Defendant Carol J. Burt was negligent because, as a member of the Board, she reviewed the financial analyses and fairness opinion with the Financial Advisors, was aware of the existence of the Management Case Projections and Sensitivity Case Projections, knew the truth with respect to such projections and valuation analyses, and she nevertheless approved the dissemination of the Proxy despite the fact that it contained the above-referenced false and misleading statements;

c) Individual Defendant Leonard M. Riggs was negligent because, as a member of the Board, he reviewed the financial analyses and fairness opinion with the Financial Advisors, was aware of the existence of the Management Case Projections and Sensitivity Case Projections, knew the truth with respect to such projections and valuation analyses, and he nevertheless approved the dissemination of the Proxy despite the fact that it contained the above-referenced false and misleading statements;

d) Individual Defendant Michael L. Smith was negligent because, as a member of the Board, he reviewed the financial analyses and fairness opinion with the Financial Advisors, was aware of the existence of the Management Case Projections and Sensitivity Case Projections, knew the truth with respect to such projections and valuation analyses, and he nevertheless approved the dissemination of the Proxy despite the fact that it contained the above-referenced false and misleading statements;

e) Individual Defendant Christopher A. Holden was negligent because, as a member of the Board, he reviewed the financial analyses and fairness opinion with the Financial Advisors, was aware of the existence of the Management Case Projections and Sensitivity Case Projections, knew the truth with respect to such projections and valuation analyses, and he nevertheless approved the dissemination of the Proxy despite the fact that it contained the above-referenced false and misleading statements;

f) Individual Defendant James A. Deal was negligent because, as a member of the Board, he reviewed the financial analyses and fairness opinion with the Financial Advisors, was aware of the existence of the Management Case Projections and Sensitivity Case Projections, knew the truth with respect to such projections and valuation analyses, and he nevertheless approved the dissemination of the Proxy despite the fact that it contained the above-referenced false and misleading statements;

g) Individual Defendant John T. Gawaluck was negligent because, as a member of the Board, he reviewed the financial analyses and fairness opinion with the

Financial Advisors, was aware of the existence of the Management Case Projections and Sensitivity Case Projections, knew the truth with respect to such projections and valuation analyses, and he nevertheless approved the dissemination of the Proxy despite the fact that it contained the above-referenced false and misleading statements;

h) Individual Defendant Steven I. Geringer was negligent because, as a member of the Board, he reviewed the financial analyses and fairness opinion with the Financial Advisors, was aware of the existence of the Management Case Projections and Sensitivity Case Projections, knew the truth with respect to such projections and valuation analyses, and he nevertheless approved the dissemination of the Proxy despite the fact that it contained the above-referenced false and misleading statements;

i) Individual Defendant James D. Shelton was negligent because, as a member of the Board, he reviewed the financial analyses and fairness opinion with the Financial Advisors, was aware of the existence of the Management Case Projections and Sensitivity Case Projections, knew the truth with respect to such projections and valuation analyses, and he nevertheless approved the dissemination of the Proxy despite the fact that it contained the above-referenced false and misleading statements;

j) Individual Defendant Joey A. Jacobs was negligent because, as a member of the Board, he reviewed the financial analyses and fairness opinion with the Financial Advisors, was aware of the existence of the Management Case Projections and Sensitivity Case Projections, knew the truth with respect to such projections and valuation analyses, and he nevertheless approved the dissemination of the Proxy despite the fact that it contained the above-referenced false and misleading statements;

k) Individual Defendant Cynthia S. Miller was negligent because, as a member of the Board, she reviewed the financial analyses and fairness opinion with the Financial Advisors, was aware of the existence of the Management Case Projections and Sensitivity Case Projections, knew the truth with respect to such projections and valuation analyses, and she nevertheless approved the dissemination of the Proxy despite the fact that it contained the above-referenced false and misleading statements; and

l) Individual Defendant Kevin P. Lavender was negligent because, as a member of the Board, he reviewed the financial analyses and fairness opinion with the Financial Advisors, was aware of the existence of the Management Case Projections and Sensitivity Case Projections, knew the truth with respect to such projections and valuation analyses, and he nevertheless approved the dissemination of the Proxy despite the fact that it contained the above-referenced false and misleading statements.

100. Envision is also deemed negligent as a result of the Individual Defendants' negligence in preparing and reviewing the Proxy.

101. As a direct and proximate result of the dissemination of the misleading Proxy Defendants used to obtain stockholder approval of the Merger, Plaintiff and the Class have suffered damages and actual economic losses (*i.e.* the difference between the value they received as a result of the Merger and the true value of their shares prior to the Merger) in an amount to be determined

at trial. By reason of the misconduct detailed herein, Defendants are liable pursuant to Section 14(a) of the Exchange Act and SEC Rule 14a-9.

COUNT II

(Against the Individual Defendants for Violations of Section 20(a) of the Exchange Act)

102. Plaintiff incorporates each and every allegation set forth above as if fully set forth herein.

103. The Individual Defendants acted as controlling persons of Envision within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their positions as officers and/or directors of Envision, and participation in and/or awareness of the Company's operations and/or intimate knowledge of the false and misleading statements contained in the Proxy filed with the SEC, they had the power to influence and control and did influence and control, directly or indirectly, the decision making of the Company, including the content and dissemination of the various statements that Plaintiff contends are materially incomplete, false, and misleading.

104. Each of the Individual Defendants was provided with or had unlimited access to copies of the Proxy and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

105. In particular, each of the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company, and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the Exchange Act violations alleged herein, and exercised the same. The Proxy contains the unanimous

recommendation of each of the Individual Defendants to approve the Merger. They were thus directly involved in preparing this document.

106. In addition, as the Proxy sets forth at length, and as described herein, the Individual Defendants were involved in negotiating, reviewing, and approving the Merger Agreement. The misleading statements and related projections and information identified above were reviewed by the Board. The Proxy at issue contains the unanimous recommendation of the Board to approve the Merger. The Individual Defendants were thus directly involved in the making of the Proxy.

107. In addition, as the Proxy sets forth at length, and as described herein, the Individual Defendants were involved in negotiating, reviewing, and approving the Merger Agreement. The Proxy purports to describe the various issues and information that the Individual Defendants reviewed and considered. The Individual Defendants participated in drafting and/or gave their input on the content of those descriptions.

108. By virtue of the foregoing, the Individual Defendants have violated Section 20(a) of the Exchange Act.

109. As set forth above, the Individual Defendants had the ability to exercise control over and did control a person or persons who have each violated Section 14(a) and Rule 14a-9 by their acts and omissions as alleged herein. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Individual Defendants' conduct, Plaintiff and the Class have suffered damages and actual economic losses (*i.e.*, the difference between the value they received as a result of the Merger and the true value of their shares at the time of the Merger) in an amount to be determined at trial.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment and relief as follows:

A. Declaring that this action is properly maintainable as a Class Action and certifying Plaintiff as Class Representative and his counsel as Class Counsel;

B. Awarding Plaintiff and the Class compensatory and/or rescissory damages sustained as a result of Defendants' wrongdoing, including, but not limited to, pre-judgment and post-judgment interest;

C. Awarding Plaintiff and the Class the costs and disbursements of this action, including reasonable attorneys' and expert fees and expenses;

D. Awarding extraordinary and/or equitable relief as permitted by law, equity, and the federal statutory provisions sued hereunder; and

E. Granting such other and further relief as this Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury on all issues so triable.

Dated: December 13, 2018

MONTEVERDE & ASSOCIATES PC
Juan E. Monteverde
Miles D. Schreiner
The Empire State Building
350 Fifth Avenue, Suite 4405
New York, NY 10118
Tel.: (212) 971-1341
Fax: (212) 202-7880
Email: jmonteverde@monteverdelaw.com
mschreiner@monteverdelaw.com

Attorneys for Lead Plaintiff and Lead Counsel for the Putative Class

COOCH AND TAYLOR, P.A.

/s/ *Blake A. Bennett*
Blake A. Bennett (#5133)
The Brandywine Building
1000 West Street, 10th Floor
Wilmington, DE 19801
Tel.: (302) 984-3800

Liaison Counsel for Plaintiff and the Putative Class