

Emergency Medical Services L.P.

Form 10-Q

November 04, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file numbers:

001-32701

333-127115

EMERGENCY MEDICAL SERVICES CORPORATION

EMERGENCY MEDICAL SERVICES L.P.

(Exact name of Registrants as Specified in their Charters)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-3738384

20-2076535

(IRS Employer
Identification Numbers)

6200 S. Syracuse Way, Suite 200

Greenwood Village, CO

(Address of principal executive offices)

80111

(Zip Code)

Registrants telephone number, including area code: **303-495-1200**

Former name, former address and former fiscal year, if changed since last report:

Not applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange act). Yes No

Shares of class A common stock outstanding at October 29, 2010 30,315,886; shares of class B common stock outstanding at October 29, 2010 65,052; LP exchangeable units outstanding at October 29, 2010 13,724,676.

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EMERGENCY MEDICAL SERVICES CORPORATION

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ON FORM 10-Q

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Table of Contents**EMERGENCY MEDICAL SERVICES CORPORATION****PART I. FINANCIAL INFORMATION****FOR THE THREE AND NINE MONTHS ENDED****SEPTEMBER 30, 2010****ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)****Emergency Medical Services Corporation****Consolidated Statements of Operations and Comprehensive Income****(unaudited; in thousands, except share and per share data)**

	Quarter ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net revenue	\$ 737,180	\$ 665,056	\$ 2,125,338	\$ 1,915,369
Compensation and benefits	523,263	467,625	1,500,023	1,332,787
Operating expenses	91,023	85,510	268,138	252,355
Insurance expense	25,793	24,845	73,805	75,706
Selling, general and administrative expenses	17,742	15,871	52,898	47,186
Depreciation and amortization expense	16,528	15,733	48,400	48,658
Income from operations	62,831	55,472	182,074	158,677
Interest income from restricted assets	717	1,082	2,431	3,468
Interest expense	(4,856)	(10,280)	(18,182)	(30,749)
Realized gain on investments	730	544	879	2,030
Interest and other income	277	502	748	1,442
Loss on early debt extinguishment			(19,091)	
Income before income taxes and equity in earnings of unconsolidated subsidiary	59,699	47,320	148,859	134,868
Income tax expense	(22,990)	(18,533)	(57,355)	(53,144)
Income before equity in earnings of unconsolidated subsidiary	36,709	28,787	91,504	81,724
Equity in earnings of unconsolidated subsidiary	53	91	252	244
Net income	36,762	28,878	91,756	81,968
Other comprehensive income (loss), net of tax:				
Unrealized holding gains (losses) during the period	364	761	1,907	(1,773)
Unrealized gains on derivative financial instruments	330	1,105	245	2,372
Comprehensive income	\$ 37,456	\$ 30,744	\$ 93,908	\$ 82,567
Basic earnings per common share	\$ 0.83	\$ 0.67	\$ 2.09	\$ 1.93
Diluted earnings per common share	\$ 0.82	\$ 0.66	\$ 2.06	\$ 1.89
	44,100,239	42,809,582	43,896,524	42,366,065

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Weighted average common shares outstanding, basic				
Weighted average common shares outstanding, diluted	44,699,169	43,769,788	44,648,135	43,402,818

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

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Emergency Medical Services Corporation

Consolidated Balance Sheets

(in thousands, except share and per share data)

September 30,

GRE has developed and begun to market a twelve-month guaranteed rate residential offering in some utility territories, and has created a new brand, Residents Energy, to focus on marketing and sales of guaranteed rate offerings. We will face greater commodity risk from guaranteed rate offerings, which we may not be able to effectively hedge.

The retail electricity price increases discussed above resulted in large numbers of customers filing informal and formal complaints with state utility commissions, state attorneys general and state legislators. IDT Energy was served with several thousand formal and informal customer complaints to state utility commission and state attorneys general related to the winter retail price increase. IDT Energy has responded to each customer complaint it has received and attempted to resolve each complaining customer's concerns. GRE's REPs also paid approximately \$5 million in rebates to affected customers in the year ended December 31, 2014. IDT Energy was not under any obligation to provide such rebates and did so in order to mitigate the impact of the price increase on its customers notwithstanding that the underlying cause of the price increase was beyond GRE's control.

If certain REPs, however, are determined to have acted in a manner that was harmful to customers, the entire industry can suffer from the reputational harm.

GRE is subject to litigation that may limit its operations.

In connection with the events described in the Risk Factor above entitled "Unusual weather conditions may have significant and indirect impacts on GRE's business and results of operations", IDT Energy has also been sued in separate putative class actions in New York, New Jersey and Pennsylvania, partially related to the price increases during the winter of 2014. These matters are more fully discussed below in Item 3 "Legal Proceedings" in this Annual Report.

IDT Energy does not believe that it was at fault or acted in any way improperly with respect to the events of winter 2014. However, we cannot predict the outcome of putative class action litigation or the impact on us of these or other actions, or whether there will be other impacts from the conditions that existed in winter 2014. Further, although we have taken action to insulate us and our customers from future similar events, we cannot assure that those actions will be effective and we will not be subject to class actions in the future.

Such class action lawsuits or other claims against us could have a material adverse impact on our financial condition, competitive position or results of operations.

Our current strategy is based on current regulatory conditions and assumptions, which could change or prove to be incorrect.

Regulation over the electricity and natural gas markets has been in flux at the state and federal levels. In particular, any changes adopted by the FERC, or changes in state or federal laws or regulations (including greenhouse gas laws) may affect the prices which GRE purchases electricity or natural gas for its customers. While we endeavor to pass along increases in energy costs to our customers pursuant to our variable rate customer offerings, we may not always be able to do so due to competitive market forces and the risk of losing our customer base.

In connection with the events described in the Risk Factor above entitled “Unusual weather conditions may have significant and indirect impacts on GRE’s business and results of operations”, IDT Energy responded to formal and informal information requests from state utility commissions, state attorneys general, and state legislators related to the wholesale and retail electricity price increases in the winter of 2014. In addition, the Pennsylvania Attorney General’s Office and the Acting Consumer Advocate filed a Joint Complaint against IDT Energy with the Pennsylvania Public Utility Commission in connection with such events. Legislators and regulators may enact or modify laws or regulation to prevent the repetition of the price spikes discussed above or address customer complaints that have come to light in connection with those events. Potential regulatory and/or legislative changes may impact our ability to use our established sales and marketing channels. Any changes in these factors, or any significant changes in industry development, could have an adverse effect on our revenues, profitability and growth or threaten the viability of our current business model.

Regulatory conditions can affect the amount of taxes and fees we need to pay and our pricing advantages.

We are subject to audits in various jurisdictions for various taxes, including income tax, utility excise tax and sales and use tax. Aggressive stances taken recently by regulators increase the likelihood of our having to pay additional taxes and fees in connection with these audits. In the future, we may seek to pass such charges along to our customers, which could have an adverse impact on our pricing advantages.

Commodity price volatility could have an adverse effect on our cost of revenues and our results of operations.

Volatility in the markets for certain commodities can have an adverse impact on our costs for the purchase of the electricity and natural gas that GRE sells to its customers. In our fixed or guaranteed price products, we cannot, and in our variable price products due to customer or competitive factors, we may not always be able or choose to, pass along increases in costs to our customers. This would have an adverse impact on our margins and results of operations. Alternatively, volatility in pricing for GRE's electricity and natural gas related to the cost of the underlying commodities can lead to increased customer churn. In times of high commodity costs, our variable pricing model and commodity purchasing approach can lead to competitive disadvantages as we must pass all or some portion of our increased costs to our customers.

We face risks that are beyond our control due to our reliance on third parties and our general reliance on the electrical power transmission infrastructure within the United States.

Our ability to provide energy delivery and commodity services depends on the operations and facilities of third parties, including, among others, BP, NYISO and PJM. Our reliance on the electrical power generation and transmission infrastructure within the United States makes us vulnerable to large-scale power blackouts. The loss of use or destruction of third party facilities that are used to generate or transmit electricity due to extreme weather conditions, breakdowns, war, acts of terrorism or other occurrences greatly reduce our potential earnings and cash flows.

The REP business, including our relationship with our suppliers, is dependent on access to capital and liquidity.

Our business involves entering into contracts to purchase large quantities of electricity and natural gas. Because of seasonal fluctuations, we are generally required to purchase electricity or natural gas in advance and finance that purchase until we can recover such amounts from revenues. GRE has a Preferred Supplier Agreement with BP pursuant to which BP is our preferred provider of electricity and natural gas. In addition to other advantages of this agreement, we are no longer required to post security with most suppliers other than BP. There can be no assurance that we will be able to maintain the required covenants, that BP will be able to maintain their required credit rating, or that the agreement will be renewed upon its expiration in June 2015. In addition,

security requirements outside of the BP agreement may increase as we enter other markets. Difficulty in obtaining adequate credit and liquidity on commercially reasonable terms may adversely affect our business, prospects and financial conditions.

A revision to certain utility best practices and programs in which we participate and with which we comply could disrupt our operations and adversely affect our results and operations.

Certain retail access “best practices” and programs proposed and/or required by state regulators have been implemented by us in most of the service territories in which we operate. One such practice is participation in purchase of receivables, or POR, programs under which certain utilities purchase customer receivables for approximately 98.5% of their face value in exchange for a first priority lien in the customer receivables without recourse against a REP. This program is a key to our control of bad debt risk in our REP business in New York and a similar program is important to us in Pennsylvania. On February 25, 2014, the New York Public Service Commission issued an order calling for numerous modifications to the Uniform Business Practices (UBP), the set of rules that govern the retail energy industry in New York. These modifications include some changes to the POR program. The details of the changes and the manner of their implementation will be the subject of an upcoming collaborative meeting between the utilities and the REPs. We may need to adjust our current strategy regarding customer acquisition and our focus on the growth of our customer base. We would also need to adjust our current business plan to reduce our exposure to existing customers who may present a bad debt risk. Any failure to properly respond to changing conditions could adversely affect our results of operations and profitability.

In addition, on June 23, 2008, NYPSC issued its Order Establishing Energy Efficiency Portfolio Standard, or EEPS, and Applicable Programs setting a goal of gradually reducing electricity usage by 15% statewide by 2015 and requiring the utilities to file energy efficiency programs consistent with the policies and cost/benefit factors adopted by the NYPSC. Since 2009, the NYPSC has approved 90 electric and natural gas energy efficiency programs to implement the EEPS policy. We cannot predict the impact of the EEPS on the electricity usage of our customers. There could be an adverse effect on the result of operations of our REP business if the EEPS results in a reduction in the aggregate amount of customer demand.

In New Jersey, customers who are delinquent in paying their invoices are no longer eligible to receive a consolidated utility invoice. A consolidated utility invoice is similar to a purchase of receivables program since the utility has the responsibility to bill the customer and collect the receivable. Instead, those customers are switched to a dual bill arrangement, whereby GRE's REP businesses are responsible to bill and collect the commodity portion of the customers' invoices. Once we invoice these customers under a dual bill arrangement, we have bad debt risk associated with that portion of our revenues. Economic conditions, the creditworthiness of our customers in New Jersey and our ability to collect from these customers, among other things, may impact our profitability.

The REP business depends on maintaining the licenses in the states we operate and any loss of those licenses would adversely affect our business, prospects and financial conditions.

GRE's REP businesses require licenses from public utility commissions and other regulatory organizations to operate its business. Those agencies may impose various requirements to obtain or maintain licenses. Further, certain non-governmental organizations have been focusing on the REP industry and the treatment of customers by certain REPs. Any negative publicity regarding the REP industry in general and GRE in particular or any increase in customer complaints regarding GRE's REP businesses could negatively affect our relationship with the various commissions and regulatory agencies and could negatively impact our ability to obtain licenses to expand operations or maintain the licenses currently held. In the aftermath of the polar vortex, several regulatory bodies have adopted more aggressive policies toward REPs, including the action against IDT Energy in Pennsylvania described elsewhere in our Annual Report. Any loss of our REP licenses would cause a negative impact on our results of operations, financial condition and cash flow.

The REP business depends on the continuing efforts of our management team and our personnel with strong industry or operational knowledge and our efforts may be severely disrupted if we lose their services.

Our success depends on key members of our management team, the loss of whom could disrupt our business operation. Our business also requires a capable, well-trained workforce to operate effectively. There can be no assurance that we will be able to retain our qualified personnel, the loss of whom may adversely affect our business, prospects and financial conditions.

We could be harmed by network disruptions, security breaches, or other significant disruptions or failures of our IT infrastructure and related systems.

To be successful, we need to continue to have available a high capacity, reliable and secure network. We face the risk, as does every company, of a security breach, whether through cyber-attack, malware, computer viruses, sabotage, or other significant disruptions of our IT infrastructure and related systems. We face a risk of a security breach or disruption from unauthorized access to our proprietary or classified information on our systems. Certain of our personnel operate in jurisdictions that could be a target for cyber-attacks. The secure maintenance and transmission of our information is a critical element of our operations. Our information technology and other systems that maintain and transmit our information, or those of service providers or business partners, may

compromised by a malicious third party penetration of our network security, or that of a third party service provider or business partner, or impacted by advertent or inadvertent actions or inactions by our employees, or those of a third party service provider or business partner. As a result, our information may be lost, disclosed, accessed or taken without our consent.

Although we make significant efforts to maintain the security and integrity of these types of information and systems, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would be successful or damaging, especially in light of the growing sophistication of cyber-attacks and intrusions. We may be unable to anticipate all potential types of attacks or intrusions or to implement adequate security barriers or other preventative measures.

Network disruptions, security breaches and other significant failures of the above-described systems could (i) disrupt the proper functioning of these networks and systems, and therefore, our operations; (ii) result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of our proprietary, confidential, sensitive or otherwise valuable information, including trade secrets, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes; (iii) require significant management attention or financial resources to remedy the damages that result or to change our systems; or (iv) result in a loss of business, damage our reputation or expose us to litigation. Any or all of which could have a negative impact on our results of operations, financial condition and cash flows.

Our growth strategy depends, in part, on our acquiring complementary businesses and assets and expanding our existing operations, which we may be unable to do.

Our growth strategy is based, in part, on our ability to acquire businesses and assets that are complementary to our existing operations. We may also seek to acquire other businesses. The success of this acquisition strategy will depend, in part, on our ability to accomplish the following:

- identify suitable businesses or assets to buy;

 - complete the purchase of those businesses on terms acceptable to us;

- complete the acquisition in the time frame we expect;

- improve the results of operations of the businesses that we buy and successfully integrate their operations into our own; and
- avoid or overcome any concerns expressed by regulators, including antitrust concerns.

There can be no assurance that we will be successful in pursuing any or all of these steps. Our failure to implement our acquisition strategy could have an adverse effect on other aspects of our business strategy and our business in general. We may not be able to find appropriate acquisition candidates, acquire those candidates that we find or integrate acquired businesses effectively or profitably.

Risks Related to Genie Oil and Gas

We have no current production of oil and gas and we may never have any.

We do not have any current production of oil and gas. We cannot assure you that we will produce or market shale oil or gas in commercially profitable quantities. Our ability to produce and market oil and gas may depend upon our ability to develop and operate our planned projects and facilities, which may be affected by events or conditions that impact the advancement, operation, cost or results of such projects or facilities, including:

Energy commodity prices relative to production costs;

The occurrence of unforeseen technical difficulties;

The outcome of negotiations with potential partners, governmental agencies, regulatory bodies, suppliers, customers or other parties;

Changes to existing legislation or regulation governing our current or planned operations;

Our ability to obtain all the necessary permits to operate our facilities;

Changes in operating conditions and costs, including costs of third-party equipment or services such as drilling and processing; access to power sources; and

Security concerns or acts of terrorism that threaten or disrupt the safe operation of company facilities.

In-situ technology for the extraction of oil and gas from oil shale is in its early stages of development and has not been deployed commercially at large scale. AMSO, LLC, Genie Mongolia and IEI may not be able to develop environmentally acceptable and economically viable technology in connection therewith.

Our strategy is substantially predicated on the production and extraction of oil and gas from unconventional resources, defined as any resource other than the traditional oil well. Our initial activity is in the in-situ production of oil and gas from oil shale, which is typically more costly and is less established technically than traditional oil and gas production and therefore, incurs a higher degree of technology risk. The greater cost increases the risk that we will not be profitable given commodity price fluctuations, assurance

enter into commercial production.

Operating hazards and uninsured risks with respect to the oil and gas operations may have material adverse effects on our operations.

Our research, exploration and, if successful, development and production operations are subject to risks similar to those normally incident to the exploration for and the development and production of oil and gas, including blowouts, subsidence, uncontrolled flows of oil, gas or well fluids, fires, pollution and other environmental and operating risks. These hazards could result in substantial losses due to injury or loss of life, severe damage to or destruction of property and equipment, pollution and other environmental damage and suspension of operations. While as a matter of practice we have insurance against some or all of these risks, such insurance may not cover the particular hazard and may not be sufficient to cover all losses. The occurrence of a significant event adversely affecting any of our operations could have a material adverse effect on us, could materially affect our continued operations and could expose us to material liability.

Genie Oil and Gas' dependence on contractors, equipment and professional services that have limited availability could result in increased costs and possibly material delays in their respective work schedules.

Due to the lack of available technical resources with in-situ hydrocarbon production experience, the costs for our operations may be more expensive than planned or there could be delays in our operating plans. We are also more likely to incur delays in our development and operating schedule and we may not be able to meet our required work schedule. Similarly, some of the professional personnel we need for our planned operations are not available in the locations in which we operate or are not available on short notice to work in such location, and, therefore, we may need to use overseas contractors for various projects. Any or all of the factors specified above may result in increased costs and delays in our work schedule.

Genie Oil and Gas will require substantial funds and will need to raise additional capital in the future.

We will need substantial funds to fully execute our research and development activities, and, if those activities are successful, we will need additional substantial funds to commence our anticipated commercial operations, if any. Failure to secure adequate funding could adversely affect our ability to advance our strategic plans as currently contemplated and require us to delay, scale back or shut down our operations.

In January 2011, Total completed funding of its committed capital contributions to AMSO, LLC, and, accordingly, Total has the option to terminate its obligations to make additional capital contributions and withdraw as a member of AMSO, LLC. AMSO, LLC did not fund the capital calls for each quarter of 2014, and as a result, AMSO's ownership interest in AMSO, LLC was reduced to 43.1% and Total's ownership interest increased to 56.9%. However, if Total exercises its option and terminates its future funding, we will need to find other sources of funding or otherwise risk shutting down AMSO, LLC's operations.

Genie Oil and Gas' success depends on the continuing efforts of key personnel and certain strategic partners, and our efforts could be severely disrupted if we lose their services.

Our future success depends, to a significant extent, on our ability to attract and retain qualified technical personnel, particularly those with expertise in the oil and gas industry and with in-situ hydrocarbon projects. There is substantial competition for qualified technical personnel, and there can be no assurance that we will be able to attract or retain our qualified technical personnel. Specifically, we heavily rely on the services of the members of the management and technical teams at AMSO, LLC and IEI, including Harold Vinegar, Ph.D. at IEI, Afek and Genie Mongolia and Alan Burnham, Ph.D. at AMSO, LLC, for their technical expertise, assistance in the development of our intellectual property and guidance on building out a pilot/commercial facility for potential commercial production. Specifically, Dr. Vinegar has a long-term employment agreement with us through 2017. In addition, AMSO, LLC is dependent on Total (as discussed more fully in Item 1 to Part I of this Annual Report) for technical expertise, financial support and guidance.

The unexpected loss of the services of one or more of these people and/or the technical expertise and support of certain partners could significantly reduce the ability to find suitable replacements within a reasonable period of time thereafter, could have a material adverse effect on our operations.

There are uncertainties associated with AMSO, LLC's lease, Genie's IEI and Afek licenses and Genie Mongolia's agreement

AMSO, LLC's lease for research, development and demonstration, or RD&D Lease, runs for a 10-year period expiring at the end of 2016, with a possible extension of up to five years upon demonstration that a process leading up to the production of commercial quantities of oil and gas is economically feasible.

quantities of shale oil is diligently being pursued. The terms of the RD&D Lease do not guarantee that the BLM will grant a commercial lease. Further, there is significant environmental opposition to the commercial production of shale oil. Under current regulation, there are numerous conditions and requirements, the evaluation of which is subject to considerable discretion by the BLM, that AMSO, LLC will have to satisfy in order to convert its RD&D Lease into a commercial lease prior to the expiration of its RD&D Lease term. These conditions, which are more fully discussed in Item 1 to Part I of this Annual Report, require AMSO, LLC to demonstrate, among other things, an economically viable commercial production process which will likely depend upon the availability of competing products, including conventional oil. There can be no assurance that AMSO, LLC will satisfy all of these conditions and requirements. Additionally, there have been proposed changes to the regulations governing commercial leases such as those that have been proposed into which AMSO, LLC intends to convert its RD&D Lease. The BLM indicated that it intends to issue new commercial oil lease regulations, which could affect the commercial royalty rates and the conversion criteria. Although the conversion terms of AMSO, LLC's RD&D Lease provide for applicability of the existing regulatory scheme, we cannot assure you that we will not be subject to more restrictive or less favorable regulations.

IEI holds an exclusive Shale Oil Exploration and Production License that covers approximately 238 square kilometers in the Shfela region in Israel. The license expires in July 2011. The initial term of the license was for three years until July 2011. The license has been extended until July 2015 (the maximum term of a license under Israeli Law is seven years). Although the license may be further extended and IEI may also apply for a new license, there is no guarantee the license will be extended, that a new license would be granted or that the license will not be successfully challenged by environmental or other opposition groups. The license is subject to certain conditions and milestones and the failure to reach those milestones may result in the termination, revocation, suspension or limitation of the license. Our ability to construct the pilot plant is dependent on recently enacted permit regulations, and there is no guarantee that we will be able to obtain the required permits under the new regulations in a timely manner or at all.

On September 2, 2014, the Jerusalem District Committee for Planning and Building declined to issue IEI a permit to build and operate a pilot drilling project. IEI is currently evaluating its options to determine the best course of action to move forward to exploit the abundant oil shale resource in Israel.

In April 2013, the Government of Israel finalized the award to Afek of an exclusive three year petroleum exploration license covering 396.5 square kilometers in the southern portion of the Golan Heights. Because of the dispute as to the status of the Golan Heights, operations under the license may initiate international criticism, sanctions and boycotts. The political uncertainties surrounding the Golan Heights may result in (i) questions regarding the validity of the license granted to Afek by the State of Israel; (ii) disputed titles to any resources extracted; (iii) possible sanctions on Afek or Genie or restrictions on sale of any extracted resources; and (iv) possible negative publicity or other adverse public activities or perceptions of Afek and the Company. In addition, if the Golan Heights are returned to Syria by Israel, the continuation of Afek's license would be in doubt.

In April 2013, Genie Mongolia and the Petroleum Authority of Mongolia entered into an exclusive oil shale development agreement to explore and evaluate the commercial potential of oil shale resources in a 34,470 square kilometer area in Central Mongolia. Genie Mongolia is in the process of negotiating terms with the government of Mongolia to obtain a contract to commercially produce oil and gas from oil, shale but there is no assurance that it will be successful in obtaining these on commercially reasonable terms. Genie continues to work with the government of Mongolia to find a mutually beneficial financial agreement.

In September 2014, Genie Mongolia signed a prospecting agreement with the Petroleum Authority of Mongolia covering an additional 25,000 square kilometers in Central Mongolia. The agreement, the first to be signed under recently passed legislation, provides a framework under which Genie Mongolia can request a commercial production agreement once a specific suitable area and location are identified.

Genie Oil and Gas is subject to regulatory, legal challenges and political risks that may limit its operations.

Our operations and potential earnings may be affected from time to time in varying degree by regulatory, legal and political factors, including laws and regulations related to environmental or energy security matters, including those addressing alternative and renewable energy sources and the risks of global climate change and legal challenges. Such laws and regulations continue to change in both number and complexity and affect our operations with respect to, among other things:

The discharge of pollutants into the environment;

The handling, use, storage, transportation, disposal and cleanup of hazardous materials and hazardous and nonhazardous waste;

The dismantlement, abandonment and restoration of our properties and facilities at the end of their useful lives;

Restrictions on exploration and production;

Loss of petroleum rights, including key leases, licenses or permits;

Tax or royalty increases, including retroactive claims;

Intellectual property challenges that would limit our ability to use our planned in-situ production technologies; and
Political instability, war or other conflicts in areas where we operate.

For example, in March 2011, the Israeli Parliament passed a bill materially increasing the overall taxes, royalties and other fees payable to the Israeli government from revenues derived by oil and natural gas producers. The Israeli Income Tax Ordinance was revised accordingly and the amount payable to the government from revenues derived by oil and natural gas producers increased from a maximum of 32% to 52%. This tax will only be imposed once a project has passed certain milestones set forth in the ordinance (when the profits derived from a certain field have reached 150% of the original investment in that field).

Emerging markets are subject to greater risks than more developed markets, including significant legal, economic and political risks.

Mongolia does not possess as sophisticated and efficient business, regulatory, power and transportation infrastructures as generally exist in more developed market economies. Particularly, the legal system of Mongolia is less developed than those of more established jurisdictions, which may result in risks such as: the lack of effective legal redress in the courts; a higher degree of discretion on the part of governmental authorities; delays caused by the extensive bureaucracy; the lack of judicial or administrative guidance on interpreting applicable laws and regulations; inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and relative inexperience of the judiciary and courts in such matters. As a result, there may be ambiguities, inconsistencies and anomalies in the agreements, licenses and title documents through which Genie Mongolia holds its interests in Mongolia, or the underlying legislation upon which those interests are based. Many laws have been enacted, but in some instances they are neither understood nor enforced and may be applied in an inconsistent, arbitrary or unfair manner.

AMSO, LLC's RD&D Lease is subject to other third party lease interests.

There are other mineral leases which are collocated with AMSO, LLC's lease interests, including the territory designated for AMSO, LLC's commercial lease conversion. While some of these other leases are subject to special oil shale stipulations requiring the leaseholders to minimize potential impacts and prevent interference with oil shale development, others are not. Although AMSO, LLC works to coordinate drilling plans and operations with these collocated leaseholders to preserve the integrity of its resource operations, we cannot guaranty that these collocated leases will not interfere with AMSO LLC's operations.

Regulation of greenhouse gas emissions could increase Genie Oil and Gas' operational costs, cause delays and/or restrict our operations.

The production and processing of oil shale will result in some emission of greenhouse gases. International agreements and national or regional legislation and regulatory measures to limit greenhouse emissions are currently in various phases of discussion or implementation. The Kyoto Protocol and other actual or pending federal, state and local regulations envision a reduction of greenhouse gas emissions through market-based trading schemes. As a result of these and other potential environmental regulations, if our research and development activities are successful and we eventually begin commercial production, we can expect to incur additional capital, compliance, operating, maintenance and remediation costs. To the extent these costs are not ultimately reflected in the price of the products we sell, our operating results will be adversely affected.

The oil and gas industry is subject to the general inherent industry and economic risks.

The oil and gas business is fundamentally a commodity business. This means that potential future commercial operations and earnings may be significantly affected by changes in oil and gas prices and by changes in margins on gasoline, natural gas and refined products. For example, the recent worldwide decrease in oil prices would have a significant negative impact on potential future commercial operations.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could result in us to lose significant rights and pay significant damage awards.

Our success also depends largely on our ability to use and develop our technology and know-how without infringing on the intellectual property rights of third parties. The validity and scope of claims relating to our technology involve complex scientific, legal and factual questions and analysis. It is therefore difficult to accurately predict whether or not a third party will assert that we are infringing on its intellectual property or whether it would prevail. Although we are not currently aware of any infringement claims, any parties pursuing or intending to pursue infringement claims against us, we cannot assure you that we will not be subject to such claims in the future. Also, in many jurisdictions, patent applications remain confidential and are not published for some period of time before filing. Thus, we may be unaware of other parties' pending patent applications that relate to our processes. While at present we are unaware of competing patent applications, such applications could potentially surface.

The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, to redact our products, or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies.

Risk Related to Our Financial Condition and Reporting

We hold significant cash and cash equivalents, restricted cash—short-term, and certificates of deposit that are subject to various market risks.

As of December 31, 2014, we had cash and cash equivalents, restricted cash—short-term, and certificates of deposit of \$87.2 million. As a result of various market risks, the value of these holdings could be materially and adversely affected.

In the past, we identified material weaknesses in our internal control over financial reporting, that could have impaired our ability to produce accurate and timely financial statements and led investors and other users to lose confidence in our published financial statements.

Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial statements. In evaluating the effectiveness of our internal control over financial reporting as of December 31, 2013, management identified several weaknesses in the Company's internal control over financial reporting.

As disclosed in the Report of Management on Internal Control over Financial Reporting, the material weaknesses have been successfully remediated in Fiscal 2014 and we continue to work to improve our internal control process and diligently review our financial reporting controls and procedures. However, if our remedial measures prove to be insufficient to address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results.

Risks Related to Our Capital Structure

Holders of our Class B common stock and Series 2012-A Preferred Stock have significantly less voting power than holders of our Class A common stock.

Holders of our Class B common stock and Series 2012-A Preferred Stock are entitled to one-tenth of a vote per share on all matters on which our stockholders are entitled to vote, while holders of our Class A common stock are entitled to three votes per share. As a result, the ability of holders of our Class B common stock and Series 2012-A Preferred Stock to influence our management is limited.

Holders of our Series 2012-A Preferred Stock are entitled to an annual dividend and such payments may have a negative impact on the Company's cash flow.

Holders of our Series 2012-A Preferred Stock are entitled to receive an annual dividend, payable quarterly in cash. The payment of such dividend could have a negative impact on the Company's cash flow and cash balances. If dividends on any shares of the Series 2012-A Preferred Stock are in arrears for six or more quarters, whether or not consecutive, holders of the Series 2012-A Preferred Stock shall have the right to elect two (2) additional directors to serve on our Board, and this could have a negative impact on the market price of our equity securities.

We are controlled by our principal stockholder, which limits the ability of other stockholders to affect our management.

Howard S. Jonas, our Chairman of the Board, has voting power over 6,915,034 shares of our common stock (which includes 1,574,326 shares of our Class A common stock, which are convertible into shares of our Class B common stock on a 1-for-1 basis, and 5,340,708 shares of our Class B common stock), representing approximately 73% of the combined voting power of our outstanding capital stock, as of March 16, 2015. Mr. Jonas is able to control matters requiring approval by our stockholders, including the election of all of the directors and the approval of significant corporate matters, including any merger, consolidation, or sale of all or substantially all of our assets. As a result, the ability of any of our other stockholders to influence our management is limited.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our headquarters are located at 550 Broad St., Newark, New Jersey. We lease approximately 3,500 square foot space in Newark, New Jersey.

IDT Energy's Jamestown, New York offices are located at 20 West Third Street where we lease approximately 10,000 square feet of space. Diversegy's and Epiq's offices are located in Dallas, Texas where we lease approximately 5,000 square feet of space. Energy's Florida office is located in Holiday, Florida where we lease approximately 4,350 square feet.

AMSO, LLC's operating office is in Rifle, Colorado. AMSO, LLC is supported by AMSO and Genie professionals based in New Jersey. AMSO, LLC rents approximately 2,450 square feet of office space and 2,000 square feet of warehouse space in under operating leases with flexible terms and conditions.

IEI and Afek operate out of IDT Corporation's offices in Jerusalem. In addition, IEI maintains a research laboratory located on the campus of Ben Gurion University in Be'er Sheva and Afek rents office space in Katzrin, a city in the northern part of Afek's area and warehouses in Bnei Yehuda, in the south part of the Golan.

Genie Mongolia operates from and rents approximately 1,400 square feet of office space in Ulaanbataar, Mongolia.

Item 3. Legal Proceedings.

On March 13, 2014, named plaintiff, Anthony Ferrare, commenced a putative class-action lawsuit against IDT Energy, Inc. in the Court of Common Pleas of Philadelphia County, Pennsylvania. The complaint was served on IDT Energy on July 16, 2014. The named plaintiff filed the suit on behalf of himself and other former and current electric customers of IDT Energy in Pennsylvania with variable rate plans, whom he contends were injured as a result of IDT Energy's allegedly unlawful sales and marketing practices. On August 7, 2014, IDT Energy removed the case to the United States District Court for the Eastern District of Pennsylvania. On October 20, 2014, IDT Energy moved to stay or, alternatively, dismiss the complaint, as amended by the named plaintiff ("Motion to Dismiss"). On November 10, 2014, the named plaintiff opposed IDT Energy's Motion to Dismiss and on November 20, 2014, filed a reply memorandum of law in further support of its Motion to Dismiss. The parties are now awaiting a decision from the Court. IDT Energy believes that the claims in this lawsuit are without merit and intends to vigorously defend its action. However, because the outcome of this matter is uncertain, the Company is unable to make an assessment of the final result and its impact on the Company.

On June 20, 2014, the Pennsylvania Attorney General's Office ("AG") and the Acting Consumer Advocate ("OCA") filed a Joint Complaint against IDT Energy, Inc. with the Pennsylvania Public Utility Commission. In the Joint Complaint, the AG and the OCA allege, among other things, various violations of Pennsylvania's Unfair Trade Practices and Consumer Protection Law, the Telemarketing Registration Act and the Pennsylvania Public Utility Commission's regulations. IDT Energy is continuing to defend against the allegations of the Joint Complaint and continues to respond to requests for information in connection with the proceedings. IDT Energy denies that there is any merit to the claims made in the Joint Complaint, and the Company cannot estimate its potential damages.

On July 2, 2014, named plaintiff, Louis McLaughlin, filed a putative class-action lawsuit against IDT Energy, Inc. in the United States District Court for the Eastern District of New York, contending that he and other class members were injured as a result of IDT Energy's allegedly unlawful sales and marketing practices. The named plaintiff filed the suit on behalf of himself and two subclasses: all IDT Energy customers who were charged a variable rate for their energy from July 2, 2008, and all IDT Energy customers who participated in IDT Energy's rebate program from July 2, 2008. On December 19, 2014, IDT Energy filed a motion to dismiss the complaint. The named plaintiff filed opposition papers to IDT Energy's motion to dismiss on March 13, 2015, and IDT Energy's reply is due on March 31, 2015. IDT Energy believes that the claims in this lawsuit are without merit and intends to vigorously defend the action. However, because the outcome of this matter is uncertain, the Company is unable to make an assessment of the final result and its impact on the Company.

On July 15, 2014, named plaintiff, Kimberly Aks, commenced a putative class-action lawsuit against IDT Energy, Inc. in New Jersey Superior Court, Essex County, contending that she and other class members were injured as a result of IDT Energy's allegedly unlawful sales and marketing practices. The named plaintiff filed the suit on behalf of herself and all other New Jersey residents who were IDT Energy customers at any time between July 11, 2008 and the present. IDT Energy filed a motion to dismiss the complaint which was denied by the Court on November 6, 2014. The parties are currently engaged in discovery. IDT Energy believes that the claims in this lawsuit are without merit and intends to vigorously defend the action. However, because the outcome of this matter is uncertain, the Company is unable to make an assessment of the final result and its impact on the Company.

In July 2014, Afek was issued a permit by Israel's Northern District Planning and Building Committee to conduct a ten-well exploratory drilling program. That issuance was subsequently challenged by the Israel Union for Environmental Defense and local residents. On October 20, 2014, Israel's High Court of Justice issued an interim injunction against Afek, restricting Afek from building installations of any kind or carrying out work of any kind that changes the surface of the ground within the boundaries of the area defined in the drilling permit until the Court rules on the petitions. In December 2014, the Supreme Court of Israel rejected the petitions challenging the exploratory drilling permits issued to Afek, and the Court lifted its injunction on Afek's exploratory drilling in the Golan Heights of Northern Israel.

In addition to the above, the Company may from time to time be subject to legal proceedings that arise in the ordinary course of business. Although there can be no assurance in this regard, the Company does not expect any of those legal proceedings to have a material adverse effect on the Company's results of operations, cash flows or financial condition.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

PRICE RANGE OF COMMON STOCK

Our Class B common stock trades on the New York Stock Exchange under the symbol “GNE”.

The table below sets forth the high and low sales prices for our Class B Common Stock as reported by the NYSE for the fiscal periods indicated which represents the only fiscal periods our Class B Common Stock has been trading on the NYSE.

	High	Low
Fiscal year ended December 31, 2013		
First Quarter	\$9.31	\$6.51
Second Quarter	\$12.21	\$8.50
Third Quarter	\$11.79	\$8.37
Fourth Quarter	\$17.80	\$8.51
Fiscal year ended December 31, 2014		
First Quarter	\$11.74	\$9.20
Second Quarter	\$10.28	\$6.76
Third Quarter	\$8.75	\$6.60
Fourth Quarter	\$7.33	\$6.01

On March 10, 2015, there were 164 holders of record of our Class B common stock and 3 holders of record of our Class A common stock. All shares of Class A common stock are beneficially owned by Howard Jonas. These numbers do not include the number of persons whose shares are in nominee or in “street name” accounts through brokers. On March 13, 2015, the last sales price reported on the New York Stock Exchange for the Class B common stock was \$7.22 per share.

PRICE RANGE OF PREFERRED STOCK

The Series 2012-A Preferred Stock is listed and traded on the NYSE under the symbol “GNEPRA”. Trading began on the NYSE on October 24, 2012.

The table below sets forth the high and low sales prices for our Series 2012-A Preferred Stock as reported by the NYSE for the periods indicated which represents the only fiscal periods our the Series 2012-A Preferred Stock has been trading on the NYSE.

	High	Low
Fiscal year ended December 31, 2013		
First Quarter	\$8.50	\$6.60
Second Quarter	\$8.49	7.58
Third Quarter	\$8.26	7.57
Fourth Quarter	\$8.49	7.90
Fiscal year ended December 31, 2014		
First Quarter	\$8.43	\$7.90
Second Quarter	\$8.37	7.25
Third Quarter	\$7.87	7.09
Fourth Quarter	\$7.43	5.63

On March 10, 2015, there were 4 holders of record of our Series 2012-A Preferred Stock. These numbers do not include the number of persons whose shares are in nominee or in “street name” accounts through brokers. On March 13, 2015, the last sales price on the New York Stock Exchange for the Series 2012-A Preferred Stock was \$6.85 per share.

Additional information regarding dividends required by this item is incorporated by reference from the Management’s Discussion and Analysis section in Item 7 to Part II and Note 9 to the Consolidated Financial Statements in Item 8 to Part II of this Annual Report.

The information required by Item 201(d) of Regulation S-K will be contained in our Proxy Statement for our Annual Stockholders Meeting, which we will file with the Securities and Exchange Commission within 120 days after December 31, 2014, and which is incorporated by reference herein.

Performance Graph of Stock

The line graph below compares the cumulative total stockholder return on our Class B common stock and our Series 2012-A Preferred Stock with the cumulative total return of the New York Stock Exchange Composite Index and the Standard & Poor's Integrated Oil & Gas Index for the period beginning October 26, 2011 and ending December 31, 2014. The graph and table assume that \$100 was invested on October 26, 2011 (the first day of trading for the Class B common stock) and on October 24, 2012, respectively to the Series 2012-A Preferred Stock (the first day of trading for the Series 2012-A Preferred stock) with the cumulative total return of the NYSE Composite Index and the S&P Integrated Oil & Gas Index, and that all dividends were reinvested. Cumulative total stockholder returns for our Class B common stock, Series 2012-A Preferred Stock, NYSE Composite Index and the S&P Integrated Oil & Gas Index are based on our fiscal year.

	10/26/11	12/31/11	3/31/12	6/30/12	10/24/12	12/31/12	3/31/13	6/30/13	9/30/13	12/31/13	3/31/14	6/30/14	9/30/14
Genie Energy Ltd.	100.00	92.79	113.52	91.86	81.55	84.52	110.24	108.93	116.66	121.55	118.69	93.69	83.12
Genie Energy Ltd. Series 2012 - A Preferred					100.00	93.75	107.61	110.44	113.18	116.96	115.52	114.78	111.12
NYSE Composite	100.00	110.77	122.34	117.23	124.50	128.48	139.46	141.31	149.27	162.24	165.23	173.46	177.12
S&P Integrated Oil & Gas	100.00	117.94	121.17	117.65	124.26	120.54	129.19	131.33	131.37	146.49	142.55	152.30	148.12

Issuer Purchases of Equity Securities

The following table provides information with respect to purchases by us of our shares during the fourth quarter of the year ended December 31, 2014.

	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(1)
October 1 – 31, 2014	—	\$ —	—	6,896,669
November 1 – 30, 2014(2)	15,812	\$ 7.175	—	6,896,669
December 1 – 31, 2014	—	\$ —	—	6,896,669
Total	15,812	\$ 7.175		

(1) Under our existing stock repurchase program, approved by our Board of Directors on March 11, 2013, we were authorized to repurchase up to an aggregate of 7 million shares of our Class B common stock.

(2) Consists of shares of Class B common stock that were tendered by employees of ours to satisfy the tax withholding obligations in connection with the lapsing of restrictions on awards of restricted stock. Such shares were repurchased by us based on the market value on the trading day immediately prior to the vesting date.

Item 6. Selected Financial Data.

The selected consolidated financial data presented below as of December 31, 2014 and 2013, and for each of the two years then ended, has been derived from our Consolidated Financial Statements included elsewhere in this Form 10-K, which have been audited by BDO USA, LLP, independent registered public accounting firm. The selected consolidated financial data presented below as of December 31, 2012 and 2011, and for the year ended December 31, 2012 and the five months ended December 31, 2011 has been derived from our Consolidated Financial Statements, which have been audited by Grant Thornton LLP, independent registered public accounting firm. The selected consolidated financial data presented below as of July 31, 2011, and for each of the fiscal years in the two-year period ended July 31, 2011 has been derived from our Consolidated Financial Statements, which have been audited by Zwick and Banyai, PLLC, independent registered public accounting firm. The selected consolidated financial data presented below for the five months ended December 31, 2010 is unaudited. The selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements and the Notes thereto and other financial information appearing elsewhere in this Annual Report.

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(in thousands, except per share data)	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012	Five Months ended December 31, 2011	Fiscal year ended July 31, 2011	Fiscal year ended July 31, 2010	Five ended Dece 2010 (Una
STATEMENT OF OPERATIONS DATA:							
Revenues	\$ 275,031	\$ 279,174	\$ 229,459	\$ 76,783	\$196,018	\$195,429	\$ 74,
Net (loss) income	(27,407)	(5,341)	(2,535)	(268)	(2,555)	14,081	910
(Loss) earnings per common share—basic	(1.31)	(0.36)	(0.17)	0.04	0.08	0.72	0.0
(Loss) earnings per common share—diluted	(1.31)	(0.36)	(0.17)	0.04	0.07	0.65	0.0
Cash dividend declared per common share	0.06	—	0.133	0.05	—	—	—
(in thousands)	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	July 31, 2011		
BALANCE SHEET DATA:							
Total assets	\$ 152,928	\$ 158,843	\$ 150,306	\$ 150,194	\$67,406		

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that contain the words “believes,” “anticipates,” “expects,” “intends” and similar words and phrases. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the results projected in any forward-looking statement. In addition to the factors specifically noted in the forward-looking statements, other important factors, risks and uncertainties that could result in those differences but are not limited to, those discussed under Item 1A to Part I “Risk Factors” in this Annual Report. The forward-looking statements are made as of the date of this Annual Report, and we assume no obligation to update the forward-looking statements, or to disclose the reasons why actual results could differ from those projected in the forward-looking statements. Investors should consult the information set forth in this report and the other information set forth from time to time in our reports filed with the Securities Exchange Commission pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934, including our reports on Forms 10-Q and 8-K.

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in Item 8 of this Annual Report.

OVERVIEW

We own 99.3% of our subsidiary, GEIC, which owns 100% of Genie Retail Energy and 92% of GOGAS. Our principal business activities consist of:

Genie Retail Energy (“GRE”) operates REPs, including IDT Energy and Residents Energy, and energy brokerage and marketing services. Its REPs resell electricity and natural gas to residential and small business customers primarily in the Eastern United States; and

Genie Oil and Gas is an oil and gas exploration company. GOGAS’ early stage projects include (1) an 88.5% interest in Afek, which operates an exploration project in the southern portion of the Golan Heights in Northern Israel, (2) an 89.9% interest in Genie Mongolia, an oil shale exploration project in Central Mongolia, (3) AMSO, which holds and manages a 43.1% interest in AMSO, LLC, an oil shale development project in Colorado, and (4) an 87.9% interest in IEI, an oil shale development project in Israel.

IDT Energy has outstanding deferred stock units granted to directors and employees that represent an interest of 1.4% of the equity of IDT Energy.

As part of our ongoing business development efforts, we continuously seek out new opportunities, which may include complementary operations or businesses that reflect horizontal or vertical expansion from our current operations. Some of the potential opportunities are considered briefly and others are examined in further depth. In particular, we seek out acquisitions to expand the geographic scope and size of our REP businesses, and additional energy exploration projects to diversify our GO unit's operations, among geographies, technologies and resources.

Genie Retail Energy

GRE operates REPs that resell electricity and natural gas to residential and small business customers in New York, New Jersey, Pennsylvania, Maryland, Washington, D.C. and certain utility markets in Illinois. GRE's revenues represented 100% of our consolidated revenues in the years ended December 31, 2014, 2013 and 2012.

GRE's direct cost of revenues consists primarily of natural gas and electricity purchased for resale. Since 2009, IDT Energy is a party to a Preferred Supplier Agreement with BP pursuant to which BP is IDT Energy's preferred provider of electricity and natural gas. Under the arrangement, IDT Energy purchases electricity and natural gas at a market rate plus a fee. IDT Energy remits a monthly payment for its purchases and related fees. Any outstanding, unpaid balances accrue interest until paid. IDT Energy's obligations to BP are secured by a first security interest in deposits or receivables from utilities in connection with their purchases, IDT Energy's customers' receivables, and in any cash deposits or letters of credit posted in connection with any collateral account with BP. The agreement's termination date is June 30, 2015. IDT Energy's ability to purchase electricity and natural gas under the agreement is subject to satisfaction of certain conditions including the maintenance of certain covenants.

As an operator of REPs, GRE does not own electrical power generation, transmission, or distribution facilities, or natural gas production, pipeline or distribution facilities. Instead, GRE's REPs contract with various pipeline and distribution companies for natural gas pipeline, storage and transportation services, and utilizes NYISO and PJM for electric transmission and distribution. GRE's direct cost of revenues include scheduling costs, independent system operator (ISO) fees, pipeline costs and utility service charges for the purchase of these services. At December 31, 2014 and 2013, GRE REPs were members of ISO New England, although GRE has not commenced operations in this territory yet. GRE expects to commence operations in this territory in 2015.

For risk management purposes, GRE utilizes futures contracts, swaps as well as put and call options as hedges against unfavorable fluctuations in market prices of electricity and natural gas. The futures contracts, swaps and put and call options are recorded at fair value as a current asset or liability and any changes in fair value are recorded in direct cost of revenues. The impact of these contracts and options on direct cost of revenues is relatively small in comparison to GRE's purchases of gas and electricity for resale.

The NYISO and PJM perform real-time load balancing for each of the electrical power grids in which GRE REPs operate. Similarly, the utility or the LDC performs load balancing for each of the natural gas markets in which GRE REPs operate. Load balancing ensures that the amount of electricity and natural gas that GRE REPs purchase is equal to the amount necessary to service its customers' demands at any specific point in time. GRE manages the differences between the actual electricity and natural gas demands of its customers and its bulk or block purchases by buying and selling in the spot market, and through monthly cash settlements and/or adjustments to futures deliveries in accordance with the load balancing performed by utilities, LDCs, NYISO and PJM. Suppliers and the LDC's charge or credit GRE for balancing the electricity and natural gas purchased and sold for its account.

The local utilities generally meter and deliver electricity and natural gas to GRE's REP customers. The local utilities provide metering and collection services on GRE's behalf for most of GRE's customers. GRE receives the proceeds less the utility's POR fees and in some cases less fees for billing and other ancillary services. The positive difference between the net sales price of electricity and natural gas sold to its customers and the sum of the cost of its electricity and natural gas supplies, transmission and ancillary services is GRE's gross profit margin.

Volatility in the electricity and natural gas markets affects the wholesale cost of the electricity and natural gas that GRE REPs sell to customers. GRE may not always choose to pass along increases in costs to its customers for various reasons including competitive pressures and to protect overall customer satisfaction. This can adversely affect GRE's gross margins and results of operations. Alternatively, increases in GRE's rates charged to REP customers may lead to increased customer churn.

GRE's selling expense consists primarily of sales commissions paid to independent agents and marketing costs, which are the costs associated with the acquisition of customers. General and administrative expense includes compensation, benefits, utilities, for billing and collection, professional fees, rent and other administrative costs.

Seasonality and Weather

The weather and the seasons, among other things, affect GRE's revenues. Weather conditions have a significant impact on the demand for natural gas and electricity used for heating and cooling. Typically, colder winters and hotter summers increase demand for natural gas and electricity, respectively. Milder winters and/or summers have the opposite effect. Natural gas revenues typically increase in the first quarter due to increased heating demands and electricity revenues typically increase in the third quarter due to increased air conditioning use. Approximately 59% and 49% of GRE's natural gas revenues for the relevant years were generated in the first quarter of 2014 and 2013, respectively, when demand for heating was highest. Although the demand for electricity is

seasonal as natural gas, approximately 20% and 31% of GRE's electricity revenues for the relevant years were generated in the first quarter of 2014 and 2013, respectively. As described below, because of dramatic increases in wholesale electricity prices in January and February 2014, the retail electricity prices that GRE and many other variable rate electricity suppliers charged to their customers also increased sharply. As a result, approximately 45% of GRE's electricity revenues in 2014 were generated in the first quarter of 2014.

Concentration of Customers and Associated Credit Risk

GRE reduces its REP customer credit risk by participating in purchase of receivable programs for a majority of its receivable customers. In addition to providing billing and collection services, utility companies purchase GRE's receivables and assume all credit risk associated with recourse to GRE. GRE's primary credit risk is therefore nonpayment by the utility companies. Certain of the utility companies represent significant portions of our consolidated revenues and consolidated gross trade accounts receivable balance and such concentrations increase our risk associated with nonpayment by those utility companies.

The following table summarizes the percentage of consolidated revenues from customers by utility company that equal or exceed 10% of consolidated revenues in the period (no other single utility company accounted for more than 10% of consolidated revenues in these periods):

	Year ended		
	December 31,		
	2014	2013	2012
Con Edison	23 %	25 %	34 %
West Penn Power	10 %	11 %	na
National Grid USA	na	10 %	na
Penelec	na	10 %	na

na-less than 10% of consolidated revenue in the period

The following table summarizes the percentage of consolidated gross trade accounts receivable by utility company that equal or exceed 10% of consolidated gross trade accounts receivable at December 31, 2014 and 2013:

December 31	2014	2013
Con Edison	25 %	23 %
West Penn Power	na	13 %
Penelec	na	12 %

na-less than 10% of consolidated gross trade accounts receivable at December 31, 2014

Winter 2014 Price Volatility and Customer Complaints

A confluence of issues in January and February 2014 associated with that winter's polar vortex that were outside the ability of GRE to control and resulted in extraordinarily large spikes in the prices of wholesale electricity and natural gas in markets where GRE and other retail providers purchase their supply. Because of dramatic increases in wholesale electricity prices, the retail electricity prices that GRE and many other variable rate electricity suppliers charged to their customers also increased sharply in January and February 2014. These retail electricity price increases resulted in large numbers of customers filing informal and formal complaints to state utility commissions, state attorneys general, and state legislators. IDT Energy was served with several thousand formal and informal customer complaints to state utility commissions and state attorneys general related to the winter retail price increases. IDT Energy has responded to each customer complaint it has received and attempted to resolve each complaining customer's concerns. GRE also paid approximately \$5 million in rebates to affected customers in the year ended December 31, 2014. GRE was under no obligation to provide such rebates, but did so in order to mitigate the impact of the price increases on its customers notwithstanding that the underlying cause of the price increase was beyond GRE's control.

IDT Energy also responded to formal and informal information requests from state utility commissions, state attorneys general, and state legislators related to the wholesale and retail electricity price increases in the winter of 2014. In addition, the Pennsylvania Attorney General's Office and the Acting Consumer Advocate filed a Joint Complaint against IDT Energy with the Pennsylvania Public Utility Commission in connection with such events. IDT Energy has also been sued in separate putative class action suits in New York, New Jersey and Pennsylvania, partially related to the price increases during the winter of 2014. These matters are more fully discussed in Item 3 to Part I "Legal Proceedings" in this Annual Report.

IDT Energy does not believe that it was at fault or acted in any way improperly with respect to the events of winter 2014. However, we cannot predict the outcome of the regulatory or putative class action litigation or the impact on us of these or other actions, or whether there will be other impacts from the conditions that existed in winter 2014. Further, although we have taken action to insulate us and our customers from future similar events, we cannot assure that those actions will be effective.

Afek Oil and Gas, Ltd.

In 2013, the Government of Israel finalized the award to Afek of an exclusive three year petroleum exploration license covering 396.5 square kilometers in the southern portion of the Golan Heights. Afek has retained oil and gas exploration professionals contracted with internationally recognized vendors to provide the services required for its exploration program. In 2013, Afek completed preliminary geophysical work including electromagnetic survey and the reprocessing of 2D seismic data to characterize the subsurface prior to drilling exploration wells. Afek subsequently conducted initial analysis of the acquired data internally with outside exploration experts. In addition, Afek submitted a permit application and was issued a permit by Israel's Northern District Planning and Building Committee to conduct an up to ten-well exploratory drilling program. In connection with a petition filed by the Israel Union for Environmental Defense and certain local residents, Israel's High Court of Justice issued an interim injunction against Afek, restricting Afek from building installations or changing the surface of the ground until the Court rules on the petition. In December 2014, the High Court rejected the petition challenging the permits, and lifted its injunction on Afek's exploratory program in Northern Israel. In February 2015, Afek initiated drilling on its first exploratory well pursuant to its up to ten-well exploratory program.

Genie Mongolia

In April 2013, Genie Mongolia and the Petroleum Authority of Mongolia entered into an exclusive oil shale development agreement to explore and evaluate the commercial potential of oil shale resources in a 34,470 square kilometer area in Central Mongolia. The five year agreement allows Genie Mongolia to explore, identify and characterize the oil shale resource in the exclusive survey area and to conduct a pilot test using in-situ technology on appropriate oil shale deposits. In September 2014, Genie Mongolia signed a new prospecting agreement with the Petroleum Authority of Mongolia covering an additional 25,000 square kilometers in Central Mongolia. The agreement, the first to be signed under recently passed legislation, also provides a framework under which Genie Mongolia can request a commercial production agreement once a specific suitable resource and location are identified. The regulations called for by such legislation are under development. Under the two agreements, Genie Mongolia currently has exclusive rights to explore for oil shale in approximately 60,000 square kilometers in Mongolia.

Investment in American Shale Oil, LLC

AMSO, LLC holds an RD&D Lease awarded by the BLM that covers an area of 160 acres in western Colorado. The RD&D runs for a ten-year period beginning on January 1, 2007, and is subject to an extension of up to five years if AMSO, LLC can demonstrate that a process leading to the production of commercial quantities of shale oil is diligently being pursued. If AMSO, LLC can demonstrate the economic and environmental viability of its technology, it will have the opportunity to submit a one-time payment pursuant to the applicable regulations and convert its RD&D Lease to a commercial lease on 5,120 acres, which over time and are contiguous with the 160 acres covered by its RD&D Lease.

Except as set forth below, AMSO was responsible for funding 20% of the initial \$50 million of AMSO, LLC's approved expenditures, and is responsible for funding 35% of the approved expenditures between \$50 million and \$100 million, and 40% of the costs of the one-time payment for conversion of AMSO, LLC's RD&D Lease to a commercial lease, in the event AMSO, LLC's application for conversion is approved, with the remaining amounts of such expenditures to be funded by Total. All other expenditures are to be borne in proportion to equity ownership. The percentages for expenditures are subject to adjustment in connection with certain changes in the equity ownership of AMSO, LLC. As of December 31, 2014, the cumulative contributions of AMSO and Total to AMSO, LLC were \$78.0 million.

AMSO has the right to decide at each capital call whether or not to fund AMSO, LLC, and will make a determination at each time. AMSO has not funded the capital calls for any quarter since the fourth quarter of 2013. Total funded AMSO's share of capital calls that AMSO did not fund in an aggregate amount of \$3.6 million. Because of AMSO's decisions not to fund its share of AMSO, LLC's expenditures, AMSO's ownership interest in AMSO, LLC was reduced to 43.1% and Total's ownership interest increased to 56.9%. In addition, AMSO's share of future funding of AMSO, LLC up to a cumulative \$100 million was reduced to 30.2% and Total's share increased to 69.8%. AMSO's share of AMSO, LLC's proposed budget for the remainder of 2015 is \$10.0 million. AMSO is evaluating its options with respect to funding AMSO, LLC during 2015, and funding of less than its full share would result in further dilution of its interest in AMSO, LLC.

The agreements with Total provide for varying consequences for AMSO's failure to fund its share at different stages of the process, including dilution of AMSO's interest in AMSO, LLC or paying interest to Total for expenditures they fund on behalf of AMSO, LLC. Either Total or AMSO may terminate its obligations to make capital contributions and withdraw as a member of AMSO, LLC. If AMSO were to withdraw its interest in AMSO, LLC, it will remain liable for its share of expenditures for safety and environmental reclamation related to events occurring prior to its withdrawal.

We account for our ownership interest in AMSO, LLC using the equity method since we have the ability to exercise significant influence over its operating and financial matters, although we do not control AMSO, LLC. AMSO, LLC is a variable interest entity; however, we have determined that we are not the primary beneficiary. AMSO's allocated share of the net loss of AMSO, LLC increased in December 2011 from 20% to 35%, per our agreement with Total. AMSO's allocated share of the net loss of AMSO, LLC is included in "Equity in the net loss of AMSO, LLC" in the accompanying consolidated statements of operations. Because of our decision not to fund its share of AMSO, LLC's expenditures, AMSO, LLC allocates its net loss beginning January 2014 as follows:

the first \$11.0 million of losses are allocated to Total, then it allocates any remaining losses proportionately such that AMSO Total's capital accounts as a percentage of AMSO, LLC's total capital equals their ownership interests.

At December 31, 2014, our maximum exposure to additional loss because of our required investment in AMSO, LLC was \$1 million, based on AMSO, LLC's proposed 2015 budget. Our maximum exposure to additional loss could increase based on the situations described above.

Israel Energy Initiatives, Ltd.

IEI holds an exclusive Shale Oil Exploration and Production License awarded in July 2008 by the Government of Israel. The license covers approximately 238 square kilometers in the south of the Shfela region in Central Israel. Under the terms of the license, IEI is required to conduct a geological appraisal study across the license area, characterize the resource and select a location for a pilot plant in which it will demonstrate its in-situ technology. The initial term of the license was for three years until July 2011. The license was extended until July 2015. IEI submitted its application for the construction and operation of its oil shale pilot test facility to the Jerusalem District Committee for Planning and Building, and on September 2, 2014, the Committee declined to issue IEI a permit to build and operate a pilot drilling project. IEI is currently evaluating its options to determine the best course of action to move forward to exploit the abundant oil shale resource in Israel.

CRITICAL ACCOUNTING POLICIES

Our financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingencies and liabilities. Critical accounting policies are those that require application of management's most subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. Our critical accounting policies include those related to the allowance for doubtful accounts, goodwill and income taxes. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. See Note 1 to the Consolidated Financial Statements in our Annual Report for a complete discussion of our significant accounting policies.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses that result from the inability or unwillingness of our customers to make required payments. The allowance for doubtful accounts was \$0.2 million and \$0.9 million at December 31, 2014 and 2013, respectively. Our allowance is determined based on known troubled accounts, historical experience and other currently available evidence. Our estimates of recoverability of customer accounts may change due to new developments, changes in assumptions or changes in our strategy, which may impact our allowance for doubtful accounts balance. We continually assess the likelihood of potential amounts or ranges of recoverability and adjust our allowance accordingly, however, actual collections and write-offs of trade accounts receivable may materially differ from our estimates.

Goodwill

Our goodwill balance of \$3.7 million and \$7.3 million at December 31, 2014 and 2013, respectively, was allocated to our GR segment. IDT Energy and Diversegy and Epiq are the reporting units for our goodwill impairment tests. Goodwill is not amortized since it is deemed to have an indefinite life. It is reviewed annually (or more frequently under various conditions) for impairment using a fair value approach. The goodwill impairment assessment involves estimating the fair value of the reporting unit and comparing it to its carrying amount, which is known as Step 1. If the carrying value of the reporting unit exceeds its estimated fair value, Step 2 is performed to determine if an impairment of goodwill is required. We estimate the fair value of our reporting units using discounted cash flow methodologies, as well as considering third party market value indicators. Goodwill impairment is measured by the excess of the carrying amount of the reporting unit's goodwill over its implied fair value. We have the option to perform a qualitative assessment to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. However, we may elect to perform the two-step quantitative goodwill impairment test even if no indications of a potential impairment exist.

IDT Energy's estimated fair value substantially exceeded its carrying value in Step 1 of our annual impairment tests for the years ended December 31, 2014, 2013 and 2012, therefore it was not necessary to perform Step 2 for these tests. In addition, we do not believe IDT Energy is currently at risk of failing Step 1. For Diversegy and Epiq, in the year ended December 31, 2014, we determined that an impairment of goodwill was required. We recorded goodwill impairment of \$3.6 million, which reduced the carrying amount of the goodwill related to Diversegy and Epiq to zero. Calculating the fair value of the reporting unit, and allocating the estimated fair value to all of the tangible assets, intangible assets and liabilities, requires significant estimates and assumptions and management judgment. Should our estimates or assumptions regarding the fair value of IDT Energy prove to be incorrect, we may be required to record impairments to our goodwill in future periods and such impairments could be material.

Income Taxes

Our current and deferred income taxes and associated valuation allowance are impacted by events and transactions arising in the normal course of business as well as in connection with special and non-routine items. Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and realization of deferred income tax assets, the results of Internal Revenue Service audits of our federal income tax returns, and changes in tax laws or regulations.

The valuation allowance on our deferred income tax assets was \$28.0 million and \$16.7 million at December 31, 2014 and 2012, respectively. Subsequent to the Spin-Off, we initiated a tax strategy that enables us to currently deduct losses from our foreign subsidiaries against our profitable U.S. operations. Because of this strategy, the decrease in pre-tax earnings of GRE in 2012, and current projections, we concluded that we no longer met the criteria of more likely than not in order to utilize our deferred federal income tax assets in the foreseeable future. Accordingly, in 2012, we recorded a valuation allowance against our deferred federal income tax assets.

We use a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return. We determine whether it is more-likely-than-not that, a tax position will be sustained upon examination, including resolution of any related audit or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the appropriate taxing authority that has full knowledge of all relevant facts and information will examine the position. Tax positions that meet the more-likely-than-not recognition threshold are measured to determine the amount of tax benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken on a tax return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset, or an increase in a deferred tax liability. We review and adjust our liability for unrecognized tax benefits based on our best estimate and judgment given the facts, circumstances and information available at each reporting date. To the extent that the outcome of these tax positions is different from the amounts recorded, such differences may affect income tax expense and actual tax payments.

RESULTS OF OPERATIONS

We evaluate the performance of our operating business segments based primarily on income (loss) from operations. Accordingly, income and expense line items below income (loss) from operations are only included in our discussion of the consolidated results of operations.

Year Ended December 31, 2014 compared to Year Ended December 31, 2013

Genie Retail Energy Segment

(in millions)			Change	
Year ended December 31,	2014	2013	\$	%
Revenues:				
Electricity	\$214.5	\$216.7	\$(2.2)	(1.0)%
Natural gas	57.9	62.5	(4.6)	(7.4)
Other	2.6	—	2.6	nm
Total revenues	275.0	279.2	(4.2)	(1.5)
Direct cost of revenues	223.1	213.4	9.7	4.5
Gross profit	51.9	65.8	(13.9)	(21.0)
Selling, general and administrative	44.7	39.2	5.5	14.0
Bad debt	0.3	0.8	(0.5)	(61.2)
Goodwill impairment	3.6	—	3.6	nm
Adjustment to estimated contingent payments	(0.2)	—	(0.2)	nm
Income from operations	\$3.5	\$25.8	\$(22.3)	(86.3)%

nm – not meaningful

Revenues. GRE's electricity revenues decreased in 2014 compared to 2013 because of a 27.0% decrease in electricity consumption, partially offset by a 35.6% increase in the average rate charged to customers. The decrease in electricity consumption was primarily the result of a decrease in meters served, which decreased 15.0% in 2014 compared to 2013, coupled with a 14.1% decrease in average consumption per meter in 2014 compared to 2013. The increase in the average rate charged to customers was mostly due to a 34.2% increase in the underlying commodity cost in 2014 compared to 2013.

GRE's natural gas revenues decreased in 2014 compared to 2013 because of a 10.5% decrease in natural gas consumption, partially offset by a 3.5% increase in the average rate charged to customers. The decrease in natural gas consumption was primarily the result of a 14.0% decrease in meters served, although average consumption per meter increased 4.0% in 2014 compared to 2013. The increase in the average rate charged to customers for natural gas was due to a 38.0% increase in the underlying commodity cost in 2014 compared to 2013.

The decreases in GRE's meters served in 2014 compared to 2013, and the associated decreases in electricity and natural gas consumption, were significantly impacted by a confluence of issues in January and February 2014 associated with that winter's weather vortex. Sustained, extremely cold weather in much of GRE's service area, the failure of the ISO to deliver peak power, and unusually volatile commodity trading in the financial markets caused extraordinarily large spikes in the prices of wholesale electricity and natural gas in markets where GRE and other REPs purchase their supply. GRE responded by reducing its target margins in order to mitigate the severity of the commodity price increases on its customers and subsequently issued an aggregate of approximately \$10 million in rebates to customers in 2014. The colder weather adversely affected GRE's customer churn, gross margins and residential operations in 2014 compared to 2013.

GRE's customer base as measured by meters served consisted of the following:

(in thousands)	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Meters at end of quarter:					
Electricity customers	234	235	238	256	282
Natural gas customers	129	127	126	135	145
Total meters	363	362	364	391	427

Gross meter acquisitions in 2014 were 213,000 compared to 245,000 in 2013. The decrease was partially due to an intentional slowing of customer acquisition efforts in the territories most impacted by the rising wholesale commodity costs during the winter of 2013-2014 and the polar vortex. During the second and third quarters of 2014, GRE accelerated acquisitions of new customers in Illinois, and reengaged its marketing efforts in certain Pennsylvania utility territories where it had suspended those activities. Net meters served decreased by 64,000 or 15.0% in 2014 compared to a decrease of 75,000 or 14.9% in 2013 due to the higher levels of customer churn and lower levels of gross meter acquisitions. Average monthly churn increased from 6.3% in 2013 to 6.8% in 2014, as some customers migrated back to the incumbent utility because of the large increase in the rates charged to customers due to the expense increase in our costs to procure the commodities.

GRE has applications pending to enter into additional utility service areas, primarily natural gas and dual meter territories, in Pennsylvania, Maryland, Washington, D.C. and Illinois. Management continues to evaluate additional, deregulation-driven opportunities in other states, including Massachusetts, New Hampshire and Rhode Island.

During 2014, customer acquisition efforts in Illinois and Washington, D.C. started to gain traction. In addition, GRE has developed several significant initiatives to drive growth in gross meter additions. Most notably, Epiq Energy, LLC, or Epiq, a network marketing company that IDT Energy acquired in December 2013, provides independent representatives with the opportunity to sell energy through sales organizations and to profit from both residential and commercial energy. Epiq began acquiring meters in certain utility territories in the second half of 2014. In addition, GRE has developed and begun to trial a twelve-month locked rate residential offering in some utility territories. GRE's recently launched REP brand, Residents Energy, intends to focus on marketing and selling these guaranteed rate offerings upon expansion of its licensed footprint. GRE expects these initiatives to contribute more meaningfully to gross meter additions and retention in 2015.

The average rates of annualized energy consumption, as measured by residential customer equivalents, or RCEs, are presented in the chart below. An RCE represents a natural gas customer with annual consumption of 100 mmbtu or an electricity customer with annual consumption of 10 MWh. Because different customers have different rates of energy consumption, RCEs are an industry standard metric for evaluating the consumption profile of a given retail customer base.

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(in thousands)	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
RCEs at end of quarter:					
Electricity customers	160	165	174	198	228
Natural gas customers	83	83	86	90	87
Total RCEs	243	248	260	288	315

The RCE decrease at December 31, 2014 compared to December 31, 2013 primarily reflects the decline in meters served. In addition, the Pennsylvania utility territories hardest hit by the polar vortex have relatively high per meter consumption rates compared to our full customer base, including the new territories we serve in Illinois. They experienced higher than average churn and customer acquisition programs in some of these territories were briefly suspended.

Other revenue in 2014 includes revenue earned by Diversegy, LLC, or Diversegy, and Epiq, both of which were acquired in December 2013. Diversegy and Epiq earn commissions, entry fees and other fees from their retail energy advisory and brokerage business and network marketing, respectively.

Direct Cost of Revenues and Gross Margin Percentage. GRE's direct cost of revenues and gross margin percentage were as follows:

(in millions)			Change	
Year ended December 31,	2014	2013	\$	%
Direct cost of revenues:				
Electricity	\$165.6	\$168.9	\$(3.3)	(2.0)%
Natural gas	55.0	44.5	10.5	23.5
Other	2.5	—	2.5	nm
Total direct cost of revenues	\$223.1	\$213.4	\$9.7	4.5%

nm – not meaningful

Year ended December 31,	2014	2013	Change	
Gross margin percentage:				
Electricity	22.8%	22.1%	0.7	%
Natural gas	4.9	28.7	(23.8)	
Other	4.5	—	4.5	
Total gross margin percentage	18.9%	23.6%	(4.7)	%

Direct cost of revenues for electricity decreased in 2014 compared to 2013 primarily because of the 27.0% decrease in electricity consumption in 2014 compared to 2013. The decrease in electricity consumption was partially offset by a 34.2% increase in the average unit cost of electricity in 2014 compared to 2013. Gross margin on electricity sales slightly increased in 2014 compared to 2013 because the average rate charged to customers increased more than the average unit cost of electricity. Additionally, 2014 was impacted by the effects of an internal pricing system issue that constrained our ability to make timely adjustments to electricity rates in some newer territories, which did not repeat in 2014.

Direct cost of revenues for natural gas increased in 2014 compared to 2013 primarily because the average unit cost of natural gas increased 38.0% in 2014 compared to 2013. The increase in the average unit cost of natural gas was partially offset by a 10.5% decrease in natural gas consumption in 2014 compared to 2013. Gross margin on natural gas sales decreased in 2014 compared to 2013 because the average unit cost of natural gas increased substantially more than the average rate charged to customers.

Other direct cost of revenues primarily includes commission expense incurred by Diversegy and Epiq.

Selling, General and Administrative. The increase in selling, general and administrative expense in 2014 compared to 2013 was primarily due to increases in payroll, consulting and professional fees and computer software licenses expense, primarily all of which related to the acquisitions of Diversegy and Epiq. The increase in selling, general and administrative expense in 2014 compared to 2013 was

due to increases in customer acquisition costs and purchase of receivable fees. As a percentage of GRE's total revenues, selling general and administrative expense increased from 14.1% in 2013 to 16.3% in 2014.

Bad Debt. GRE's bad debt expense in 2014 was \$0.3 million compared to \$0.8 million in 2013. Bad debt expense in 2014 was mostly related to amounts due from a utility company that are under dispute. We will continue our efforts to collect these receivables, despite the uncertainty about the success of such collection efforts.

Goodwill Impairment. In 2014, our annual goodwill impairment test resulted in the impairment of the goodwill of the Diversify and Epiq reporting unit primarily because of continuing losses since the acquisitions of those companies. We recorded goodwill impairment of \$3.6 million in 2014, which reduced the carrying amount of the goodwill related to Diversify and Epiq to zero. We estimated the fair value of the reporting unit and compared the estimated fair value to the reporting unit's carrying amount. We measured the fair value of the reporting unit by discounting its estimated future cash flows using an appropriate discount rate. If the carrying value of the reporting unit including goodwill exceeded the estimated fair value, we performed the required additional steps and determined that the goodwill was fully impaired. Goodwill impairment is not a cash expenditure, therefore the impairment did not impact our liquidity at December 31, 2014, nor will goodwill impairment impact our future liquidity.

Adjustment to Estimated Contingent Payments. In 2014, we reduced our estimate of our contingent payment liability related to the acquisition of Diversify and Epiq and recorded a gain of \$0.2 million. The contingent payments include 100% of the gross profit from each closing customer contract during the remainder of the initial term of such contract and 100% of the gross profit from the post-closing customer contract during the initial term of such contract, plus 25% of the gross profit from the first renewal term of such contracts. A closing customer contract is generally a contract in effect at closing, and a post-closing customer contract is generally a contract that became effective within 60 days following the acquisition. We estimated the acquisition date fair value of the contingent payments based on historical gross profits, customer attrition and contract renewals.

Genie Oil and Gas Segment

Genie Oil and Gas does not currently generate any revenues, nor does it incur any direct cost of revenues.

(in millions)			Change	
Year ended December 31,	2014	2013	\$	%
General and administrative expense	\$1.3	\$1.4	\$(0.1)	(7.8)%
Research and development	12.5	11.4	1.1	9.8
Equity in net loss of AMSO, LLC	—	3.2	(3.2)	(100.0)
Loss from operations	\$13.8	\$16.0	\$(2.2)	(13.7)%

General and Administrative. General and administrative expense decreased in 2014 compared to 2013 primarily due to decrease in stock-based compensation expense and consulting and professional fees.

Research and Development. Research and development expense consists of the following:

(in millions)	2014	2013
Year ended December 31,		
Afek	\$7.1	\$4.2
Genie Mongolia	2.7	3.4
IEI	2.6	3.7
Other	0.1	0.1
Total research and development expense	\$12.5	\$11.4

Since receiving the award of a 36-month petroleum exploration license in the Southern portion of the Golan Heights in 2013, Afek has prepared and submitted permit applications, contracted with international service providers to assist in exploration activities, and has been staffing up for operations. During 2013, Afek completed preliminary geophysical work including an electromagnetic survey and the reprocessing of 2D seismic data to characterize the subsurface prior to drilling exploration wells. Afek subsequently conducted initial analysis of the acquired data. In 2014, Afek was issued a permit by Israel's Northern District Planning and Building Committee to conduct an up to ten-well exploratory drilling program. In connection with a petition from the Israel Union for Environmental Defense and certain local residents, Israel's High Court of Justice issued an interim injunction against Afek, restraining Afek from building installations or changing the surface of the ground until the Court ruled on the petition. In December 2014, the High Court rejected the petition challenging the permits, and lifted its injunction on Afek's exploratory program in Northern Golan Heights. In February 2015, Afek initiated drilling on its first exploratory well pursuant to its up to ten-well exploratory program.

Genie Mongolia's research and development expense in 2014 and 2013 related to the joint geological survey agreement with Republic of Mongolia, which was executed in April 2013, to explore certain of that country's oil shale deposits. In 2014, Genie Mongolia acquired approximately 40 kilometers of 2D seismic results and drilled in three different basins within the license area. Samples from the drilling are undergoing laboratory analysis. Genie Mongolia also continued surface mapping and other geologic evaluation work within the areas. The exploratory drilling program is intended to identify a site suitable for a pilot test and subsequent commercial operations.

During 2014, the environmental documents portion of IEI's permit application for the construction and operation of its oil shale test facility was under review by the Ministry of Environment. In addition, as per the required permitting process, IEI continued laboratory work, engineering work and associated preparation of environmental permit applications related to the planned pilot test.

Equity in the Net Loss of AMSO, LLC. In early March 2013, AMSO, LLC initiated start-up of its oil shale pilot test. The pilot test was intended to confirm the accuracy of several of the key underlying assumptions of AMSO, LLC's proposed in-situ heating and retorting process. After approximately two weeks of operation, the down-hole electric heater failed. Pilot operations were too short to allow conclusions to be drawn about the ultimate viability of AMSO, LLC's technical approach. AMSO, LLC subsequently decided not to attempt to re-engineer the current downhole electrical heating system. Instead, it initiated a comprehensive review of alternative heating system solutions. In 2013, AMSO, LLC conducted a series of diagnostic tests to analyze the status of its pilot test's down-hole heating and production well system. In 2014, AMSO, LLC continued its review of alternative heating system solutions. The heater development and new equipment qualification process will continue into 2015. Significant progress was made in the design, construction and operation of specialized testing systems to qualify various components of the various down-hole heaters under consideration. A number of additional testing systems will be deployed to aid in evaluating heater equipment for potential use in pilot operations. Equipment modifications and technical issues are common in projects of the complexity and scale of the AMSO, LLC pilot test, particularly given the extent to which new concepts and applications have been incorporated into the pilot test's design. Upon successful completion of the pilot test, AMSO, LLC will evaluate the appropriate timing to submit an application to convert its research, development and demonstration lease into a commercial lease.

AMSO has the right to decide at each capital call whether or not to fund AMSO, LLC, and will make a determination at each time. AMSO has not funded the capital calls for any quarter since the fourth quarter of 2013. Total funded AMSO's share of capital calls that AMSO did not fund in an aggregate amount of \$3.6 million. Because of AMSO's decisions not to fund its share of AMSO, LLC's expenditures, AMSO, LLC allocates its net loss beginning January 2014 as follows: the first \$11.0 million of net loss is allocated to Total, then it allocates any remaining losses proportionately such that AMSO and Total's capital accounts as a percentage of AMSO, LLC's total capital equals their ownership interests. As a result, equity in the net loss of AMSO, LLC was \$3.2 million in 2014, and \$3.2 million in 2013, which was 35% of AMSO, LLC's net loss of \$9.1 million in 2013.

Corporate

Corporate does not generate any revenues, nor does it incur any direct cost of revenues. Corporate costs include unallocated compensation, consulting fees, legal fees, business development expense and other corporate-related general and administrative expense.

(in millions)			Change	
Year ended December 31,	2014	2013	\$	%
General and administrative expense and loss from operations	\$15.4	\$9.1	\$6.3	68.4%

The increase in Corporate general and administrative expense in 2014 compared to 2013 was due to an increase in stock-based compensation. The increase in stock-based compensation was primarily the result of the December 2013 grant of options to purchase 3.0 million shares of our Class B common stock at an exercise price of \$10.30 per share to Howard Jonas, our Chairman of the Board and Chief Executive Officer, and the subsequent amendment of that compensation arrangement. The options were initially vesting in five equal annual installments commencing on December 31, 2014. The estimated total value of the options on the grant date was \$19.3 million. In July and August 2014, in connection with our entry into a Second Amended and Restated Employment Agreement with Mr. Jonas, the options were cancelled and Mr. Jonas purchased an aggregate of 3.6 million shares of our Class B common stock. Because of the equity arrangement with Mr. Jonas, we recorded Corporate stock-based compensation of \$7.9 million in 2014 and 2013, respectively. As a percentage of our consolidated revenues, Corporate general and administrative expense increased from 3.3% in 2013 to 5.6% in 2014.

Consolidated

Selling, General and Administrative. IDT charges us for services it provides pursuant to an agreement, and we charge IDT for specified administrative services that we provide to certain of IDT's foreign subsidiaries. In 2014 and 2013, the amounts that we charged IDT, net of the amounts that we charged IDT, were \$2.9 million and \$3.1 million, respectively, which were included in consolidated selling, general and administrative expense.

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Stock-based compensation expense included in consolidated selling, general and administrative expense was \$10.8 million and \$10.8 million in 2014 and 2013, respectively. The increase in 2014 compared to 2013 was primarily due to expense from the equity arrangement with Mr. Jonas. At December 31, 2014, aggregate unrecognized compensation cost related to non-vested stock-based compensation was \$13.3 million. The expense from these grants is recognized over the expected service period.

The following is a discussion of our consolidated income and expense line items below income from operations.

(in millions)	Change			
Year ended December 31,	2014	2013	\$	%
(Loss) income from operations	\$(25.6)	\$0.6	\$(26.2)	nm
Interest income	0.5	0.4	0.1	4.5 %
Financing fees	(2.6)	(3.2)	0.6	20.4
Other income (expense), net	0.4	(0.3)	0.7	187.6
Provision for income taxes	(0.1)	(2.8)	2.7	96.6
Net loss	(27.4)	(5.3)	(22.1)	(413.1)
Net loss (income) attributable to noncontrolling interests	0.9	(0.6)	1.5	263.9
Net loss attributable to Genie	\$(26.5)	\$(5.9)	\$(20.6)	(348.7)%

nm – not meaningful

Financing Fees. Financing fees are the volumetric fees charged by BP under the Preferred Supplier Agreement between IDT and BP. Financing fees decreased in 2014 compared to 2013 primarily because of the reduction in consumption by GRE's customers.

Other Income (Expense), net. The change in other income (expense), net in 2014 compared to 2013 was mainly due to the change in foreign currency translation gains (losses), from losses of \$0.4 million in 2013 to gains of \$0.4 million in 2014. In addition, in 2014 we recorded a loss on disposal of property of \$37,000.

Provision for Income Taxes. The decrease in the provision for income taxes in 2014 compared to 2013 was primarily due to the changes in federal and state income tax expense in GRE. GRE had significant reductions in its income before income taxes and its provision for income taxes in 2014 compared to 2013. GRE includes IDT Energy, certain limited liability companies and our other consolidated variable interest entities. IDT Energy and the limited liability companies are included in our consolidated return for Citizen's Choice Energy, LLC, or CCE, DAD Sales, LLC, or DAD, and Tari Corporation, or Tari are our consolidated variable interest entities, which file separate tax returns since we do not have any ownership interest in these variable interest entities. The following table summarizes GRE's aggregate income before income taxes and provision for income taxes:

(in millions)	2014	2013
Year ended December 31,		
Genie Retail Energy:		
Aggregate income before income taxes	\$1.2	\$22.7
Aggregate provision for income taxes	\$(0.4)	\$(9.4)

Net Loss (Income) Attributable to Noncontrolling Interests. The change in the net loss (income) attributable to noncontrolling interests in 2014 compared to 2013 primarily relates to 100% of the net income incurred by CCE, which is a variable interest entity that is consolidated within our GRE segment. We do not have any ownership interest in CCE, therefore, all net income or loss incurred by CCE has been attributed to noncontrolling interests. CCE's net income in 2014 was \$0.8 million compared to \$2.0 million in 2013. CCE's net income decreased primarily due to a decrease in gross profit, partially offset by reduction in income tax expense.

Year Ended December 31, 2013 compared to Year Ended December 31, 2012

Genie Retail Energy Segment

(in millions)	2013	2012	Change	
Year ended December 31,			\$	%
Revenues:				
Electricity	\$216.7	\$174.3	\$42.4	24.3 %
Natural gas	62.5	55.2	7.3	13.3
Total revenues	279.2	229.5	49.7	21.7
Direct cost of revenues	213.4	159.9	53.5	33.5
Gross profit	65.8	69.6	(3.8)	(5.5)

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Selling, general and administrative	39.2	44.6	(5.4)	(12.0)
Bad debt	0.8	—	0.8	nm
Income from operations	\$25.8	\$25.0	\$0.8	2.9 %

nm – not meaningful

Revenues. GRE's electricity revenues increased in 2013 compared to 2012 as a result of an increase in consumption, as well as an increase in the average rate charged to customers reflecting the higher per unit cost incurred. Electricity consumption increased 15.7% in 2013 compared to 2012, and the average rate charged to customers for electricity increased 7.4% in 2013 compared to 2012. The increase in electricity consumption was primarily the result of an increase in average meters served, which increased 10.5% in 2013 compared to 2012, coupled with an increase in average consumption per meter, which increased 7.2% in 2013 compared to 2012. The increase in the average rate charged to customers for electricity was due to an increase in the underlying commodity prices. The increase in the average consumption per meter is attributable to the acquisition of relatively higher consuming meters in Pennsylvania and Maryland, as compared to the meters in our legacy customer base.

GRE's natural gas revenues increased in 2013 compared to 2012 primarily due to unusually warm weather in the three months ended March 31, 2012, which reduced the demand for natural gas for heating. As measured by heating degree days, a measure of outdoor air temperature designed to reflect the energy required for heating, New York State and Pennsylvania were 25% colder in the months ended March 31, 2013 than in the same period in 2012. The colder weather resulted in an increase of 1.8% in natural gas consumption in 2013 compared to 2012, and an increase of 11.7% in consumption per meter in 2013 compared to 2012. In addition, natural gas revenues increased due to an 11.3% increase in the average rate charged to customers in 2013 compared to 2012. The increase in consumption was partially offset by an 8.9% decrease in average meters served in 2013 compared to 2012.

GRE's customer base as measured by meters served consisted of the following:

(in thousands)	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Meters at end of quarter:					
Electricity customers	282	300	314	319	331
Natural gas customers	145	156	161	166	171
Total meters	427	456	475	485	502

Gross meter acquisitions in 2013 were 245,000 compared to 407,000 in 2012. The decrease in gross meter acquisitions primarily reflects a reduced rate of expansion into new territories. New customer acquisitions in the Commonwealth Edison territory in Illinois, and in Pepco in Washington, D.C., which GRE entered during the second and fourth quarters of 2013, respectively, were impactful. Net meters served decreased by 75,000 or 14.9% in 2013 compared to an increase of 64,000 or 14.6% in 2012, as meter acquisitions in 2013 were more than offset by customer churn. Average monthly churn decreased from 6.6% in 2012 to 5.5% in 2013, primarily due to the lower level of customer acquisitions in 2013, as newly acquired customers have higher churn rates than longer term customers. Increased competition in some of GRE's key utility markets also contributed to the level of customer churn.

The average rates of annualized energy consumption, as measured by RCEs, are presented in the chart below.

(in thousands)	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
RCEs at end of quarter:					
Electricity customers	228	246	263	243	238
Natural gas customers	87	91	94	86	74
Total RCEs	315	337	357	329	312

Direct Cost of Revenues and Gross Margin Percentage. GRE's direct cost of revenues and gross margin percentage were as follows:

(in millions)			Change	
Year ended December 31,	2013	2012	\$	%
Direct cost of revenues:				
Electricity	\$168.9	\$119.0	\$49.9	42.0%
Natural gas	44.5	40.9	3.6	8.8
Total direct cost of revenues	\$213.4	\$159.9	\$53.5	33.5%

Year ended December 31,	2013	2012	Change
Gross margin percentage:			
Electricity	22.1%	31.8%	(9.7)%
Natural gas	28.7	25.8	2.9
Total gross margin percentage	23.6%	30.3%	(6.7)%

Direct cost of revenues for electricity increased in 2013 compared to 2012 primarily because the average unit cost of electricity increased 22.7% in 2013 compared to 2012. The cost of electricity increased in May and June 2013 compared to the same periods in 2012, and the cost of electricity in New York State was unusually high in January and February 2013 compared to the same periods in 2012. The 15.7% increase in electricity consumption in 2013 compared to 2012 also contributed to the increase in direct cost of revenues for electricity.

Direct cost of revenues for natural gas increased in 2013 compared to 2012 due to the 6.9% increase in the average unit cost of natural gas and a 1.8% increase in consumption.

Gross margin on electricity sales decreased in 2013 compared to 2012 primarily due to the mix of meters served and market conditions. The gross margin on electricity sales was also negatively impacted in 2013 compared to 2012 by increased promotional activity implemented to mitigate churn and facilitate customer acquisition, and the effects of an internal pricing system issue in a portion of 2013 that constrained our ability to make timely adjustments to electric rates in some newer territories.

Gross margins on natural gas sales increased in 2013 compared to 2012 because increased natural gas consumption due to the temperatures in the three months ended March 31, 2013 compared to the same period in 2012 enabled us to recover costs more effectively in 2013 compared to 2012.

Selling, General and Administrative. The decrease in selling, general and administrative expense in 2013 compared to 2012 was primarily due to decreases in customer acquisition costs, payroll and bonuses, severance expense and stock-based compensation expense. Customer acquisition costs decreased an aggregate of \$4.4 million primarily due to the significant decrease in the number of new customers acquired in 2013 compared to 2012. Payroll and bonuses and severance expense decreased \$1.0 million and \$0.2 million, respectively, in 2013 compared to 2012. The \$0.2 million decrease in stock-based compensation expense was primarily due to reductions in expense from the November 2011 grants of restricted stock and stock options. The expense from these grants was recognized over the expected service period. In 2013 compared to 2012, the decrease in selling, general and administrative expense was partially offset by a \$0.5 million increase in purchase of receivable fees, primarily because of the increase in GRE's revenue as a percentage of GRE's total revenues, selling, general and administrative expense decreased from 19.4% in 2012 to 14.1% in 2013, primarily because of the significant decrease in costs related to customer acquisitions as well as the increase in revenues.

Bad Debt. GRE's bad debt expense in 2013 was \$0.8 million compared to nil in 2012. Bad debt expense in 2013 related to an allowance for amounts due from a utility company that are under dispute.

Genie Oil and Gas Segment

Genie Oil and Gas does not currently generate any revenues, nor does it incur any direct cost of revenues.

(in millions)			Change	
Year ended December 31	2013	2012	\$	%
General and administrative expense	\$1.4	\$1.4	\$—	(8.5)%
Research and development	11.4	9.4	2.0	21.6
Equity in net loss of AMSO, LLC	3.2	3.2	—	0.6
Loss from operations	\$16.0	\$14.0	\$2.0	13.6%

General and Administrative. General and administrative expense was substantially unchanged in 2013 compared to 2012 primarily because the increases in stock-based compensation expense were offset by a decrease in the payroll and other expense as a result of shifting more resources to handle the increased research and development activities. Stock-based compensation expense increased \$0.6 million in 2013 compared to 2012 primarily due to grants in 2013 of equity in GOGAS subsidiaries to certain of our officers and employees. Payroll and other expense shifted to handle the research and development activities were \$0.7 million in 2013 compared to 2012.

Research and Development. Research and development expense consists of the following:

2013 2012

(in millions)

Year ended December 31,

Afek	\$4.2	\$—
Genie Mongolia	3.4	2.1
IEI	3.7	7.2
Other	0.1	0.1
Total research and development expense	\$11.4	\$9.4

In April 2013, Afek was awarded a 36-month petroleum exploration license in the Southern portion of the Golan Heights. During 2013, Afek completed preliminary geophysical work including an electromagnetic survey and the reprocessing of 2D seismic data to characterize the subsurface prior to drilling exploration wells. Afek subsequently began the analysis of the acquired data. In April 2013, Afek submitted a permit application to conduct an up to ten-well exploration drilling program.

The increase in Genie Mongolia's research and development expense in 2013 compared to 2012 related to the joint geological survey with the Republic of Mongolia, which was executed in April 2013, to explore certain of that country's oil shale deposits. Genie Mongolia began surface mapping and other geophysical evaluation work as well as exploratory drilling.

In June 2013, IEI submitted its permit application for the construction and operation of its oil shale pilot test facility to the Jerusalem District Building and Planning Committee. IEI was subsequently asked to provide supplements to the environmental impact assessment. The revised application was submitted on November 3, 2013. During 2013 and 2012, as per required permitting process, IEI continued laboratory work, engineering work and associated preparation of environmental permit applications related to the planned pilot.

Equity in the Net Loss of AMSO, LLC. In early March 2013, AMSO, LLC initiated start-up of its oil shale pilot test. After approximately two weeks of operation, the down-hole electric heater failed. Pilot operations were too short to allow conclusions to be drawn about the ultimate viability of AMSO, LLC's technical approach. In 2013, AMSO, LLC launched a series of diagnostic tests to analyze the status of its pilot test's down-hole heating and production well system. AMSO's equity in the net loss of AMSO, LLC was substantially unchanged in 2013 compared to 2012 because AMSO, LLC's net loss was \$9.1 million in 2013 and 2012.

Corporate

Corporate does not generate any revenues, nor does it incur any direct cost of revenues. Corporate costs include unallocated compensation, consulting fees, legal fees, business development expense and other corporate-related general and administrative expense.

(in millions)			Change	
Year ended December 31,	2013	2012	\$	%
General and administrative expense and loss from operations	\$9.1	\$7.9	\$1.2	15.6%

The increase in general and administrative expense in 2013 compared to 2012 was due primarily to increases in severance, stock-based compensation and charitable contributions, partially offset by decreases in payroll and related expense. As a percentage of our consolidated revenues, Corporate general and administrative expense decreased from 3.4% in 2012 to 3.3% in 2013.

Consolidated

Selling, General and Administrative. Prior to the Spin-Off, IDT charged us for certain transactions and allocated routine expenses based on company specific items. In addition, IDT controlled the flow of our treasury transactions. Following the Spin-Off, IDT charges us for services it provides pursuant to an agreement, and we charge IDT for specified administrative services that we provide to certain of IDT's foreign subsidiaries. In 2013 and 2012, the amounts that IDT charged us, net of the amounts that we charged IDT, were \$3.1 million and \$3.6 million, respectively, which was included in consolidated selling, general and administrative expense.

Stock-based compensation expense included in consolidated selling, general and administrative expense was \$4.2 million and \$3.8 million in 2013 and 2012, respectively. The increase was primarily due to expense from grants of equity interests in certain of our subsidiaries and grants of stock options, partially offset by a decrease in expense from grants of restricted stock. The expense from these grants is recognized over the expected service period.

On December 12, 2013, our Compensation Committee and our Board of Directors approved, subject to the approval of our stockholders, a compensation arrangement with Mr. Howard Jonas, the Chairman of our Board of Directors, upon his appointment as our Chief Executive Officer for a five-year term that commenced on January 1, 2014. The compensation arrangement included, among other things, the grant of options to purchase 3.0 million shares of our Class B Common Stock at an exercise price of \$6.44 per share. The exercise price was equal to the fair market value of the shares on the date of the grant. The options vested in five annual installments commencing on December 15, 2014 and were to expire ten years from the grant date. The estimated total fair value of the options was \$19.3 million, which was being recognized on a straight-line basis over the vesting period. The fair value of the options was estimated using a Black-Scholes valuation model. In July 2014, pursuant to the Second Amended and Restated

Employment Agreement and a Restricted Stock Sale Agreement with Mr. Jonas, among other things the options to purchase million shares of our Class B Common Stock were cancelled.

The following is a discussion of our consolidated income and expense line items below income from operations.

(in millions)			Change	
Year ended December 31,	2013	2012	\$	%
Income from operations	\$0.6	\$3.0	\$(2.4)	(79.5)%
Interest income	0.4	0.4	—	11.1
Financing fees	(3.2)	(2.9)	(0.3)	(10.4)
Other expense, net	(0.3)	(0.1)	(0.2)	(210.5)
Provision for income taxes	(2.8)	(2.9)	0.1	6.0
Net loss	(5.3)	(2.5)	(2.8)	(110.7)
Net income attributable to noncontrolling interests	(0.6)	(0.8)	0.2	24.7
Net loss attributable to Genie	\$(5.9)	\$(3.3)	\$(2.6)	(79.9)%

Financing Fees. Financing fees are the volumetric fees charged by BP under the Preferred Supplier Agreement between IDT and BP, pursuant to which BP is IDT Energy's preferred provider of electricity and natural gas. Financing fees increased in 2013 compared to 2012 primarily because of the higher consumption by GRE's customers.

Other Expense, net. The increase in other expense, net in 2013 compared to 2012 was mainly due to a gain in 2012 from the GRE's amount due from MF Global as well as an increase in foreign currency translation losses. On October 31, 2011, MF Global, our former clearing broker, filed for bankruptcy protection. On that date, GRE held \$1.65 million of cash on deposit with MF Global in support of hedging positions related to GRE's commodity supply. Assets held by MF Global were placed under the control of a court appointed bankruptcy trustee to be released as deemed appropriate. In November 2011, we transferred our hedging securities to an alternative clearing broker. In October 2011, we recognized a \$0.45 million loss, relating to our cash deposit with MF Global based on management's best estimate of the unrecoverable amount. In November 2012, we received \$0.6 million from a sale of the amount due from MF Global and recognized a gain of \$0.3 million.

Provision for Income Taxes. The slight decrease in the provision for income taxes in 2013 compared to 2012 was due to a significant decrease in our tax provision, partially offset by an increase in the tax provision of our consolidated variable interest entities. DAD, and Tari are variable interest entities that are consolidated in our GRE segment. We and CCE, DAD and Tari file separate returns since we do not have any ownership interest in CCE, DAD or Tari. The significant decrease in our tax provision was due to the establishment of a valuation allowance on our deferred income tax assets in a prior period, which was partially offset by a settlement. In 2013, we only recorded a state income tax expense on GRE's earnings. CCE, DAD and Tari recorded federal and state tax provisions in 2013 because their net operating losses have been utilized.

Net Income Attributable to Noncontrolling Interests. The decrease in the net income attributable to noncontrolling interests in 2013 compared to 2012 primarily relates to changes in the net income attributable to noncontrolling interests of Tari, partially offset by an increase in the net income attributable to noncontrolling interests of CCE and a decrease in the net loss attributable to noncontrolling interests of DAD. We do not have any ownership interest in CCE, DAD or Tari, therefore all net income or loss incurred by them has been attributed to noncontrolling interests. Tari's net income in 2013 was \$0.1 million compared to \$0.2 million in 2012. Tari's net income decreased primarily due to a decrease in its revenue, partially offset by a decrease in payroll expense. CCE's net income in 2013 was \$2.1 million compared to \$1.9 million in 2012. CCE's net income increased primarily due to a decrease in customer acquisition costs, partially offset by reduction in gross profit and an increase in management fees. DAD's net loss in 2013 was \$0.4 million compared to \$0.3 million in 2012. DAD's net loss decreased because DAD ceased to acquire customers for CCE in December 2012, and reduced its operations accordingly.

LIQUIDITY AND CAPITAL RESOURCES

General

Historically, we have satisfied our cash requirements primarily through a combination of our existing cash and cash equivalents, GRE's cash flow from operating activities, sales of equity interests in GOGAS and certain of its subsidiaries and, prior to the Spin-Off, operational funding from IDT. We currently expect that our operations in the next twelve months and the \$76.6 million balance of cash, cash equivalents, and certificates of deposit that we held as of December 31, 2014 will be sufficient to meet our currently anticipated cash requirements for at least the year ending December 31, 2015, including Afek's anticipated substantial expenditures in the year ending December 31, 2015.

We are considering sales of equity interests in the various GOGAS projects or in GOGAS to provide the necessary financing such activities.

As of December 31, 2014, we had working capital (current assets less current liabilities) of \$110.3 million.

(in millions)	Year ended		
	December 31,		
	2014	2013	2012
Cash flows (used in) provided by:			
Operating activities	\$(19.1)	\$1.2	\$(1.0)
Investing activities	(3.0)	3.8	(17.7)
Financing activities	20.7	(0.9)	(14.4)
Effect of exchange rate changes on cash and cash equivalents	(0.6)	0.4	0.3
(Decrease) increase in cash and cash equivalents	\$(2.0)	\$4.5	\$(32.8)

Operating Activities

Our cash flow from operations varies significantly from quarter to quarter and from year to year, depending on our operating and the timing of operating cash receipts and payments, specifically trade accounts receivable and trade accounts payable, in payments relating to our research and development activities.

CCE, DAD and Tari are consolidated variable interest entities. We determined that since the acquisition of the interest in CCE and Tari, we had the power to direct the activities of these entities that most significantly impact their economic performance and have the obligation to absorb losses of CCE, DAD and Tari that could potentially be significant to CCE, DAD and Tari on a stand-alone basis. We therefore determined that we are the primary beneficiary of CCE, DAD and Tari, and as a result, we consolidate CCE, DAD and Tari with our GRE segment. We provide CCE, DAD and Tari with all of the cash required to fund their operations. In 2014, we provided CCE, DAD and Tari with net funding of \$0.3 million to finance their operations. In 2013 and 2012, CCE, DAD and Tari repaid \$4.1 million and \$0.7 million, respectively, to us.

Since 2009, IDT Energy has been party to a Preferred Supplier Agreement with BP, pursuant to which BP is IDT Energy's primary provider of electricity and natural gas. The agreement's termination date is June 30, 2015. IDT Energy's obligations to BP are secured by a first security interest in deposits or receivables from utilities in connection with their purchase of IDT Energy's customer receivables, and in any cash deposits or letters of credit posted in connection with any collateral accounts with BP. IDT Energy's ability to purchase electricity and natural gas under this agreement is subject to satisfaction of certain conditions including the maintenance of certain covenants. At December 31, 2014, we were in compliance with such covenants. As of December 31, 2014, restricted cash—short-term of \$0.5 million and trade accounts receivable of \$29.5 million were pledged to BP as collateral for the payment of IDT Energy's trade accounts payable to BP of \$11.6 million as of December 31, 2014.

In July 2013, GRE negotiated a settlement of an audit of its New York State sales and use tax for the period from June 2003 to August 2009. As a result, GRE paid \$0.9 million in July 2013. We are subject to audits in various jurisdictions for various tax years. Amounts asserted by taxing authorities or the amount ultimately assessed against us could be greater than accrued amounts. Accordingly, additional provisions may be recorded in the future as estimates are revised or underlying matters are settled or resolved. Imposition of assessments as a result of tax audits could have an adverse effect on our results of operations, cash flow and financial condition.

Investing Activities

Our capital expenditures were \$1.4 million, \$0.3 million and \$0.1 million in 2014, 2013 and 2012, respectively. Costs for research and development activities are charged to expense when incurred. We currently anticipate that our total capital expenditures for the year ending December 31, 2015 will be approximately \$0.3 million. We did not have any material commitments for capital expenditures at December 31, 2014.

In 2013 and 2012, cash used for capital contributions to AMSO, LLC was \$2.7 million and \$4.1 million, respectively. No contributions were made in 2014. AMSO has the right to decide at each capital call whether or not to fund AMSO, LLC, and make a determination at each such time. AMSO has not funded the capital calls for any quarter since the fourth quarter of 2013. Total funded AMSO's share of the capital calls that AMSO did not fund in an aggregate amount of \$3.6 million. Because of our decision not to fund its share of AMSO, LLC's expenditures, AMSO's ownership interest in AMSO, LLC was reduced to 43.1%. Total's ownership interest increased to 56.9%. In addition, AMSO's share of future funding of AMSO, LLC up to a cumulative amount of \$10 million was reduced to 30.2% and Total's share increased to 69.8%. AMSO's share of AMSO, LLC's proposed budget for the

remainder of 2015 is \$1.5 million. AMSO is evaluating its options with respect to funding AMSO, LLC in 2015, and funding than its full share would result in further dilution of its interest in AMSO, LLC.

In December 2013, IDT Energy acquired 100% of the outstanding membership interests of Diversegy and Epiq. Cash paid for acquisitions, net of cash acquired, was \$0.8 million. In addition, IDT Energy agreed to additional cash payments of \$1.2 million in contingent payments that were estimated to be \$1.3 million. In 2014, we paid an aggregate of \$1.1 million in scheduled and contingent payments. In addition, in 2014, we reduced our estimate of our contingent payment liability related to our acquisition of Diversegy and Epiq and recorded a gain of \$0.2 million. At December 31, 2014, the remaining scheduled payments were an aggregate of \$0.4 million, and the estimated contingent payments were \$0.7 million. The contingent payments include 100% of the gross profit from each closing customer contract during the remainder of the initial term of such contract and 100% of the gross profit from each post-closing customer contract during the initial term of such contract, plus 25% of the gross profit from the renewal term of such contracts. A closing customer contract is generally a contract in effect at closing, and a post-closing customer contract is generally a contract that became effective within 60 days following the acquisition. The acquisition date fair value of contingent payments was estimated based on historical gross profits, customer attrition and contract renewals.

In 2014, 2013 and 2012, we entered into loans receivable for an aggregate of \$0.1 million, \$0.8 million and \$0.7 million, respectively.

In 2014, 2013 and 2012, we used cash of \$4.7 million, \$4.3 million and \$2.2 million, respectively, to purchase certificates of deposit, and nil, \$3,000 and \$11.5 million, respectively, to purchase marketable securities. In 2014, 2013 and 2012, proceeds from maturities of certificates of deposit were \$4.3 million, \$2.2 million and nil, respectively, and proceeds from maturities of marketable securities were nil, \$10.4 million and \$1.0 million, respectively.

Financing Activities

In 2014 and 2013, we paid an aggregate Base Dividend per share of \$0.6376 and \$0.6099, respectively, on our Series 2012-A Preferred Stock. The aggregate dividends paid in 2014 and 2013 were \$1.4 million and \$1.1 million, respectively.

In 2014 and 2012, we paid an aggregate dividend per share of \$0.06 and \$0.183, respectively, to stockholders of our Class A common stock and Class B common stock. The aggregate dividends paid in 2014 and 2012 were \$1.5 million and \$4.2 million, respectively. No dividend was declared or paid on our Class A common stock or Class B common stock in 2013. On March 1, 2015, our Board of Directors declared a quarterly dividend of \$0.06 per share on our Class A and Class B common stock for the fourth quarter of 2014. The dividend will be paid on or about March 31, 2015 to stockholders of record as of the close of business on March 23, 2015, equal to \$1.5 million in total dividends.

On July 30, 2014, we entered into a Second Amended and Restated Employment Agreement and a Restricted Stock Sale Agreement with Howard Jonas. Pursuant to these agreements, in July and August 2014, we sold an aggregate of 3.6 million shares of our Class B common stock to Mr. Jonas for an aggregate purchase price of \$24.6 million. The 3.6 million shares of our Class B common stock are subject to repurchase by us at \$6.82 per share upon certain terminations of Mr. Jonas' employment by us, and such repurchase right lapses as to 0.6 million shares on each of July 30, 2014 and December 31 of 2014 through 2018.

In 2013, Tari distributed \$42,000 to its shareholder, which was classified as a distribution to noncontrolling interests since Tari is a subsidiary of our consolidated variable interest entities.

In 2013, certain GOGAS subsidiaries sold noncontrolling equity interests for an aggregate of \$0.4 million in cash. In November 2010, GOGAS sold a 0.5% equity interest to Rupert Murdoch for \$1.0 million paid with a promissory note. The note is secured by a pledge of the shares issued in exchange for the note. The note accrues interest at 1.58% per annum, and the principal and accrued interest is due and payable on November 15, 2015.

We received proceeds from the exercise of our stock options of \$28,000, \$0.1 million and \$5,000 in 2014, 2013 and 2012, respectively.

The increase in restricted cash of \$10.0 million in 2012 was comprised of cash that was deposited in a money market account at JPMorgan Chase Bank as collateral for a line of credit (see below).

In 2014, we paid \$0.2 million to repurchase 31,392 shares of our Class B common stock. In 2013, we paid \$0.3 million to repurchase 31,776 shares of our Class B common stock. In 2012, we paid \$0.2 million to repurchase 27,202 shares of our Class B common stock. These shares were tendered by employees of ours to satisfy tax withholding obligations in connection with the lapsing of restrictions on awards of restricted stock. Such shares were repurchased by us based on their fair market value on the trading date immediately prior to the vesting date.

On March 11, 2013, our Board of Directors approved a stock repurchase program for the repurchase of up to an aggregate of 10 million shares of our Class B common stock. In 2014, we repurchased 103,331 shares of Class B common stock under this program for an aggregate purchase price of \$0.8 million. There were no repurchases under the program in 2013. At December 31, 2014, 10 million shares remained available for repurchase under the stock repurchase program.

Exchange Offers and Issuances of Preferred Stock

On August 2, 2012, we initiated an offer to exchange up to 8.75 million outstanding shares of our Class B common stock for the same number of shares of our Series 2012-A Preferred Stock. The offer expired on October 10, 2012. On October 17, 2012, we issued 1,604,591 shares of our Series 2012-A Preferred Stock in exchange for an equal number of shares of Class B common stock tendered in the exchange offer.

On November 26, 2012, we initiated an offer to exchange up to 7.15 million outstanding shares of our Class B common stock for the same number of shares of our Series 2012-A Preferred Stock. The offer expired on March 5, 2013. On March 11, 2013, we issued 313,376 shares of our Series 2012-A Preferred Stock in exchange for an equal number of shares of Class B common stock tendered in the exchange offer.

On May 22, 2014, we initiated an offer to exchange up to 5.0 million outstanding shares of our Class B common stock for the same number of shares of our Series 2012-A Preferred Stock. The offer expired on June 23, 2014. On June 27, 2014, we issued 400,000 shares of our Series 2012-A Preferred Stock in exchange for an equal number of shares of Class B common stock tendered in the exchange offer. As a result of the issuance of additional shares of Series 2012-A Preferred Stock, the aggregate quarterly Base Dividend increased to \$0.4 million from \$0.3 million.

Each share of our Series 2012-A Preferred Stock has a liquidation preference of \$8.50 (the “Liquidation Preference”), and is entitled to receive an annual dividend per share equal to the sum of (i) \$0.6375 (the “Base Dividend”) plus (ii) seven and one-half percent of the quotient obtained by dividing (A) the amount by which the EBITDA for a fiscal year of our retail energy provider business exceeds \$32 million by (B) 8,750,000 (the “Additional Dividend”), payable in cash. EBITDA consists of income (loss) from operations exclusive of depreciation and amortization and other operating gains (losses).

The Series 2012-A Preferred Stock is redeemable, in whole or in part, at our option following October 11, 2017 at 101% of the Liquidation Preference plus accrued and unpaid dividends, and 100% of the Liquidation Preference plus accrued and unpaid dividends following October 11, 2018.

During any period when we have failed to pay a dividend on the Series 2012-A Preferred Stock and until all unpaid dividends have been paid in full, we are prohibited from paying dividends or distributions on our Class B or Class A common stock.

The Base Dividend is payable (if declared by our Board of Directors, and accrued, if not declared) quarterly on each February 15, May 15, August 15 and November 15, and to the extent that there is any Additional Dividend payable with respect to a fiscal year, will be paid to holders of Series 2012-A Preferred Stock with the May dividend. With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series 2012-A Preferred Stock is equal in rank to all other equity securities we issue, the terms of which specifically provide that such equity securities rank on a parity with the Series 2012-A Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up; senior to our common stock; and junior to all of our existing and future indebtedness.

Each share of Series 2012-A Preferred Stock has the same voting rights as a share of Class B common stock, except on certain matters that only impact our common stock, as well as additional voting rights on specific matters or upon the occurrence of certain events.

Revolving Line of Credit

As of April 23, 2012, we and IDT Energy entered into a Loan Agreement with JPMorgan Chase Bank for a revolving line of credit for up to a maximum principal amount of \$25.0 million. On April 30, 2014, the Loan Agreement was modified to extend the maturity date from April 30, 2014 to April 30, 2015. The proceeds from the line of credit may be used to provide working capital for the issuance of letters of credit. We agreed to deposit cash in a money market account at JPMorgan Chase Bank as collateral for the line of credit equal to the greater of (a) \$10.0 million or (b) the sum of the amount of letters of credit outstanding plus the amount of outstanding principal under the revolving note. We are not permitted to withdraw funds or exercise any authority over the restricted balance in the collateral account. The principal outstanding will bear interest at the lesser of (a) the LIBOR rate multiplied by the statutory reserve rate established by the Board of Governors of the Federal Reserve System plus 1.0% per annum, or (b) the maximum rate per annum permitted by whichever of applicable federal or Texas laws permit the higher interest rate. Interest is payable at least every three months and all outstanding principal and any accrued and unpaid interest is due on the maturity date. We pay a quarterly unused commitment fee of 0.08% per annum on the difference between \$25.0 million and the average daily outstanding principal balance of the note. In addition, as of April 23, 2012, GEIC issued a Corporate Guaranty to JPMorgan Chase Bank whereby GEIC unconditionally guarantees the full payment of all indebtedness of ours and IDT Energy under the Loan Agreement. At December 31, 2014, there were no amounts borrowed under the line of credit, and cash collateral of \$10.0 million was included in "Restricted cash—short-term" in the consolidated balance sheet. In addition, at December 31, 2014, letters of credit of \$7.6 million were outstanding.

Changes in Trade Accounts Receivable and Inventory

Gross trade accounts receivable decreased to \$31.7 million at December 31, 2014 from \$43.9 million at December 31, 2013, reflecting mainly the decrease in our revenues in the three months ended December 31, 2014 compared to the three months ended December 31, 2013.

Inventory of natural gas decreased to \$2.5 million at December 31, 2014 from \$3.3 million at December 31, 2013 due to an 11% decrease in the average unit cost and a 16% decrease in quantity at December 31, 2014 compared to December 31, 2013. Inventory at December 31, 2014 also included \$8.7 million in renewable energy credits.

CONTRACTUAL OBLIGATIONS AND OTHER COMMERCIAL COMMITMENTS

The following tables quantify our future contractual obligations and commercial commitments as of December 31, 2014:

*Contractual Obligations***Payments Due by Period**

(in millions)	Total	Less than 1 year	1—3 years	4—5 years	After 5 years
Commitment to invest in AMSO, LLC (1)	\$1.5	\$ 1.5	\$ —	\$ —	\$ —
Purchase obligations	7.2	7.1	0.1	—	—
Renewable energy credits purchase obligations	24.9	9.3	15.5	0.1	—
Operating leases	0.6	0.3	0.3	—	—
Other liabilities (2)	0.4	0.4	—	—	—
TOTAL CONTRACTUAL OBLIGATIONS (3)	\$34.6	\$ 18.6	\$ 15.9	\$ 0.1	\$ —

(1) The amount and timing of AMSO's payments to AMSO, LLC is based on the proposed 2015 budget and is subject to change. AMSO has the right to decide at each capital call whether or not to fund AMSO, LLC, and will make a determination at each such time. AMSO has not funded the capital calls for any quarter since the fourth quarter of 2013. Total funded AMSO's share of the capital calls that AMSO did not fund in an aggregate amount of \$3.6 million. Because of AMSO's decision not to fund its share of AMSO, LLC's expenditures, AMSO's ownership interest in AMSO, LLC was reduced to 43.1% and Total's ownership interest increased to 56.9%. AMSO is evaluating its options with respect to funding AMSO, LLC in 2015, and funding of less than its full share would result in further dilution of its interest in AMSO, LLC.

(2) Other liabilities at December 31, 2014 included deferred cash payments of \$0.4 million in connection with our December 2013 acquisition of Diversegy, LLC and Epiq Energy, LLC. The above table does not include estimated contingent payments of \$0.7 million in connection with the acquisition due to the uncertainty of the amount and timing of any such payments.

(3) The above table does not include our unrecognized income tax benefits for uncertain tax positions at December 31, 2014 of \$0.5 million due to the uncertainty of the amount and/or timing of any such payments. Uncertain tax positions taken or expected to be taken on an income tax return may result in additional payments to tax authorities. We are currently unable to reasonably estimate the timing of any potential future payments. If a tax authority agrees with our position taken or expected to be taken or the applicable statute of limitations expires, then additional payments may be necessary.

*Other Commercial Commitments***Payments Due by Period**

(in millions)	Total	Less than 1 year	1—3 years	4—5 years	After 5 years
Standby letter of credit (1)	\$ 7.6	\$ 5.6	\$ 2.0	\$ —	\$ —

(1) The above table does not include an aggregate of \$12.7 million in performance bonds at December 31, 2014 due to the uncertainty of the amount and/or timing of any payments.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any “off-balance sheet arrangements,” as defined in relevant SEC regulations that are reasonably likely to have a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources, other than the following.

GRE has performance bonds issued through a third party for the benefit of various states in order to comply with the states’ requirements for retail energy providers. At December 31, 2014, GRE had aggregate performance bonds of \$12.7 million outstanding.

In connection with our Spin-Off in October 2011, we and IDT entered into various agreements prior to the Spin-Off including a Separation and Distribution Agreement to effect the separation and provide a framework for our relationship with IDT after the Spin-Off, and a Tax Separation Agreement, which sets forth the responsibilities of us and IDT with respect to, among other things, liabilities for federal, state, local and foreign taxes for periods before and including the Spin-Off, the preparation and filing of returns for such periods and disputes with taxing authorities regarding taxes for such periods. Pursuant to the Separation and Distribution Agreement, among other things, we indemnify IDT and IDT indemnifies us for losses related to the failure of us to pay, perform or otherwise discharge, any of the liabilities and obligations set forth in the agreement. Pursuant to the Tax Separation Agreement, among other things, IDT indemnifies us from all liability for taxes of IDT with respect to any taxable period, and we indemnify IDT from all liability for taxes of ours with respect to any taxable period, including, without limitation, the ongoing tax audits related to our business.

Item 7A. Quantitative and Qualitative Disclosures about Market Risks.

Our primary market risk exposure is the price applicable to our natural gas and electricity purchases and sales. The sales price of natural gas and electricity is primarily driven by the prevailing market price. Hypothetically, if our gross profit per unit in 2014 remained the same as in 2013, our gross profit from electricity sales would have decreased by \$14.1 million in 2014 and our gross profit from natural gas sales would have increased by \$13.2 million in that period.

The energy markets have historically been very volatile, and we can reasonably expect that electricity and natural gas prices will continue to be subject to fluctuations in the future. In an effort to reduce the effects of the volatility of the cost of electricity and natural gas purchases for operations, we have adopted a policy of hedging electricity and natural gas prices from time to time, at relatively lower volumes, primarily through the use of futures contracts, swaps and put and call options. While the use of these hedging arrangements limits the downside risk of adverse price movements, it also limits future gains from favorable movements. We do not apply hedge accounting to these contracts, swaps and options, therefore the mark-to-market change in fair value is recognized in direct cost of revenue in our consolidated statements of operations.

The summarized volume of GRE's outstanding contracts and options as of December 31, 2014 was as follows (MWh – Megawatt hours and Dth – Decatherm):

Commodity	Settlement Dates	Volume
Electricity	February 2015	320,000 MWh
Electricity	May 2015	16,000 MWh
Electricity	July 2015	147,200 MWh
Electricity	August 2015	134,400 MWh
Natural gas	February 2015	1,680,000 Dth
Natural gas	July 2015	3,915,000 Dth
Natural gas	September 2015	225,000 Dth
Natural gas	October 2015	155,000 Dth
Natural gas	January 2016	542,500 Dth
Natural gas	July 2016	620,000 Dth

Item 8. Financial Statements and Supplementary Data.

Our Consolidated Financial Statements and supplementary data and the reports of the independent registered public accounting firm thereon set forth starting on page F-1 herein are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2014.

Report of Management on Internal Control over Financial Reporting

We, the management of Genie Energy Ltd. and subsidiaries (the “Company”), are responsible for establishing and maintaining adequate internal control over financial reporting of the Company.

The Company's internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles in the United States and includes those policies and procedures that:

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the Company;
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made in accordance with authorizations of management and directors of the Company; and
3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making this assessment, the Company's management used the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our internal control over financial reporting, as prescribed above, as of December 31, 2014. Based on our evaluation, our principal executive officer and principal financial officer concluded that the Company's internal control over financial reporting as of December 31, 2014 was effective in all material respects.

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

BDO USA, LLP has provided an attestation report on the Company's internal control over financial reporting as of December 31, 2014.

Changes in Internal Control over Financial Reporting

Based on an evaluation of the effectiveness of the design and operation of its controls and procedures conducted by the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company concluded that its controls and procedures were not effective as of December 31, 2013 due to material weaknesses in financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses were identified:

A proper review and approval of journal entries was not performed by the Genie Retail Energy Controller's group to ensure each journal entry is appropriately supported, complete and accurate, and

The Company failed to identify errors while conducting quarterly financial statement variance analyses reviewed by the Company's senior management.

The Company made the following changes to its internal control over financial reporting to remediate these material weaknesses which were completed during the fourth quarter of the year ended December 31, 2014. These changes materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting:

The Company reviewed staffing within the Genie Retail Energy accounting team and hired an additional senior accounting resource,

The Company reviewed and amended the journal entry review process to ensure a more vigorous level of oversight of the entries and the underlying documentation, and

The Company developed better reporting and metrics within the variance analysis used by its senior management in their review of the financial statements.

Item 9B. Other Information.

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

The following is a list of our directors and executive officers along with the specific information required by Rule 14a-3 of the Securities Exchange Act of 1934:

Executive Officers

Howard S. Jonas—Chairman of the Board and Chief Executive Officer

Avi Goldin—Chief Financial Officer

Geoffrey Rochwarger—Vice Chairman

Ira Greenstein—President

Michael Jonas—Executive Vice President

Michael Stein—Executive Vice President

Directors

Howard S. Jonas—Chairman of the Board and Chief Executive Officer of the Company

James A. Courter—Vice Chairman of the Board of the Company

W. Wesley Perry—Owner and operator of S.E.S. Investments, Ltd., an oil and gas investment company

Alan B. Rosenthal—Founder and managing partner of ABR Capital Financial Group LLC, an investment fund

Allan Sass—Former President and Chief Executive Officer of Occidental Oil Shale Corporation, a subsidiary of Occidental Petroleum Corporation

The remaining information required by this Item will be contained in our Proxy Statement for our Annual Stockholders Meeting, 2014, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2014, and which is incorporated by reference herein.

Corporate Governance

We have included as exhibits to this Annual Report on Form 10-K certificates of our Chief Executive Officer and Chief Financial Officer certifying the quality of our public disclosure.

We make available free of charge through the investor relations page of our web site (www.idt.net/ir) our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports, and all beneficial ownership reports on Forms 3, 4 and 5 filed by directors, officers and beneficial owners of more than 10% of our equity, as soon as reasonably practicable after such reports are electronically filed with the Securities and Exchange Commission. We have adopted codes of business conduct and ethics for all of our employees, including our principal executive officer, principal financial officer and principal accounting officer. Copies of the codes of business conduct and ethics are available on our web site.

Our web site and the information contained therein or incorporated therein are not intended to be incorporated into this Annual Report on Form 10-K or our other filings with the SEC.

Item 11. Executive Compensation.

The information required by this Item will be contained in our Proxy Statement for our Annual Stockholders Meeting, which filed with the Securities and Exchange Commission within 120 days after December 31, 2014, and which is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item will be contained in our Proxy Statement for our Annual Stockholders Meeting, which filed with the Securities and Exchange Commission within 120 days after December 31, 2014, and which is incorporated by reference herein.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item will be contained in our Proxy Statement for our Annual Stockholders Meeting, which filed with the Securities and Exchange Commission within 120 days after December 31, 2014, and which is incorporated by reference herein.

Item 14. Principal Accounting Fees and Services.

The information required by this Item will be contained in our Proxy Statement for our Annual Stockholders Meeting, which filed with the Securities and Exchange Commission within 120 days after December 31, 2014, and which is incorporated by reference herein.

Part IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Report:

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

1. Reports of Independent Registered Public Accounting Firms on Consolidated Financial Statements

Consolidated Financial Statements covered by Reports of Independent Registered Public Accounting Firms

Financial Statement Schedule.

2. All schedules have been omitted since they are either included in the Notes to Consolidated Financial Statements or not reported or not applicable.

3. The exhibits listed in paragraph (b) of this item. Exhibit Numbers 10.01, 10.03 and 10.04 are management contracts or compensatory plans or arrangements.

(b) Exhibits.

Exhibit Number	Description of Exhibits
3.01(1)	Amended and Restated Certificate of Incorporation of the Registrant.
3.02(2)	Amended and Restated Certificate of Designation of Series 2012-A Preferred Stock of the Registrant.
3.03(3)	Amended and Restated By-Laws of the Registrant.
10.01(4)	Second Amended and Restated Employment Agreement, effective as of July 30, 2014, between the Registrant and Howard S. Jonas.
10.03(5)	Amended and Restated Employment Agreement, effective as of August 19, 2014, between the Registrant and Avram Goldin.
10.04(6)	2011 Stock Option and Incentive Plan of Genie Energy Ltd.
10.05(1)	Preferred Supplier Agreement between IDT Energy, Inc. and BP Energy Company, dated June 29, 2009, as amended.
21.01*	Subsidiaries of the Registrant.

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- 23.01* Consent of BDO USA, LLP
- 23.02* Consent of Grant Thornton LLP.
- 31.01* Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.02* Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.01* Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.02* Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS* XBRL Instance Document
- 101.SCH* XBRL Taxonomy Extension Schema Document
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document

Exhibit Number	Description of Exhibits
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* filed herewith.

(1) Incorporated by reference to Form 10-12G/A, filed October 7, 2011.

(2) Incorporated by reference to Exhibit 99(A)(1)(A) to Schedule TO, filed May 22, 2014.

(3) Incorporated by reference to Form 8-K filed August 9, 2012.

(4) Incorporated by reference to Form 8-K, filed August 1, 2014.

(5) Incorporated by reference to Form 8-K, filed August 25, 2014.

(6) Incorporated by reference to Form 10-12G/A, filed October 27, 2011.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

GENIE ENERGY LTD.

By: /s/ Howard S. Jonas
**Chairman of the Board and
 Chief Executive Officer**

Date: March 16, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Titles	Date
/s/ Howard S. Jonas Howard S. Jonas	Chairman of the Board and Director and Chief Executive Officer (Principal Executive Officer)	March
/s/ Avi Goldin Avi Goldin	Chief Financial Officer (Principal Financial Officer)	March
/s/ James A. Courter James A. Courter	Vice Chairman of the Board and Director	March
/s/ W. Wesley Perry W. Wesley Perry	Director	March
/s/ Alan B. Rosenthal Alan B. Rosenthal	Director	March
/s/ Allan Sass Allan Sass	Director	March

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

Genie Energy Ltd.

Newark, New Jersey

We have audited the internal control over financial reporting of Genie Energy Ltd. (a Delaware corporation) and subsidiaries (“Company”) as of December 31, 2014, based on criteria established in *Internal Control–Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on Internal Control Over Financial Reporting under Item 9A. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), consolidated financial statements of the Company as of and for each of the two years in the period ended December 31, 2014 our report dated March 16, 2015 expressed an unqualified opinion on those financial statements.

/s/ BDO USA, LLP

Woodbridge, New Jersey

March 16, 2015

GENIE ENERGY LTD.

Index to Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Genie Energy Ltd.

Newark, New Jersey

We have audited the accompanying consolidated balance sheets of Genie Energy Ltd. (a Delaware corporation) and subsidiaries (“Company”) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, and cash flows for each of the two years in the period ended December 31, 2014. These financial statements are the responsibility of Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Genie Energy Ltd. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Company’s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control–Integrated Framework (2013)*, and our report dated March 16, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Woodbridge, New Jersey
March 16, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Genie Energy Ltd.

We have audited the consolidated balance sheet of Genie Energy Ltd. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2012 (not presented herein) and the related consolidated statements of operations, comprehensive (loss) income, equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of American Shale Oil, LLC, an equity method investment. The Company’s equity in the net loss of American Shale Oil, LLC was \$1.5 million for the year ended December 31, 2012. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for American Shale Oil, LLC, is based solely on the report of those auditors.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company was not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Genie Energy Ltd. and subsidiaries as of December 31, 2012 and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

New York, New York
March 21, 2013

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GENIE ENERGY LTD.**CONSOLIDATED BALANCE SHEETS**

December 31 (in thousands)	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 71,895	\$ 73,885
Restricted cash—short-term	10,609	14,429
Certificates of deposit	4,669	4,343
Trade accounts receivable, net of allowance for doubtful accounts of \$227 at December 31, 2014 and \$930 at December 31, 2013	31,427	42,926
Inventory	11,166	3,822
Prepaid expenses	5,713	2,930
Deferred income tax assets, net	1,463	840
Other current assets	5,430	2,917
TOTAL CURRENT ASSETS	142,372	146,092
Property and equipment, net	1,902	561
Goodwill	3,663	7,349
Restricted cash—long-term	1,023	1,127
Other assets	3,968	3,714
TOTAL ASSETS	\$ 152,928	\$ 158,843
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade accounts payable	\$ 14,881	\$ 25,302
Accrued expenses	10,913	9,856
Advances from customers	403	1,103
Income taxes payable	543	2,075
Due to IDT Corporation	542	541
Energy hedging contracts	4,003	385
Other current liabilities	797	1,072
TOTAL CURRENT LIABILITIES	32,082	40,334
Other liabilities	1,503	2,169
TOTAL LIABILITIES	33,585	42,503

Commitments and contingencies			
EQUITY:			
Genie Energy Ltd. stockholders' equity:			
Preferred stock, \$.01 par value; authorized shares—10,000:			
Series 2012-A, designated shares—8,750; at liquidation preference, consisting of 2,322 and 1,917 shares issued and outstanding at December 31, 2014 and 2013, respectively	19,743		16,303
Class A common stock, \$.01 par value; authorized shares—35,000; 1,574 shares issued and outstanding at December 31, 2014 and 2013	16		16
Class B common stock, \$.01 par value; authorized shares—200,000; 23,178 and 19,755 shares issued and 22,984 and 19,696 shares outstanding at December 31, 2014 and 2013, respectively	232		198
Additional paid-in capital	114,322		82,791
Treasury stock, at cost, consisting of 194 and 59 shares of Class B common at December 31, 2014 and 2013, respectively	(1,543)	(473
Accumulated other comprehensive income	10		745
(Accumulated deficit) retained earnings	(7,759)	21,552
Total Genie Energy Ltd. stockholders' equity	125,021		121,132
Noncontrolling interests:			
Noncontrolling interests	(4,678)	(3,792
Receivable for issuance of equity	(1,000)	(1,000
Total noncontrolling interests	(5,678)	(4,792
TOTAL EQUITY	119,343		116,340
	\$ 152,928		\$ 158,843

TOTAL LIABILITIES
AND EQUITY

See accompanying notes to consolidated financial statements.

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GENIE ENERGY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)	Year ended December 31,		
	2014	2013	2012
REVENUES:			
Electricity	\$214,511	\$216,668	\$198,450
Natural gas	57,868	62,506	55,100
Other	2,652	—	—
Total revenues	275,031	279,174	253,550
Direct cost of revenues	223,094	213,416	198,450
GROSS PROFIT	51,937	65,758	55,100
OPERATING EXPENSES, (GAINS) AND LOSSES:			
Selling, general and administrative (i)	61,372	49,749	55,100
Bad debt	310	800	—
Research and development	12,509	11,389	9,000
Goodwill impairment	3,562	—	—
Adjustment to estimated contingent payments	(206)	—	—
Equity in the net loss of AMSO, LLC	—	3,194	3,194
(Loss) income from operations	(25,610)	626	3,194
Interest income	469	449	449
Financing fees	(2,560)	(3,217)	(3,217)
Other income (expense), net	389	(444)	(444)
(Loss) income before income taxes	(27,312)	(2,586)	3,194
Provision for income taxes	(95)	(2,755)	(2,755)
NET LOSS	(27,407)	(5,341)	(2,755)
Net loss (income) attributable to noncontrolling interests	921	(562)	(562)
NET LOSS ATTRIBUTABLE TO GENIE ENERGY LTD.	(26,486)	(5,903)	(3,317)
Dividends on preferred stock	(1,416)	(1,223)	(1,223)
NET LOSS ATTRIBUTABLE TO GENIE ENERGY LTD. COMMON STOCKHOLDERS	\$(27,902)	\$(7,126)	\$(4,540)
Basic and diluted loss per share attributable to Genie Energy Ltd. common stockholders:	\$(1.31)	\$(0.36)	\$(0.36)
Weighted-average number of shares used in calculation of basic and diluted loss per share	21,256	19,668	21,256
(i) Stock-based compensation included in selling, general and administrative expenses	\$10,758	\$4,180	\$3,194

See accompanying notes to consolidated financial statements.

GENIE ENERGY LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)	Year ended December 31,		
	2014	2013	2012
NET LOSS	\$(27,407)	\$(5,341)	\$(2,535)
Other comprehensive (loss) income:			
Change in unrealized loss on available-for-sale securities, net of tax	—	15	(15)
Foreign currency translation adjustments	(700)	441	386
Other comprehensive (loss) income	(700)	456	371
COMPREHENSIVE LOSS	(28,107)	(4,885)	(2,164)
Comprehensive loss (income) attributable to noncontrolling interests	886	(543)	(710)
COMPREHENSIVE LOSS ATTRIBUTABLE TO GENIE ENERGY LTD.	\$(27,221)	\$(5,428)	\$(2,874)

See accompanying notes to consolidated financial statements.

GENIE ENERGY LTD.**CONSOLIDATED STATEMENTS OF EQUITY (in thousands)**

	Genie Energy Ltd. Stockholders								Noncontrolling Interests		Receivable for issuance of equity		
	Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-In	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained earnings		Noncontrolling Interests	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Stock				Interests	
BALANCE AT DECEMBER 31, 2011	—	\$—	1,574	\$16	21,382	\$214	\$92,321	\$—	—	\$(137)	\$34,924	\$(6,039)	\$(1,000)
Dividends declared on common stock (\$0.133 per share)	—	—	—	—	—	—	—	—	—	—	(3,057)	—	—
Dividends on preferred stock	—	—	—	—	—	—	—	—	—	—	(211)	—	—
Restricted Class B common stock purchased from employee	—	—	—	—	—	—	—	(204)	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	3,404	—	—	—	—	25	—
Restricted stock issued to employees and directors	—	—	—	—	49	—	—	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	1	—	5	—	—	—	—	—	—
Grants of stock of subsidiary	—	—	—	—	—	—	(1,911)	—	—	—	—	1,911	—
Exchange of Class B common stock for Preferred stock	1,605	13,639	—	—	(1,605)	(16)	(13,623)	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—	—	—	407	—	(36)	—

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Net (loss) income for the year ended December 31, 2012	—	—	—	—	—	—	—	—	—	(3,281)	746	—
BALANCE AT DECEMBER 31, 2012	1,605	13,639	1,574	16	19,827	198	80,196	(204)	270	28,375	(3,393)	(1,000)
Dividends on preferred stock	—	—	—	—	—	—	—	—	—	(920)	—	—
Restricted Class B common stock purchased from employees	—	—	—	—	—	—	—	(269)	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	3,841	—	—	—	—	—
Restricted stock issued to employees and directors	—	—	—	—	227	3	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	13	—	93	—	—	—	—	—
Grants of equity of subsidiaries	—	—	—	—	—	—	357	—	—	—	(357)	—
Sales of equity of subsidiaries	—	—	—	—	—	—	1,129	—	—	—	(707)	—
Issuance of preferred stock of subsidiary	—	—	—	—	—	—	(2,000)	—	—	—	2,000	—
Issuance of Class B common stock to holders of deferred stock units of subsidiary	—	—	—	—	—	—	1,836	—	—	—	(1,836)	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(42)	—
Exchange of Class B common stock for Preferred stock	312	2,664	—	—	(312)	(3)	(2,661)	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—	—	475	—	(19)	—
	—	—	—	—	—	—	—	—	—	(5,903)	562	—

Net (loss)
income for the
year ended
December 31,
2013

BALANCE AT

DECEMBER 31, 2013	1,917	16,303	1,574	16	19,755	198	82,791	(473)	745	21,552	(3,792)	(1,000)
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GENIE ENERGY LTD.

CONSOLIDATED STATEMENTS OF EQUITY (in thousands)-(Continued)

	Genie Energy Ltd. Stockholders							Treasury		Accumulated Other Comprehensive Income		Retained Earnings (Accumulated)		Noncontrolling Interests		Receivables for issuance of equity
	Preferred Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Shares	Amount	Shares	Amount	Stock	(Loss)	Deficit	Interests	of equity			
BALANCE AT DECEMBER 31, 2013	1,917	16,303	1,574	16	19,755	198	82,791	(473)	745	21,552	(3,792)	(1,000)				
Dividends on preferred stock	—	—	—	—	—	—	—	—	—	(1,352)	—	—				
Dividends declared on common stock (\$0.06 per share)	—	—	—	—	—	—	—	—	—	(1,473)	—	—				
Restricted Class B common stock purchased from employees	—	—	—	—	—	—	—	(224)	—	—	—	—				
Stock-based compensation	—	—	—	—	—	—	10,423	—	—	—	—	—				
Restricted stock issued to employees and directors	—	—	—	—	224	2	—	—	—	—	—	—				
Exercise of stock options	—	—	—	—	4	—	28	—	—	—	—	—				
Repurchases of Class B common stock through repurchase program	—	—	—	—	—	—	—	(846)	—	—	—	—				
Sales of Class B common stock to Howard Jonas	—	—	—	—	3,600	36	24,516	—	—	—	—	—				
	405	3,440	—	—	(405)	(4)	(3,436)	—	—	—	—	—				

Exchange of Class B common stock for Preferred stock													
Other comprehensive loss	—	—	—	—	—	—	—	—	(735)	—	35	—	
Net loss for the year ended December 31, 2014	—	—	—	—	—	—	—	—	—	(26,486)	(921)	—	
BALANCE AT DECEMBER 31, 2014	2,322	\$19,743	1,574	\$16	23,178	\$232	\$114,322	\$(1,543)	\$10	\$(7,759)	\$(4,678)	\$(1,000)	

See accompanying notes to consolidated financial statements.

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GENIE ENERGY LTD.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)	Year ended December 31		
	2014	2013	2012
OPERATING ACTIVITIES			
Net loss	\$(27,407)	\$(5,341)	\$(1,000)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation	132	110	110
Goodwill impairment	3,562	—	—
Gain on adjustment to estimated contingent payments	(206)	—	—
Deferred income taxes	(622)	(241)	400
Provision for doubtful accounts receivable	310	800	—
Stock-based compensation	10,758	4,180	3,000
Loss on disposal of property	—	37	—
Equity in the net loss of AMSO, LLC	—	3,194	3,000
Change in assets and liabilities, net of effect of acquisitions:			
Restricted cash	3,923	(4,713)	(1,000)
Trade accounts receivable	11,189	(2,679)	(1,000)
Inventory	(7,822)	(700)	1,000
Prepaid expenses	(2,306)	(93)	600
Other current assets and other assets	(2,664)	(243)	(1,000)
Trade accounts payable, accrued expenses and other current liabilities	(5,718)	6,883	600
Advances from customers	(700)	(746)	(1,000)
Due to IDT Corporation	1	(59)	(1,000)
Income taxes payable	(1,532)	831	(1,000)
Net cash (used in) provided by operating activities	(19,102)	1,220	(1,000)
INVESTING ACTIVITIES			
Capital expenditures	(1,437)	(313)	(1,000)
Capital contributions to AMSO, LLC	—	(2,700)	(1,000)
Payment for acquisitions, net of cash acquired	(1,138)	(772)	—
Issuance of notes receivable	(82)	(750)	(1,000)
Purchase of licenses and security deposits	—	—	(1,000)
Purchases of certificates of deposit	(4,655)	(4,329)	(1,000)
Proceeds from maturities of certificates of deposit	4,334	2,205	—
Purchases of marketable securities	—	(3)	(1,000)
Proceeds from maturities of marketable securities	—	10,433	900
Net cash (used in) provided by investing activities	(2,978)	3,771	(1,000)
FINANCING ACTIVITIES			
Dividends paid	(2,825)	(1,131)	(1,000)
Proceeds from sales of Class B common stock to Howard S. Jonas	24,552	—	—
Distributions to noncontrolling interests	—	(42)	—
Proceeds from sales of equity of subsidiaries	—	422	—
Proceeds from exercise of stock options	28	93	500
Increase in restricted cash	—	—	(1,000)
Repurchases of common stock and Class B common stock	(1,070)	(269)	(1,000)
Net cash provided by (used in) financing activities	20,685	(927)	(1,000)

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Effect of exchange rate changes on cash and cash equivalents	(595)	412	3
Net (decrease) increase in cash and cash equivalents	(1,990)	4,476	(
Cash and cash equivalents at beginning of period	73,885	69,409	1
Cash and cash equivalents at end of period	\$71,895	\$73,885	\$6
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash payments made for interest	\$3	\$12	\$-
Cash payments made for income taxes	\$2,647	\$2,069	\$3
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING AND INVESTING ACTIVITIES			
Liabilities incurred for acquisitions	\$—	\$2,475	\$-

See accompanying notes to consolidated financial statements.

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GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Description of Business and Summary of Significant Accounting Policies

Description of Business

Genie Energy Ltd. (“Genie”), a Delaware corporation, was incorporated in January 2011. Genie owns 99.3% of its subsidiary Energy International Corporation (“GEIC”), which owns 100% of Genie Retail Energy and 92% of Genie Oil and Gas, Inc. (“Genie Oil and Gas”). The “Company” in these financial statements refers to Genie, Genie Retail Energy and Genie Oil and Gas, and their respective subsidiaries, on a consolidated basis.

Genie’s principal businesses consist of the following:

Genie Retail Energy operates retail energy providers (“REPs”), including IDT Energy, Inc. (“IDT Energy”) and Residents Energy (“Residents Energy”), and energy brokerage and marketing services. Its REP businesses resell electricity and natural gas to residential and small business customers primarily in the Eastern United States; and

Genie Oil and Gas is an oil and gas exploration company. GOGAS’ early stage projects include (1) an 88.5% interest in Afek Oil and Gas, Ltd. (“Afek”), which operates an exploration project in the southern portion of the Golan Heights in Northern Israel, (2) an 87.9% interest in Genie Mongolia, Inc. (“Genie Mongolia”), an oil shale exploration project in Central Mongolia, (3) American Shale Oil Corporation (“AMSO”), which holds and manages a 43.1% interest in American Shale Oil, L.L.C. (“AMSO, LLC”), an oil shale development project in Colorado, and (4) an 87.9% interest in Israel Energy Initiatives, Ltd. (“IEI”), an oil shale development project in Israel.

IDT Energy has outstanding deferred stock units granted to directors and employees that represent an interest of 1.4% of the common stock of IDT Energy.

In April 2013, the Government of Israel finalized the award to Afek of an exclusive three year petroleum exploration license in the southern portion of the Golan Heights. In April 2013, Genie Mongolia and the Petroleum Authority of Mongolia entered into an exclusive five year oil shale development agreement to explore and evaluate the commercial potential of oil shale resources in Central Mongolia. IEI holds an exclusive Shale Oil Exploration and Production License that was awarded by the Government of Israel in July 2008. The license covers an area in the south of the Shfela region in Israel. The license expires in July 2015.

The Company was formerly a subsidiary of IDT Corporation (“IDT”). On October 28, 2011, the Company was spun-off by IDT and became an independent public company through a pro rata distribution of the Company’s common stock to IDT’s stockholders (“Spin-Off”).

Basis of Consolidation

The method of accounting applied to long-term investments, whether consolidated, equity or cost, involves an evaluation of the significant terms of each investment that explicitly grant or suggest evidence of control or influence over the operations of the investee and also includes the identification of any variable interests in which the Company is the primary beneficiary. The consolidated financial statements include the Company's controlled subsidiaries and variable interest entities where the Company is the primary beneficiary (see Note 11). All significant intercompany accounts and transactions between the consolidated entities are eliminated.

Accounting for Investments

Investments in businesses that the Company does not control, but in which the Company has the ability to exercise significant influence over operating and financial matters, are accounted for using the equity method. The Company's investment in AM LLC is accounted for using the equity method. The Company periodically evaluates its equity method investment for impairment to declines considered to be other than temporary. If the Company determines that a decline in fair value is other than temporary then a charge to earnings would be recorded, and a new basis in the investment is established.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Revenue Recognition

Revenues from Genie Retail Energy's sale of electricity and natural gas are recognized under the accrual method based on delivery of electricity and natural gas to customers. Revenues from electricity and natural gas delivered but not yet billed are estimated and recorded as accounts receivable. Cash received in advance from customers under billing arrangement is reported as deferred revenue and is included in "Advances from customers" in the accompanying consolidated balance sheets. Genie Oil and Gas does not generate revenues.

Direct Cost of Revenues

Direct cost of revenues for Genie Retail Energy consists primarily of the cost of natural gas and electricity sold, and also includes scheduling costs, Independent System Operator fees, pipeline costs and utility service charges. In addition, the changes in the value of Genie Retail Energy's futures contracts, swaps and put and call options are recorded in direct cost of revenues. Genie Oil and Gas does not yet incur direct cost of revenues as primarily all of its expenses are classified as research and development.

Research and Development Costs

Research and development costs are incurred primarily by IEI, Afek and Genie Mongolia. Costs for research and development are charged to expense as incurred.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Marketable Securities

The Company classified its investments in marketable securities as “available-for-sale.” Available-for-sale securities are required to be carried at their fair value, with unrealized gains and losses (net of income taxes) that are considered temporary in nature recorded in “Accumulated other comprehensive income” in the accompanying consolidated balance sheets. The Company uses the specific identification method in computing the gross realized gains and gross realized losses on the maturities and sales of marketable securities. The Company periodically evaluates its investments in marketable securities for impairment due to declines in market value considered to be other than temporary. Such impairment evaluations included, in addition to persistent, declining market prices, general economic and Company-specific evaluations. If the Company determined that a decline in market value is other than temporary, then a charge to operations is recorded in “Other income (expense), net” in the accompanying consolidated statements of operations and a new cost basis in the investment is established.

Inventory

Inventory consists of natural gas, which is stored at various third parties’ underground storage facilities, of \$2.5 million and \$2.5 million at December 31, 2014 and 2013, respectively. Inventory also includes renewable energy credits of \$8.7 million and \$8.7 million at December 31, 2014 and 2013, respectively. Natural gas inventory is valued at a weighted average cost, which is based on the purchase price of the natural gas and the cost to transport, plus or minus injections or withdrawals.

Renewable Energy Credits

Genie Retail Energy must obtain a certain percentage or amount of its power supply from renewable energy sources in order to meet the requirements of renewable portfolio standards in the states in which it operates. This requirement may be met by obtaining renewable energy credits that provide evidence that electricity has been generated by a qualifying renewable facility or resource. Genie Retail Energy holds renewable energy credits for both sale and use, and treats the credits as a government incentive to encourage the construction of renewable power plants. Renewable energy credits are valued at cost, which is the purchase price. Gains and losses from the sale of renewable energy credits are recognized in direct cost of revenues when the credits are transferred to the buyer.

Property and Equipment

Computer software and development, computers and computer hardware, laboratory and drilling equipment and office equipment and other are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives, which range as follows: computer software and development—2, 3 or 5 years; computers and computer hardware—5 years, laboratory and drilling equipment—5 years, and office equipment and other—5 or 7 years. Leasehold improvements included in office equipment and other are recorded at cost and are depreciated on a straight-line basis over the term of their lease or their estimated useful lives, whichever is shorter.

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GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Long-Lived Assets

The Company tests the recoverability of its long-lived assets with finite useful lives whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Company tests the recoverability based on the projected undiscounted cash flows to be derived from such asset. If the projected undiscounted future cash flows are less than the carrying value of the asset, the Company will record an impairment loss based on the difference between the estimated fair value and carrying value of the asset. The Company generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows from such asset using an appropriate discount rate. Cash flow projections and fair value estimates require significant estimates and assumptions by management. Should the estimates and assumptions prove to be incorrect, the Company may be required to record impairments in future periods and such impairments could be material.

Goodwill and Indefinite Lived Intangible Assets

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. Goodwill and other indefinite lived intangible assets are not amortized. These assets are reviewed annually (or more frequently under various conditions) for impairment using a fair value approach. The goodwill impairment assessment involves estimating the fair value of the reporting unit and comparing it to its carrying amount, which is known as Step 1. If the carrying value of the reporting unit exceeds its estimated fair value, Step 2 is performed to determine if an impairment of goodwill is required. The fair value of the reporting unit is estimated using discounted cash flow methodologies, as well as considering third party market value indicators. Goodwill impairment is measured by the excess of the carrying amount of the reporting unit's goodwill over its implied fair value. Calculating the fair value of the reporting units, and allocating the estimated fair value to all of the tangible assets, intangible assets and liabilities, requires significant estimates and assumptions by management. Should the estimates and assumptions regarding the fair value of the reporting units prove to be incorrect, the Company may be required to record impairments to its goodwill in future periods and such impairments could be material.

The Company has the option to perform a qualitative assessment to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. However, the Company may elect to perform the two-step quantitative goodwill impairment test even if no indications of a potential impairment exist.

For the impairment test of the Company's indefinite-lived intangible assets, a quantitative impairment test is only necessary if the Company determines that it is more likely than not that an indefinite-lived intangible asset is impaired based on an assessment of certain qualitative factors.

Derivative Instruments and Hedging Activities

The Company records its derivatives instruments at their respective fair values. The accounting for changes in the fair value (gains or losses) of a derivative instrument is dependent upon whether the derivative has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship.

Due to the volatility of electricity and natural gas prices, Genie Retail Energy enters into futures contracts, swaps and put and call options as hedges against unfavorable fluctuations in market prices of electricity and natural gas and to reduce exposure from price fluctuations. The Company does not designate its derivative instruments to qualify for hedge accounting,

accordingly the futures contracts, swaps and put and call options are recorded at fair value as a current asset or liability and any changes in fair value are recorded in "Direct cost of revenues" in the consolidated statements of operations.

In addition to the above, Genie Retail Energy utilizes forward physical delivery contracts for a portion of its purchases of electricity and natural gas, which are defined as commodity derivative contracts. Using the exemption available for qualifying contracts, Genie Retail Energy applies the normal purchase and normal sale accounting treatment to its forward physical delivery contracts, and these contracts are not adjusted to fair value. Accordingly, Genie Retail Energy recognizes revenue from customer sales, and related direct cost of revenues at the contracted price, as electricity and natural gas is delivered to retail customers.

Repairs and Maintenance

The Company charges the cost of repairs and maintenance, including the cost of replacing minor items not constituting substantial betterment, to selling, general and administrative expense as these costs are incurred.

GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries denominated in foreign currencies are translated to U.S. Dollars at end-of-period exchange, and their monthly results of operations are translated to U.S. Dollars at the average rates of exchange for that month. Gains or losses resulting from such foreign currency translations are recorded in “Accumulated other comprehensive income” accompanying consolidated balance sheets. Foreign currency transaction gains and losses are reported in “Other income (expense)” in the accompanying consolidated statements of operations.

Advertising Expense

Cost of advertising for customer acquisitions are charged to selling, general and administrative expense in the period in which incurred. Most of the advertisements are in print, over the radio, or direct mail. In the years ended December 31, 2014, 2013 and 2012, advertising expense included in selling, general and administrative expense was \$0.3 million, \$0.2 million and \$0.8 million, respectively.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The realization of deferred tax assets depends on the generation of future taxable income during the period in which related temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in its assessment of a valuation allowance. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date of such change.

The Company uses a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return. The Company determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position meets the more-likely-than-not recognition threshold, the Company presumes that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. Tax positions that meet the more-likely-than-not recognition threshold are measured to determine the amount of tax benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset, or an increase in a deferred tax liability.

The Company classifies interest and penalties on income taxes as a component of income tax expense.

Contingencies

The Company accrues for loss contingencies when both (a) information available prior to issuance of the financial statements indicates that it is probable that a liability had been incurred at the date of the financial statements and (b) the amount of loss can be reasonably estimated. When the Company accrues for loss contingencies and the reasonable estimate of the loss is within a range, the Company records its best estimate within the range. When no amount within the range is a better estimate than any other amount, the Company accrues the minimum amount in the range. The Company discloses an estimated possible loss or a range of loss if it is at least reasonably possible that a loss may have been incurred.

Earnings Per Share

Basic earnings per share is computed by dividing net income or loss attributable to all classes of common stockholders of the Company by the weighted average number of shares of all classes of common stock outstanding during the applicable period. Diluted earnings per share is determined in the same manner as basic earnings per share, except that the number of shares is increased to include restricted stock still subject to risk of forfeiture and to assume exercise of potentially dilutive stock options using the treasury stock method, unless the effect of such increase is anti-dilutive.

GENIE ENERGY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following shares were excluded from the diluted earnings per share computations because their inclusion would have been anti-dilutive:

(in thousands)	Year ended December 31,		
	2014	2013	2012
Stock options	438	3,443	457
Non-vested restricted Class B common stock	2,473	265	1,896
Shares excluded from the calculation of diluted earnings per share	2,911	3,708	2,353

The diluted loss per share equals basic loss per share in the years ended December 31, 2014, 2013 and 2012 because the Company had a net loss and the impact of the assumed exercise of stock options and vesting of restricted stock would have been anti-dilutive.

An entity affiliated with Lord (Jacob) Rothschild has a one-time option, subject to certain conditions and exercisable between November 2017 and February 2018, to exchange its GOGAS shares for shares of the Company with equal fair value as determined by the parties (see Note 9). The number of shares issuable in such an exchange is not currently determinable. If this option is exercised, the shares issued by the Company may dilute the earnings per share in future periods.

An employee of the Company, pursuant to the terms of his employment agreement, has the option to exchange his equity interest in IEI, Afek, Genie Mongolia and any equity interest that he may acquire in other entities that the Company may create, for shares of the Company. Employees and directors of the Company that were previously granted restricted stock of IEI, Afek and Genie Mongolia have the right to exchange the restricted stock, upon vesting of such shares, into shares of the Company's Class B common stock. In addition, IDT Energy has the right to issue shares of the Company's Class B common stock or pay cash to satisfy its obligations to issue common stock of IDT Energy upon the vesting of the deferred stock units it previously granted to employees and directors of the Company. These exchanges and issuances, if elected, would be based on the relative fair value of the shares exchanged or to be issued. The number of shares of the Company's stock issuable in an exchange is not currently determinable. If shares of the Company's stock are issued upon such exchange, the Company's earnings per share may be diluted in future periods.

Stock-Based Compensation

The Company recognizes compensation expense for grants of stock-based awards to its employees based on the estimated fair value of the awards on the grant date. Stock based awards granted to nonemployees are marked-to-market until the vesting of the award. Compensation cost for awards is recognized using the straight-line method over the vesting period. Stock-based compensation is included in general and administrative expense.

Vulnerability Due to Certain Concentrations

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash, cash equivalents, restricted cash, certificates of deposit and trade accounts receivable. The Company holds cash, cash equivalents, restricted cash and certificates of deposit at several major financial institutions, which may exceed FDIC insured limits. Historically, the Company has not experienced any losses due to such concentration of credit risk. The Company's temporary cash investment policy is to limit the dollar amount of investments with any one financial institution and monitor the credit ratings of those institutions. While the Company may be exposed to credit losses due to the nonperformance of the holders of its deposits, the Company does not expect the settlement of these transactions to have a material effect on its results of operations, cash flows or financial condition.

Genie Retail Energy reduces its customer credit risk by participating in purchase of receivable programs for a majority of its receivables. In addition to providing billing and collection services, utility companies purchase Genie Retail Energy's receivables and assume all credit risk without recourse to Genie Retail Energy. Genie Retail Energy's primary credit risk is therefore nonpayment by the utility companies. Certain of the utility companies represent significant portions of the Company's consolidated revenues and consolidated gross trade accounts receivable balance and such concentrations increase the Company's risk associated with nonpayment by those utility companies.

GENIE ENERGY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table summarizes the percentage of consolidated revenues from customers by utility company that equal or exceed 10% of consolidated revenues in the period (no other single utility company accounted for more than 10% of consolidated revenues in these periods):

	Year ended		
	December 31,		
	2014	2013	2012
Con Edison	23 %	25 %	34 %
West Penn Power	10 %	11 %	na
National Grid USA	na	10 %	na
Penelec	na	10 %	na

na-less than 10% of consolidated revenue in the period

The following table summarizes the percentage of consolidated gross trade accounts receivable by utility company that equal or exceed 10% of consolidated gross trade accounts receivable at December 31, 2014 and 2013:

December 31	2014	2013
Con Edison	25 %	23 %
West Penn Power	na	13 %
Penelec	na	12 %

na-less than 10% of consolidated gross trade accounts receivable at December 31, 2014.

Allowance for Doubtful Accounts

The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. The allowance is determined based on known troubled accounts, historical experience and other currently available evidence. Doubtful accounts are written-off upon final determination that the trade accounts will not be collected. The change in allowance for doubtful accounts was as follows:

(in thousands)	Balance at beginning of period	Additions charged to costs and expenses	Deductions (1)	Balance at end of period
Year ended December 31, 2014				
Reserves deducted from accounts receivable:				
Allowance for doubtful accounts	\$ 930	\$ 310	\$ (1,013)	\$ 227
Year ended December 31, 2013				
Reserves deducted from accounts receivable:				
Allowance for doubtful accounts	\$ 130	\$ 800	\$ —	\$ 930
Year ended December 31, 2012				
Reserves deducted from accounts receivable:				
Allowance for doubtful accounts	\$ 130	\$ —	\$ —	\$ 130
(1)		Uncollectible accounts written off.		

Fair Value Measurements

Fair value of financial and non-financial assets and liabilities is defined as an exit price, which is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three-tier hierarchy for inputs used to measure fair value, which prioritizes the inputs to valuation techniques used to measure fair value, is as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 unobservable inputs based on the Company's assumptions used to measure assets and liabilities at fair value.

GENIE ENERGY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

Recently Issued Accounting Standard Not Yet Adopted

In May 2014, the Financial Accounting Standards Board and the International Accounting Standards Board jointly issued a comprehensive new revenue recognition standard that will supersede most of the current revenue recognition guidance under U.S. GAAP and International Financial Reporting Standards ("IFRS"). The goals of the revenue recognition project were to clarify and converge the revenue recognition principles under U.S. GAAP and IFRS and to develop guidance that would streamline and simplify revenue recognition requirements. The Company will adopt this standard on January 1, 2017. Entities have the option of using either a full retrospective or modified retrospective approach for the adoption of the standard. The Company is evaluating the impact the standard will have on its consolidated financial statements.

Note 2—Acquisitions

In December 2013, IDT Energy acquired 100% of the outstanding membership interests of Diversegy, LLC ("Diversegy"), an energy advisory and brokerage company that serves commercial and industrial customers, and Epiq Energy, LLC ("Epiq"), a marketing company that provides independent representatives with the opportunity to build sales organizations and to profit from both residential and commercial energy. Operating results of the acquired entities from the date of acquisition, which were not material, are included in the Company's consolidated financial statements.

The impact of the acquisition's purchase price allocations on the Company's consolidated balance sheet and the acquisition value of the total consideration transferred follows:

(in thousands)	
Trade accounts receivable	\$ 114
Goodwill	3,686
Trade accounts payable	(176)
Advances from customers	(377)
Net assets acquired	\$3,247
Supplemental information:	

Cash paid	\$779
Cash acquired	(7)
Cash paid, net of cash acquired	772
Deferred cash payments to be paid by June 2015 (1)	1,225
Contingent payments (1)	1,250
Total consideration, net of cash acquired	\$3,247

- (1) The deferred cash payments and the contingent payments were included in other current liabilities and other liabilities in the consolidated balance sheet as of December 31, 2014 and 2013.

The contingent payments include 100% of the gross profit from each closing customer contract during the remainder of the initial term of such contract and 100% of the gross profit from each post-closing customer contract during the initial term of such contract plus 25% of the gross profit from the first renewal term of such contracts. A closing customer contract is generally a contract that becomes effective at closing, and a post-closing customer contract is generally a contract that became effective within 60 days following the acquisition. The Company estimated the acquisition date fair value of the contingent payments based on historical gross profit from customer attrition and contract renewals. In the year ended December 31, 2014, the Company reduced its estimate of its contingent payment liability and recorded a gain of \$0.2 million.

The goodwill resulting from the acquisitions was primarily attributable to the existing workforce of the acquired entities and synergies expected from the combination of IDT Energy with Diversegy's portfolio of competitive energy products and Epic's network marketing platform. All of the goodwill is deductible for income tax purposes.

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GENIE ENERGY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

All of the Company's goodwill at December 31, 2014 and 2013 was attributable to the Genie Retail Energy segment. The table below reconciles the change in the carrying amount of goodwill for the period from December 31, 2011 to December 31, 2014:

(in thousands)

Balance at December 31, 2011	\$3,663
Change in carrying amount	—
Balance at December 31, 2012	3,663
Acquisitions	3,686
Balance at December 31, 2013	7,349
Adjustment	(124)
Impairment	(3,562)
Balance at December 31, 2014	\$3,663

In the year ended December 31, 2014, the annual goodwill impairment test resulted in the impairment of the goodwill of the Diversegy and Epiq reporting unit primarily because of continuing losses since the acquisitions. The goodwill impairment of \$3.6 million recorded in the year ended December 31, 2014 reduced the carrying amount of the goodwill to zero. The Company estimated the fair value of the reporting unit and compared the estimated fair value to the reporting unit's carrying amount. The Company measured the fair value of the reporting unit by discounting its estimated future cash flows using an appropriate discount rate. If the carrying value of the reporting unit including goodwill exceeded the estimated fair value, the Company performed the required additional steps and determined that the goodwill was fully impaired.

The following table presents unaudited pro forma information of the Company as if the acquisition occurred as of the beginning of the periods:

	Year ended December 31,	
(in thousands)	2013	2012
Revenues	\$280,307	\$229,936
Net loss	\$(6,408)	\$(3,282)

Note 3—Fair Value Measurements

The following table presents the balance of assets and liabilities measured at fair value on a recurring basis:

(in thousands)	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
December 31, 2014				
Assets:				
Derivative contracts	\$1,001	\$1,376	\$ —	\$2,377
Liabilities:				

Derivative contracts	\$440	\$3,563	\$ —	\$4,003
December 31, 2013				
Assets:				
Derivative contracts	\$390	\$1,230	\$ 62	\$1,682
Liabilities:				
Derivative contracts	\$13	\$372	\$ —	\$385

- (1) – quoted prices in active markets for identical assets or liabilities
- (2) – observable inputs other than quoted prices in active markets for identical assets and liabilities
- (3) – no observable pricing inputs in the market

The Company's derivative contracts consist of natural gas and electricity futures contracts, put and call options and swaps. The underlying asset in the Company's put and call options is a forward contract. The Company's swaps are agreements whereby floating (or market or spot) price is exchanged for a fixed price over a specified period. The Company's derivatives were classified as Level 1, Level 2 or Level 3. The Level 1 derivatives were valued using quoted prices in active markets for identical contracts. Level 2 derivatives were valued using observable inputs based on quoted market prices in active markets for similar contracts. The fair value of the Level 3 derivatives was based on the value of the underlying contracts, estimated in conjunction with the counterparty and could not be corroborated by the market.

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GENIE ENERGY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The Company's subsidiary, GOGAS, issued a stock option in June 2011 that is exercisable until April 9, 2015 at an exercise price of \$5.0 million. At December 31, 2014 and 2013, the fair value of the GOGAS stock option was nil.

The following tables summarize the change in the balance of the Company's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3). There were no liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) in the years ended December 31, 2014, 2013 or 2012.

(in thousands)	Year ended	
	December 31, 2014	December 31, 2013
Balance, beginning of period	\$62	\$—
Total gains (losses) (realized or unrealized) included in earnings in "Direct cost of revenues"	(62)	(142)
Purchases, sales, issuances and settlements:		
Purchases	—	359
Settlement	—	(155)
Balance, end of period	\$—	\$62
The amount of total gains for the period included in earnings in "Direct cost of revenues" attributable to the change in unrealized gains or losses relating to assets held at the end of the period	\$—	\$62

Fair Value of Other Financial Instruments

The estimated fair value of the Company's other financial instruments was determined using available market information or appropriate valuation methodologies. However, considerable judgment is required in interpreting this data to develop estimates of fair value. Consequently, the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

Restricted cash—short-term, certificates of deposit, prepaid expenses, other current assets, advances from customers, due to IDT Corporation and other current liabilities. At December 31, 2014 and 2013, the carrying amount of these assets and liabilities approximated fair value because of the short period to maturity. The fair value estimate for restricted cash—short-term were classified as Level 1 and certificates of deposit, prepaid expenses, other current assets, advances from customers, due to IDT Corporation and other current liabilities were classified as Level 2 of the fair value hierarchy.

Restricted cash—long-term. At December 31, 2014 and 2013, the carrying amount of restricted cash—long-term approximated \$1.5 million and \$1.5 million, respectively. The fair value was estimated based on the anticipated cash flows once the restrictions are removed, which was classified as Level 3 of the fair value hierarchy.

Other assets and other liabilities. At December 31, 2014 and 2013, other assets included an aggregate of \$1.5 million and \$1.5 million, respectively, in notes receivable. The carrying amounts of the notes receivable and other liabilities approximated fair value. The fair values of the notes receivable and other liabilities were estimated based on the Company's assumptions, and were classified as Level 3 of the fair value hierarchy.

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GENIE ENERGY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Note 4—Derivative Instruments

The primary risk managed by the Company using derivative instruments is commodity price risk, which is accounted for in accordance with Accounting Standards Codification 815—Derivatives and Hedging. Natural gas and electricity futures contracts and call options and swaps are entered into as hedges against unfavorable fluctuations in market prices of natural gas and electricity. The Company does not apply hedge accounting to these contracts, options or swaps, therefore the changes in fair value are recorded in earnings. By using derivative instruments to mitigate exposures to changes in commodity prices, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk. The Company minimizes the credit or repayment risk in derivative instruments by entering into transactions with high-quality counterparties. As of December 31, 2014 and 2013, Genie Retail Energy's contracts, swaps and options were traded on the New York Mercantile Exchange or were over-the-counter bilateral agreements with BP Energy Company.

The summarized volume of Genie Retail Energy's outstanding contracts and options as of December 31, 2014 was as follows (in Megawatt hour and Dth – Decatherm):

Commodity	Settlement Dates	Volume
Electricity	February 2015	320,000 MWh
Electricity	May 2015	16,000 MWh
Electricity	July 2015	147,200 MWh
Electricity	August 2015	134,400 MWh
Natural gas	February 2015	1,680,000 Dth
Natural gas	July 2015	3,915,000 Dth
Natural gas	September 2015	225,000 Dth
Natural gas	October 2015	155,000 Dth
Natural gas	January 2016	542,500 Dth
Natural gas	July 2016	620,000 Dth

The fair value of outstanding derivative instruments recorded as assets in the accompanying consolidated balance sheets were as follows:

December 31		
(in thousands)	2014	2013

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Asset Derivatives	Balance Sheet Location	
Derivatives not designated or not qualifying as hedging instruments:		
Energy contracts and options	Other current assets	\$2,377 \$1,682

The fair value of outstanding derivative instruments recorded as liabilities in the accompanying consolidated balance sheets follows:

December 31 (in thousands)	2014	2013
Liability Derivatives	Balance Sheet Location	
Derivatives not designated or not qualifying as hedging instruments:		
Energy contracts and options	Energy hedging contracts	\$ 4,003 \$ 385

The effects of derivative instruments on the consolidated statements of operations were as follows:

(in thousands)		Amount of Gain (Loss) Recognized on Derivatives
Derivatives not designated or not qualifying as hedging instruments	Location of Gain (Loss) Recognized on Derivatives	Year ended December 31, 2014 2013
Energy contracts and options	Direct cost of revenues	\$(1,674) \$1,177

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GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 5—Investment in American Shale Oil, LLC

AMSO, LLC holds a research, develop and demonstration lease awarded by the U.S. Bureau of Land Management that covers an area of 160 acres in western Colorado (the “RD&D Lease”). The RD&D Lease runs for a ten-year period beginning on January 1, 2007, and is subject to an extension of up to five years if AMSO, LLC can demonstrate that a process leading to the production of commercial quantities of shale oil is diligently being pursued. If AMSO, LLC can demonstrate the economic and environmental viability of its technology, it will have the opportunity to submit a one-time payment pursuant to the applicable regulations and convert its RD&D Lease to a commercial lease on 5,120 acres, which overlap and are contiguous with the 160 acres in its RD&D Lease. (The acreage numbers that appear in this paragraph are unaudited).

In March 2009, a subsidiary of TOTAL S.A. (“Total”) acquired a 50% interest in AMSO, LLC in exchange for cash paid to the Company of \$3.2 million and Total’s commitment to fund the majority of AMSO, LLC’s research, development and demonstration expenditures as well as certain other funding commitments. Immediately prior to this transaction, all owners of equity interest in AMSO, LLC other than AMSO exchanged their ownership interest for a proportionate share of a 1% override on AMSO, LLC’s future revenue. Following the transaction with Total, AMSO and Total each owned a 50% interest in AMSO, LLC. While AMSO is the operator of the project during the RD&D phase, Total will provide a majority of the funding during the RD&D phase, and Total will provide technical and financial assistance throughout the RD&D and commercial stages. Total will lead the planning of the commercial development and will assume management responsibilities during the subsequent commercial phase.

Except as set forth below, AMSO was responsible for funding 20% of the initial \$50 million of AMSO, LLC’s approved expenditures, and is responsible for funding 35% of the approved expenditures between \$50 million and \$100 million, and 40% of the costs of the one-time payment for conversion of AMSO, LLC’s RD&D Lease to a commercial lease, in the event AMSO, LLC’s application for conversion is approved, with the remaining amounts of such expenditures to be funded by Total. All other expenditures are to be borne in proportion to equity ownership. The percentages for expenditures are subject to adjustment in connection with certain changes in the equity ownership of AMSO LLC. As of December 31, 2014, the cumulative contributions of AMSO and Total to AMSO, LLC were \$78.0 million. AMSO’s allocated share of the net loss of AMSO, LLC increased in December 2011 from 20% to 35%, per the agreement with Total. AMSO’s allocated share of the net loss of AMSO, LLC is included in the net loss of AMSO, LLC” in the accompanying consolidated statements of operations.

AMSO has the right to decide at each capital call whether or not to fund AMSO, LLC, and will make a determination at each time. AMSO has not funded the capital calls for any quarter since the fourth quarter of 2013. Total funded AMSO’s share of capital calls that AMSO did not fund in an aggregate amount of \$3.6 million. Because of AMSO’s decisions not to fund its share of AMSO, LLC’s expenditures, AMSO’s ownership interest in AMSO, LLC was reduced to 43.1% and Total’s ownership interest increased to 56.9%. In addition, AMSO’s share of future funding of AMSO, LLC up to a cumulative \$100 million was reduced

30.2% and Total's share increased to 69.8%. AMSO is evaluating its options with respect to funding AMSO, LLC in 2015, a funding of less than its full share would result in further dilution of its interest in AMSO, LLC.

The agreements with Total provide for varying consequences for AMSO's failure to fund its share at different stages of the p including dilution of AMSO's interest in AMSO, LLC or paying interest to Total for expenditures they fund on behalf of AM Either Total or AMSO may terminate its obligations to make capital contributions and withdraw as a member of AMSO, LLC if AMSO were to withdraw its interest in AMSO, LLC, it will remain liable for its share of expenditures for safety and environmental reclamation related to events occurring prior to its withdrawal.

The Company accounts for its ownership interest in AMSO, LLC using the equity method since the Company has the ability exercise significant influence over its operating and financial matters, although it does not control AMSO, LLC. AMSO, LLC variable interest entity, however, the Company has determined that it is not the primary beneficiary, as the Company does not the power to direct the activities of AMSO, LLC that most significantly impact AMSO, LLC's economic performance.

At December 31, 2014, the maximum exposure to additional loss because of the required investment in AMSO, LLC was \$1. million, based on AMSO, LLC's proposed 2015 budget. The Company's maximum exposure to additional loss could increase on the situations described above. The maximum exposure at December 31, 2014 was determined as follows:

(in thousands)

AMSO's investment in AMSO, LLC based on the proposed 2015 budget	\$1,513
Less: cumulative capital contributions to AMSO, LLC	—
Less: liability for equity loss in AMSO, LLC at December 31, 2014	(252)
Maximum exposure to additional loss	\$1,261

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GENIE ENERGY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table summarizes the change in the balance of the Company's investment in AMSO, LLC:

(in thousands)	Year ended December 31,		
	2014	2013	2012
Balance, beginning of period	\$(252)	\$242	\$(685)
Capital contributions	—	2,700	4,102
Equity in net loss of AMSO, LLC	—	(3,194)	(3,175)
Balance, end of period	\$(252)	\$(252)	\$242

At December 31, 2014 and 2013, the liability for equity loss in AMSO, LLC was included in "Accrued expenses" in the consolidated balance sheet.

Because of AMSO's decision not to fund its share of AMSO, LLC's expenditures, AMSO, LLC allocates its net loss beginning January 2014 as follows: the first \$11.0 million of losses are allocated to Total, then it allocates any remaining losses proportionately such that AMSO and Total's capital accounts as a percentage of AMSO, LLC's total capital equals their ownership interests.

Summarized balance sheets of AMSO, LLC are as follows:

December 31 (in thousands)	2014	2013
ASSETS		
Cash and cash equivalents	\$1,052	\$483
Restricted cash and cash equivalents	47	400
Other current assets	119	141
Equipment, net	242	36
Other assets	861	—
TOTAL ASSETS	\$2,321	\$1,060
LIABILITIES AND MEMBERS' INTERESTS		
Current liabilities	\$1,324	\$1,024
Other liabilities	861	644
Members' interests	136	(608)
TOTAL LIABILITIES AND MEMBERS' INTERESTS	\$2,321	\$1,060

Summarized statements of operations of AMSO, LLC are as follows:

(in thousands)	Year ended December 31,		
	2014	2013	2012
REVENUES	\$—	\$—	\$—
OPERATING EXPENSES:			
General and administrative	456	566	507
Research and development	7,755	8,601	8,563
TOTAL OPERATING EXPENSES	8,211	9,167	9,070
Loss from operations	(8,211)	(9,167)	(9,070)
Other income	—	41	—
NET LOSS	\$(8,211)	\$(9,126)	\$(9,070)

Note 6—Property and Equipment

December 31	2014	2013
(in thousands)		
Computer software and development	\$1,038	\$516
Computers and computer hardware	259	264
Laboratory and drilling equipment	1,195	411
Office equipment and other	365	228
	2,857	1,419
Less accumulated depreciation	(955)	(858)
Property and equipment, net	\$1,902	\$561

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GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 7—Revolving Line of Credit

As of April 23, 2012, the Company and IDT Energy entered into a Loan Agreement with JPMorgan Chase Bank for a revolving line of credit for up to a maximum principal amount of \$25.0 million. On April 30, 2014, the Loan Agreement was modified to extend the maturity date from April 30, 2014 to April 30, 2015. The proceeds from the line of credit may be used to provide working capital and for the issuance of letters of credit. The Company agreed to deposit cash in a money market account at JPMorgan Chase Bank as collateral for the line of credit equal to the greater of (a) \$10.0 million or (b) the sum of the amount of letters of credit outstanding plus the outstanding principal under the revolving note. The Company is not permitted to withdraw funds or exercise any authority over the required balance in the collateral account. The principal outstanding will bear interest at the lesser of (a) the LIBOR rate multiplied by the statutory reserve rate established by the Board of Governors of the Federal Reserve System plus 1.0% per annum or (b) the maximum rate per annum permitted by whichever of applicable federal or Texas laws permit the higher interest rate. Interest is payable at least every three months and all outstanding principal and any accrued and unpaid interest is due on the maturity date. The Company pays a quarterly unused commitment fee of 0.08% per annum on the difference between \$25.0 million and the average daily outstanding principal balance of the note. In addition, as of April 23, 2012, GEIC issued a Corporate Guarantee to JPMorgan Chase Bank whereby GEIC unconditionally guarantees the full payment of all indebtedness of the Company and IDT Energy under the Loan Agreement. At December 31, 2014 and 2013, there were no amounts borrowed under the line of credit. Cash collateral of \$10.0 million was included in “Restricted cash—short-term” in the consolidated balance sheet. In addition, as of December 31, 2014 and 2013, letters of credit of \$7.6 million and \$5.7 million, respectively, were outstanding.

Note 8—Income Taxes

The components of (loss) income before income taxes are as follows:

(in thousands)	Year ended December 31,		
	2014	2013	2012
Domestic	\$(14,900)	\$9,467	\$10,544
Foreign	(12,412)	(12,053)	(10,149)
(LOSS) INCOME BEFORE INCOME TAXES	\$(27,312)	\$(2,586)	\$395

Significant components of the Company’s deferred income tax assets consist of the following:

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December 31 (in thousands)	2014	2013
Deferred income tax assets:		
Bad debt reserve	\$93	\$381
Accrued expenses	2,940	3,454
State taxes	78	56
Charitable contributions	330	219
Net operating loss	17,473	9,534
Stock options and restricted stock	6,163	2,793
Depreciation	2,089	1,056
Total deferred income tax assets	29,166	17,493
Valuation allowance	(27,703)	(16,653)
DEFERRED INCOME TAX ASSETS, NET	\$1,463	\$840

The Company has initiated a tax strategy that enables the Company to deduct losses from its foreign subsidiaries against its profitable U.S. operations. Because of this strategy, the decrease in pre-tax earnings of Genie Retail Energy in 2012, and the Company's current projections, the Company concluded that it no longer met the criteria of more likely than not in order to utilize its deferred federal income tax assets in the foreseeable future. Accordingly, in 2012, the Company recorded a valuation allowance against its deferred federal income tax assets and only the state portion of Genie Retail Energy deferred tax assets are reflected.

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GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The provision for (benefit from) income taxes consists of the following:

(in thousands)	Year ended		
	December 31,		
	2014	2013	2012
Current:			
Federal	\$—	\$1,112	\$—
State and local	730	1,891	(1,312)
Foreign	(12)	(7)	—
	718	2,996	(1,312)
Deferred:			
Federal	68	—	3,773
State and local	(691)	(241)	469
Foreign	—	—	—
	(623)	(241)	4,242
PROVISION FOR INCOME TAXES	\$95	\$2,755	\$2,930

The differences between income taxes expected at the U.S. federal statutory income tax rate and income taxes provided are as follows:

(in thousands)	Year ended December 31,		
	2014	2013	2012
U.S. federal income tax at statutory rate	\$(9,559)	\$(904)	\$138
Valuation allowance	9,564	2,447	4,711
Foreign tax rate differential	22	48	41
Other	115	66	4
State and local income tax, net of federal benefit	(47)	1,098	(1,964)
PROVISION FOR INCOME TAXES	\$95	\$2,755	\$2,930

At December 31, 2014, the Company had U.S. federal and state net operating loss carry-forwards of approximately \$23.3 million and \$56.2 million, respectively. These carry-forward losses are available to offset future U.S. federal and state taxable income. The federal net operating loss carry-forwards will start to expire in 2032, with the year ended December 31, 2014's loss expiring in 2032. The state net operating loss carry-forwards will start to expire in 2028, with the year ended December 31, 2014's loss expiring in 2035.

At December 31, 2014, the Company had foreign net operating loss carry-forwards of approximately \$42.3 million, of which \$12.3 million will not expire. This carry-forward loss is available to offset future foreign taxable income.

The change in the valuation allowance for deferred income taxes was as follows:

(in thousands)	Balance at beginning of period	Additions charged to costs and expenses	Deductions	Balance end of
Year ended December 31, 2014				
Reserves for valuation allowances deducted from deferred income taxes, net	\$ 16,653	\$ 11,050	\$ —	\$ 27,703
Year ended December 31, 2013				
Reserves for valuation allowances deducted from deferred income taxes, net	\$ 11,861	\$ 4,792	\$ —	\$ 16,653
Year ended December 31, 2012				
Reserves for valuation allowances deducted from deferred income taxes, net	\$ 6,523	\$ 5,338	\$ —	\$ 11,861

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GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The table below summarizes the change in the balance of unrecognized income tax benefits:

(in thousands)	Year ended		
	December 31,		
	2014	2013	2012
Balance at beginning of period	\$ 542	\$ 223	\$ 2,507
Additions based on tax positions related to the current period	209	—	89
Additions for tax positions of prior periods	9	319	—
Reductions for tax positions of prior periods	—	—	—
Settlements	—	—	(2,373)
Lapses of statutes of limitations	(217)	—	—
Balance at end of period	\$ 543	\$ 542	\$ 223

All of the unrecognized income tax benefits at December 31, 2014 and 2013 would have affected the Company's effective income tax rate if recognized. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

In the years ended December 31, 2014, 2013 and 2012, the Company recorded interest on income taxes of \$0.1 million, nil and nil, respectively. As of December 31, 2014 and 2013, there was no accrued interest included in current income taxes payable.

The Company currently remains subject to examinations of its tax returns as follows: U.S. federal tax returns for fiscal 2010 to calendar 2014, state and local tax returns generally for fiscal 2009 to calendar 2014 and foreign tax returns generally for fiscal 2009 to calendar 2014.

Note 9—Equity

Class A Common Stock and Class B Common Stock

The rights of holders of Class A common stock and Class B common stock are identical except for certain voting and conversion rights and restrictions on transferability. The holders of Class A common stock and Class B common stock receive identical

dividends per share when and if declared by the Company's Board of Directors. In addition, the holders of Class A common and Class B common stock have identical and equal priority rights per share in liquidation. The Class A common stock and Class B common stock do not have any other contractual participation rights. The holders of Class A common stock are entitled to one vote per share and the holders of Class B common stock are entitled to one-tenth of a vote per share. Except as required by law, under the terms of the Series 2012-A Preferred Stock (the "Preferred Stock"), the holders of Class A and Class B common stock and the Preferred Stock vote together as a single class on all matters submitted to a vote of the Company's stockholders. Each share of Class A common stock may be converted into one share of Class B common stock, at any time, at the option of the holder. Shares of Class A common stock are subject to certain limitations on transferability that do not apply to shares of Class B common stock.

Series 2012-A Preferred Stock

Each share of Preferred Stock has a liquidation preference of \$8.50 (the "Liquidation Preference"), and is entitled to receive a dividend per share equal to the sum of (i) \$0.6375 (the "Base Dividend") plus (ii) seven and one-half percent (7.5%) of the profit obtained by dividing (A) the amount by which the EBITDA for a fiscal year of the Company's retail energy provider business exceeds \$32 million by (B) 8,750,000 (the "Additional Dividend"), payable in cash. EBITDA consists of income (loss) from operations exclusive of depreciation and amortization and other operating gains (losses). During any period when the Company has failed to pay a dividend on the Preferred Stock and until all unpaid dividends have been paid in full, the Company is prohibited from paying dividends or distributions on the Company's Class B or Class A common stock.

The Preferred Stock is redeemable, in whole or in part, at the option of the Company following October 11, 2017 at 101% of the Liquidation Preference plus accrued and unpaid dividends, and 100% of the Liquidation Preference plus accrued and unpaid dividends following October 11, 2018.

The Base Dividend is payable (if declared by the Company's Board of Directors, and accrued, if not declared) quarterly on or before February 15, May 15, August 15 and November 15, and to the extent that there is any Additional Dividend payable with respect to a fiscal year, it will be paid to holders of Preferred Stock with the May dividend. With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Preferred Stock is equal in rank to all other equity securities the Company issues, the terms of which specifically provide that such equity securities rank on a parity with the Preferred Stock with respect to dividend rights or rights upon the Company's liquidation, dissolution or winding up; senior to the Company's common stock and junior to all of the Company's existing and future indebtedness.

GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Each share of Preferred Stock has the same voting rights as a share of Class B common stock, except on certain matters that impact the Company's common stock, as well as additional voting rights on specific matters or upon the occurrence of certain

Dividend Payments

In the year ended December 31, 2012, the Company paid aggregate cash dividends of \$0.183 per share on its Class A common and Class B common stock, equal to \$4.2 million in total dividends paid. No dividends were declared or paid on the Company's Class A common stock and Class B common stock in the year ended December 31, 2013. In the year ended December 31, 2014, the Company paid aggregate cash dividends of \$0.06 per share on its Class A common stock and Class B common stock, equal to \$0.6 million in total dividends paid. On March 10, 2015, the Company's Board of Directors declared a quarterly dividend of \$0.06 per share on its Class A and Class B common stock for the fourth quarter of 2014. The dividend will be paid on or about March 31, 2015 to stockholders of record as of the close of business on March 23, 2015, equal to \$1.5 million in total dividends.

In the year ended December 31, 2013, the Company paid aggregate cash dividends of \$0.6099 per share on its Preferred Stock, equal to \$1.1 million in total dividends paid. In the year ended December 31, 2014, the Company paid aggregate cash dividends of \$0.6099 per share on its Preferred Stock, equal to \$1.4 million in total dividends paid.

Stock Repurchases

On March 11, 2013, the Board of Directors of the Company approved a stock repurchase program for the repurchase of up to an aggregate of 7.0 million shares of the Company's Class B common stock. In the year ended December 31, 2014, the Company repurchased 103,331 shares of Class B common stock under this program for an aggregate purchase price of \$0.8 million. There were no repurchases under the program in the year ended December 31, 2013. At December 31, 2014, 6.9 million shares remain available for repurchase under the stock repurchase program.

Exchange Offers and Issuances of Preferred Stock

On August 2, 2012, the Company initiated an offer to exchange up to 8.75 million outstanding shares of its Class B common stock for the same number of shares of its Preferred Stock. The offer expired on October 10, 2012. On October 17, 2012, the Company

issued 1,604,591 shares of its newly designated Preferred Stock in exchange for an equal number of shares of Class B common stock tendered in the exchange offer.

On November 26, 2012, the Company initiated an offer to exchange up to 7.15 million outstanding shares of its Class B common stock for the same number of shares of its Preferred Stock. The offer expired on March 5, 2013. On March 11, 2013, the Company issued 313,376 shares of its Preferred Stock in exchange for an equal number of shares of Class B common stock tendered in the exchange offer.

On May 22, 2014, the Company initiated an offer to exchange up to 5.0 million shares of its outstanding Class B common stock for the same number of shares of its Preferred Stock. The offer expired on June 23, 2014. On June 27, 2014, the Company issued 404,732 shares of its Preferred Stock in exchange for an equal number of shares of Class B common stock tendered in the exchange offer. As a result of the issuance of additional shares of Preferred Stock, the aggregate quarterly Base Dividend increased to \$0.3 million from \$0.3 million.

Sale of Shares to Howard S. Jonas

On July 30, 2014, the Company entered into a Second Amended and Restated Employment Agreement and a Restricted Stock Purchase Agreement with Howard S. Jonas, the Company's Chairman of the Board and Chief Executive Officer. Pursuant to these agreements, (a) options to purchase 3.0 million shares of the Company's Class B common stock previously granted to Mr. Jonas, with an exercise price of \$10.30 per share were cancelled, (b) the term of the existing employment agreement between the Company and Mr. Jonas was extended for an additional one year period, expiring on December 31, 2019, and (c) Mr. Jonas committed to purchase an aggregate of 3.6 million shares of the Company's Class B common stock from the Company at a price of \$6.82 per share (the price per share of the Class B common stock on the day that the arrangement was approved by the Company's Board of Directors and Compensation Committee). The 3.6 million Class B shares are subject to repurchase by the Company at \$6.82 per share upon the terminations of Mr. Jonas' employment by the Company, and such repurchase right lapses as to 0.6 million shares on each of July 31, 2014 and December 31, 2014 through 2018. On July 30, 2014 and August 4, 2014, the Company sold an aggregate of 3.6 million shares of the Company's Class B common stock to Mr. Jonas for an aggregate purchase price of \$24.6 million. The Company accounted for the change in the equity arrangements with Mr. Jonas as a modification, with an incremental value of nil. Accordingly, the unrecognized compensation cost as of July 30, 2014 of \$17.0 million will be recognized on a straight-line basis over the remaining vesting period. The estimated total value of the options on the date of the grant was \$19.3 million.

GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Sales of Equity of Subsidiaries

Per the terms of his employment agreement, Dr. Harold Vinegar, Chief Scientist of the Company (“Vinegar”), has an option purchase, at fair value, up to 10% of the GOGAS ventures in which he is a key contributor:

In November 2008, Vinegar purchased a 10% interest in IEI.

In October 2013, Vinegar purchased a 9.5% interest in Afek.

In November 2013, Vinegar purchased a 9.8% interest in Genie Mongolia.

In connection with Vinegar’s November 2008 purchase of a 10% interest in IEI, the purchase agreement included certain non-dilution anti-dilution protection as follows. If IEI issues certain of its shares in order to raise capital until the capitalization of IEI equals \$20 million, IEI shall issue to Vinegar additional shares to maintain his 10% interest in IEI. In December 2013, IEI converted its intercompany payable to GOGAS into preferred stock. Pursuant to the anti-dilution protection, IEI issued shares of its preferred stock to Vinegar equal to 10% of \$20 million or \$2.0 million, which the Company recorded as an increase in “Noncontrolling interest” and a corresponding decrease in “Additional paid-in capital”.

In November 2010, GOGAS sold a 0.5% equity interest to Rupert Murdoch for \$1.0 million paid with a promissory note. The note is secured by a pledge of the shares issued in exchange for the note. The note accrues interest at 1.58% per annum, and the principal and accrued interest is due and payable on November 15, 2015.

In connection with the sale by GOGAS in November 2010 of a 5.0% equity interest to an entity affiliated with Lord (Jacob) Rothschild for \$10.0 million, the entity affiliated with Lord Rothschild has a one-time option through November 12, 2017 to exchange its GOGAS shares for shares of the Company with equal fair value as determined by the parties. The number of shares issuable in such an exchange is not currently determinable.

Note 10— Stock-Based Compensation

Stock-Based Compensation Plan

The Company's 2011 Stock Option and Incentive Plan is intended to provide incentives to executives, employees, directors and consultants of the Company. Incentives available under the 2011 Stock Option and Incentive Plan may include stock options, appreciation rights, limited rights, deferred stock units, and restricted stock. The plan is administered by the Compensation Committee of the Company's Board of Directors. At December 31, 2014, the Company had 1.14 million shares of Class B common stock reserved for award under its 2011 Stock Option and Incentive Plan and 8,700 shares were available for future grants.

Restricted Stock

The fair value of restricted shares of the Company's Class B common stock is determined based on the closing price of the Class B common stock on the grant date. Share awards generally vest on a graded basis over three years of service following grant.

A summary of the status of the Company's grants of restricted shares of Class B common stock is presented below:

	Number of Non- vested Shares (in thousands)	Weighted- Average Grant Date Fair Value
Non-vested shares at December 31, 2013	265	\$ 9.74
Granted	68	9.58
Vested	(260)	9.68
Forfeited	—	—
NON-VESTED SHARES AT DECEMBER 31, 2014	73	\$ 9.83

GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of December 31, 2014, there was \$12.1 million of total unrecognized compensation cost related to non-vested stock-based compensation arrangements, including \$11.3 million relating to the shares purchased by Howard S. Jonas (see Note 9). The total unrecognized compensation cost is expected to be recognized over a weighted-average period of 2.1 years. The total grant date value of shares vested in the years ended December 31, 2014, 2013 and 2012 was \$2.5 million, \$3.3 million and \$3.0 million, respectively. The Company recognized compensation cost related to the vesting of the restricted stock of \$6.6 million, including \$2.0 million relating to the shares purchased by Howard S. Jonas (see Note 9), \$2.0 million and \$2.1 million in the years ended December 31, 2014, 2013, and 2012, respectively.

Effective December 12, 2013, the Company issued 63,917 restricted shares of its Class B common stock to the President of the Company. The restricted shares vest in three years beginning in January 2014. The fair value of the restricted shares on the date of the grant was \$0.7 million, which is being recognized on a straight-line basis over the vesting period.

Effective January 6, 2014, the Company issued 29,126 restricted shares of its Class B common stock to Michael Stein, Executive Vice President of the Company, and son-in-law of Howard Jonas, the Chairman of the Company's Board of Directors and Chief Executive Officer of the Company. The restricted shares vest in three equal annual installments commencing on January 5, 2015. The fair value of the restricted shares on the date of the grant was \$0.3 million, which will be recognized on a straight-line basis over the vesting period.

Stock Options

Option awards are generally granted with an exercise price equal to the market price of the Company's stock on the date of grant. Option awards generally vest on a graded basis over three years of service and have ten-year contractual terms. Expected volatility is based on historical volatility of the Company's Class B common stock and other factors. The Company uses historical data on the exercise of stock options, post vesting forfeitures and other factors to estimate the expected term of the stock-based payments granted. The risk free rate is based on the U.S. Treasury yield curve in effect at the time of grant.

The fair value of stock options was estimated on the date of the grant using a Black-Scholes valuation model and the assumptions shown in the following table. No option awards were granted in the years ended December 31, 2014 or 2012.

Year ended
December 31,
2013

ASSUMPTIONS

Average risk-free interest rate	2.07	%
Expected dividend yield	—	
Expected volatility	65.6	%
Expected term	6.5 years	

A summary of stock option activity for the Company is as follows:

	Number of Options (in thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2013	3,443	\$ 9.86	7.8	\$ 1,489
Granted	—	—		
Exercised	(4) 6.85		
Cancelled / Forfeited	(3,001) 10.30		
OUTSTANDING AT DECEMBER 31, 2014	438	\$ 6.85	6.3	\$ —
EXERCISABLE AT DECEMBER 31, 2014	296	\$ 6.85	6.0	\$ —

On July 30, 2014, the Company entered into a Second Amended and Restated Employment Agreement and a Restricted Stock Agreement with Howard S. Jonas. Pursuant to these agreements, among other things, options to purchase 3.0 million shares of the Company's Class B common stock previously granted to Mr. Jonas were cancelled (see Note 9).

The weighted-average grant date fair value of options granted by the Company during the year ended December 31, 2013 was \$2.0 million. The total intrinsic value of options exercised during the years ended December 31, 2014, 2013 and 2012 was \$12,000, \$29,000 and \$2,000, respectively. As of December 31, 2014, there was \$0.3 million of total unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a weighted-average period of 2.5 years. The Company recognized compensation cost related to the vesting of the options of \$2.5 million, \$0.4 million and \$0.4 million in the years ended December 31, 2014, 2013 and 2012, respectively.

GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Subsidiary Stock Options

In June 2011, GOGAS issued a stock option that is exercisable until April 9, 2015 at an exercise price of \$5.0 million. At December 31, 2014 and 2013, the estimated fair value of the GOGAS stock option was nil.

Grants of Equity of Subsidiaries

On March 28, 2012, the Compensation Committee of the Company's Board of Directors approved the grant of equity interests to certain subsidiaries of the Company to Howard Jonas. The Compensation Committee approved the following grants to Mr. Jonas: (1) deferred stock units for shares of common stock of IDT Energy representing 2.5% of the equity in IDT Energy on a fully diluted basis, (2) ordinary shares of IEI representing 0.25% of the equity in IEI on a fully diluted basis, (3) ordinary shares of Afek representing 0.30% of the equity in Afek on a fully diluted basis, and (4) shares representing 0.25% of the equity in Genie Mongolia. In addition, the Compensation Committee approved grants of interests representing 1.13% of the equity in IDT Energy, 1.4% of the equity in IEI, 1.4% of the equity in Afek and 2.2% of the equity in Genie Mongolia to certain of the Company's officers and employees. In May 2013, the Company granted 1.0% of the equity in IEI to certain employees of the Company. On November 1, 2013, the Company's Board of Directors approved the grant of 1.0% of the equity in Genie Mongolia to Michael Jonas, Executive Vice President of the Company, and the executive managing the Company's business in Mongolia. Michael Jonas is also the brother of Howard Jonas. The fair value of these grants of equity interests on the date of the grant was estimated to be \$5.4 million, which will be recognized over the vesting periods that ends at various dates through July 2017. The fair value of the equity interests granted was estimated based on discounted cash flows of the subsidiaries that granted the equity awards, as well as other valuation techniques applicable. The unrecognized compensation cost relating to these grants of equity interests at December 31, 2014 was \$0.9 million, which is expected to be recognized over a weighted-average period of 0.6 years. The Company recognized compensation cost relating to the vesting of these equity interests of \$1.6 million, \$1.8 million and \$0.9 million in the years ended December 31, 2014, 2013 and 2012, respectively.

The Company elected to exchange vested deferred stock units of IDT Energy previously granted to employees and directors of the Company for shares of the Company's Class B common stock upon the vesting of the deferred stock units based on the relative fair value of the shares exchanged. Accordingly, in August 2014 and 2013, the Company issued 137,738 and 133,758 shares of the Company's Class B common stock in exchange for 23.6 and 23.6 vested deferred stock units of IDT Energy, respectively.

Note 11—Variable Interest Entities

In 2011, an employee of IDT, until his employment was terminated effective December 30, 2011, incorporated Citizens Choice Energy, LLC (“CCE”), which is a REP that resells electricity and natural gas to residential and small business customers in the New York. Tari Corporation (“Tari”) is the sole owner of CCE. In addition, DAD Sales, LLC (“DAD”), which is 100% owned, used its network of door-to-door sales agents to obtain customers for CCE. In December 2012, DAD ceased to acquire customers for CCE. The Company provided CCE, DAD and Tari with substantially all of the cash required to fund their operations. The Company determined that since the acquisition of the interest in CCE, DAD and Tari, it had the power to direct the activities of these entities that most significantly impact their economic performance and it has the obligation to absorb losses of CCE, DAD and Tari that could potentially be significant to CCE, DAD and Tari on a stand-alone basis. The Company therefore determined that it is the primary beneficiary of CCE, DAD and Tari, and as a result, the Company consolidates CCE, DAD and Tari within its Generation-Skipping Trust Energy segment. The Company does not own any interest in CCE, DAD or Tari and thus the net income or loss incurred by CCE, DAD and Tari was attributed to noncontrolling interests in the accompanying consolidated statements of operations.

Net income (loss) amounts related to CCE, DAD and Tari and aggregate net funding (provided by) repaid to the Company to CCE, DAD and Tari in order to finance their operations were as follows:

(in thousands)	Year ended		
	December 31,		
	2014	2013	2012
Net income (loss):			
CCE	\$763	\$2,080	\$1,857
DAD	(104)	(67)	(327)
Tari	(31)	52	161
Aggregate funding (provided by) repaid to the Company, net	(321)	4,118	738

GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Summarized consolidated balance sheet amounts related to CCE, DAD and Tari are as follows:

December 31 (in thousands)	2014	2013
ASSETS		
Cash and cash equivalents	\$77	\$434
Restricted cash	20	537
Trade accounts receivable	1,873	2,459
Prepaid expenses	480	364
Other current assets	178	353
Other assets	459	449
TOTAL ASSETS	\$3,087	\$4,596
LIABILITIES AND NONCONTROLLING INTERESTS		
Current liabilities	\$480	\$2,937
Due to IDT Energy	1,285	964
Noncontrolling interests	1,322	695
TOTAL LIABILITIES AND NONCONTROLLING INTERESTS	\$3,087	\$4,596

The assets of CCE, DAD and Tari may only be used to settle obligations of CCE, DAD and Tari, and may not be used for other consolidated entities. The liabilities of CCE, DAD and Tari are non-recourse to the general credit of the Company's other consolidated entities.

GENIE ENERGY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Note 12—Accumulated Other Comprehensive Income

The accumulated balances for each classification of other comprehensive income (loss) were as follows:

(in thousands)	Unrealized loss on available- for- sale securities	Foreign currency translation	Accumulated other comprehensive income (loss)	Location (Gain) Recognized
Balance at December 31, 2011	—	(137)	(137)	
Other comprehensive (loss) income attributable to Genie	(15)	422	407	
Balance at December 31, 2012	(15)	285	270	
Other comprehensive (loss) income before reclassifications	(55)	460	405	
Amounts reclassified from accumulated other comprehensive income	70	—	70	Interest
Net other comprehensive income	15	460	475	
Balance at December 31, 2013	—	745	745	
Other comprehensive loss attributable to Genie	—	(735)	(735)	
BALANCE AT DECEMBER 31, 2014	\$ —	\$ 10	\$ 10	

Note 13— Legal Proceedings

On March 13, 2014, named plaintiff, Anthony Ferrare, commenced a putative class-action lawsuit against IDT Energy, Inc. in the Court of Common Pleas of Philadelphia County, Pennsylvania. The complaint was served on IDT Energy on July 16, 2014. The named plaintiff filed the suit on behalf of himself and other former and current electric customers of IDT Energy in Pennsylvania with variable rate plans, whom he contends were injured as a result of IDT Energy's allegedly unlawful sales and marketing practices. On August 7, 2014, IDT Energy removed the case to the United States District Court for the Eastern District of Pennsylvania. On October 20, 2014, IDT Energy moved to stay or, alternatively, dismiss the complaint, as amended, by the named plaintiff. On November 10, 2014, the named plaintiff opposed IDT Energy's motion to dismiss and IDT Energy filed a reply memorandum of law in further support of its motion to dismiss. The parties are now awaiting a decision from the Court. IDT Energy believes that the claims in this lawsuit are without merit and intends to vigorously defend the action. However, because the outcome of this matter is uncertain, the Company is unable to make an assessment of the final result and its impact on the Company.

On June 20, 2014, the Pennsylvania Attorney General's Office ("AG") and the Acting Consumer Advocate ("OCA") filed a Joint Complaint against IDT Energy, Inc. with the Pennsylvania Public Utility Commission. In the Joint Complaint, the AG and the OCA allege, among other things, various violations of Pennsylvania's Unfair Trade Practices and Consumer Protection Law, the Telemarketing Registration Act and the Pennsylvania Public Utility Commission's regulations. IDT Energy is continuing to defend against the allegations of the Joint Complaint and continues to respond to requests for information in connection with the proceedings.

IDT Energy denies that there is any merit to the claims made in the Joint Complaint, and the Company cannot estimate its potential damages.

On July 2, 2014, named plaintiff, Louis McLaughlin, filed a putative class-action lawsuit against IDT Energy, Inc. in the United States District Court for the Eastern District of New York, contending that he and other class members were injured as a result of IDT Energy's allegedly unlawful sales and marketing practices. The named plaintiff filed the suit on behalf of himself and two subclasses: all IDT Energy customers who were charged a variable rate for their energy from July 2, 2008, and all IDT Energy customers who participated in IDT Energy's rebate program from July 2, 2008. On December 19, 2014, IDT Energy filed a motion to dismiss the complaint. The named plaintiff filed opposition papers to IDT Energy's motion to dismiss on March 13, 2015, and IDT Energy's reply is due on March 31, 2015. IDT Energy believes that the claims in this lawsuit are without merit and intends to vigorously defend the action. However, because the outcome of this matter is uncertain, the Company is unable to make an assessment of the final result and its impact on the Company.

On July 15, 2014, named plaintiff, Kimberly Aks, commenced a putative class-action lawsuit against IDT Energy, Inc. in New Jersey Superior Court, Essex County, contending that she and other class members were injured as a result of IDT Energy's allegedly unlawful sales and marketing practices. The named plaintiff filed the suit on behalf of herself and all other New Jersey residents who were IDT Energy customers at any time between July 11, 2008 and the present. On November 6, 2014, the Court denied IDT Energy's motion to dismiss the complaint. The parties are currently engaged in discovery. IDT Energy believes that the claims in this lawsuit are without merit and intends to vigorously defend the action. However, because the outcome of this matter is uncertain, the Company is unable to make an assessment of the final result and its impact on the Company.

GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In July 2014, Afek was issued a permit by Israel's Northern District Planning and Building Committee to conduct a ten-well exploratory drilling program. That issuance was subsequently challenged by the Israel Union for Environmental Defense and local residents. On October 20, 2014, Israel's High Court of Justice issued an interim injunction against Afek, restricting Afek from building installations of any kind or carrying out work of any kind that changes the surface of the ground within the boundaries of the area defined in the drilling permit until the Court rules on the petitions. In December 2014, the Supreme Court of Israel ruled on the petitions challenging the exploratory drilling permits issued to Afek, and the Court lifted its injunction on Afek's exploratory drilling in the Golan Heights of Northern Israel.

In addition to the above, the Company may from time to time be subject to legal proceedings that arise in the ordinary course of business. Although there can be no assurance in this regard, the Company does not expect any of those legal proceedings to have a material adverse effect on the Company's results of operations, cash flows or financial condition.

Note 14—Commitments and Contingencies

Purchase Commitments

The Company had purchase commitments of \$7.2 million at December 31, 2014.

Renewable Energy Credits

At December 31, 2014, Genie Retail Energy had commitments to purchase renewable energy credits of \$24.9 million.

Tax Audits

The Company is subject to audits in various jurisdictions for various taxes. Amounts asserted by taxing authorities or the amount ultimately assessed against the Company could be greater than the accrued amount. Accordingly, provisions may be recorded in the future as estimates are revised or underlying matters are settled or resolved. Imposition of assessments as a result of tax audits may have an adverse effect on the Company's results of operations, cash flows and financial condition.

Letters of Credit

At December 31, 2014, the Company had letters of credit outstanding totaling \$7.6 million primarily for the benefit of regional transmission organizations that coordinate the movement of wholesale electricity and for certain utility companies. The letters of credit outstanding at December 31, 2014 expire as follows: \$5.6 million in the year ending December 31, 2015 and \$2.0 million in the year ending December 31, 2016.

Performance Bonds

Genie Retail Energy has performance bonds issued through a third party for the benefit of various states in order to comply with various states' financial requirements for retail energy providers. At December 31, 2014, Genie Retail Energy had aggregate performance bonds of \$12.7 million outstanding.

Lease Commitments

The future minimum payments for operating leases as of December 31, 2014 are as follows:

(in thousands)

Year ending December 31:

2015	\$266
2016	201
2017	111
2018	—
2019	—
Thereafter	—
Total payments	\$578

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GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Rental expense under operating leases was \$0.8 million, \$0.6 million and \$0.8 million in the years ended December 31, 2014 and 2012, respectively.

Other Contingencies

Since 2009, IDT Energy has been party to a Preferred Supplier Agreement with BP Energy Company (“BP”). The agreement termination date is June 30, 2015. Under the arrangement, IDT Energy purchases electricity and natural gas at market rate plus IDT Energy’s obligations to BP are secured by a first security interest in deposits or receivables from utilities in connection with the purchase of IDT Energy’s customer’s receivables, and in any cash deposits or letters of credit posted in connection with any of its accounts with BP. IDT Energy’s ability to purchase electricity and natural gas under this agreement is subject to satisfaction of certain conditions including the maintenance of certain covenants. At December 31, 2014, the Company was in compliance with such covenants. As of December 31, 2014, restricted cash—short-term of \$0.5 million and trade accounts receivable of \$29.5 million were pledged to BP as collateral for the payment of IDT Energy’s trade accounts payable to BP of \$11.6 million as of December 31, 2014.

Note 15—Related Party Transactions

The Company entered into various agreements with IDT prior to the Spin-Off including a Separation and Distribution Agreement, which effect the separation and provide a framework for the Company’s relationship with IDT after the Spin-Off, and a Transition Services Agreement, which provides for certain services to be performed by the Company and IDT. These agreements provide for, among other things, (1) the allocation between the Company and IDT of employee benefits, taxes and other liabilities and obligations attributable to periods prior to the Spin-Off, (2) transitional services to be provided by IDT relating to human resources and employee benefits administration, (3) the allocation of responsibilities relating to employee compensation and benefit plans and other programs and other related matters, (4) finance, accounting, tax, internal audit, facilities, investor relations and legal services provided by IDT to the Company following the Spin-Off and (5) specified administrative services to be provided by the Company to certain of IDT’s foreign subsidiaries.

IDT charges the Company for services it provides pursuant to the Transition Services Agreement. The charges for these services are included in “Selling, general and administrative” expense. In addition, the Company provides specified administrative services to certain of IDT’s foreign subsidiaries. The charges for these services reduce the Company’s “Selling, general and administrative” expense. The amounts IDT charged the Company, and the amounts the Company charged IDT, were as follows:

Year ended
December 31,

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(in thousands)	2014	2013	2012
Amount IDT charged the Company	\$3,447	\$3,348	\$3,775
Amount the Company charged IDT	530	285	129

In addition, the Company entered into a Tax Separation Agreement with IDT, which sets forth the responsibilities of the Company and IDT with respect to, among other things, liabilities for federal, state, local and foreign taxes for periods before and including the Spin-Off, the preparation and filing of tax returns for such periods and disputes with taxing authorities regarding taxes for such periods. Pursuant to the Tax Separation Agreement, among other things, IDT indemnifies the Company from all liability for taxes of IDT with respect to any taxable period, and the Company indemnifies IDT from all liability for taxes of the Company with respect to any taxable period, including, without limitation, the ongoing tax audits related to the Company's business.

The Company had notes receivable outstanding from employees aggregating \$1.0 million and \$0.9 million at December 31, 2014 and 2013, respectively, which are included in "Other assets" in the accompanying consolidated balance sheet.

The Company obtains insurance policies from several insurance brokers, one of which is IGM Brokerage Corp. ("IGM"). IGM is owned by the mother of Howard Jonas and Joyce Mason, the Company's Corporate Secretary. Jonathan Mason, husband of Joyce Mason and brother-in-law of Howard Jonas, provides insurance brokerage services via IGM. Based on information the Company has received from IGM, the Company believes that (1) IGM received commissions and fees from payments made by the Company and its subsidiaries (including payments from third party brokers) in the aggregate amounts of \$13,912, \$11,074 and \$9,527 in the years ended December 31, 2014, 2013 and 2012, respectively, which fees and commissions inured to the benefit of Mr. Mason, and (2) the total payments made by the Company to IGM for various insurance policies were \$140,374, \$124,149 and \$106,812 in the years ended December 31, 2014, 2013 and 2012, respectively. Neither Howard Jonas nor Joyce Mason has any ownership or other interest in IGM other than via the familial relationships with their mother and Jonathan Mason.

GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 16—Business Segment Information

The Company owns 99.3% of its subsidiary, GEIC, which owns 100% of Genie Retail Energy and 92% of GOGAS. The Company has two reportable business segments: Genie Retail Energy and Genie Oil and Gas. Genie Retail Energy operates REPs, including IDT Energy and Residents Energy, and energy brokerage and marketing services. Its REP businesses resell electricity and natural gas to residential and small business customers primarily in the Eastern United States. Genie Oil and Gas is an oil and gas exploration company. The Genie Oil and Gas segment's early stage projects include (1) an 88.5% interest in Afek, which operates an exploration project in the southern portion of the Golan Heights in Northern Israel, (2) an 89.9% interest in Genie Mongolia, a shale exploration project in Central Mongolia, (3) AMSO, which holds and manages a 43.1% interest in AMSO, LLC, an oil development project in Colorado, and (4) an 87.9% interest in IEL, an oil shale development project in Israel. IDT Energy has outstanding deferred stock units granted to directors and employees that represent an interest of 1.4% of the equity of IDT Energy. Corporate costs include unallocated compensation, consulting fees, legal fees, business development expenses and other corporate-related general and administrative expense. Corporate does not generate any revenues, nor does it incur any direct revenues.

The Company's reportable segments are distinguished by types of service, customers and methods used to provide their services. The operating results of these business segments are regularly reviewed by the Company's chief operating decision maker.

The accounting policies of the segments are the same as the accounting policies of the Company as a whole. The Company evaluates the performance of its business segments based primarily on income (loss) from operations. There are no significant asymmetric allocations to segments.

Operating results for the business segments of the Company were as follows:

(in thousands)	IDT Energy	Genie Oil and Gas	Corporate	Total
Year ended December 31, 2014				
Revenues	\$275,031	\$—	\$—	\$275,031
Income (loss) from operations	3,516	(13,773)	(15,353)	(25,610)
Depreciation	24	107	1	132
Research and development	—	12,509	—	12,509
Goodwill impairment	3,562	—	—	3,562
Equity in the net loss of AMSO, LLC	—	—	—	—
Year ended December 31, 2013				

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Revenues	\$279,174	\$—	\$—	\$279,174
Income (loss) from operations	25,696	(15,955)	(9,115)	626
Depreciation	15	94	1	110
Research and development	—	11,389	—	11,389
Goodwill impairment	—	—	—	—
Equity in the net loss of AMSO, LLC	—	3,194	—	3,194
Year ended December 31, 2012				
Revenues	\$229,459	\$—	\$—	\$229,459
Income (loss) from operations	24,972	(14,038)	(7,887)	3,047
Depreciation	40	83	1	124
Research and development	—	9,365	—	9,365
Goodwill impairment	—	—	—	—
Equity in the net loss of AMSO, LLC	—	3,175	—	3,175

There were no revenues from customers located outside of the United States in all periods presented.

Total assets for the business segments of the Company were as follows:

(in thousands)	IDT Energy	Genie Oil and Gas	Corporate	Total
Total assets:				
December 31, 2014	\$78,254	\$55,142	\$ 19,532	\$152,928
December 31, 2013	76,691	42,193	39,959	158,843
December 31, 2012	65,377	36,561	48,368	150,306

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GENIE ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Net long-lived assets and total assets held outside of the United States, which are located primarily in Israel, were as follows:

(in thousands)	United States	Foreign Countries	Total
December 31, 2014			
Long-lived assets, net	\$834	\$ 1,230	\$2,064
Total assets	143,897	9,031	152,928
December 31, 2013			
Long-lived assets, net	\$352	\$ 377	\$729
Total assets	150,315	8,528	158,843
December 31, 2012			
Long-lived assets, net	\$71	\$ 346	\$417
Total assets	142,694	7,612	150,306

Note 17—Selected Quarterly Financial Data (Unaudited)

The table below presents selected quarterly financial data of the Company for its fiscal quarters in 2014 and 2013:

Quarter Ended (in thousands, except per share data)	Revenues	Direct cost of revenues	(Loss) income from operations	Net (loss) income	Net (loss) income attributable to Genie Energy Ltd.	(Loss) earnings per common share	Basic	Diluted
2014:								
December 31 (1)	\$49,687	\$36,924	\$(10,666)	\$(10,428)	\$ (10,436)	\$ (0.50)	\$ (0.50)	
September 30	46,186	28,359	(4,107)	(4,825)	(4,395)	(0.22)	(0.22)	
June 30	48,810	37,359	(4,344)	(5,007)	(4,871)	(0.24)	(0.24)	
March 31 (2)	130,348	120,452	(6,493)	(7,147)	(6,784)	(0.33)	(0.33)	
TOTAL	\$275,031	\$223,094	\$(25,610)	\$(27,407)	\$ (26,486)	\$ (1.31)	\$ (1.31)	
2013:								
December 31	\$67,071	\$50,237	\$(386)	\$(1,118)	\$ (483)	\$ (0.04)	\$ (0.04)	
September 30	71,638	51,699	3,948	2,042	1,991	0.09	0.08	
June 30	55,134	45,168	(5,569)	(6,168)	(5,901)	(0.32)	(0.32)	
March 31 (3)	85,331	66,312	2,633	(97)	(1,510)	(0.09)	(0.09)	
TOTAL	\$279,174	\$213,416	\$626	\$(5,341)	\$ (5,903)	\$ (0.36)	\$ (0.36)	

- (1) In the fourth quarter of 2014, loss from operations includes goodwill impairment of \$3.6 million and gain on adjustment to estimated contingent payments of \$0.2 million.

- Unusually cold weather in the first quarter of 2014 that affected the overall demand for electricity and natural gas for heat
- (2) a significant increase in revenues and direct cost of revenues in the first quarter of 2014 compared to the same period in 2013. The winter's polar vortex resulted in extraordinarily large spikes in the prices of wholesale electricity and natural gas in markets. Genie Retail Energy and other retail providers purchase their supply.

- In the fourth quarter of 2012, there were certain errors at Genie Retail Energy impacting revenue recognized and the related receivable balances, sales tax refund receivable and a gross receipt tax accrual. The Company corrected these errors in the first quarter of 2013, although the corrections should have been recorded in the fourth quarter of 2012. The impact of these items would have decreased the net income in 2012 and correspondingly increased the net income in 2013, by \$1.7 million. The
- (3) Company's management assessed the impact of such errors on the financial statements and determined that the errors in 2012 and the related corrections in 2013 did not have a material impact on the Company's financial statements for 2012 and 2013 as each of the quarters within those years. Therefore, the Company's management determined that no restatement of prior filings was necessary.