CROMPTON CORP
Form 10-K
March 16, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2004
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 No. 0-30270

Crompton Corporation

(Exact name of registrant as specified in its charter)

Delaware	**52-2183153**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
199 Benson Road	
Middlebury, Connecticut	**06749**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (203) 573 2000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: NONE

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 [x] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
Yes [x] No [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed as of February 25, 2005 was $1,577,707,508.

The number of voting shares of Common Stock of the registrant outstanding as of February 25, 2005 was 117,185,760.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for Annual Meeting of Stockholders on April 26, 2005	Part III

PART I.

ITEM 1. BUSINESS

When we use the terms the Corporation, Company, Crompton, Registrant, we, us and our, unless otherwise indicated or the context othe requires, we are referring to Crompton Corporation and its consolidated subsidiaries. Certain disclosures included in this Annual Report on Form 10-K constitute forward-looking statements that are subject to risk and uncertainty. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Statements.

(a) General Development of Business

Crompton Corporation, formerly known as CK Witco Corporation, was incorporated in Delaware in 1999 in connection with the merger of Crompton & Knowles Corporation and Witco Corporation on September 1, 1999 (the Merger).

Crompton & Knowles Corporation (Crompton & Knowles) was incorporated in Massachusetts in 1900. Crompton & Knowles engaged in the manufacture and sale of specialty chemicals beginning in 1954 and, beginning in 1961, in the manufacture and sale of polymer processing equipment. Crompton & Knowles substantially expanded both its specialty chemical and its polymer processing equipment businesses through a number of acquisitions in both the United States and Europe, including the acquisition in 1996 of Uniroyal Chemical Company, Inc., now known as Crompton Manufacturing Inc. (Uniroyal), a multinational manufacturer of performance chemicals, including additives for rubber, plastics and lubricants, crop protection chemicals, and polymers, which include Royalene® EPDM rubber and Adiprene®/Vibrathane® urethane prepolymers.

Witco Corporation (Witco) was incorporated in Delaware in 1958 as Witco Chemical Company, Inc., at which time it succeeded by merger to the business of Witco Chemical Company, an Illinois corporation formed in 1920. Witco was a global manufacturer and marketer of specialty chemical products for use in a wide variety of industrial and consumer applications.

Today, we are a global diversified producer of specialty chemicals (including agricultural chemicals), polymer products, and polymer processing equipment. Our products are used in a wide variety of end-use markets, principally including transportation, construction, packaging, agriculture, lubricants, plastics for durable and non-durable goods, and personal care products. Most of our chemical products are sold to industrial manufacturing customers for use as additives, ingredients, or intermediates that add value to their end products. We are a market leader in many of our key product lines, including polyvinyl chloride (PVC) additives, aluminum alkyl catalysts, high-performance castable urethanes, and single-screw extrusion equipment. We manufacture and sell more than 3,500 products and formulations. Of our $2.5 billion 2004 net sales, 53% were to customers in the United States and Canada, 28% to Europe and Africa, 12% to Asia/Pacific, and 7% to Latin America.

During 2004, the Company completed a voluntary severance program and an activity-based restructuring initiative intended to structure the Company s operations in a more efficient and cost effective manner. As a result of this initiative, the Company expects to achieve annual pre-tax cost savings of at least $50 million. For the year ended December 31, 2004, the Company realized approximately $6.3 million of these savings. The full extent of the savings are expected to be realized in 2005. All cost savings, both estimated and actual, are reported net of any increased expenses or the impact of reduced revenues. During 2004, the Company recorded pre-tax charges of $54 million for facility closures, severance and related costs related to the voluntary severance program and activity-based initiative.

On March 22, 2004, the Company entered into an agreement with Bayer CropScience LP in the U.S. and Bayer CropScience Inc. in Canada to sell its 50 percent interest in the Gustafson seed treatment joint venture for $128.9 million, of which $122 million was received in the first quarter of 2004, a deferred payment of $4.9 million was received in the third quarter of 2004, and $2 million was contingent upon a licensing consent and the execution of a related supply agreement. The transaction closed on March 31, 2004 and resulted in a pre-tax gain of $90.9 million in the first quarter of 2004. The licensing consent and related supply agreement were finalized in December 2004 and resulted in an additional pre-tax gain of $2 million in the fourth quarter of 2004. The

Company expects to receive the $2 million of proceeds from this additional gain in the first quarter of 2005.

On July 31, 2003, the Company sold certain assets and assigned certain liabilities of its OrganoSilicones business unit to the Specialty Materials division of General Electric (GE) and acquired GE s Specialty Chemicals business. The transaction resulted in a gain of $111.7 million (net of income taxes of $175.3 million). The Company received net cash proceeds in 2003 of $633.4 million. In 2004, the Company and GE settled various purchase price adjustments, which resulted in a $14 million payment to GE. As a result of this settlement, the adjustment of certain reserves and the resolution of certain tax matters related to the transaction, the Company recorded a $2.1 million (after-tax) gain on sale of discontinued operations in 2004. Additionally, during 2004 the Company received $40.3 million of earn-out proceeds, $35 million as required in the sale agreement and $5.3 million based on the combined performance of GE s existing Silicones business and the OrganoSilicones business. The Company will continue to receive a minimum of $8.75 million of quarterly earn-out payments through September of 2006. Depending on the combined performance of GE s existing Silicones business and the OrganoSilicones business, the Company may receive additional performance-based proceeds or could be required to refund all or part of the $5.3 million of additional proceeds received in 2004.

On March 9, 2005, the Company and Great Lakes Chemical Corporation (Great Lakes) announced the signing of a definitive merger agreement for an all-stock merger transaction, which would create the third largest publicly traded U.S. specialty chemicals company. Under the terms of the agreement, the Great Lakes shareholders will receive 2.2232 shares of the Company s common stock for each share of Great Lakes common stock they hold. The transaction, which is subject to regulatory approval and approval by shareholders of both companies, is expected to close in mid-2005. The merger is estimated to result in annual pre-tax synergy cost savings of approximately $90 to $100 million, the majority of which are expected to be achieved in 2006. In addition, the merger is expected to result in one-time expenditures of approximately $35 to $40 million relating to the closing of the transaction and one-time expenditures of approximately $90 to $100 million relating to the integration of both companies.

(b) Financial Information About Industry Segments

Information as to the sales, operating profit (loss), depreciation and amortization, assets, capital expenditures and equity method investments attributable to each of the Corporation s business segments during each of its last three fiscal years is set forth in the Business Segment Data footnote included in the Notes to Consolidated Financial Statements on pages 88 through 90 of this Report.

The Corporation s businesses are grouped into two units, Polymer Products and Specialty Products. Polymer Products consists of separate reporting segments for Polymer Additives (plastic additives, rubber additives, urethane additives and petroleum additives), Polymers (EPDM and urethane polymers) and Polymer Processing Equipment (Davis-Standard). Specialty Products consists of separate reporting segments for Crop Protection and Other (refined products and industrial specialties, which was sold in June 2002).

(c) Narrative Description of Business

Products and Services

The Corporation manufactures and markets a wide variety of polymer and specialty products. Most of the Corporation s products are sold to industrial customers for use as additives, ingredients or intermediates that impart particular characteristics to the customers end products. The Corporation s products are currently marketed in more than 100 countries and serve a wide variety of end-use markets including transportation, construction, packaging, agriculture, lubricants, plastics for durable and non-durable goods, and personal care products.

The principal products and services offered by the Corporation are described below.

POLYMER PRODUCTS

Polymer Additives

Polymer Additives, our largest business segment, supplies specialty additives used to manufacture plastic, rubber, urethane and petroleum products. Our additives are used to impart specific qualities in our customers products, such as strength, durability, or flexibility. Our products are sold to formulators, compounders and fabricators of vinyl, olefins, styrenics, rubber, polyurethanes, and high performance lubricants, and are ultimately used in the transportation, packaging, construction, durable and non-durable goods, and telecom industries.

Polymer Additives are sold through a specialized sales force, including technical service professionals who address customer inquiries and problems. The technical service professionals generally have degrees in chemistry and/or chemical engineering and are knowledgeable in specific product application fields. The sales and technical service professionals identify and focus on customers growth opportunities, working not only with the customers headquarters staff, but also with their research and development and manufacturing personnel on a worldwide basis.

The Polymer Additives business, which had net sales for fiscal 2004 of $1,465.6 million, has four principal product lines: plastic additives, rubber additives, urethane additives and petroleum additives.

Plastic Additives

The Corporation is a global leader in supplying a broad line of additives to the plastics industry. Our Plastic Additives business primarily serves two separate aspects of the specialty chemicals market, PVC and olefins/styrenics. Many of our products are specially developed and formulated in collaboration with customers for their specific manufacturing requirements. Customers use our plastic additives in their high-end manufacturing processes to impart such characteristics as stability, flexibility, and durability to their end products. The added stability, functionality and value of the finished products result in gains in customer productivity and cost effectiveness. We target particular applications and customers that require high-performance and specialty additives. For our PVC additives, for example, we seek high-value end uses that entail specialized, demanding manufacturing processes and aesthetic standards, such as window profiles.

Olefins and styrenics products improve the processing characteristics of resin as well as the performance of the polymer in end-use applications. Our product offerings include critical ingredients that initiate, catalyze, or inhibit a polymer reaction or enhance polymer performance, provide thermal stability, or impact strength. Our olefins and styrenics business is a global manufacturer and marketer of polymer products and specialty chemicals, and we offer a broad portfolio of products, including well-known branded products. Our olefins and styrenics products are essential to the manufacture of resins, which are used in applications such as plastic bags, food packaging, plastic packaging for compact discs, wire and cable, automotive parts, and fiberglass.

In addition, with the acquisition of GE s Specialty Chemicals business in 2003, we expanded our plastics additives business by adding a manufacturing facility, increasing our antioxidant product offerings, and adding impact modifiers and processing aids to our range of products.

The Corporation is also backward integrated in fatty acids for use in the plastic additives business. Fatty acids and glycerin are produced for internal consumption and the merchant market. Derivatives of fatty acids (esters, stearates and amides) are produced for surface modification as direct lubricants, emulsifiers or as intermediates for ingredients that modify surfaces. Fatty acids are used as lubricants in polymers (rubber and plastic), for personal care products and in curing systems for rubber. Glycerin is used to provide lubrication in pharmaceutical and personal care applications.

Net sales of plastic additives during fiscal 2004, 2003 and 2002 were 35%, 32.4% and 28.3% of the Corporation s net sales, respectively.

Rubber Additives

Our rubber additives business includes approximately 100 products for use in processing rubber. These products include accelerators, antioxidants, antiozonants, chemical foaming agents, and specialty waxes. Accelerators are used for curing natural and synthetic rubber and have a wide range of activation temperatures, curing ranges, and use forms which give our customers the flexibility to make many different products. Antiozonants protect rubber compounds from flex cracking and ozone, oxygen and heat degradation. Antioxidants provide rubber compounds with protection against oxygen, light, and heat. Foaming agents produce gas by thermal decomposition or via a chemical reaction with other components of a polymer system and are mixed with rubber to produce sponge rubber products. Waxes inhibit static atmospheric ozone cracking in rubber. We are a global supplier of rubber additives, and we believe our customers value our ability to provide high quality, consistent products world-wide to complement their international expansion. Tire manufacturers accounted for approximately 60% of our rubber additives sales in fiscal 2004, with the balance going to manufacturers of industrial rubber goods, including hoses, belting, sponges, and a wide variety of other engineered rubber products.

Urethane Additives

Our urethane additives business provides key products to global polyurethane processors. Urethane additives is comprised of three product lines: Fomrez® saturated polyester polyols, Witcobond® polyurethane dispersions, and Witcothane® polyurethane systems. Polyester polyols are employed in industrial applications such as flexible foam for seating. Our polyurethane dispersions are sold to a larger and more diverse customer base primarily for coating applications such as flooring, fiberglass sizing, and textiles. Polyurethane systems are used in applications such as the soles of workboots to provide resistance against harsh and corrosive environments. The major markets served by our urethane additives business are automotive, construction, surface coatings, leather, and textile finishing. Sub-markets include coatings, adhesives, sealants, elastomers, and insulation.

Baxenden Chemicals Limited, the Corporation s 53.5% owned subsidiary (Croda Inc. owns 46.5%), is engaged in the manufacture and marketing of isocyanate derivatives, polyester polyols and specialty polymer systems used in a wide range of applications. The major markets served by Baxenden are transportation, construction, surface coatings, leather and textile finishing. Baxenden is focused on specialty polymer and resin chemistry and novel curing mechanisms for such polymers. The core technology is urethane and acrylic chemistry and also includes novel polyesters and esterification processes.

Petroleum Additives

We are a global manufacturer and marketer of high-performance additive components used in transport and industrial lubricant applications. The component product line includes overbased and neutral calcium sulfonates used in motor oils and marine lubricants. These sulfonates, marketed as Hybase® and Lobase®, are oil-soluble surfactants and their properties include detergency and corrosion protection to help lubricants keep car, truck, and ship engines clean with minimal wear.

We provide a variety of other highly specialized, high value products. Foremost, our high-viscosity polyalphaolefins (PAOs), marketed as Synton®, are used in the production of synthetic lubricants for automotive, aviation, and industrial applications. We are also the global leader for alkylated diphenalamines antioxidants (ADPAs), marketed as Naugalubes®, used predominantly in motor oils. Additionally, we manufacture barium and sodium sulfonates, which provide corrosion protection and emulsification in metalworking fluids and antioxidants, which are widely used by our customers in engine oils, gear oils, industrial oils, and greases.

Polymers

The Polymers business, which had net sales for fiscal 2004 of $334.0 million, has two principal product lines: Royalene® EPDM rubber and Adiprene®/Vibrathane® urethane prepolymers.

EPDM

Ethylene propylene diene monomer rubber (EPDM), commonly known as crackless rubber, is a material that is able to retain elasticity despite exposure to elements such as sunlight and ozone. Over 40% of our EPDM is used in new and replacement automotive parts, including tires, hoses, belts, weatherstripping, brake components, and seals and gaskets. Other applications range from high density, long-lasting commercial roofing membranes to low density, liquified viscosity modifiers for better performing lubricants.

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We have a large and flexible manufacturing facility, which gives us the ability to manufacture over 30 grades of EPDM that provide our customers with cost effective performance polymers. Although a significant portion of the materials used in the production of EPDM are commodities, these specialized elastomers are marketed and sold on the basis of their value and performance in specified applications. Many of our products are adapted to the needs of our customers and provide high performance and technical and customer service, supported by specialists with extensive field and rubber processing experience.

Royalene® products are primarily sold through a dedicated sales force. However, in order to better serve a diverse customer base, in certain geographic areas, including the United States, Royalene® products are sold through distributors.

Urethane Polymers

We are a leading supplier of high-performance castable urethanes, with more than 200 prepolymers in our product offering. Our urethanes offer high abrasion resistance and durability in industrial and performance-specific applications. These characteristics allow us to market our urethanes to niche manufacturers where such qualities are imperative, including for industrial and printing rolls, mining machinery and equipment, mechanical goods, solid industrial tires and wheels, and sporting and recreational goods, including golf ball covers and skate wheels. The relatively low capital costs of this business provide us with the ability to operate cost effectively. We differentiate ourselves in these markets by tailoring our products to these specialized businesses, which sets us apart from our competitors.

Adiprene®/Vibrathane® urethane prepolymers are sold directly by a dedicated sales force in the United States, Canada and Australia and through direct sales distributorships in Europe, Latin America and the Far East. Adiprene®/Vibrathane® customers are serviced worldwide by a dedicated technical staff. Technical service personnel support field sales, while a research and development staff is dedicated to support new product and process development to meet rapidly changing customer needs. Technical support is a critical component of the product offering.

Polymer Processing Equipment

The Corporation s wholly-owned subsidiary, Davis-Standard Corporation, is a global leader in the manufacture of integrated polymer processing equipment, including rubber and plastic single-screw extrusion equipment and industrial blow-molding machines. We also provide installation, training, and maintenance services for our equipment, and we refurbish and upgrade polymer processing equipment manufactured by others. Integrated polymer processing systems, which include extruders in combination with other equipment, are used to process polymers into various products such as plastic sheets, extruded shapes, extruded coating, and cast and blown film.

Our customers for rubber and plastic single-screw extrusion equipment are processors of extruded products, including plastic sheets and profiles used in appliances, automobiles, home construction, and furniture; extruded shapes used as window profiles, vinyl house siding, and substitutes for wood molding; and cast and blown film used to package many consumer products. Our industrial blow-molding equipment is sold to manufacturers of non-disposable plastic items such as tool cases and beverage coolers.

In the United States, most of the Corporation s sales of polymer processing equipment are made by its own dedicated sales force and sales agents. In other parts of the world, and for export sales from the United States, the Corporation s sales of such equipment are made largely through agents.

The Polymer Processing Equipment segment had net sales for fiscal 2004 of $180.0 million.

SPECIALTY PRODUCTS

Crop Protection

The Crop Protection segment had record net sales for fiscal 2004 of $320.6 million compared to $270.9 million for 2003 and $240.1 million for 2002. Our Crop Protection business focuses on specific niches in four major product lines: fungicides, miticides and other insecticides, growth regulants, and herbicides. We have primarily developed our products for use on high-value cash crops, such as tree and vine fruits, ornamentals, nuts and turf, and secondarily for commodity crops, such as soybeans and corn. Our dedicated sales force works with growers and distributors to coordinate the use of our products throughout a crop s growth cycle and to address selective regional, climate, and growth challenges. We expand our presence in worldwide niche markets by developing new crop protection products and obtaining registrations for new uses and geographies, where demand for our products and services has potential for growth. We develop and sell our own products, and we also sell and register products manufactured by others on a licensed basis.

Our fungicides and insecticides are also used to coat seeds in order to protect the seed during germination and initial growth phases. Seed treatment is an environmentally attractive form of crop protection, involving localized use of agricultural chemicals at much lower use rates than other agrichemical treatments. We anticipate growth in seed treatment resulting from the expanded use of higher value genetically modified seed, which provides better protection during germination.

A central factor to the success of our Crop Protection business is our ability to work closely with our customers, both distributors and individual growers, as part of an on-the-ground coordinated effort. We develop products in response to ongoing customer demands, drawing upon existing technologies and tailoring them to match immediate needs. For example, a grower s crops may require varying levels of treatment depending on weather conditions and the degree of infestation. Our research and technology is therefore geared towards responding to threats to crops around the world as they emerge under a variety of conditions.

Our Crop Protection business benefits from nearly 50 years of experience in the field, along with product registrations in more than 100 countries. Our experience with registering products is a valuable asset, as registration is a significant barrier to entry, particularly in developed countries. Registration of products is a complex process in which we have developed proficiency over time. The breadth of our distribution network and the depth of our experience enable us to focus on profitable market niches that are less sensitive to competitive pricing pressures than broad commodity segments of the market.

The Crop Protection business markets its products in North America through a direct sales force selling to a distribution network consisting of more than 100 distributors and direct customers. In the international market, the Crop Protection business direct sales force services over 1,400 distributors, dealers, cooperatives, seed companies and large grower customers.

Gustafson Joint Venture

In November 1998, the Corporation formed joint ventures with Bayer Corporation to serve the agricultural seed treatment markets in North America. The Corporation and Bayer each held a 50 percent interest in the seed treatment business operated by Gustafson LLC and Gustafson Partnership (collectively, Gustafson). In March 2004, the Corporation sold its 50 percent interest in Gustafson to Bayer Corporation for proceeds of $128.9 million.

Other

The Other segment, with net sales for fiscal 2004 of $264.5 million, consists of our Refined Products business in 2004.

Refined Products

The Refined Products business manufactures and markets a wide range of high-purity hydrocarbon products, including white oils, petrolatums, specialty waxes, and other refined products. Our products are used as emollients and moisture barriers in personal care products, such as baby oils and cosmetics; as lubricants in refrigerators and air conditioners; and as plasticizers and carriers in plastic products such as PVC pipe and

protective barriers for copper telecommunications cables.

In 1998, Petro-Canada Lubricants (Petro-Canada) of Mississauga, Ontario, Canada, became Refined Products supplier for most grades of paraffinic white oils used in certain applications and Refined Products became Petro-Canada s exclusive distributor of these white oils in North America, Latin America and Asia Pacific.

Refined products are sold primarily through our own specialized sales force, including technical service professionals who address customer inquiries.

Sources of Raw Materials

Chemicals, steel, castings, parts, machine components and other raw materials required in the manufacture of the Corporation s products are generally available from a number of sources, some of which are foreign. The Corporation uses significant amounts of ethylene, propylene, benzene, caustic, tin, soybean oil, and tallow in many of our chemical manufacturing processes. Large increases in the cost of such key raw materials, particularly for sustained periods of time, could adversely affect the Corporation s operating margins. While temporary shortages of raw materials used by the Corporation may occur occasionally, such raw materials are currently readily available. However, their continuing availability and price are subject to domestic and world market and political conditions and regulations. Major requirements for key raw materials are typically purchased pursuant to multi-year contracts. The Corporation is not dependent on any one supplier for a material amount of its raw material requirements, except one supplier provides the Corporation with approximately 10% to 15% of diverse raw materials sourced from the supplier s multiple manufacturing/processing locations.

The Corporation holds a 50% interest in Rubicon Inc. (Rubicon), a manufacturing joint venture between Uniroyal and Huntsman Corporation, located in Geismar, Louisiana, which supplies both Huntsman and the Corporation with aniline, and the Corporation with diphenylamine (DPA). The Corporation believes that its aniline and DPA needs in the foreseeable future will be met by production from Rubicon.

Intellectual Property and Licenses

The Corporation has approximately 3,300 United States and foreign patents and pending applications and has trademark protection for approximately 500 product names. Patents, trade names, trademarks, know-how, trade secrets, formulae, and manufacturing techniques assist in maintaining the competitive position of certain of the Corporation s products. Patents, formulae, and know-how are of particular importance in the manufacture of a number of specialty chemicals manufactured and sold by the Corporation, and patents and know-how are also significant in the manufacture of certain wire insulating and polymer processing machinery product lines. The Corporation is licensed to use certain patents and technology owned by other companies, including some foreign companies, to manufacture products complementary to its own products, for which it pays royalties in amounts not considered material to the consolidated results of the Corporation. Products to which the Corporation has such rights include certain crop protection chemicals and polymer processing machinery.

Seasonal Business

With the exception of the Crop Protection business, no material portion of any segment of the business of the Corporation is significantly seasonal. The sales of our Crop Protection business are influenced by agricultural growing seasons, which causes the most notable decline in the fourth quarter as sales in our predominant Northern Hemisphere regions decline.

Customers

The Corporation does not consider any reporting segment of its business to be dependent on a single customer or a few customers, the loss of any one or more of whom would have a material adverse effect on the reporting segment. No one customer s business accounts for more than ten percent of the Corporation s consolidated revenues.

Backlog

Because machinery production schedules range from about 60 days to 11 months, backlog is significant to the Corporation s polymer processing equipment business. Firm backlog of customers orders for this business at the end of 2004 totaled approximately $86 million compared with $62 million at the end of 2003. It is expected that most of the 2004 backlog will be shipped during 2005. Orders for specialty chemicals and polymers are generally filled from inventory stocks and thus are excluded from backlog.

Competitive Conditions

We produce a broad range of products for a wide variety of end-use markets, principally including transportation, construction, packaging, agriculture, lubricants, plastics for durable and non-durable goods, and personal care products. The breadth of our product offering provides multiple channels for growth and lessens our dependence on any one market. We sell our products in more than 100 countries, and this worldwide presence further reduces our exposure to any one country s or region s economy.

We have a broad client base and believe that our products, many of which we customize for the specific needs of our customers, allow us to enhance customer loyalty and attract customers that value product innovation and reliable supply.

Competition varies by product and by geographic region, except that in rubber chemicals the market is fairly concentrated. In that market, the Corporation believes that it is one of the three largest suppliers of rubber chemicals in the world. In addition, the EPDM market is fairly concentrated. The Corporation believes that it is one of the five largest suppliers of EPDM polymers in the world, and the third largest producer of EPDM in North America.

Product performance, quality, technical and customer service, and price are all important factors in competing in the polymer product and specialty product businesses.

Research and Development

Research and development expenditures by the Corporation totaled $49.6 million for the year 2004, $51.5 million for the year 2003, and $54.3 million for the year 2002. We expect research and development expenditures to decrease in 2005 by approximately $8 million as a result of the activity-based restructuring initiative. We have reorganized the research and development activities into a centrally managed function rather than embedded in each business. We believe this will provide a greater focus on the overall strategy, better project prioritization and more sharing of best practices within the Company. We will maintain a customer-driven approach to help us discover new products and applications while we continue to improve the technical refinement of our existing product offerings. As of December 31, 2004 the Company had approximately 300 research and other technology personnel.

Environmental Matters

Chemical companies are subject to extensive environmental laws and regulations concerning, among other things, emissions to the air, discharges to land, surface, subsurface strata and water and the generation, handling, storage, transportation, treatment and disposal of waste and other materials. Chemical companies are also subject to other federal, state and local laws and regulations regarding health and safety matters.

Environmental Regulation. The Corporation believes that its business, operations and facilities have been and are being operated in substantial compliance in all material respects with applicable environmental and health and safety laws and regulations, many of which provide for substantial fines and criminal sanctions for violations. The ongoing operations of chemical manufacturing plants, however, entail risks in these areas and there can be no assurance that material costs or liabilities will not be incurred. In addition, future developments, such as increasingly strict requirements of environmental and health and safety laws and regulations and enforcement policies thereunder, could bring into question the handling, manufacture, use, emission or disposal of substances or pollutants at facilities owned, used or controlled by the Corporation or the manufacture, use or disposal of

certain products or wastes by the Corporation and could involve potentially significant expenditures. To meet changing permitting and regulatory standards, the Corporation may be required to make significant site or operational modifications, potentially involving substantial expenditures and reduction or suspension of certain operations. The Corporation incurred $15.5 million of costs for capital projects and $44 million for operating and maintenance costs related to environmental compliance at its facilities during fiscal 2004. In fiscal 2005, the Corporation expects to incur approximately $20.7 million of costs for capital projects and $44.5 million for operating and maintenance costs related to environmental compliance at its facilities. During fiscal 2004, the Corporation paid $18.7 million to clean up previously utilized waste disposal sites and to remediate current and past facilities. The Corporation expects to spend approximately $24.3 million during fiscal 2005 to clean up such waste disposal sites and to remediate current and former facilities.

Pesticide Regulation. The Corporation s Crop Protection business is subject to regulation under various federal, state, and foreign laws and regulations relating to the manufacture, sales and use of pesticide products.

In August, 1996, Congress enacted the Food Quality Protection Act of 1996 (FQPA), which made significant changes to the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), governing U.S. sale and use of pesticide products, and the Federal Food, Drug, and Cosmetic Act (FFDCA), which limits pesticide residues on food. FQPA facilitated registrations and reregistrations of pesticides for special (so called minor) uses under FIFRA and authorized collection of maintenance fees to support pesticide reregistrations. Coordination of regulations implementing FIFRA and FFDCA is now required. Food safety provisions of FQPA establish a single standard of safety for pesticide residue on raw and processed foods; require that information be provided through large food retail stores to consumers about the health risks of pesticide residues and how to avoid them; preempt state and local food safety laws if they are based on concentrations of pesticide residues below recently established federal residue limits (called tolerances); and ensure that tolerances protect the health of infants and children.

FFDCA, as amended by FQPA, authorizes the Environmental Protection Agency (EPA) to set a tolerance for a pesticide in or on food at a level, which poses a reasonable certainty of no harm to consumers. The EPA is required to review all tolerances for all pesticide products by August 2006. Some of the Corporation s products have successfully completed review, others are currently under review and other products will be reviewed under this standard in the future.

The European Commission (EC) has established procedures whereby all existing active ingredient pesticides will be reviewed. This EC regulation became effective in 1993 and will result in a review of all commercial products. The initial round of reviews covered ninety products, four of which are the Corporation s products. Data from the Corporation pertaining to these products was submitted for review in mid-2003. Other of the Corporation s products will be reviewed in future years. The process may lead to full reregistration in member states of the EC or may lead to some restrictions, or cancellation of registrations if adverse data is discovered.

Employees

The Corporation had approximately 4,800 employees on December 31, 2004.

Available Information

The Corporation s internet website address is www.cromptoncorp.com. The Corporation makes available free of charge on or through its internet website the Corporation s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after the Corporation electronically files such material with, or furnishes it to, the Securities and Exchange Commission (Commission).

The Corporation s Corporate Governance Principles, Code of Business Conduct and charters for its Audit Committee and its Organization, Compensation and Governance Committee are available on the Corporation s website and will be available, free of charge, to any stockholder who requests them from the Corporate Secretary at Crompton Corporation, 199 Benson Road, Middlebury, CT 06749 USA. The information contained on the Corporation s website is not incorporated by reference in this annual report on Form 10-K and should not be considered a part of this report.

Geographic Information

The information with respect to sales and property, plant and equipment attributable to each of the major geographic areas served by the Corporation for each of the Corporation s last three fiscal years, is set forth in the Notes to Consolidated Financial Statements on page 91 of this Report.

The Corporation considers that the risks relating to operations of its foreign subsidiaries are comparable to those of other U.S. companies, which operate subsidiaries in developed countries. These risks include risks of political change, change in tax regulations, change in business climate, economic changes and foreign currency volatility.

ITEM 2. PROPERTIES

The following table sets forth information as to the principal operating properties and other significant properties of the Corporation and its subsidiaries. All properties are owned in fee except where otherwise indicated:

Location	Facility	Reporting Segment
UNITED STATES		
Alabama		
Bay Minette	Plant	Polymer Additives
Connecticut		
Bethany	Research Center	Crop Protection
Middlebury	Corporate Offices, Research Center*	Corporate Headquarters
Naugatuck	Research Center	Polymer Additives, Polymers
Pawcatuck	Office, Plant, Machine Shop, Tech Center	Polymer Processing Equipment
Illinois		
Mapleton	Plant	Polymer Additives, Polymers, Other
Louisiana		
Geismar	Plant	Crop Protection, Polymer
Taft	Plant	Polymer Additives
New Jersey		
Perth Amboy	Plant	Polymer Additives
Somerville	Office, Plant, Machine Shop	Polymer Processing Equipment
New York		
Tarrytown	Research Center*	Polymer Additives, Other
North Carolina		
Gastonia	Plant	Crop Protection, Polymer Additives, Polymers
Pennsylvania		
Petrolia	Plant	Other
Tennessee		
Memphis	Plant	Polymer Additives, Other
Texas		
Marshall	Plant	Polymer Additives
West Virginia		
Morgantown	Plant, Research Center	Polymer Additives

Location	Facility	Reporting Segment
INTERNATIONAL		
Australia		
Regency Park, S.A.	Office, Machine Shop*	Crop Protection
Seven Hills	Office, Laboratory*	Polymers
Belgium		
Antwerp	Office*	Crop Protection, Polymer Additives, Polymers, Other
Brazil		
Rio Claro	Plant	Crop Protection, Polymer Additives, Polymers
Sao Paulo	Office*	Crop Protection, Polymer Additives, Polymers
Canada		
Elmira	Plant	Crop Protection, Polymer Additives, Polymers
Guelph	Research Center	Crop Protection, Polymer Additives, Polymers
Scarborough	Plant*	Polymer Additives
West Hill	Plant	Polymer Additives
Germany		
Bergkamen	Plant*	Polymer Additives
Erkrath	Office, Plant, Machine Shop, Tech Center	Polymer Processing Equipment
Lampertheim	Plant	Polymer Additives
Italy		
Latina	Plant	Crop Protection, Polymer Additives, Polymers
Korea		
Ansan	Plant	Polymer Additives
Mexico		
Altamira	Plant	Polymer Additives
Cuautitlan	Plant	Polymer Additives
The Netherlands		
Ankerwag	Plant	Crop Protection
Amsterdam	Plant	Polymer Additives, Other
Haarlem	Plant	Polymer Additives, Other
Koog aan de Zaan	Plant	Polymer Additives, Other
Republic of China		
Kaohsiung	Plant**	Polymer Additives
Nanjing	Plant	Polymers
Singapore	Administrative, Research, Sales Office*	Polymer Additives, Polymers, Other
Thailand		
Mapthaphut	Plant*	Polymer Additives
United Kingdom		
Accrington	Plant***	Polymer Additives
Droitwich	Plant***	Polymer Additives
Evesham	Research Center	Crop Protection
Langley	Office*	Crop Protection, Polymer Additives, Polymers, Other
Oldbury	Office, Plant, Machine Shop	Polymer Processing Equipment

* Facility leased by the Corporation.

** Facility owned by Uniroyal Chemical Taiwan Ltd., which is 80% owned by Uniroyal, a wholly-owned subsidiary of the Corporation.

*** Facility owned by Baxenden Chemicals Limited, which is 53.5% owned by the Corporation.

All facilities are considered to be in good operating condition, well maintained, and suitable for the Corporation s requirements.

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ITEM 3. LEGAL PROCEEDINGS

The Corporation is involved in claims, litigation, administrative proceedings and investigations of various types in a number of jurisdictions. A number of such matters involve, or may involve, claims for a material amount of damages and relate to or allege environmental liabilities, including clean-up costs associated with hazardous waste disposal sites, natural resource damages, property damage and personal injury.

Environmental Liabilities

Each quarter, the Company evaluates and reviews estimates for future remediation and other costs to determine appropriate environmental reserve amounts. For each site, a determination is made of the specific measures that are believed to be required to remediate the site, the estimated total cost to carry out the remediation plan, the portion of the total remediation costs to be borne by the Company and the anticipated time frame over which payments toward the remediation plan will occur. The total amount accrued for such environmental liabilities at December 31, 2004, was $114.5 million. The Company estimates the potential currently determinable environmental liability to range from $103 million to $131 million at December 31, 2004. The Company s reserves include estimates for determinable clean-up costs. At a number of these sites, the extent of contamination has not yet been fully investigated or the final scope of remediation is not yet determinable. The Company intends to assert all meritorious legal defenses and other equitable factors that are available with respect to these matters, and believes that the likelihood of a material adverse effect resulting from the currently indeterminable clean-up costs is remote. However, the final cost of clean-up at these sites could exceed the Company s present estimates, and could have, individually or in the aggregate, a material adverse effect on the Company s financial condition, results of operations and cash flows. It is reasonably possible that the Company s estimates for environmental remediation liabilities may change in the future should additional sites be identified, further remediation measures be required or undertaken, current laws and regulations be modified or additional environmental laws and regulations be enacted.

The Company and some of its subsidiaries have been identified by federal, state or local governmental agencies, and by other potentially responsible parties (a PRP) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or comparable state statutes, as a PRP with respect to costs associated with waste disposal sites at various locations in the United States. Because these regulations have been construed to authorize joint and several liability, the EPA could seek to recover all costs involving a waste disposal site from any one of the PRP s for such site, including the Company, despite the involvement of other PRP s. In many cases, the Company is one of several hundred PRP s so identified. In a few instances, the Company is one of only a handful of PRP s, and at one site, the Company is the only PRP performing investigation and remediation. Where other financially responsible PRP s are involved, the Company expects that any ultimate liability resulting from such matters will be apportioned between the Company and such other parties. In addition, the Company is involved with environmental remediation and compliance activities at some of its current and former sites in the United States and abroad. The more significant of these matters are described below.

Laurel Park - The EPA, the State of Connecticut, and the Laurel Park Coalition (consisting of Uniroyal and a number of other parties) have entered into a Consent Decree governing the design and implementation of the selected remedy for the Laurel Park site. Remedial construction began at the Laurel Park site in July 1996, and was completed in 1998. Operation and maintenance activities at the site are ongoing.

Litigation brought by the Laurel Park Coalition seeking contribution to the costs from the owner/operators of the site and later from other identified generator parties has resulted in substantial recoveries from a number of parties. In December 2000 and January 2001, the United States District Court for the District of Connecticut (District Court) issued final judgment allowing recovery against various municipalities by the Laurel Park Coalition in the aggregate amount of approximately $1 million and declaring that the defendants at the Laurel Park site are liable for certain stated percentages of future response costs. As a result of a settlement with one municipality, the aggregate amount of the outstanding judgment has been reduced to approximately $0.8 million. In October 2002, the United States Second Circuit Court of Appeals (Second Circuit) generally affirmed the recoveries adopted by the District Court with respect to the municipal defendants. In November 2002, the municipal defendants filed a Petition for Rehearing En Banc with the Second Circuit which was denied in January

2003. Immediately following this denial, the same defendants filed a Motion to Stay Mandate for 90 days to allow them to petition the United States Supreme Court for a writ of certiorari. In June 2003, the Petition for Writ of Certiorari was denied and the matter was remanded to the District Court to perform a calculation concerning interest due on response costs. The District Court subsequently ordered mediation that was unsuccessful. The District Court then directed the parties to submit calculations of interest in accordance with the Second Circuit s decision. On August 14, 2004, the District Court issued a ruling awarding the Laurel Park Coalition a total of approximately $0.6 million against the towns of Middlebury and Orange, Connecticut, the two remaining defendants in this action. The Laurel Park Coalition believes that the District Court s calculations were not in accord with the terms of the remand and accordingly, the Laurel Park Coalition filed a notice of appeal to the Second Circuit on December 17, 2004, and is awaiting an order setting the schedule for briefing and argument.

Vertac Uniroyal (a wholly-owned subsidiary of the Company) and its Canadian subsidiary, Uniroyal Chemical Co./Cie (formerly known as Uniroyal Chemical Ltd./Ltee) were joined with others as defendants in consolidated civil actions brought in the United States District Court, Eastern District of Arkansas, Western Division (Court) by the United States of America, the State of Arkansas and Hercules Incorporated (Hercules), relating to a Vertac Chemical Corporation site in Jacksonville, Arkansas. Uniroyal has been dismissed from the litigation. However, on May 21, 1997, the Court entered an order finding that Uniroyal Chemical Co./Cie is jointly and severally liable to the United States, and finding that Hercules and Uniroyal Chemical Co./Cie are liable to each other in contribution. On October 23, 1998, the Court entered an order granting the United States motion for summary judgment against Uniroyal Chemical Co./Cie and Hercules as to the amount of its claimed removal and remediation costs of $102.9 million at the Vertac site. Trial on the allocation of these costs as between Uniroyal Chemical Co./Cie and Hercules was concluded on November 6, 1998, and on February 3, 2000, the Court entered an Order finding Uniroyal Chemical Co./Cie liable to the United States for approximately $2.3 million and liable to Hercules in contribution for approximately $0.7 million. On April 10, 2001, the United States Court of Appeals for the Eighth Circuit (Appeals Court) (i) reversed a decision in favor of the United States and against Hercules with regard to the issue of divisibility of harm and remanded the case back to the Court for a trial on the issue; (ii) affirmed the finding of arranger liability against Uniroyal Co./Cie; and (iii) set aside the findings of contribution between Hercules and Uniroyal Co./Cie by the Court pending a decision upon remand. The Appeals Court also deferred ruling on all constitutional issues raised by Hercules and Uniroyal Co./Cie pending subsequent findings by the Court. On June 6, 2001, the Appeals Court denied Uniroyal Co./Cie s petition for rehearing by the full Appeals Court on the Appeals Court s finding of arranger liability against Uniroyal Co./Cie and on December 10, 2001, Uniroyal Co./Cie s Petition for a Writ of Certiorari to the United States Supreme Court with regard to the issue of its arranger liability was denied. On December 12, 2001, the Court concluded hearings pursuant to the April 10, 2001 remand by the Appeals Court and briefing on the issue of divisibility was completed in January 2003. A decision from the Court is expected during the second quarter of 2005. If Hercules prevails in its divisibility argument on remand, the Company might become liable under a joint and several liability theory for a significant share of the liability that had previously been allocated to Hercules.

Petrolia - In April 2004, the Company and other owners of property near our Petrolia, Pennsylvania facility were named as defendants in a toxic tort class action lawsuit alleging contamination in and around the named areas that gave rise to certain property damage and personal injuries. The plaintiffs also seek clean-up by the defendants of the alleged contamination. This action is in the early procedural stages of litigation, and the Company cannot predict its outcome.

The Company intends to assert all meritorious legal defenses and other equitable factors that are available with respect to these matters, and believes that the likelihood of a material adverse effect resulting from the currently indeterminable remedial costs or damages is remote. However, the resolution of the environmental matters now pending or hereafter asserted against the Company or any of its subsidiaries could require the Company to pay remedial costs or damages in excess of its present estimates, and as a result could, either individually or in the aggregate, have a material adverse effect on the Company s financial condition, results of operations and cash flows.

Antitrust Investigations and Related Matters

Antitrust Investigations

Rubber Chemicals

On May 27, 2004, the Company pled guilty to a one-count information charging the Company with participating in a combination and conspiracy to suppress and eliminate competition by maintaining and increasing the price of certain rubber chemicals sold in the United States and elsewhere during the period between July 1995 to 2001. The U.S. federal court imposed a fine of $50.0 million, payable in six annual installments, without interest, beginning in 2004. In light of the Company s cooperation with the U.S. Department of Justice (the DOJ), the court did not impose any period of corporate probation. On May 28, 2004, the Company pled guilty to one count of conspiring to lessen competition unduly in the sale and marketing of certain rubber chemicals in Canada. The Canadian federal court imposed a sentence requiring the Company to pay a fine of CDN $9.0 million (approximately U.S. $7 million), payable in six annual installments, without interest, beginning in 2004. The Company paid $2.3 million in cash in 2004 for the U.S. and Canadian fines. Remaining cash payments for the U.S. and Canadian fines are expected to equal approximately $2.3 million in 2005; $6.5 million in 2006; $11.2 million in 2007; $16.2 million in 2008; and $18.5 million in 2009. The Company recorded a pre-tax charge of $45.2 million against results of operations for its fiscal year ended December 31, 2003, as a reserve for the payment of the U.S. and Canadian fines.

The Company and certain of its subsidiaries continue to be the subject of a coordinated civil investigation by the European Commission (the EC) with respect to the sale and marketing of rubber chemicals. At this time, the Company cannot predict the timing or outcome of that investigation, including the amount of any fine that may be imposed by the EC.

Other Product Areas

The Company and certain of its subsidiaries are subjects of, and continue to cooperate in, coordinated criminal and civil investigations being conducted by the DOJ, the Canadian Competition Bureau and the EC (collectively, the Governmental Authorities) with respect to possible antitrust violations relating to the sale and marketing of certain other products, including ethylene propylene diene monomer (EPDM); heat stabilizers, including tin-based stabilizers and precursors, mixed metal stabilizers and epoxidized soybean oil (ESBO); nitrile rubber; and urethanes and urethane chemicals. Such investigations concern anticompetitive practices, including price fixing and customer or market allocations, undertaken by the Company and such subsidiaries and certain of their officers and employees. The Company and its subsidiaries that are subject to the investigations have received from each of the Governmental Authorities verbal or written assurances of conditional amnesty from prosecution and fines. The EC s grant of conditional amnesty with respect to heat stabilizers is presently limited to tin-based stabilizers and their precursors, but the Company expects to be granted conditional amnesty by the EC with respect to mixed metal stabilizers and ESBO. The assurances of amnesty are conditioned upon several factors, including continued cooperation with the Governmental Authorities. The Company is actively cooperating with the Governmental Authorities regarding such investigations.

Internal Investigation

The Company has completed its internal investigation of the Company s business and products to determine compliance with applicable antitrust law and with the Company s antitrust guidelines and policies. During the course of its internal investigation, the Company strengthened its training and compliance programs and took certain actions with respect to certain employees, including termination of employment and other disciplinary actions.

Impact upon the Company

The Company does not expect the previously described resolution of the rubber chemicals investigations by the United States and Canada to have a material adverse effect on its cash flows. However, the resolution of any other possible antitrust violations against the Company and certain of its subsidiaries and the resolution of any civil claims now pending or hereafter asserted against them may have a material adverse effect on the Company s financial condition, results of operations, cash flows and prospects. No assurances can be given regarding the outcome or timing of these matters.

The Company s antitrust costs increased from $8.4 million (pre-tax) during the immediately prior fiscal quarter ended September 30, 2004 to $96.9 million (pre-tax) for the fiscal quarter ended December 31, 2004, as a result of a charge of $93.1 million in connection with the anticipated settlement of three direct purchaser class action lawsuits against the Company and certain of its subsidiaries relating to rubber chemicals, EPDM and nitrile rubber (as described below). The Company expects to continue to incur substantial costs until all antitrust investigations are concluded and civil claims are resolved.

Civil Lawsuits

<u>*U.S. Federal Antitrust Actions*</u>

Plastics Additives Settlement Agreement. On August 11, 2004, the Company and plaintiff class representatives entered into a Settlement Agreement (the Plastics Additives Settlement Agreement) that resolves, with respect to the Company, a single, consolidated direct purchaser class action lawsuit that was filed in the United States District Court, Eastern District of Pennsylvania, against the Company and other companies, by plaintiffs on behalf of themselves and a class consisting of all persons and entities who purchased plastics additives in the United States directly from any of the defendants or from any predecessors, parents, subsidiaries or affiliates thereof at any time during the period from January 1, 1990 through January 31, 2003. The complaint in this action principally alleged that the defendants conspired to fix, raise, maintain or stabilize prices for plastics additives sold in the United States in violation of Section 1 of the Sherman Act and that this caused injury to the plaintiffs who paid artificially inflated prices for such products as a result of such alleged anticompetitive activities. Under the Plastics Additives Settlement Agreement, the Company paid $5.0 million to a settlement fund in exchange for the final dismissal with prejudice of the lawsuit as to the Company and a complete release of all claims against the Company set forth in the lawsuit. The court granted final approval of the Plastics Additives Settlement Agreement in January 2005.

Global Settlement Agreement. On January 11, 2005, the Company and plaintiff class representatives entered into a Settlement Agreement (the Global Settlement Agreement) that is intended to resolve, with respect to the Company, three consolidated direct purchaser class action lawsuits that were filed in the United States District Courts in the District of Connecticut, Western District of Pennsylvania and Northern District of California, respectively, against the Company, its subsidiary Uniroyal Chemical Company, Inc., now known as Crompton Manufacturing, Inc. (referred to as Uniroyal for purposes of the description of the Company s civil lawsuits), and other companies, by plaintiffs on behalf of themselves and classes consisting of all persons or entities who purchased EPDM, nitrile rubber and rubber chemicals, respectively, in the United States directly from one or more of the defendants or any predecessor, parent, subsidiary or affiliates thereof, at any time during various periods, with the earliest commencing on January 1, 1995. The complaints in the consolidated actions principally alleged that the defendants conspired to fix, raise, maintain or stabilize prices for EPDM, nitrile rubber and rubber chemicals, as applicable, sold in the United States in violation of Section 1 of the Sherman Act and that this caused injury to the plaintiffs who paid artificially inflated prices for such products as a result of such alleged anticompetitive activities.

Under the Global Settlement Agreement, the Company agreed to pay $97.0 million to a settlement fund in exchange for the final dismissal with prejudice of the foregoing three lawsuits as to the Company and a complete release of all claims against the Company set forth in the lawsuits. The plaintiffs, with the assistance of a neutral party, will determine the allocation of the settlement funds, or if the plaintiffs fail to achieve agreement, the neutral party will establish the allocation. When the allocation of the settlement funds has been determined, the parties will enter into Implementing Settlement Agreements for the applicable affected actions. Following an initial payment of $500,000 to an escrow account, the Company will pay the settlement funds to an escrow account in three installments, without interest, beginning at preliminary approval of the Implementing Settlement Agreements by the applicable courts and continuing through the later of 20 days following final approval of the settlement by each applicable court or June 30, 2006. The Company has the right to rescind the Global Settlement Agreement in its entirety if (i) the court for the rubber chemicals action or the court for the EPDM action refuses to approve the Implementing Settlement Agreements for the applicable product area without modification, or does not enter the final judgment, or (ii) the court for the rubber chemicals action and the court for the EPDM action enter the final judgment and appellate review is sought and, on such review, either or both of those final judgments is modified or set aside on appeal. Under certain circumstances relating to persons requesting exclusion from the applicable class, the Company has the option to terminate the Global Settlement Agreement in whole or in part.

ParaTec Elastomers Cross-Claims. A defendant in the class action lawsuit relating to nitrile rubber, ParaTec Elastomers LLC, a former joint venture in which the Company previously owned a majority interest but now has no interest, has asserted cross claims against the Company in this class action, seeking damages that ParaTec Elastomers LLC has allegedly suffered or may suffer as a result of the Company s actions. On August 6, 2004, the Company filed a motion to dismiss the cross claims, or in the alternative to compel arbitration, which remains pending.

Remaining Direct Purchaser Lawsuits. The Company, individually or together with its subsidiary Uniroyal, and other companies, continues to be or has become a defendant in certain direct purchaser lawsuits filed in federal courts during the period from May 2004 through December 2004 involving the sale of rubber chemicals, EPDM, polychloroprene, nitrile rubber, plastics additives and urethanes and urethane chemicals.

With respect to rubber chemicals, the Company, Uniroyal and other companies are defendants in two single direct purchaser lawsuits, one filed on July 15, 2004, in the United States District Court, Western District of Pennsylvania, by RBX Industries, Inc., and the other filed on July 16, 2004, in the United States District Court, Northern District of Ohio, by Goodyear Tire & Rubber Company, in each case, with respect to purchases of rubber chemicals from one or more of the defendants. Both actions have been transferred to the Northern District of California for pre-trial purposes by the Judicial Panel on Multidistrict Litigation.

With respect to EPDM, the Company, Uniroyal and other companies are defendants in a single direct purchaser lawsuit filed on May 7, 2004, in the United States District Court, Northern District of Ohio, by Goodyear Tire & Rubber Company with respect to purchases of EPDM and polychloroprene from one or more of the defendants. The Company, Uniroyal and other companies are also defendants in a single direct purchaser lawsuit filed on July 28, 2004, in the United States District Court, Eastern District of Pennsylvania, by RBX Industries, Inc. Both actions have been transferred to the District of Connecticut for pre-trial purposes by the Judicial Panel on Multidistrict Litigation.

With respect to nitrile rubber, the Company, Uniroyal and other companies are defendants in a direct purchaser class action lawsuit filed on November 30, 2004, in the United States District Court, Western District of Pennsylvania, by Quabaug Corporation on behalf of itself and a class consisting of all persons or entities who purchased nitrile rubber directly from one or more of the defendants or any predecessor, successor, subsidiary, or affiliate of any of the defendants in the United States during the period from January 1, 1995 through June 30, 2003.

The Company, Uniroyal and other companies are defendants in a direct purchaser lawsuit filed on November 14, 2004, in the United States District Court, Northern District of Ohio, by Parker Hannifin Corporation and PolyOne Corporation with respect to purchases of EPDM, nitrile rubber and polychloroprene from one or more of the defendants.

With respect to plastics additives, the Company and other companies are defendants in a single direct purchaser lawsuit, filed on December 28, 2004, in the United States District Court, Northern District of Ohio, by PolyOne Corporation with respect to purchases of plastics additives from one or more of the defendants. In February 2005, the Company filed an unopposed motion with the Judicial Panel on Multidistrict Litigation for the transfer of this action to the Eastern District of Pennsylvania for coordination with the consolidated class action pending there.

With respect to urethanes and urethane chemicals, the Company, Uniroyal and other companies are defendants in a consolidated direct purchaser class action lawsuit filed on November 19, 2004, in the United States District Court, District of Kansas, by plaintiffs on behalf of themselves and a class consisting of all persons and entities who purchased urethanes and urethane chemicals in the United States directly from any of the defendants or from any present or former parent, subsidiary or affiliate thereof at any time during the period from January 1, 1998 to the present. This action consolidates twenty-six direct purchaser class action lawsuits previously described in the Company s quarterly report on Form 10-Q for the quarter ended September 30, 2004.

The complaints in these actions principally allege that the defendants conspired to fix, raise, maintain or stabilize prices for rubber chemicals, EPDM, polychloroprene, nitrile rubber, plastics additives or urethanes and urethane chemicals, as applicable, sold in the United States in violation of Section 1 of the Sherman Act and that this caused injury to the plaintiffs who paid artificially inflated prices for such products as a result of such alleged anticompetitive activities. With respect to the complaints relating to the sale of polychloroprene, although the Company does not sell or market polychloroprene, the complaints allege that the Company and producers of polychloroprene conspired to raise prices with respect to polychloroprene and the other products included in the complaint collectively in one conspiracy. In each of the foregoing actions, the plaintiffs seek, among other things, treble damages of unspecified amounts, costs (including attorneys fees) and injunctive relief preventing further violations of the Sherman Act.

<u>*State Court Antitrust Class Actions*</u>

Rubber Chemicals. With respect to rubber chemicals, the Company, certain of its subsidiaries and other companies remain defendants in ten pending putative indirect purchaser class action lawsuits filed during the period from October 2002 through February 2005 in state courts in eight states.

Seven of the outstanding ten lawsuits were filed in California, Florida, Minnesota, South Dakota, Tennessee, Vermont and West Virginia, and the putative class in each lawsuit comprises all persons within each of the applicable states who purchased tires other than for resale that were manufactured using rubber processing chemicals sold by the defendants since 1994. The complaints principally allege that the defendants agreed to fix, raise, stabilize and maintain the price of rubber processing chemicals used as part of the tire manufacturing process in violation the laws of these states and that this caused injury to individuals who paid more to purchase tires as a result of such alleged anticompetitive activities. The plaintiffs seek, among other things, treble damages of an unspecified amount, interest and attorneys fees and costs.

The eighth lawsuit was filed in Massachusetts, and the putative class comprises all natural persons within Massachusetts who purchased for non-commercial purposes any product containing rubber chemicals sold by the defendants or any subsidiary or affiliate thereof, or any co-conspirator, since January 1, 1994 and who are residents of Massachusetts. The complaint principally alleges that the defendants agreed to fix, raise, stabilize and maintain the price of rubber chemicals distributed or sold in Massachusetts and throughout the United States in violation of the laws of that state and that the plaintiff and the alleged class were injured. The plaintiff seeks, among other things, double or treble damages of an unspecified amount, interest and attorneys fees and costs.

The ninth lawsuit was filed in Tennessee, and the putative class comprises all individuals and entities in Tennessee, 22 other states and the District of Columbia, who purchased rubber chemicals indirectly from the defendants or any of their co-conspirators, parents, predecessors, successors, subsidiaries and affiliates at any time from at least January 1, 1994. The complaint principally alleges that the defendants agreed to fix, raise, stabilize and maintain the price of rubber chemicals and to allocate markets and customers for the sale of rubber chemicals in violation of the laws of these states and that this caused the members of the class to pay inflated prices for products manufactured using rubber chemicals. The plaintiffs seek, among other things, to recover single or treble damages of an unspecified amount, attorneys fees and costs.

The remaining lawsuit, filed in Florida, is a multi-product lawsuit and is described under that heading below.

The Company and its defendant subsidiaries have filed motions to dismiss on substantive and personal jurisdictional grounds or answers with respect to eight of the lawsuits, and intends to file motions to dismiss the remaining two lawsuits. Certain motions to dismiss remain pending, and other motions to dismiss have been denied by the applicable court, which are being, or will be, appealed by the Company and its defendant subsidiaries.

EPDM. With respect to EPDM, the Company, its subsidiary Uniroyal, and other companies are defendants in fourteen pending putative indirect purchaser class action lawsuits filed during the period of October 2003 through February 2005 in state courts in twelve states.

Ten of the outstanding fourteen lawsuits were filed in California, North Carolina, Florida, New York, Iowa, New Mexico, New Jersey, Vermont, Arizona and Nebraska, respectively, and the putative class of each action comprises all persons or entities in each of the applicable states who purchased indirectly EPDM at any time from the defendants or any predecessors, parents, subsidiaries, or affiliates thereof from at least January 1, 1994. The complaints principally allege that the defendants conspired to fix, raise, stabilize, and maintain the price of EPDM and allocate markets and customers in the United States, including the foregoing states, respectively, in violation of the laws of those states and that this caused injury to purchasers who paid more to purchase indirectly EPDM as a result of such alleged anticompetitive activities. The plaintiffs seek, among other things, single or treble damages of an unspecified amount, costs (including attorneys fees), and disgorgement of profits. The Company and its defendant subsidiaries have filed motions to dismiss on substantive and personal jurisdictional grounds or answers with respect to most of the foregoing actions.

The eleventh lawsuit was filed in Tennessee, and the putative class comprises all persons or business entities in Tennessee, 24 other states and the District of Columbia that purchased indirectly EPDM manufactured, sold or distributed by the defendants, other than for resale, from January 1994 to December 2002. The complaint principally alleges that the defendants conspired to fix, raise, stabilize, and maintain the price of EPDM and allocate markets and customers in the United States, including the foregoing states, respectively, in violation of the laws of those states and that this caused injury to purchasers who paid more to purchase indirectly EPDM as a result of such alleged anticompetitive activities. The plaintiffs seek, among other things, single or treble damages of an unspecified amount, costs (including attorneys fees), and disgorgement of profits. The Company and its defendant subsidiary have filed motions to dismiss on substantive and personal jurisdictional grounds in this action.

The twelfth lawsuit was filed in Tennessee, and the putative class comprises all persons or entities in 23 states and the District of Columbia who purchased EPDM indirectly from the defendants or any of their co-conspirators, parents, predecessors, successors, subsidiaries and affiliates at any time from January 1, 1999 to the present. These lawsuits principally allege that the defendants conspired to fix, raise, stabilize, and maintain the price of EPDM and allocate markets and customers in the United States, including the foregoing states, respectively, in violation of the laws of those states and that this caused injury to purchasers who paid more to purchase indirectly EPDM as a result of such alleged anticompetitive activities. The plaintiffs seek, among other things, single or treble damages of an unspecified amount, costs (including attorneys fees), and disgorgement of profits.

The two remaining lawsuits, filed in Massachusetts and Florida, respectively, are multi-product lawsuits and are described under that heading below.

Plastics Additives. With respect to plastics additives, the Company and other companies are defendants in six pending putative indirect purchaser class action lawsuits filed during the period of May 2004 through February 2005 in state courts in six states.

Five of the outstanding six lawsuits were filed in California, Vermont, Arizona, Ohio and Nebraska, respectively, and the putative class of each action comprises all persons or entities in each of the applicable states who purchased indirectly plastics additives at any time from any of the defendants, other than for resale, during various periods, each commencing on January 1, 1990.

The sixth lawsuit was filed on January 5, 2005 in Tennessee. The putative class in this action comprises all individuals and entities in 23 states and the District of Columbia who purchased indirectly plastics additives from any of the defendants or any of their predecessors, parents, subsidiaries or affiliates at any time from January 1, 1990 to January 31, 2003.

Each of the foregoing lawsuits principally alleges that the defendants and co-conspirators agreed to fix, raise, stabilize and maintain the price of plastics additives in violation of the laws of jurisdictions named in the complaints, as applicable, and that this caused injury to purchasers who paid more to purchase plastics additives as a result of such alleged anticompetitive activities. The plaintiffs seek, among other things, treble damages of an unspecified amount, costs (including attorneys fees) and/or injunctive relief preventing the defendants from continuing the unlawful activities alleged in the complaint.

Nitrile Rubber. With respect to nitrile rubber, the Company, its subsidiary Uniroyal, and other companies are defendants in twelve pending putative indirect purchaser class action lawsuits in state courts in seven states.

Six of the outstanding twelve lawsuits were filed from March 2004 to August 2004 in California. The putative classes in these actions comprise all persons or entities in California who purchased indirectly nitrile rubber from any of the defendants at various times from January 1, 1994. The complaints principally allege that the defendants conspired to fix, raise, stabilize and maintain the price of nitrile rubber and allocate markets and customers in the United States and California in violation of the laws of that state and that this caused injury to purchasers who paid more to purchase, indirectly, nitrile rubber as a result of such alleged anticompetitive activities. The plaintiffs in these actions seek, among other things, treble damages of an unspecified amount, costs (including attorneys fees), and disgorgement of profits. By agreement, plaintiffs in the six California actions will file a consolidated amended complaint.

One of the outstanding lawsuits was filed on January 5, 2005 in Tennessee. The putative class comprises all individuals and entities in 23 states and the District of Columbia who purchased indirectly nitrile rubber from the defendants or any of their co-conspirators, parents, predecessors, successors, subsidiaries and affiliates from January 1, 1994 to the present. The complaint principally alleges that the defendants conspired to fix, raise, stabilize and maintain the price of nitrile rubber and allocate markets and customers in Tennessee and the other named jurisdictions in violation of the Tennessee Trade Practices Act and the Tennessee Consumer Protection Act of 1977, as well as the common law of the other named jurisdictions, and that this caused injury to purchasers in the foregoing states who paid more to purchase, indirectly, nitrile rubber as a result of such alleged anticompetitive activities. The plaintiffs seek, among other things, treble damages of unspecified amounts and costs (including attorneys fees).

Three of the outstanding lawsuits were filed in Vermont, Arizona and Nebraska, respectively, and the putative class of each action comprises all persons or entities in each of the applicable states who purchased indirectly nitrile rubber manufactured, sold or distributed by the defendants, other than for resale, during January 1, 1995 through June 30, 2003. The complaints principally allege that the defendants conspired to fix, raise, stabilize and maintain the price of nitrile rubber in violation of the laws of these states. The plaintiffs seek, among other things, damages of unspecified amounts and costs (including attorneys fees).

The two remaining outstanding lawsuits, filed in Florida and Massachusetts, respectively, are multi-product lawsuits and are described under that heading below.

Urethanes and Urethane Chemicals. With respect to urethanes and urethane chemicals, the Company, its subsidiary Uniroyal, and other companies are defendants in fifteen pending putative indirect purchaser class action lawsuits in four states.

Eleven of the outstanding fifteen lawsuits were filed during the period from March through June 2004 in California. The putative class in the California actions comprises all persons or entities in California who purchased indirectly urethanes and urethane chemicals from any of the defendants at any time during various periods with the earliest commencing on January 1, 1990.

Two of the lawsuits were each filed in Tennessee on December 22, 2004. The putative class in the first Tennessee action comprises all natural persons who purchased indirectly urethanes and urethane chemicals during the period from January 1, 1994 to April 2004. The putative class in the second Tennessee action comprises all individuals and entities in 23 states and the District of Columbia who purchased indirectly urethanes and urethane chemicals from the defendants or any of their co-conspirators, parents, predecessors, successors, subsidiaries and affiliates from March 19, 2000 through the present.

The two remaining lawsuits, filed in Massachusetts and Florida, respectively, are multi-product lawsuits and are described under that heading below.

The foregoing lawsuits principally allege that the defendants conspired to fix, raise, stabilize and maintain the price of urethanes and urethane chemicals and allocate markets and customers in violation of the laws of the applicable jurisdictions, and that this caused injury to purchasers who paid more to purchase, indirectly, urethanes and urethane chemicals as a result of such alleged anticompetitive activities. The plaintiffs seek, among other things, treble damages of an unspecified amount, costs (including attorneys fees), and/or disgorgement of profits.

Multi-Product Lawsuits. The Company, its subsidiary Uniroyal, and other companies are defendants in two pending putative indirect purchaser class action lawsuits in two states that each involve multiple products.

One of the outstanding multi-product lawsuits was filed in Florida, and the putative class comprises all natural persons who, within Florida, 19 other states and the District of Columbia, purchased for non-commercial purposes any product containing rubber and urethane products (defined to include rubber chemicals, EPDM, nitrile rubber and urethanes and urethane chemicals) manufactured or sold by any of the defendants, and which were the subject of price-fixing by any of the defendants or any co-conspirator, at any time from January 1, 1994 through December 31, 2004. The complaint principally alleges that the defendants agreed to fix, raise, stabilize and maintain the price of rubber chemicals distributed or sold in Florida, 19 other states and the District of Columbia in violation of the laws of these states and the District of Columbia, and that the plaintiff and the alleged class were injured. The plaintiff seeks, among other things, damages of an unspecified amount, interest and attorneys fees and costs.

The other outstanding multi-product lawsuit was filed in Massachusetts, and the putative class comprises all natural persons who, within Massachusetts, purchased for non-commercial purposes any product containing rubber and urethane products (defined to include EPDM, nitrile rubber, urethanes and urethane chemicals) manufactured or sold by any of the defendants, and which were the subject of price-fixing by any of the defendants or any co-conspirator, at any time from January 1, 1994 through December 31, 2004. The complaint principally alleges that the defendants agreed to fix, raise, stabilize and maintain the price of rubber chemicals distributed or sold in Massachusetts and throughout the United States in violation of the laws of that state, and that the plaintiff and the alleged class were injured. The plaintiff seeks, among other things, damages of an unspecified amount, interest and attorneys fees and costs.

Canadian Antitrust Actions

Two motions for authorization to commence a class action were filed in May 2004, in the Superior Court of the District of St. Francois and the Superior Court of the District of Montreal, in Quebec, Canada, against the Company, Crompton Co./Cie (with respect to the motion filed in the Superior Court of the District of St. Francois only) and other companies. The motions were filed on behalf of persons and certain entities that purchased in Quebec rubber chemicals directly or indirectly from the parties respondent during various periods commencing in July 1995. The motions principally allege that the Company conspired with other defendants to restrain unduly competition in the sale of rubber chemicals and to inflate artificially the sale price of the rubber chemicals in violation of Canada s Competition Act, and that this caused injury to purchasers who paid artificially inflated prices for such rubber chemicals. The plaintiffs in both motions seek, among other things, authorization to commence their respective class actions, recovery of the additional revenues generated by the artificial inflation of the price of rubber chemicals, attorneys fees and costs. The plaintiff in the motion filed in the District of Montreal also seeks exemplary and punitive damages. Both motions have been suspended pending determination of the constitutionality of certain Quebec civil procedure rules involving class actions.

A motion for authorization to commence a class action was filed in February 2005, in the Superior Court of the District of Quebec, in Quebec, Canada, against the Company, its subsidiaries Crompton Canada Corporation, Crompton Co./Cie and Uniroyal, and other companies. The motion was filed on behalf of all residents of Quebec who purchased, used or received EPDM or who purchased products containing EPDM between January 1, 1994 and December 31, 2002. The motion principally alleges that the Company conspired with other defendants to restrain unduly competition in the sale of EPDM and to inflate artificially the sale price of EPDM in violation of Canada s Competition Act, and that this caused injury to purchasers who paid artificially inflated prices for EPDM or products containing EPDM. The plaintiffs seek, among other things, authorization to commence a class action, recovery of the additional revenues generated by the artificial inflation of the price of EPDM, exemplary and punitive damages, attorneys fees and costs.

A Statement of Claim was filed in October 2004, in the Ontario Superior Court of Justice in London, Ontario in Canada, against the Company, its subsidiaries Crompton Canada Corporation, Crompton Co./Cie and Uniroyal, and other companies. The Statement of Claim was filed on behalf of a proposed class of persons and entities in Canada who purchased EPDM manufactured by the defendants or products containing such EPDM during the period from at least January 1994 to December 2002. The Statement of Claim principally alleges that the Company conspired with other defendants to restrain unduly competition in the sale of EPDM and to inflate artificially the sale price of EPDM in violation of Canada s Competition Act, and that this caused injury to purchasers who paid artificially inflated prices for EPDM. The plaintiff seeks, among other things, general and punitive damages, interest and costs on behalf of the proposed class. This case will proceed as a class action only if, when and to the extent it is certified as a class proceeding by the Ontario Court.

A Statement of Claim was filed in February 2005, in the Ontario Superior Court of Justice in London, Ontario in Canada, against the Company, its subsidiaries Crompton Canada Corporation, Crompton Co./Cie and Uniroyal, and other companies. The Statement of Claim was filed on behalf of a proposed class of persons and entities in Canada who purchased rubber chemicals (including accelerants and antidegradants) manufactured by the defendants or products containing such rubber chemicals from at least July 1995 to 2001. The Statement of Claim principally alleges that the Company conspired with other defendants to coordinate the timing and amounts of price increases for certain rubber chemicals and to allocate customers and sales volumes amongst themselves in violation of Canada s Competition Act, and that this caused injury to purchasers who paid artificially inflated prices for rubber chemicals or products containing rubber chemicals. The plaintiff seeks, among other things, general and punitive damages, interest and costs on behalf of the proposed class. This case will proceed as a class action only if, when and to the extent it is certified as a class proceeding by the Ontario Court.

Federal Securities Class Actions

The Company, certain of its former officers and directors (the Crompton Individual Defendants), and certain former directors of the Company s predecessor Witco Corp. are defendants in a consolidated class action lawsuit, filed on July 20, 2004, in the United States District Court, District of Connecticut, brought by plaintiffs on behalf of themselves and a class consisting of all purchasers or acquirers of the Company s stock between October 1998 and October 2002. The consolidated amended complaint principally alleges that the Company and the Crompton Individual Defendants caused the Company to issue false and misleading statements that violated the federal securities laws by reporting inflated financial results resulting from an alleged illegal, undisclosed price-fixing conspiracy. The putative class includes former Witco Corp. shareholders who acquired their securities in the Crompton-Witco merger pursuant to a registration statement that allegedly contained misstated financial results. The complaint asserts claims against the Company and the Crompton Individual Defendants under Section 11 of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. Plaintiffs also assert claims for control person liability under Section 15 of the Securities Act of 1933 and Section 20 of the Securities Exchange Act of 1934 against the Crompton Individual Defendants. The complaint also asserts claims for breach of fiduciary duty against certain former directors of Witco Corp. for

actions they allegedly took as Witco Corp. directors in connection with the Crompton-Witco merger. The plaintiffs seek, among other things, unspecified damages, interest, and attorneys fees and costs. The Company and the Crompton Individual Defendants filed a motion to dismiss on September 17, 2004, which is now fully briefed and pending. The former directors of Witco Corp. filed a motion to dismiss in February 2005, which is pending.

Shareholder Derivative Lawsuit

Certain current directors and one former director and officer of the Company (the Individual Defendants) are defendants in a shareholder derivative lawsuit filed on August 25, 2003 in Connecticut state court, nominally brought on behalf of the Company. The Company is a nominal defendant in the lawsuit. The plaintiff filed an amended complaint on November 19, 2004. The amended complaint principally alleges that the Individual Defendants breached their fiduciary duties by causing or allowing the Company to issue false and misleading financial statements by inflating financial results resulting from an alleged illegal, undisclosed price-fixing conspiracy. The plaintiff contends that this wrongful conduct caused the Company s financial results to be inflated, cost the Company its credibility in the marketplace and market share, and has and will continue to cost the Company millions of dollars in investigative and legal fees. The plaintiff seeks, among other things, compensatory and punitive damages against the director defendants in unspecified amounts, prejudgment interest, and attorneys fees and costs. The Company filed a motion to strike all counts of the complaint on January 12, 2005 for failure to allege adequately that a pre-lawsuit demand on the Company s Board of Directors by the plaintiff would have been futile and was thus excused.

The actions described above are in early procedural stages of litigation and, accordingly, the Company cannot predict their outcome. The Company will seek cost-effective resolutions to the various pending and threatened legal proceedings and governmental investigations regarding its operations; however, the resolution of any civil claims now pending or hereafter asserted against the Company or any of its subsidiaries could have a material adverse effect on the Company s financial condition, results of operations and prospects. The Company has not recorded a charge for potential liabilities and expenses in connection with the civil claims not subject to any settlement agreement, because it is not yet able to reasonably estimate a reserve for such potential costs.

Other

The Company is routinely subject to other civil claims, litigation and arbitration, and regulatory investigations, arising in the ordinary course of its present business as well as in respect of its divested businesses. Some of these claims and litigations relate to product liability claims, including claims related to the Company s current products and asbestos-related claims concerning premises and historic products of its corporate affiliates and predecessors. The Company believes that it has strong defenses to these claims. These claims have not had a material impact on the Company to date and the Company believes the likelihood that a future material adverse outcome will result from these claims is remote. However, the Company cannot be certain that an adverse outcome of one or more of these claims would not have a material adverse effect on its business or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Corporation are as follows:

Robert L. Wood, age 50, has served as President and Chief Executive Officer of the Company since January 2004 and Chairman since April 2004. Previously, Mr. Wood served for 27 years with The Dow Chemical Company in a variety of executive capacities, most recently as business group President for Thermosets and Dow Automotive.

Robert W. Ackley, age 63, has served as Executive Vice President, Polymer Processing Equipment of the Registrant since 1999. Mr. Ackley served as Vice President, Polymer Processing Equipment, of Crompton & Knowles from 1998 to 1999 and has served as President of Davis-Standard Corporation (prior to 1995, Davis-Standard Division) since 1983.

John T. Ferguson II, age 58, has served as Senior Vice President, Legal Affairs since 2004, and Senior Vice President and General Counsel of the Registrant from 1999 to 2004. Mr. Ferguson also served as Secretary of the Registrant from 1999 to 2000.

David P. Godfrey, age 48, has served as Vice President, Human Resources since 2004 and Director of Human Resources from 2002 to 2004. Previously, Mr. Godfrey served for 22 years with Millennium Chemicals, Inc., in a variety of executive capacities, most recently as Director, Human Resources - Americas.

Gregory E. McDaniel, age 53, has served as Senior Vice President, Strategy & New Business Development since 2004. Previously, Mr. McDaniel served for 28 years with The Dow Chemical Company in a variety of executive capacities, most recently as Vice President and Director of New Business Development and Mergers and Acquisitions within the Polyurethane and Thermosets Group.

Marcus Meadows-Smith, age 43, has served as Executive Vice President, Crop Protection since 2005, and Business Director, Crop Protection, Europe, the Middle East and Africa, from 2000 to 2004.

Myles S. Odaniell, age 46, has served as Executive Vice President, Specialty Chemicals since 2004 and Executive Vice President, Plastics and Petroleum Additives from 2002 to 2004. Previously, Mr. Odaniell served for more than 20 years with Cytec Industries/American Cyanamid Company in a variety of executive capacities, most recently as President, Coating and Performance Chemicals and President, Cytec Latin America.

Karen R. Osar, age 55, has served as Executive Vice President and Chief Financial Officer since 2004. Previously, Ms. Osar served as Senior Vice President and Chief Financial Officer of MeadWestvaco Corporation and of Westvaco Corporation, and as Treasurer of Tenneco, Inc. Ms. Osar also spent 19 years in banking at J. P. Morgan and Company.

Walter K. Ruck, age 62, has served as Senior Vice President, Europe, Africa and Middle East since 2003, and Senior Vice President, Operations, of the Registrant from 1999 to 2003.

Lynn A. Schefsky, age 56, has served as Senior Vice President and General Counsel since 2004. Previously, Mr. Schefsky served for 19 years with The Dow Chemical Company in a variety of legal positions, most recently as Global Managing Counsel for Thermosets and Dow Automotive.

Barry J. Shainman, age 62, has served as Secretary of the Registrant since 2000 and has served as Assistant General Counsel of the Registrant since 1999. Mr. Shainman served as Secretary of Uniroyal from 1998 to 2000 and has served as Senior Corporate Counsel of Uniroyal since 1990.

Michael F. Vagnini, age 48, has served as Senior Vice President and Controller of the Registrant since 2005; Vice President and Controller from 2002 to 2005; and Corporate Controller of the Registrant from 1999 to 2002. Mr. Vagnini has served as Corporate Controller of Uniroyal since 1995.

Robert B. Weiner, age 53, has served as Executive Vice President, Supply Chain Operations since 2004. Previously, Mr. Weiner spent three years at Exide Technologies where he served as Executive Vice President, Product Delivery; seven years in executive operations positions at United Technology Corporation s Pratt & Whitney division; and 16 years in manufacturing and quality control positions at General Electric Company.

Eric C. Wisnefsky, age 34, has served as Vice President, Corporate Finance and Treasurer since 2004, and Director of Financial Planning and Analysis from 2002 to 2004. Mr. Wisnefsky served as Manager, Financial Planning and Analysis from 2000 to 2002, and as Manager of External Reporting from 1998 to 2000.

The term of office of each of the above-named executive officers is until the first meeting of the Board of Directors following the next annual meeting of stockholders and until the election and qualification of his or her successor.

There is no family relationship between any of such officers, and there is no arrangement or understanding between any of them and any other person pursuant to which any such officer was selected as an officer.

PART II.

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The following table summarizes the range of market prices for Crompton Corporation s common stock on the New York Stock Exchange and the amount of dividends per share by quarter during the past two years:

		2004			
		First	**Second**	**Third**	**Fourth**
Dividends per common share	**$**	**0.05**	**0.05**	**0.05**	**0.05**
Market price per common share:					
High	**$**	**7.85**	**6.98**	**9.63**	**11.80**
Low	**$**	**5.77**	**5.35**	**5.02**	**8.09**
		2003			
		First	Second	Third	Fourth
Dividends per common share	$	0.05	0.05	0.05	0.05
Market price per common share:					
High	$	6.90	7.75	7.63	7.37
Low	$	3.63	3.75	5.10	5.31

The number of registered holders of common stock of the Company on December 31, 2004 was 5,411.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data for the Company for each of its last five fiscal years follows:

(In millions of dollars, except per share data)	**2004**	2003	2002	2001	2000
Summary of Operations					
Net sales	$ **2,549.8**	2,185.0	2,090.3	2,286.5	2,554.0
Gross profit	$ **642.5**	569.0	622.0	659.9	763.6
Selling, general and administrative	$ **364.1**	353.0	354.5	378.9	371.1
Depreciation and amortization	$ **126.1**	115.4	111.4	150.8	148.8
Research and development	$ **49.5**	51.5	54.3	56.0	59.2
Equity income	$ **(14.1)**	(13.2)	(7.9)	(9.2)	(11.4)
Facility closures, severance and related costs	$ **63.1**	19.6	18.0	101.5	20.2
Antitrust costs	$ **113.7**	77.7	6.3		
Impairment of long-lived assets (a)	$			80.4	
Operating profit (loss)	$ **(59.9)**	(35.0)	85.4	(98.5)	175.7
Interest expense	$ **78.4**	89.7	101.7	109.9	120.4
Loss on early extinguishment of debt	$ **20.1**	24.7			
Other (income) expense, net (b)	$ **(75.0)**	5.4	38.0	27.2	7.1
Earnings (loss) from continuing operations before income taxes and cumulative effect of accounting change	$ **(83.4)**	(154.8)	(54.3)	(235.6)	48.2
Income taxes (benefit)	$ **(46.7)**	(36.1)	(18.9)	(79.9)	22.8
Earnings (loss) from continuing operations before cumulative effect of accounting change	$ **(36.7)**	(118.7)	(35.4)	(155.7)	25.4
Earnings from discontinued operations	$	26.3	50.9	31.8	63.9
Gain on sale of discontinued operations	$ **2.1**	111.7			
Cumulative effect of accounting change (c)	$	(0.4)	(299.0)		
Net earnings (loss)	$ **(34.6)**	19.0	(283.5)	(123.9)	89.3
Per Share Statistics					
Basic and Diluted					
Earnings (loss) from continuing operations before cumulative effect of accounting change	$ **(0.32)**	(1.05)	(0.31)	(1.38)	0.22
Earnings from discontinued operations	$	0.23	0.44	0.28	0.56
Gain on sale of discontinued operations	$ **0.02**	0.99			
Cumulative effect of accounting change	$		(2.63)		
Net earnings (loss)	$ **(0.30)**	0.17	(2.50)	(1.10)	0.78
Dividends	$ **0.20**	0.20	0.20	0.20	0.20
Book value	$ **2.84**	2.64	1.76	4.84	6.69
Common stock trading range: High	$ **11.80**	7.75	13.00	12.19	14.19
Low	$ **5.02**	3.63	5.44	6.20	6.94
Average shares outstanding (in thousands)-Basic	**114,736**	112,531	113,568	113,061	113,644
Average shares outstanding (in thousands)-Diluted	**114,736**	112,531	113,568	113,061	115,165
Financial Position					
Working capital	$ **287.2**	109.2	365.6	412.7	624.4
Current ratio	**1.4**	1.2	1.5	1.6	1.9
Total assets	$ **2,678.7**	2,529.2	2,840.8	3,232.2	3,528.3
Total debt	$ **866.5**	814.7	1,256.8	1,412.0	1,493.9
Stockholders equity	$ **329.0**	302.7	199.9	547.5	754.0
Total capital employed	$ **1,195.5**	1,117.4	1,456.7	1,959.5	2,247.9
Debt to total capital %	**72.5**	72.9	86.3	72.1	66.5

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(In millions of dollars, except for number of employees)	**2004**	2003	2002	2001	2000
Other Statistics					
Net cash provided by (used in) operations	**$ 36.3**	(14.8)	201.8	205.0	210.6
Capital spending from continuing operations	**$ 65.2**	81.7	84.3	92.3	107.1
Depreciation from continuing operations	**$ 108.0**	100.8	99.9	119.0	116.8
Amortization from continuing operations	**$ 18.1**	14.5	11.6	31.8	32.0
Number of employees at end of year	**4,773**	5,521	6,777	7,340	8,306

(a) During the fourth quarter of 2001, as a result of changes in the marketplace, the Company evaluated the recoverability of the long-lived assets of its rubber chemicals business (included in the Polymer Additives reporting segment) and the trilene business (included in the Polymers reporting segment). Based on projected cash flows, the Company determined that the carrying values of the long-lived assets of these businesses were impaired and recorded impairment charges of $66.7 million and $13.7 million related to the long-lived assets of the rubber chemicals and trilene businesses, respectively.

(b) Other (income) expense, net includes divestment gains of $96.6 million in 2004, which includes the $92.9 million gain on the sale of the Company s 50 percent interest in the Gustafson seed treatment joint venture and a $3.6 million gain on the completion of the sale of the assets of the Company s Brooklyn, New York facility in March 2004, a loss of $34.7 million on the sale of the industrial specialties business unit in 2002, and losses of $17.3 million and $1.8 million on the sale of the industrial colors business unit and the nitrile rubber joint venture, respectively, in 2001.

(c) 2003 includes a cumulative effect of accounting change of $0.4 million, related to the implementation of Financial Accounting Standards Board (FASB) Statement No. 143, Accounting for Asset Retirement Obligations and 2002 includes a cumulative effect of accounting change of $299 million, or $2.63 per common share, related to the implementation of FASB Statement No. 142, Goodwill and Other Intangible Assets.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The Company is a global diversified producer of specialty chemicals (including agricultural chemicals), polymer products and polymer processing equipment. The Company has approximately 4,800 employees worldwide and sells its products in more than 100 countries. The Company is headquartered in Middlebury, Connecticut. The Company operates in various markets, principally automotive, transportation, construction, agriculture, packaging, lubricants, plastics for durable and non-durable goods, personal care products and industrial rubber. Most of its chemical products are sold to industrial manufacturing customers for use as additives, ingredients or intermediates that add value to their end products.

The primary economic factors that influence the Company s operations and sales are industrial production, residential and commercial construction, auto production and resin production. In addition, the Company s crop protection business is influenced by worldwide weather, disease and pest infestation conditions and its polymer processing equipment business is influenced by capital spending cycles. The Company also monitors the Gross National Product for key foreign economies. During 2004, the Company continued to experience an increase in unit sales volume across most business units as compared to 2003, due in part to continued improvement in worldwide economic conditions.

Net sales for the year ended December 31, 2004 of $2.5 billion were 17% above the $2.2 billion for the year ended December 31, 2003. This increase was due to improved unit volume of 5%, sales attributable to the GE Specialty Chemicals business that the Company acquired on July 31, 2003 of 5%, improved selling prices of 4%, and favorable foreign currency translation of 3%.

Other major factors affecting the Company s financial performance include raw material and energy costs, selling prices and the impact of changes in foreign exchange rates. In 2004, the Company has been focusing on pricing and is beginning to see meaningful results, with increases in selling prices during the second half of 2004 exceeding raw material and energy cost increases. The third quarter of 2004 was the first time in nine quarters that the relationship of the change in selling prices to the change in raw material and energy costs was favorable, with selling price increases exceeding raw material and energy cost increases by $2.4 million. The favorable trend continued in the fourth quarter of 2004 with selling price increases exceeding raw material and energy cost increases by $9 million. For the year ended 2004, selling prices increased by $93.5 million, while raw material and energy costs increased by $102.8 million from the comparable period in 2003. This is a significant improvement from the year ended 2003, which had raw material and energy costs increases of approximately $62.6 million from p;

46,317

277,908

(3)

6.67

February 10, 2015

Todd G. Zimmerman

18,527

18,527

111,163

(3)

6.67

February 10, 2015

Dighton C. Packard,
M.D.

6,093

6,093

36,564

(3)

6.67

February 10, 2015

30

(1) The options may expire earlier, upon termination of employment or certain corporate events. If the employee s employment is terminated prior to February 10, 2015, his options will expire earlier as follows: (a) upon the termination of employment if the termination is for cause , (b) 30 days after the termination of employment, or such other date as determined by the compensation committee, following termination by the employee for good reason or by us without cause or due to retirement, or (c) 90 days after termination of employment due to death or disability. Vesting of the options may accelerate, and all options will terminate if not exercised, upon (i) a sale of our equity (other than the sale as part of our initial public offering) whereby any person other than existing equity holders as of the grant date (February 10, 2005) acquire the voting power to elect a majority of our board of directors or (ii) a sale of all or substantially all of our assets.

(2) The options vest ratably on the first eight six-month anniversaries of the grant date, *provided*, that the exercisability of one-half of the options is conditioned upon meeting certain specified performance targets. If Mr. Sanger is terminated, the options will vest as scheduled to the nearest six-month anniversary of the grant date.

(3) The options vest ratably on the first four anniversaries of the grant date, *provided*, that the exercisability of one-half of the options is conditioned upon meeting certain specified performance targets.

Option Exercises and Stock Vested

None of our named executive officers exercised any stock options during fiscal 2006.

Pension Benefits

We do not have any plan that provides for payments or other benefits at, following, or in connection with retirement for any of the named executive officers at this time.

Nonqualified Deferred Compensation

We do not have any defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

Director Compensation

Directors who are employees of the Company receive no additional compensation for serving on the Board or its committees. Mr. Le Blanc receives no compensation for his services as a member of the Board, its committees, or as Lead Director. In 2006, we provided the following compensation to directors other than Messrs. Sanger, Harvey and Le Blanc.

The following table sets forth information regarding the compensation of directors for fiscal 2006.

Name	**Fees Earned or Paid in Cash ($)**	**Stock Awards ($)**(1)	**Stock Option Awards**(2)	**All Other Compensation ($)**	**Total ($)**
Steven B. Epstein	56,250	100,000			156,250
Paul B. Iannini, M.D.	29,167	100,000			129,167
James T. Kelly	59,417	100,000			159,417
Michael L. Smith	63,917	100,000			163,917

(1) Each non-employee director other than Mr. Le Blanc received a grant on June 1, 2006 of RSUs with a grant date fair value of $100,000 (8,000 shares). This stock will vest on June 1, 2007 if the director is still a member of the Board on that date and the Director Program is approved by the stockholders at the annual meeting. The table shows the expense that will be recognized by the Company for the RSUs for each director s stock award.

(2) No stock options were granted in 2006.

The following table sets forth information regarding the non-employee directors outstanding stock option awards:

Name	Grant Date	Expiration Date	Exercise Price	Outstanding Stock Options(1)
Steven B. Epstein	07/29/2005	07/29/2015	$ 6.67	3,750
James T. Kelly	07/29/2005	07/29/2015	$ 6.67	3,750
Michael L. Smith	07/29/2005	07/29/2015	$ 6.67	3,750

(1) The options vest ratably on the first four anniversaries of the grant date, beginning July 29, 2006, provided that the exercisability of one-half of the options is conditioned upon meeting certain specified performance targets.

Compensation Committee

The information contained in this report shall not be deemed to be soliciting material or filed or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

The Compensation Committee is responsible for overseeing our compensation programs. As part of that responsibility, the Compensation Committee determines all compensation for the Chief Executive Officer and the Company s other executive officers as defined by SEC rules. The Compensation Committee also oversees our equity award programs.

Compensation Committee Report

We have reviewed and discussed with management the Compensation Discussion and Analysis for fiscal 2006. In reliance on these reviews and discussions, the Compensation Committee recommended to the Board, and the Board has approved, that the Compensation Discussion and Analysis be included in the proxy statement for the 2007 annual stockholders meeting for filing with the SEC.

Respectfully submitted by the Compensation Committee

James T. Kelly, *Chair*
Michael C. Smith
Robert M. Le Blanc

Employment Agreements and Severance Arrangements

We have entered into employment agreements with Messrs. Sanger, Harvey, Owen and Zimmerman, each effective February 10, 2005, and with Dr. Packard effective April 19, 2005. Mr. Sanger s employment agreement has a five-year term and Mr. Harvey s employment agreement has a four-year term. The employment agreements of Mr. Owen, Mr. Zimmerman and Dr. Packard have a three-year, a two-year term and a one-year term, respectively, and renew automatically for successive one-year terms unless either party gives notice at least 90 days prior to the expiration of the then current term. Each executive has the right to terminate his agreement on 90 days notice, in which event he will be subject to the non-compete provisions described below, provided he receives specified severance benefits as set forth below. The employment agreements include provisions for the payment of an annual base salary as well as the payment of a bonus based upon the achievement of performance criteria established by our board of directors or, in the case of Dr. Packard, our Chief Executive Officer or President. The annual base salary of Mr. Sanger is subject to annual review and adjustment after the second anniversary of the effectiveness of the agreement. The annual base salary of Messrs. Harvey, Owen and Zimmerman are subject to annual review and adjustment after the first anniversary of the effectiveness of the agreements. Dr. Packard s base salary is subject to a $100,000 increase if he reduces his clinical activities and increases the time he provides services to us.

Dr. Packard also has an employment agreement with a physician group contractually affiliated with EmCare. Please see Certain Relationships and Related Party Transactions Employment Agreements and Indemnification Agreement for information about this agreement.

If we terminate a named executive officer s employment without cause or any of them leaves after a change of control for one of several specified reasons, we have agreed to continue the executive s base salary and provide his benefits for a period of 24 months from the date of termination for Messrs. Sanger, Harvey and Owen, 18 months for Mr. Zimmerman, and 12 months for Dr. Packard. These agreements contain non-competition and non-solicitation provisions pursuant to which the executive agrees not to compete with AMR or EmCare or solicit or recruit our employees for a period from the date of termination for 24 months in the case of Mr. Sanger, Mr. Harvey, Mr. Owen and Dr. Packard and 12 months in the case of Mr. Zimmerman.

The annual base salary for each named executive officer has been increased 3.5% for 2007, and, in the cases of Mr. Owen and Mr. Zimmerman, raised by an additional $20,000 following the 3.5% raise. The 2007 base salaries, which became effective on April 1, 2007, are as follows:

Executive	Annual Base Salary
William A. Sanger	$ 910,800
Don S. Harvey	$ 535,613
Randel G. Owen	$ 394,929
Todd G. Zimmerman	$ 368,148
Dighton C. Packard, M.D.	$ 278,519

Each executive officer, other than Dr. Packard, is entitled to a bonus equal to such officer s pro rata share (as allocated between Messrs. Sanger, Harvey, Owen and Zimmerman) of the difference between the Company EBITDA for the previous year and the EBITDA achieved for the current fiscal year, provided that a threshold amount set by the Compensation Committee has been achieved. The pro rata share of each officer is based on the bonus target percentages listed in each officer s employment agreement, as may be amended from time to time. Dr. Packard s cash compensation includes a bonus that is contingent upon meeting annual target objectives set in part by Mr. Sanger or Mr. Harvey, in part by clinical performance in his capacity as Chief Medical Officer, and in part based on the Company s performance at his primary hospital.

Pursuant to their employment agreements, effective February 10, 2005, we granted options to purchase our class A common stock to each named executive officer. The option grant to each of these named executive officers was conditioned upon his investment in our equity in an amount as indicated in his respective employment agreement.

Our executive employment agreements with Messrs. Sanger, Harvey, Owen and Zimmerman include indemnification provisions. Under those agreements, we agree to indemnify each of these individuals against claims arising out of events or occurrences related to that individual s service as our agent or the agent of any of our subsidiaries to the fullest extent legally permitted. Under Delaware law, an officer may be indemnified, except to the extent any claim arises from conduct that was not in good faith or in a manner reasonably believed to be in, or not opposed to, our best interest or, with respect to any criminal action or proceedings, there was reasonable cause to believe such conduct was unlawful.

During fiscal 2006, we have not engaged in any transactions valued in excess of $120,000 with any of our executive officers, directors or holders of more than 5% of our outstanding voting securities, other than the transactions described below in the section captioned Certain Relationships and Related Party Transactions.

Potential Payments Upon Termination or Change-in-Control

The information below describes and quantifies certain compensation that would become payable to our named executive officers under existing plans and their respective employment agreements if the named executive s employment had been terminated on December 29, 2006, given the named executive s compensation and service levels as of such date and, where applicable, based on the Company s closing stock price on that date. These benefits are in addition to benefits available generally to salaried employees, such as distributions under the Company s 401(k) savings plans, disability benefits and accrued vacation benefits.

Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be different. Factors that could affect these amounts include the timing during the year of any such event, the Company s stock price and the executive s age. None of the named executives were eligible to receive immediate retirement benefits as of December 31, 2006.

Name	**Severance (Salary) ($)**	**Severance (Bonus) ($)(3)**	**Acceleration of Vesting of Time-Based Option Awards ($)(1)**	**Acceleration of Vesting of Performance-Based Option Awards ($)(2)**	**Other Benefits**	
William A. Sanger	1,821,600		6,628,077	10,604,912	18,695	(4)
Randel G. Owen	789,858	250,571	1,988,421	2,651,228	22,377	(4)
Don S. Harvey	1,071,226	488,125	1,988,421	2,651,228	18,056	(4)
Todd G. Zimmerman	552,222	232,673	795,369	1,060,500	17,075	(5)
Dighton Packard, M.D.	278,519	132,292	261,605	348,806	7,601	(6)

(1) These numbers represent the value of the executive s unvested options governed by time-based measures that would have automatically vested upon a change in control or upon termination without cause at December 31, 2006. The value assumes exercise of all such shares at $20.98 (the closing price of our stock on the New York Stock Exchange on December 29, 2006, which was the last trading day of our fiscal year) minus the value of the same number of stock multiplied by the exercise price of $6.67.

(2) These numbers represent the value of the executive s unvested options governed by performance-based measures that would have automatically vested upon a change in control in which Onex Partners LP realized a 15% internal rate of return at December 31, 2006. The value assumes exercise of all such shares at $20.98 (the closing price of our stock on the New York

Stock Exchange on December 29, 2006, which was the last trading day of our fiscal year) minus the value of the same number of stock multiplied by the exercise price of $6.67.

(3) The executives, except Mr. Sanger, are entitled to a pro rata percentage of their bonus at termination, where the numerator is the full amount of months of the bonus period served and the denominator is 12. For purposes of this calculation, we have assumed that the executive was terminated at December 31, 2006, which was the end of the 2006 bonus period. This bonus payment could vary significantly in future years, as there is no minimum or maximum bonus set for the named executive officers.

(4) Upon termination, the executive is entitled to medical, dental and group life insurance for a period of 24 months.

(5) Upon termination, the executive is entitled to medical, dental and group life insurance for a period of 18 months.

(6) Upon termination, the executive is entitled to medical and dental insurance for a period of 12 months.

Individual Termination/Change-in-Control Arrangements

William A. Sanger. Mr. Sanger may terminate his employment for any reason upon 90 days written notice to the Company. The Company may waive such notice, in whole or in part, upon immediate payment to Mr. Sanger of his base salary for such portion of the notice period that is waived. Upon such termination, the Company may elect to pay Mr. Sanger his base salary for a period of 24 months following such termination as consideration for his agreement not to compete for that period of time. The Company may terminate Mr. Sanger s employment for cause without notice or pay. If the Company terminates Mr. Sanger s employment without cause, it shall pay him his base salary of a period of 24 months following such termination and shall continue to provide him with medical, dental and term life insurance for such period (or an equivalent lump sum cash payment). Additionally, all time-governed options owned by Mr. Sanger shall immediately vest and become exercisable. Mr. Sanger may terminate his employment under certain circumstances following a change in control of the company. Upon such termination, Mr. Sanger will be entitled to the same severance benefits as if he had been terminated by the Company without cause. Mr. Sanger has agreed that for the term of his employment and a period of 24 months thereafter, he will not engage in certain competitive activities with respect to the Company. Upon the occurrence of a liquidity event, half of Mr. Sanger s unvested options will become fully vested and exercisable, and in the event that Onex Partners LP realizes a 15% internal rate of return upon such event, all of the other options granted to Mr. Sanger pursuant to the Company s stock option plan will become fully vested and exercisable.

Don S. Harvey. Mr. Harvey may terminate his employment for any reason upon 90 days written notice to the Company. The Company may waive such notice, in whole or in part, upon immediate payment to Mr. Harvey of his base salary for such portion of the notice period that is waived. Upon such termination, the Company may elect to pay Mr. Harvey his base salary for a period of 24 months following such termination as consideration for his agreement not to compete for that period of time. The Company may terminate Mr. Harvey s employment for cause without notice or pay. If the Company terminates Mr. Harvey s employment without cause, it shall pay him his base salary of a period of 24 months following such termination and shall continue to provide him with medical, dental and term life insurance for such period (or an equivalent lump sum cash payment). Additionally, if the performance targets for that year have been met, Mr. Harvey will be entitled to a pro rata portion of his bonus. Mr. Harvey may terminate his employment under certain circumstances following a change in control of the company. Upon such termination, Mr. Harvey will be entitled to the same severance benefits as if he had been terminated by the Company without cause. Mr. Harvey has agreed that for the term of his employment and a period of 24 months thereafter, he will not engage in certain competitive activities with respect to the Company. Upon the occurrence of a liquidity event, half of Mr. Harvey s unvested options will become fully vested and exercisable, and in the event that Onex Partners LP realizes a 15% internal rate of return upon such event, all of the options granted to Mr. Harvey pursuant to the Company s stock option plan will become fully vested and exercisable.

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Randel G. Owen. The Company may terminate Mr. Owen s employment for cause upon payment by the Company to Mr. Owen of all salary earned by him up to the date of termination. Either party may terminate without cause by providing the other with 90 days prior written notice. If termination is by Mr. Owen, the Company may waive such notice, in whole or in part, upon immediate payment to Mr. Owen of his base salary for such portion of the notice period that is waived. Upon such termination, the Company may elect to pay Mr. Owen his base salary for a period of 24 months following such termination as consideration for his agreement not to compete for that period of time. If Mr. Owen is terminated by the Company without cause or if he chooses to terminate in the event of a material breach by the Company which continues for more than thirty days following notice to the Company of such breach, he will be entitled to receive all salary earned up to the date of termination and his base salary of a period of 24 months following such termination and the Company shall continue to provide him with medical, dental and term life insurance for such period. Additionally, if the performance targets for that year have been met, Mr. Owen will be entitled to a pro rata portion of his bonus. If Mr. Owen elects to terminate his employment following a change in control of the Company he will be entitled to the severance payments, medical, dental and term life insurance benefits described above. Upon the occurrence of a liquidity event, half of Mr. Owen s unvested options will become fully vested and exercisable, and in the event that Onex Partners LP realizes a 15% internal rate of return upon such event, all of the options granted to Mr. Owen pursuant to the Company s stock option plan will become fully vested and exercisable.

Todd Zimmerman. The Company may terminate Mr. Zimmerman s employment for cause upon payment by the Company to Mr. Zimmerman of all salary earned by him up to the date of termination. Either party may terminate without cause by providing the other with 90 days prior written notice. If termination is by Mr. Zimmerman, the Company may waive such notice, in whole or in part, upon immediate payment to Mr. Zimmerman of his base salary for such portion of the notice period that is waived. Upon such termination, the Company may elect to pay Mr. Zimmerman his base salary for a period of 18 months following such termination as consideration for his agreement not to compete for that period of time. If Mr. Zimmerman is terminated by the Company without cause or if he chooses to terminate in the event of a material breach by the Company which continues for more than thirty days following notice to the Company of such breach, he will be entitled to receive all salary earned up to the date of termination and his base salary of a period of 18 months following such termination and the Company shall continue to provide him with medical, dental and term life insurance for such period. Additionally, if the performance targets for that year have been met, Mr. Zimmerman will be entitled to a pro rata portion of his bonus. If Mr. Zimmerman elects to terminate his employment following a change in control of the Company he will be entitled to the severance payments, medical, dental and term life insurance benefits described above. If Mr. Zimmerman does not receive severance benefits upon termination of his employment with the Company, his obligation not to engage in certain competitive activities shall only be for 12 months following termination. Upon the occurrence of a liquidity event, half of Mr. Zimmerman s unvested options will become fully vested and exercisable, and in the event that Onex Partners LP realizes a 15% internal rate of return upon such event, all of the options granted to Mr. Zimmerman pursuant to the Company s stock option plan will become fully vested and exercisable.

Dighton Packard, M.D. If Dr. Packard s employment is terminated by the Company for cause, the Company shall have not obligation to make any further payment or to provide any benefit to Dr. Packard, other than such payments and benefits which have accrued and not yet been paid on the date of termination. If Dr. Packard is terminated by the Company without cause upon 90 day s prior written notice, he shall be entitled to receive all salary earned up to the date of termination and his base salary of a period of 12 months following such termination plus a pro rata portion of his performance bonus and the Company shall continue to provide him with medical, dental and term life insurance for such period. Dr. Packard agrees that during the term of his employment and for a period of 24 months thereafter, he will not engage in certain competitive activities with the Company.

PROPOSAL 2

PROPOSAL TO APPROVE THE EMSC NON-EMPLOYEE DIRECTOR COMPENSATION PROGRAM

On June 1, 2006, on the recommendation of the Corporate Governance and Nominating Committee, the Board of Directors approved the adoption of the Non-Employee Director Compensation Program, or the Director Program. The purposes of the Director Program are to attract and retain the best available individuals for service as non-employee directors of the Company, to provide additional incentive to such individuals to serve and to encourage their continued service on the Board. The Director Program is also intended to align the interests of our non-employee directors with our stockholders by making a significant portion of their compensation tied to the value of our class A common stock.

The Board directed that the Director Program be submitted to the stockholders for approval. If the Director Program is approved at the 2007 stockholders meeting, it will continue in effect until June 1, 2016. On June 1, 2006, each non-employee director (other than Mr. Le Blanc) was awarded a grant of 8,000 restricted stock units, or RSUs, each RSU representing one share of the Company s class A common stock. If the Director s Program is approved by the stockholders, these RSUs will vest on the date of the 2007 annual meeting of stockholders. If the Director Program is not approved by stockholders, the RSUs granted in June 2006 will be cancelled and will not vest.

The non-employee directors of the Company eligible to participate in the Director Program are Steven B. Epstein, Paul B. Iannini, M.D., James T. Kelly, and Michael L. Smith. Mr. Le Blanc is not eligible to participate so long as he is Chair of our Compliance Committee.

Summary of the Director Program

The following is a summary of the key features of the Director Program. The full text of the Director Program is attached as Annex A to this Proxy Statement, and our summary is qualified by reference to the Director Program itself.

Compensation

The compensation to non-employee directors under the Directors Program consists of two components: cash and equity.

Cash Compensation. The Director Program authorizes the annual payment of a $50,000 cash retainer to each of the non-employee directors, payable in four equal quarterly payments. Unless otherwise determined by the Board, it its sole discretion, and subject to the meeting attendance requirement set forth below, if a non-employee director s service as a director terminates prior to the next annual meeting other than due to resignation, death or disability, the director will not be entitled to any additional cash quarterly payments. If such termination is due to the non-employee director s resignation, death or disability, a pro-rata portion of the cash consideration payable for that quarter will be paid.

Equity Compensation. If the Director Program is approved by the stockholders at the 2007 annual meeting, then the RSUs granted on June 1, 2006 will vest. During the term of the Director Program, immediately following the 2007 annual meeting and at each annual meeting thereafter, the Company will grant to each continuing non-employee director a number of RSUs having a fair market value of $100,000 based on the closing price of the class A common stock on the business day immediately preceding the grant date. The RSUs will vest on the date of the next following annual meeting of stockholders, immediately prior to the vote for directors, if the non-employee director has been a director for the entire year and has met the meeting attendance requirement set forth below, and will be paid at that time in shares of the Company s class A common stock unless the non-employee director has made an election to defer the receipt of such shares at the time and in the manner provided by the Board. The number of RSUs granted to a non-employee director joining the Board other than at an annual meeting of stockholders will be pro-rated based on the amount of time remaining until the next annual meeting of stockholders. If a non-employee director s service as a director is terminated prior to the next annual meeting due to resignation, death or disability, a pro-rated portion of the RSUs will vest based on the length of such service. If a non-employee director is removed from the Board, he will forfeit all non-vested RSUs. The non-employee directors who are granted RSUs will have no ownership interest in the shares of class A common stock, and RSUs granted under the Program may not be sold, assigned, transferred or disposed of in any manner, other than by will or the laws of descent or distribution or pursuant to a qualified domestic relations order.

Limitation on Shares Issued. The Director Program authorizes the issuance of up to 500,000 RSUs, each RSU representing one share of the Company s class A common stock.

Meeting Attendance Required. Generally, a non-employee director will forfeit his annual compensation (both the cash and equity components) if he does not attend at least 75% of the meetings held by the Board of Directors and the Board committees on which he serves. The Board may waive this requirement if it determines that extenuating circumstances precluded such attendance.

Eligibility. All non-employee directors will receive compensation as provided in the Director Program except that Mr. Le Blanc will not receive compensation under the Director Program so long as he serves as the Chair of our Compliance Committee.

Term. Unless earlier terminated by the Board, the Compensation Program will continue in effect until June 1, 2016. This term is subject to the limitation on the number of shares of class A common stock that may be issued pursuant to the Director Program.

Other Provisions of the Director Program

Administration of the Director Program. The Director Program will be administered by the Board of Directors which shall have the authority, in its sole discretion:

- to determine the fair market value of the class A common stock,
- to interpret the Director Program,
- to prescribe, amend and rescind rules and regulations relating to the administration of the Director Program,
- to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of RSUs prescribed under the Director Program, and
- to make all other determinations deemed necessary or advisable for the administration of the Director Program.

The Board also has the discretion to accelerate the vesting of any or all awards of RSUs granted under the Director Program in such circumstances as it deems appropriate.

Change in Control. Unless the Board provides otherwise, upon the occurrence of a Corporate Transaction, as such term is defined in the Director Program, all RSU s will become vested and non-forfeitable and shall be paid in an equivalent number of shares.

Amendments and Termination. The Board may amend, alter, suspend, discontinue or terminate the Director Program (or any portion thereof), so long as such action does not have a material adverse effect on the rights of any non-employee director under any grant of RSUs prior to the effective date of such change without his consent. Stockholder approval shall be required for the Board to take any action that (i) materially increases the benefits accruing to non-employee directors under the Director Program, (ii) materially increases the number of securities that may be issued under the Director Program,

(iii) materially modifies the requirements for participation in the Director Program or (iv) is otherwise deemed a material amendment by the Board pursuant to any applicable law or accounting or stock exchange rules.

Federal Income Tax Consequences. The following is a brief summary of the U.S. federal income tax consequences of transactions under the Director Program based on current federal income tax laws. *This summary is not intended to be exhaustive and does not discuss the tax consequences of a participant s death or the provision of any income tax laws of any municipality, state or foreign country in which a participant may reside.*

Cash Compensation. A non-employee director will recognize ordinary income equal to any cash compensation received at the time of receipt.

RSUs. A non-employee director will not recognize any income at the time of the grant of the RSUs. At the time that any of the RSUs are paid in shares of class A common stock, the non-employee director will recognize ordinary income equal to the fair market value of such shares, determined as of the date of payment.

If the non-employee director holds the shares received for more than one year, gain recognized on a disposition of the shares will be treated as long-term capital gain for federal income tax purposes. The director s tax basis in such shares will be the amount of income that he recognized upon receipt of such shares.

Plan Participation Table

New Plan Benefits

Director Program		
Name and Position	**Dollar Value ($)**	**Number of Units**
Non-Executive Director Group	$ 400,000	32,000

The Board of Directors recommends a vote FOR the approval of the EMSC Non-Employee Director Compensation Director Program.

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PROPOSAL 3

PROPOSAL TO APPROVE THE EMSC LONG-TERM INCENTIVE PLAN

On April 7, 2007, on the recommendation of the Compensation Committee, the Board of Directors approved the adoption of the Long-Term Incentive Plan, or the Plan. The purposes of the Plan are to provide long-term incentives, including equity-based incentives, to those persons with responsibility for the success and growth of the Company and its subsidiaries, to associate more closely the interests of such persons with those of the Company s stockholders and to assist the Company and its subsidiaries in recruiting, retaining and motivating a diverse and talented group of employees on a competitive basis.

The Board directed that the Plan be submitted to the stockholders for approval at the 2007 annual meeting. Once approved, awards may be made under the Plan up until the day before the tenth anniversary of the effective date of the Plan. All employees of the Company and its domestic or international subsidiaries, including executive officers and officers of the Company, are eligible to participate in the Plan. We estimate that up to approximately 100 employees will be participants in the Plan, as we expect to continue to restrict equity-based incentives only to selected executives and management employees. In addition, employees of any professional association or professional corporation for which the Company or any of its subsidiaries provides management services pursuant to a physician services agreement (PA Employees) are eligible for stock awards, as described below. We estimate that approximately 5,000 PA Employees will be eligible to participate in the Plan.

Summary of the Plan

The following is a summary of the key features of the Plan. The full text of the Plan is attached to this proxy statement as Annex B, and our summary is qualified by reference to the Plan itself.

Types of Awards

The Plan allows the Company to grant stock options (both incentive stock options and nonqualified stock options), restricted shares, restricted share units, stock awards, stock appreciation rights and performance shares. Unless otherwise authorized by the stockholders of the Company, the maximum aggregate number of shares of class A common stock available for issuance under the Plan (i) to employees will be 1,500,000 shares; provided that any grant of restricted shares will result in three shares of common stock no longer being available for the grant of options and (ii) 500,000 shares to PA Employees.

Stock Options. A stock option may be granted in the form of a nonqualified stock option or an incentive stock option. The option exercise price may not be less than the fair market value of a share of common stock on the date the option is granted. The Compensation Committee may establish the term of each stock option, but no stock option will be exercisable after ten years from the date of grant.

Incentive Stock Options (ISO). An ISO is a stock option that may qualify for certain U.S. federal tax advantages. The aggregate fair market value of the shares of class A common stock with respect to which ISOs may become exercisable for the first time by any participant during any calendar year may not exceed $100,000 or such other amount as may subsequently be specified by the Internal Revenue Code and/or applicable regulations. If this limit is exceeded, any options on shares in excess of such limit will be treated as nonqualified stock options.

Restricted Shares and Restricted Share Units (RSU). A restricted share is an award of a share of class A common stock that may not be traded or sold until a predetermined date set by the Compensation Committee. An RSU is an award of an amount, payable in cash, or shares of class A common stock, or a combination thereof, as determined by the Compensation Committee, based on the value of a specified number of shares of class A common stock. The restrictions on such awards shall be determined by the Compensation Committee, and may include forfeiture conditions, restrictions based on the achievement of specific performance goals, time-based restrictions on vesting, transfer restrictions an/or restrictions under federal or state securities laws. Holders of RSUs will have no ownership interest in the shares of class A

common stock to which such RSUs relate until and unless payment with respect to such RSUs is actually made in shares of class A common stock. Unless otherwise determined by the Compensation Committee, during the restriction period, holders of RSUs will have voting rights and will be credited with dividend equivalents in respect of such RSUs, which will be immediately converted to RSUs with an initial value equal to the amount of such dividend equivalents.

Stock Awards. Stock awards may be granted to eligible participants either alone or in combination with other awards made under the Plan. The Compensation Committee will determine the terms and conditions governing each stock award, including whether the award shall be made outright or whether the participant shall have to pay for such shares.

Stock Appreciation Rights (SAR). A SAR is an award that entitles the recipient to receive the appreciation in value of a set number of shares of the Company s class A common stock over a set period of time. SARs may be granted (i) in connection and simultaneously with the grant of an option, (i) with respect to a previously granted option or (iii) independent of an option. The Compensation Committee may establish the term of each SAR, but no SAR will be exercisable after 10 years from the grant date.

Performance Shares. A performance share is an award of shares of class A common stock based on the achievement of certain performance goals set during a performance period. Performance shares may be issued to eligible participants either alone or in combination with other awards made under the Plan. The performance goals shall be determined by the Compensation Committee in its sole discretion. The performance measures to be used for performance shares may be based on one or more performance criteria, including: income measures (such as gross profit, operating income, earnings before or after taxes, net income and earnings per share); return measures (such as return on assets, investment, equity or sales); cash flow; costs; revenue measures; stock price (such as growth measures and total stockholder return) and individual performance. Notwithstanding the attainment of any performance goal, the Compensation Committee has the discretion to reduce any performance award payment.

Other Provisions of the Plan

Administration of the Plan. The Plan will be administered by the Compensation Committee of the Board of Directors which shall have the power to:

- interpret the Plan and any agreements pursuant to which awards are made;
- adopt, interpret, amend and revoke such rules for the administration, interpretation and application of the Plan as are consistent therewith; and
- establish the terms and conditions of each award under the Plan.

The Compensation Committee shall act by a majority of its members.

Agreements. As a condition to any grant received under the Plan, each participant must execute and return any document required by the Compensation Committee, such as a stockholders agreement, prior to the grant of any option or award under the Plan.

Dilution and Other Adjustments. In the event of a merger, reorganization, consolidation, recapitalization, stock dividend, stock split, combination, or exchange of shares or other change in corporate structure affecting any class of common stock, the Compensation Committee will make appropriate adjustments in the class and aggregate number of shares that may be delivered under the Plan, the individual award maximums, the class, number and exercise price of outstanding options, and the class and number of shares subject to any other awards granted under the Plan.

No Loans. No loans from the Company to participants will be permitted in connection with the Plan.

Effective Date, Amendments and Termination. If approved by the stockholders, the Plan will become effective as of the date of such approval and no awards will be made under the Plan after the tenth anniversary of the date on which the stockholders approved the Plan. The Compensation Committee may terminate or amend the Plan at any time, but no such amendment or termination may adversely affect awards granted prior to such termination or amendment, except to the extent necessary or appropriate to comply with applicable law or stock exchange rules and regulations. Unless the Company s stockholders have first approved the amendment, no amendment may (a) increase the maximum number of shares that may be delivered to any one individual, (b) extend the maximum period during which awards may be granted, (c) add to the types of awards that may be made, (d) change the performance measures pursuant to which performance shares are earned, (e) modify the requirements governing eligibility for participation in the Plan or (f) require stockholder approval pursuant to the Plan, applicable law, or the rules of the principal securities exchange on which the shares of class A common stock are traded in order to be effective.

While the rights of the holder upon a change of control event will be specified in the award agreement for the individual holder, we currently expect that upon (i) a sale of the equity of EMSC whereby any person other than existing equity holders as of the grant date acquire voting power to elect a majority of our board of directors or (ii) a sale of all or substantially all of our assets, all unvested equity awards granted to each employee pursuant to the Plan will accelerate (although still subject to the performance target) and will terminate if not exercised.

United States Income Tax Consequences. Under the Internal Revenue Code of 1986, or the Code, as presently in effect, the following are, in general, the material federal income tax consequences of grants or awards under the Plan. The grant of a stock option will have no tax consequences to a participant or the Company. In general, when a participant exercises an incentive stock option, the participant will not recognize income, and the Company will not be entitled to a tax deduction. However, the excess of the acquired incentive stock option shares fair market value on the exercise date over the exercise price will be included in the participant s income for purposes of the alternative minimum tax. When a participant disposes of shares acquired under an incentive stock option, the participant will have a capital gain or loss equal to the difference between the exercise price and the amount realized on disposition provided that applicable holding periods are met (i.e., one year following exercise and two years following grant). If the holding periods are not met, the option will be treated as a nonqualified stock option, with the consequences described below. In general, if a participant exercises an incentive stock option more than three months after terminating his or her employment with the Company or a subsidiary, the option will be treated for tax purposes as a nonqualified stock option, as described below.

In general, upon exercising a nonqualified stock option, a participant will recognize ordinary income equal to the excess of the acquired shares fair market value on the exercise date over the exercise price. The Company will be entitled to a tax deduction for the same amount for the same taxable year.

With respect to other awards that are settled either in cash or in shares that are transferable or are not subject to a substantial risk of forfeiture, the participant will recognize ordinary income equal to the excess of (a) the cash or the fair market value of any shares received (determined as of the date of settlement) over (b) the amount, if any, paid by the participant. The Company generally will be entitled to a tax deduction in the same amount. If the shares are nontransferable and subject to forfeiture, the participant generally will not recognize income (and the Company will not become entitled to a tax deduction) until the shares are not subject to a substantial risk of forfeiture or are transferable, at which time the amount of income will be equal to the excess of (i) the fair market value of the shares on the date income is recognized over (ii) the amount, if any, paid for the shares. The Company generally will receive a corresponding tax deduction.

When a participant sells any shares acquired under a nonqualified stock option or any other award other than an incentive stock option, the participant will recognize capital gain or loss equal to the difference between the amount realized on the disposition of the shares and the employee s basis in the shares. In general, the participant s basis in any such shares will be equal to the amount of ordinary income recognized in connection with the receipt of the shares plus any amount paid for them.

New Plan Benefits

As of the date of this proxy statement, no executive officer, employee or director of the Company has been granted any awards under the Plan. Since awards under the Plan will be granted at the sole discretion of the Compensation Committee, such benefits under the Plan are not presently determinable and we have omitted the New Plan Benefits table.

The Board of Directors recommends a vote FOR the approval of the EMSC Long-Term Incentive Plan.

PROPOSAL 4

PROPOSAL TO APPROVE THE EMSC 2007 EMPLOYEE STOCK PURCHASE PLAN

On April 4, 2007, on the recommendation of the Compensation Committee, the Board of Directors approved the adoption of the 2007 Employee Stock Purchase Plan, or ESPP, and directed that the ESPP be submitted to the stockholders for approval. The purposes of the ESPP are to provide employment incentives through a capital accumulation opportunity, link employee and stockholder interests and provide an opportunity for employees to purchase the Company s class A common stock through payroll deductions.

Summary of the ESPP

The following summary of the ESPP is qualified in its entirety by reference to the complete text thereof, which is attached to this Proxy Statement as Annex C.

Under the ESPP, 500,000 shares of class A common stock are authorized for purchase during specific offering periods. The Compensation Committee will administer the Plan (unless the Board delegates administration to another committee). Subject to and within the limitations of the Plan, the Compensation Committee will have sole discretion in determining when offerings will be made and the terms of each, to designate which subsidiary corporations of the Company will be eligible to participate. It also has the authority to construe the ESPP and any purchase rights granted thereunder, and establish, amend and revoke rules and regulations for the administration of the ESPP. The Compensation Committee will also have the authority to adopt one or more sub-plans applicable to residents of any foreign jurisdiction to the extent necessary to comply with local law or take advantage of any applicable tax laws in such jurisdiction.

Employees who are employed by the Company or a participating subsidiary corporation (as defined in Section 424(f) of the Code) at least sixty days prior to the first day of an offering under the ESPP generally will be eligible for participation in that offering unless the Compensation Committee provides otherwise. The Compensation Committee may, in its discretion, exclude an employee from an offering unless on the first day of the offering (i) the employee has been in the employ of the Company or a participating subsidiary corporation for the period determined by the Compensation Committee (but in no event greater than two years), or (ii) the employee s customary employment is more than twenty hours a week and more than five months per calendar year. Notwithstanding the foregoing, Section 423 of the Code prohibits an employee from participating in an offering if such employee owns (within the meaning of Section 424(d) of the Code) stock of the Company possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any subsidiary corporation. We expect that approximately 14,000 employees will be eligible to participate in the ESPP.

The ESPP provides that the Compensation Committee may from time to time determine the date on which the Company will commence an offering to eligible employees for the purchase of class A common stock. Each offering will provide that an eligible employee may elect to purchase a number of shares of class A common stock determined by the Compensation Committee, except that no employee may be eligible to receive rights to purchase shares in any single calendar year having an aggregate market value at the time of grant in excess of $25,000. Each offering will have a stated term determined by the Compensation Committee, but not longer than 27 months, and may have a purchase price of not less than the lesser of 85% of the fair market value of a share of class A common stock on the grant date of the purchase right or the last day of that offering. The proceeds received by the Company from the sale of shares of class A common stock pursuant to an offering will be used for general corporate purposes.

The shares subject to an offering will be authorized but unissued shares of class A common stock, or shares that have been bought on the open market at prevailing market prices or otherwise. An eligible employee may become a participant in the ESPP by completing a subscription agreement and any other required documents provided by the Company and submitting them in the form and manner designated by the Company. Participating employees would elect to have payroll deductions made during the offering, in whole percentages from one percent (1%) to fifteen percent (15%); the Compensation Committee may designate a lower maximum for an offering. These amounts will be credited to the employee s account under the ESPP, and do not bear interest.

If a participating employee withdraws from the ESPP in the manner provided by the Compensation Committee, his or her right to purchase whole shares in any offering will be exercised automatically on each expiration date of an offering, if the employee is still employed on such date, and the maximum number of whole shares subject to the purchase right will be purchased at the applicable purchase price with the accumulated amount in his or her account. If a participating employee withdraws from an offering or terminates employment for any reason prior to the expiration date of an offering, such employee s payroll deductions will be refunded without interest.

No offerings can be made under the ESPP until the Company s stockholders approve it. The ESPP shall terminate on the earliest to occur of (i) the day before the tenth anniversary of such stockholder approval, (ii) all of the class A common stock authorized for purchase under the ESPP has been issued, or (iii) the Board terminates the Plan. The Board has the authority to amend or suspend the plan, alter or amend the provisions of, or terminate, any offering; provided, however, that the Board may not, without the approval of the Company s stockholders, make any amendment for which stockholder approval is necessary to comply with any tax or regulatory requirement.

Other Provisions of the ESPP

Adjustments. In the event of a stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares, offering to purchase shares of class A common stock at a price substantially below fair market value or other similar event affecting the class A common stock, the Compensation Committee will, in its sole discretion, make appropriate adjustments in the number and kind of shares which may be made the subject of offerings under the ESPP, or which are subject to outstanding offerings, and the purchase price with respect to any of the foregoing and/or, if deemed appropriate, may provide for a cash payment to any person who has outstanding purchase rights under the ESPP.

Change in Control. We currently expect that in the event of a change in control, as defined in the award agreements under the Long-Term Incentive Plan, then any surviving corporation will be permitted to continue or assume the purchase rights outstanding under the ESPP or may substitute similar rights for those outstanding; otherwise the Compensation Committee, in its sole discretion, may (i) close the offering period early and permit the participants accumulated payroll deductions to be used to purchase shares of class A common stock immediately prior to the change in control and the participants rights under the ongoing offering will terminate immediately after such purchase or (ii) terminate such offering and refund the participants accumulated payroll deductions.

United States Federal Income Tax Consequences. Under Section 423 of the Code, an employee who purchases stock under the ESPP will not recognize income for federal income tax purposes on the purchase, but will instead defer the tax consequences until the employee sells or otherwise disposes of the stock.

If stock that was purchased under an ESPP is held for *more* than one year after the date of purchase *and* more than two years after the beginning of the offering period, or if the employee dies while owning the shares, the employee realizes ordinary income on a sale (or a disposition by way of gift or upon death). The amount of ordinary income recognized equals the lesser of: (i) the actual gain (the amount by which the market value of the shares on the date of sale, gift or death exceeds the purchase price), or (ii) the purchase price discount (however, if the purchase price is based on the *lower of* the value of the stock on the first or last day of the offering period, the purchase price discount generally is computed as of the first day of the offering period if there is a maximum cap on the number of shares an employee can purchase as of the first day of the offering period; in all other cases the discount will be determined as of the date of purchase). All additional gain upon the sale of stock is treated as long-term capital gain. If the shares are sold and the sale price is less than the purchase price, there is no ordinary income, and the employee has a long-term capital loss for the difference between the sale price and the purchase price.

If the stock is sold, or is otherwise disposed of including by way of gift, within either of the Section 423 holding periods described above (a disqualifying disposition), the employee recognizes ordinary income at the time of sale or other disposition taxable to the extent that the fair market value of the stock at the date of purchase was greater than the purchase price (i.e., the spread at purchase). This amount is considered ordinary compensation income in the year of sale or other disposition even if no gain is realized on the sale or disposition. The difference, if any, between the proceeds of sale and the fair market value of the stock at the date of purchase is a capital gain or loss, which is long-term if the stock has been held more than one year.

Generally, the employer receives a tax deduction only to the extent that a participant recognizes ordinary income on a disqualifying disposition. The employer does not receive a deduction if the participant meets the holding period requirements.

New Plan Benefits

As of the date of this proxy statement, no executive officer, employee or director of the Company has been granted any awards under the ESPP. Since awards under the ESPP will be granted at the sole discretion of the Compensation Committee, such benefits under the ESPP are not presently determinable and we have omitted the New Plan Benefits table.

The Board of Directors recommends a vote FOR the approval of the EMSC 2007 Employee Stock Purchase Plan.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Transactions with Laidlaw

Pursuant to stock purchase agreements with Laidlaw International, Inc. and a subsidiary of Laidlaw, on February 10, 2005 we purchased all the capital stock of AMR and Emcare. Pursuant to the stock purchase agreements, we are indemnified by the seller (a subsidiary of Laidlaw that directly owned AMR and EmCare) and Laidlaw, subject to specified exceptions, for losses arising from:

- breaches by the seller of its representations, warranties, covenants and agreements contained in the stock purchase agreements,

- damages relating to certain government investigations, and

- tax liabilities for periods prior to closing.

Risk Financing Program

AMR is party to separate risk financing agreements with Laidlaw for the period September 1, 1993 to August 31, 2001 and the period September 1, 2003 to the date of the closing of our acquisition of AMR and EmCare. Pursuant to these agreements, AMR had insured its workers compensation, auto and general liability claims through Laidlaw s captive insurance company and participated in Laidlaw s group policies with respect to other types of coverage for occurrences during the specific period of each agreement.

For the period September 1, 1993 to August 31, 2001, we are fully-insured for AMR s workers compensation, auto and general liability programs. We have no further payment obligation to Laidlaw under that agreement, having previously made all premium payments, and Laidlaw has agreed to bear the cost of any claims relating to such claims for this period. For the period September 1, 2003 to February 10, 2005, we retain the risk of loss as to the first $2 million of auto and general liability claims per occurrence and the first $1 million of workers compensation claims per occurrence, as a self-insurance program funded through Laidlaw s captive insurance program. AMR had collateral deposited with Laidlaw totaling approximately $42.2 million at February 10, 2005, $33.7 million at December 31, 2005 and $27.2 million at December 31, 2006. This collateral is held in a trust fund owned by Laidlaw, and is applied by Laidlaw to cover AMR s claims and related expenses. We are responsible to Laidlaw for any claims costs in excess of the collateral amount, and Laidlaw is contractually obligated to repay us any excess collateral. This self-insurance program for the period September 1, 2003 to February 10, 2005 can be terminated by either party on 60 days written notice.

Management Fee Agreement with Onex Partners Manager LP

We are party to a management agreement dated February 10, 2005 with Onex Partners Manager LP, or Onex Manager, a wholly-owned subsidiary of Onex Corporation. In exchange for an annual management fee of $1.0 million, Onex Manager provides us with consulting and management advisory services in the field of corporate finance and strategic planning and such other management areas to which the parties agree. The annual fee may be increased, to a maximum of $2.0 million, with the approval of directors of each of AMR and EmCare that are not affiliated with Onex. We also reimburse Onex Manager for out-of-pocket expenses incurred in connection with the provision of services pursuant to the agreement, and reimburse Onex Manager for out-of-pocket expenses incurred in connection with our acquisition of AMR and EmCare. The management agreement has an initial term ending February 10, 2010, subject to automatic one-year renewals, unless terminated by either party by notice given at least 90 days prior to the scheduled expiration date. For the year ended December 31, 2006, we paid Onex Manager $1 million pursuant to this management agreement.

Employment Agreements and Indemnification Agreements

We have an employment agreement and an option agreement with Mr. Sanger, our Chairman and Chief Executive Officer, and with certain of our other senior executives. For a description, see Management Employment Agreements.

In November 1999, Texas EM-I Medical Services, P.A., a physician group affiliated with EmCare, entered into an employment agreement with Dighton C. Packard, M.D. Dr. Packard s employment agreement automatically renews for successive two-year terms unless either party gives notice 180 days prior to the expiration of the then current term. Dr. Packard has the right to terminate his agreement upon 180 days notice, in which event he agrees to not compete with Texas EM-I for 12 months following termination of employment. Under the employment agreement, Dr. Packard is to receive an annual base salary plus a bonus based on the performance of the group under the agreements with Baylor University Medical Center.

We have entered into indemnification agreements with each of our directors, and our executive employment agreements include indemnification provisions. Under those agreements, we agree to indemnify each of these individuals against claims arising out of events or occurrences related to that individual s service as our agent or the agent of any of our subsidiaries to the fullest extent legally permitted.

Equityholder Agreements

On February 10, 2005, we entered into an investor equityholders agreement with certain of our equityholders, including each of the named executive officers. Under this agreement, until the fifth anniversary of the closing of the initial public offering of the Company s common stock, the right of these equityholders to sell common stock owned immediately prior to the initial public offering, and any shares acquired upon the exercise of options held immediately prior to the initial public offering, is limited. Such equityholder may sell up to 12.5% of those shares in the first year following the offering, increasing 12.5% each year up to a maximum of 50% of such shares (or, if greater, the percentage of its shares sold by Onex Partners), *plus* the number of shares required to pay any income taxes on the exercise of options. The other substantive provisions of the investor equityholders agreement terminated upon completion of the offering.

We are also a party to an equityholders agreement with the Onex Investors and certain employee and affiliated physician investors. Certain of these employees are subject to the further limitations on resale that are applicable to the equityholders pursuant to the investor equityholders agreement.

Other Related Party Transactions and Business Relationships

Relationship with Law Firm

Steven B. Epstein, one of our directors and member of certain committees, including the Compliance Committee, is a founding member and the senior health law partner in the Washington, D.C. firm of Epstein, Becker & Green, P.C., or EBG. EBG provided healthcare-related legal services to Onex in connection with our acquisition of AMR and EmCare. Furthermore, as part of its legal services, EBG has been retained to provide legal representation to the Company in connection with a previously disclosed United States Department of Justice subpoena relating to the operations of certain AMR affiliates in New York. We paid EBG $362,044 in 2006 for legal services rendered in the year ended December 31, 2006.

Transaction with Onex-Controlled Entity

The Company s subsidiary, AMR, on behalf of itself and certain of its subsidiaries, entered into an agreement with Skilled Healthcare LLC, or Skilled, an operator of approximately 70 skilled nursing facilities in five states. Pursuant to this agreement, AMR became a preferred provider of medical transportation services for Skilled. In fiscal 2006, AMR had total gross revenue of approximately $899,600 under this agreement, and expects to have annual gross revenue of between $1.5 million and $2.25 million during the 3-year term of the agreement. Affiliates of Onex Corporation, which own more than a majority of our equity, own more than a majority of the equity of Skilled Healthcare Group, Inc., or Skilled Healthcare Group, Skilled s parent company. Robert Le Blanc, a director of the Company, is also a director of Skilled Healthcare Group, and Mr. Le Blanc and certain other directors of our Company own equity interests in Skilled Healthcare Group; our directors own, in the aggregate, less than 1% of the equity of Skilled Healthcare Group. Any definitive agreement between AMR and Skilled will be subject to the approval of the Audit Committee of our Board of Directors and of the entire Board of Directors.

AUDIT COMMITTEE AND INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee Report

The information contained in this report shall not be deemed to be soliciting material or filed or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

The primary function of the Audit Committee is oversight of the Company s financial reporting process. The Audit Committee has the responsibility and authority described in the Emergency Medical Services Corporation Audit Committee Charter, which has been approved by the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. The current Audit Committee charter can be found on the Company s website located at *www.emsc.net* under the heading Corporate Governance.

In the performance of its oversight function, the Audit Committee has separately reviewed and discussed the audited financial statements included in the Company s annual report on Form 10-K for the year ended December 31, 2006 with management and the independent auditors. The independent auditors referenced in this Audit Committee Report are Ernst & Young LLP, who were the Company s independent auditors for the fiscal year ended December 31, 2006.

Management is responsible for the Company s internal controls and the financial reporting process. The independent registered public accounting firm, or the Independent Auditor, is responsible for performing an audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America, as well as expressing an opinion on (i) management s assessment of the effectiveness of internal control over financial reporting and (ii) the effectiveness of internal control over financial reporting. The Audit Committee reviews these processes on behalf of the Board of Directors. In this context, the Audit Committee has reviewed and discussed with the Company s management and Ernst & Young LLP, the Company s independent auditor, the audited financial statements of the Company and Management s Report on Internal Control over Financial Reporting contained in the Company s Annual Report to Stockholders for the year ended December 31, 2006.

The Audit Committee has discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended.

The Audit Committee has received and reviewed the written disclosures and the letter from the independent auditors required by Independence Standard No. 1, *Independence Discussions with Audit Committee*, as amended by the Independent Standards Board, and the Audit Committee has discussed with the independent auditors all factors that the Committee believes would impact that firm s independence.

Based upon the Audit Committee s review and discussions reported above, the Audit Committee recommended to the Board of Directors that the audited financial statements referred to above be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the SEC, and the Board of Directors approved such inclusion.

Audit Committee

Michael L. Smith, *Chair*

Paul B. Iannini, M.D.

James T. Kelly

PROPOSAL 5

PROPOSAL TO RATIFY THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On February 5, 2007, we engaged Ernst & Young LLP as the Company s independent registered public accounting firm to review our consolidated financial statements for the quarter ending March 31, 2007. Our Audit Committee authorized this appointment, and the appointment was ratified by our Board of Directors. Furthermore, prior to the Annual Meeting, but after the date of this proxy statement, we expect to engage Ernst & Young LLP as the Company s independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending December 31, 2007, pending finalization of their audit fees for the year. We expect that representatives of Ernst & Young LLP will attend the Annual Meeting, with the opportunity to make a statement if they so desire, and will be available to answer appropriate questions.

Although stockholder ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm is not required by any applicable law or regulation, stockholder views are being solicited and will be considered by the Audit Committee and the Board of Directors when appointing an independent registered public accounting firm for fiscal 2008. The appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2007 will be ratified if a majority of the votes cast at the meeting vote FOR ratification.

The Board of Directors recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007.

Change in Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP served as the Company s independent public accounting firm from the date we acquired the Company s subsidiaries, AMR and EmCare, from Laidlaw in February 2005 until March 27, 2006. On March 27, 2006, we dismissed PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm. Our Audit Committee authorized this dismissal, and the dismissal was ratified by our Board of Directors. We do not expect representatives of PricewaterhouseCoopers LLP to attend the Annual Meeting.

The audit reports of PricewaterhouseCoopers LLP on the Company s consolidated financial statements as of and for the eleven months ended December 31, 2005, for the five months ended January 31, 2005 and for the year ended August 31, 2004, did not contain any adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principles.

During the eleven months ended December 31, 2005, for the five months ended January 31, 2005, for the year ended August 31, 2004, and in the subsequent interim period through March 27, 2006, there were no (1) disagreements between the Company and PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to PricewaterhouseCoopers LLP s satisfaction, would have caused PricewaterhouseCoopers LLP to make reference to the subject matter of the disagreement in its report, or (2) except as described below, reportable events described under Item 304(a)(1)(v) of Regulation S-K.

The Company described the following reportable event in its Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission, or SEC, on December 15, 2005:

As described in the notes to our combined financial statements included in this prospectus, we determined that, because of an error in our reserving methodology, our accounts receivable allowances were understated at various balance sheet dates prior to and including the periods presented in those financial statements.   On August 2, 2005, we issued restated combined financial statements for the referenced periods.

Our revised method of calculating our accounts receivable allowances, which includes comparisons of subsequent cash collections to net accounts receivable and subsequent write-offs to accounts receivable allowances, demonstrated a shortfall of accounts receivable allowances. Prior years   analyses of accounts receivable allowances did not include these comparisons and certain elements were misapplied. In addition, we have made other adjustments related to certain deferred rent and leasehold amortization matters, principally to straight-line this amortization, in accordance with generally accepted accounting principles.

Controls over the application of accounting principles are within the scope of internal controls. Management has concluded that our internal controls were insufficient to provide reasonable assurance that our accounting for accounts receivable allowances and for deferred rent and leasehold amortization would be in accordance with GAAP.

We corrected the deficiency in our internal controls over financial reporting for accounts receivable allowances by revising our method of calculating our accounts receivable allowances. See   Critical Accounting Policies Trade and Other Accounts Receivable.   The errors relating to improper lease accounting resulted from our incorrect interpretation of existing GAAP. To remediate this deficiency, the individuals responsible for our financial reporting have been made aware of the requirements of GAAP and the SEC in this regard and we do not anticipate taking further steps to address this matter.

On March 31, 2006, the Company engaged the services of Ernst & Young LLP as its new independent registered public accounting firm for its fiscal year ending December 31, 2006. The Company s Audit Committee authorized the engagement of Ernst & Young LLP. During the eleven months ended December 31, 2005, the five months ended January 31, 2005 and through March 27, 2006, the Company did not consult with Ernst & Young LLP regarding any of the matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

The following table sets forth the professional fees we paid to PricewaterhouseCoopers LLP for professional services rendered for fiscal 2005 and for the three-month period through March 2006, and to Ernst & Young LLP for professional services rendered for fiscal 2006.

	PricewaterhouseCoopers LLP (Fiscal 2005)	**PricewaterhouseCoopers LLP (For engagement from January to March 2006)**	**Ernst & Young LLP (For engagement from March 2006 to December 31, 2006)**
Audit Fees	$ 4,810,650	$ 877,759	$ 2,959,618
Audit-Related Fees	80,000	27,350	165,300
Tax Fees		23,003	4,499
All Other Fees		58,342	
Total Fees	$ 4,890,650	$ 986,454	$ 3,129,417

The Audit Fees paid to PricewaterhouseCoopers LLP were for the following professional services rendered:

- the audit of the Company s annual financial statements for the eleven months ended December 31, 2005, the combined financial statements of our subsidiaries, AMR and EmCare, for the fiscal periods included in our annual financial statements, and the Company s financial statements at November 10, 2005 included in our registration statement relating to our initial public offering,

- for the reviews of the combined and consolidated financial statements included in our registration statement relating to our initial public offering and the registration statement of our subsidiary, Emergency Medical Services L.P., relating to the exchange offer to exchange outstanding unregistered senior subordinated notes (issued in connection with our acquisition of AMR and EmCare) for freely tradable exchange notes that were registered under the Securities Act of 1933, and the consents for the registration statement on Form S-8 filed with the SEC in 2006, and

- for services normally provided in connection with statutory or regulatory filings or engagements.

The audit-related fees paid to PricewaterhouseCoopers LLP were for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements that are not already reported as Audit Fees , above, including fees relating to audits of certain subsidiaries with respect to contractual compliance purposes.

The Audit Fees paid to Ernst & Young LLP were for the following professional services rendered:

- the audit of the Company s annual financial statements, including fees relating to work related to the Company s audit and report regarding the Company s effectiveness of internal controls over financial reporting and compliance with its obligations under Sarbanes-Oxley compliance, for the year ended December 31, 2006,

- the review of the Company s quarterly financial statements, and

- the services normally provided in connection with statutory or regulatory filings or engagements.

The audit-related fees paid to Ernst & Young LLP were for due diligence in connection with acquisitions.

The tax fees paid to Ernst & Young LLP were for domestic tax advice and planning and assistance with tax audits and appeals.

Pre-Approval Policies and Procedures

In accordance with the Sarbanes-Oxley Act of 2002, the Audit Committee Charter provides that the Audit Committee of our Board of Directors has the sole authority and responsibility to pre-approve all audit services, audit-related tax services and other permitted services to be performed for the Company by its independent auditors and the related fees. Pursuant to its charter and in compliance with rules of the SEC and Public Company Accounting Oversight Board, or PCAOB, the Audit Committee has established a pre-approval policy and procedures that require the pre-approval of all services to be performed by the independent auditors. The independent auditors may be considered for other services not specifically approved as audit services or audit related services and tax services so long as the services are not prohibited by SEC or PCAOB rules and would not otherwise impair the independence of the independent auditor. The Audit Committee has also delegated pre-approval to EMSC senior management for services with fees below $50,000; however, any services pre-approved by senior management must be reported to the full Audit Committee at its next meeting.

ANNEX A

EMERGENCY MEDICAL SERVICES CORPORATION
NON-EMPLOYEE DIRECTOR COMPENSATION PROGRAM
(AS ADOPTED ON JUNE 1, 2006)

1. *Purposes*.

The purposes of this Program are to attract and retain the best available individuals for service as Non-Employee Directors of Emergency Medical Services Corporation (the ***Company***), to provide additional incentive to such individuals to serve as Non-Employee Directors, and to encourage their continued service on the Board. Subject to approval of the Program reflected in this document by the Company s stockholders at the Company s 2007 Annual Meeting of Stockholders, this Program is effective on and after the Effective Date.

2. *Definitions*.

As used herein, the following terms have the meanings set forth below:

Annual Meeting means the annual meeting of the Company s stockholders.

Applicable Laws means any and all legal requirements of all state and federal laws, including, without limitation, securities laws and the Code, relating to the administration of stock incentive programs such as this Program.

Board means the Board of Directors of the Company

Code means the Internal Revenue Code of 1986, as amended.

Common Stock means the Class A Common Stock of the Company.

Company means Emergency Medical Services Corporation, a Delaware corporation, and its successors.

Continuous Service as a Director means the absence of any termination of service as a member of the Board.

Director Cash Compensation means the amount of all compensation payable in cash to a Non-Employee Director for services as a member of the Board, in accordance with Section 4(b) of the Program, and specifically excluding reimbursement of out-of-pocket expenses.

Effective Date means June 1, 2006.

Employee means any person, including officers and directors, employed by the Company or any Subsidiary of the Company.

Fair Market Value means, as of any grant date, the fair market value of Common Stock determined as follows: (i) if the Common Stock is listed on the New York Stock Exchange or any other national market system, its Fair Market Value shall be the closing sales price for such stock as quoted on such system on the trading day immediately preceding the grant date (if for a given day no sales were reported, the closing bid on that day shall be used), as such price is reported in The Wall Street Journal or such other source as the Board deems reliable or (ii) in the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board.

Non-Employee Director means a member of the Board who is not also an Employee, but, at any time, excluding the member of the Board who is then serving as Chairman of the Compliance Committee.

Program means this Emergency Medical Services Corporation Non-Employee Director Compensation Program, as it may be amended from time to time.

Restricted Stock Unit means the right to receive one Share, subject to the terms and conditions of this Program.

Share means a share of the Common Stock, as adjusted in accordance with Section 8.

Stock Exchange means any stock exchange or consolidated stock price reporting system on which prices for the Common Stock are quoted at any given time.

Year means the period (which may be less than 365 days) commencing on the date of, and immediately following, an Annual Meeting and ending on the date of, and immediately prior to, the next Annual Meeting.

3. *Stock Subject to this Program.*

Subject to the provisions of Section 8, the maximum aggregate number of Shares which may be issued under this Program in payment of the Restricted Stock Units granted to Non-Employee Directors is 500,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock. Shares that are subject to or underlie grants of Restricted Stock Units that for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under this Program shall again be available for subsequent grants under this Program.

4. *Administration; Non-Employee Director Compensation Under this Program.*

(a) ***Administrator.*** Except as otherwise required herein, this Program shall be administered by the Board.

(b) ***Cash Compensation.*** Each Non-Employee Director shall be paid a cash retainer of $50,000 per Year, payable in four equal quarterly installments. Unless otherwise determined by the Board, in its sole discretion, and subject to Section 4(d), in the event of the termination of a Non-Employee Director s Continuous Service as a Director prior to the next Annual Meeting for any reason, such Director shall not be entitled to any additional quarterly payments of cash compensation, *provided*, that, if such termination is due to resignation, death or disability, such Non-Employee Director (or his or her estate, as applicable) shall be entitled to prorated cash compensation for the quarter in which such termination occurs determined by multiplying (x) $12,500 by (y) a fraction, the numerator of which shall be the number of days up to and including the termination date, and the denominator of which shall be the total days in such quarter.

(c) ***Equity Compensation.*** All grants of Restricted Stock Units hereunder shall be automatic and non-discretionary and shall be made strictly in accordance with the following provisions:

(i) On the Effective Date and on the date of each Annual Meeting that occurs after the Effective Date and immediately following which a Non-Employee Director is serving on the Board, such Non-Employee Director automatically shall be granted a number of Restricted Stock Units equal to the number of Shares (rounded up to the closest whole share) with a Fair Market Value of $100,000. If a Non-Employee Director is appointed by the Board to fill a vacancy until the next Annual Meeting, then on the date of such Non-Employee Director s appointment, such Director automatically shall be granted a pro-rated number of Restricted Stock Units determined by multiplying (x) the number of Restricted Stock Units granted to Non-Employee Directors at the preceding Annual Meeting, by (y) a fraction, the numerator of which shall be the number of days on which such Non-Employee Director will serve as a member of the Board until the next Annual Meeting, and the denominator of which shall be 365.

(ii) Notwithstanding the provisions of subsection (i), in the event that the automatic grant of Restricted Stock Units on any given date would cause the number of Shares subject to outstanding grants plus the number of Shares previously delivered in respect of Restricted Stock Units granted under this Program to exceed the number of Shares reserved for issuance under this Program, then the number of Shares subject to any grant on such date shall be proportionately reduced. Any further automatic grants shall then be deferred until such time, if any, as additional Shares become available for grant under this Program through action of the stockholders to increase the number of Shares which may be issued under this Program or through cancellation or expiration of Restricted Stock Units previously granted hereunder. As such additional Shares become available, automatic grants of Restricted Stock Units with respect thereto shall be made pro rata to those Non-Employee Directors whose grants were reduced, and such grants of additional Restricted Stock Units shall vest in accordance with the vesting schedule applicable to the original grant.

(iii) Subject to Section 4(d), each Restricted Stock Unit granted to a Non-Employee Director pursuant to this Section 4(c) shall vest and become non-forfeitable on the date of the next following Annual Meeting immediately prior to the taking of the vote for the election of members of the Board (the **Vesting Date**). Subject to Section 4(d), in the event of the termination of a Non-Employee Director s Continuous Service as a Director prior to the next Annual Meeting due to resignation, death or disability, any Restricted Stock Units held by such Non-Employee Director as to which the restrictions in accordance with Section 4(c)(iii) have not lapsed prior to such termination shall vest automatically and become non-forfeitable on the termination date (which shall be treated as the Vesting Date) on a pro-rated basis determined by multiplying (x) the number of Restricted Stock Units granted to such Non-Employee Director by (y) a fraction, the numerator of which shall be the number of days on which such Non-Employee Director served as a member of the Board since the grant date of such Restricted Stock Units, and the denominator of which shall be 365 (or, if different, the number of days he or she would have served for the Year if his or her Board service had not terminated.) In the event of the termination of a Non-Employee Director s Continuous Service as a Director due to removal from the Board, any Restricted Stock Units held by such Non-Employee Director as to which the restrictions in accordance with Section 4(c) hereof have not lapsed prior to such termination automatically shall be forfeited as of the date of such termination.

(iv) Restricted Stock Units are bookkeeping entries only. A Non-Employee Director who is awarded Restricted Stock Units shall possess no incidents of ownership with respect to such Restricted Stock Units.

(v) Any Restricted Stock Units granted to a Non-Employee Director that become vested and non-forfeitable shall be paid on (or as soon as practicable after) the Vesting Date (***Payment Date***) by the Company s issuance to the Non-Employee Director of a number of Shares equal to the number of Restricted Stock Units that vested on the Payment Date, but in no event later than March 15 of the calendar year following the year in which the Vesting Date occurs in the case of any grant that is intended to qualify for the short-term deferral exception in Section 409A of the Code. The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Non-Employee Director. Neither the Non-Employee Director nor any of the Non-Employee Director s successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units that are so paid.

(vi) Notwithstanding clause (v) above, a Non-Employee Director who is granted Restricted Stock Units may make an election to defer receipt of all or any portion of the Shares otherwise issuable to him or her on the Payment Date for such grant. Any such election shall be made on a form and in accordance with procedures prescribed by the Board that comply with the requirements of Section 409A of the Code, as applicable, and the Board may permit Non-Employee Directors to make a special deferral election with respect to any grant (including the grant made on the Effective Date) to secure the benefit of any applicable transitional rule promulgated under Section 409A of the Code. In the event of any deferral election, the new payment date elected by the Non-Employee Director shall be the new Payment Date with respect to the Restricted Stock Units covered by the election.

(d) ***Meeting Attendance Requirement.*** If a Non-Employee Director does not attend at least 75% of the meetings of the Board and of the Board committees of which he or she is a member during a Year (or, in the case of a Non-Employee Director who is not a Director for the entire Year, the period of time during which he or she is a Director), he or she will forfeit the Director Cash Compensation and Restricted Stock Units payable for such Year. To the extent quarterly payments of Director Cash Compensation for such Year have been made, such Non-Employee Director shall remit promptly to the Company an amount equal to such payments. Notwithstanding the foregoing, the Board, in its sole discretion, may waive the meeting attendance requirement if it determines that extenuating circumstances precluded such attendance.

(e) ***Powers of the Board.*** Subject to the provisions and restrictions of this Program, the Board shall have the authority, in its sole discretion: (i) to determine, upon review of relevant information and in accordance with the provisions hereof, the Fair Market Value of the Common Stock; (ii) to interpret this Program; (iii) to prescribe, amend and rescind rules and regulations relating to the administration of this Program; (iv) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of Restricted Stock Units previously granted hereunder; and (v) to make all other determinations deemed necessary or advisable for the administration of this Program. The Board has discretion to accelerate the vesting of any or all awards of Restricted Stock Units granted under this Program in such circumstances as it, in its sole discretion, deems appropriate.

(f) ***Effect of Board s Decision.*** All decisions, determinations and interpretations of the Board shall be final and binding on all Non-Employee Directors and all other persons, including the estate of a Non-Employee Director.

(g) ***Suspension or Termination of Award of Restricted Stock Units.*** If the Board reasonably believes that a Non-Employee Director has committed an act of misconduct, the Board may suspend the Non-Employee Director s right to receive any Shares or other payment in respect of any Restricted Stock Units granted to such Non-Employee Director pending a determination by the Board. If the Board (excluding the Non-Employee Director accused of such misconduct) determines a Non-Employee Director has committed an act of embezzlement, fraud, dishonesty, nonpayment of an obligation owed to the Company, breach of fiduciary duty or deliberate disregard of the Company rules resulting in loss, damage or injury to the Company, neither the Non-Employee Director nor his or her estate shall be entitled to receive payment with respect to any Restricted Stock Units whatsoever. In making such determination, the Board shall give the Non-Employee Director an opportunity to appear and present evidence on the Non-Employee Director s behalf at a hearing before the Board or a committee of the Board.

5. *Eligibility.*

Restricted Stock Units may be granted only to Non-Employee Directors. All Restricted Stock Units shall be granted automatically in accordance with the terms set forth in Section 4(c). This Program shall not confer upon any Non-Employee Director any right with respect to continuation of service as a Non-Employee Director or nomination to serve as a member of the Board, nor shall it interfere in any way with any rights which the Non-Employee Director or the Company may have to terminate his or her directorship at any time.

6. *Term of Program.*

This Program shall continue in effect until June 1, 2016, unless extended or sooner terminated under Section 9.

7. *Non-transferability of Awards.*

Restricted Stock Units granted under this Program may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution or pursuant to a qualified domestic relations order (as defined by the Code or the rules thereunder). The designation of a beneficiary by a Non-Employee Director does not constitute a transfer.

8. *Adjustments upon Changes in Capitalization; Corporation Transactions.*

(a) ***Adjustments.*** Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Restricted Stock Unit, and the number of shares of Common Stock which have been authorized for issuance under this Program but as to which no grants of Restricted Stock Units have yet been granted or which have been returned to this Program upon forfeiture or cancellation of a grant, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; *provided*, *however*, that conversion of any convertible securities of the Company shall not be deemed to have been effected without receipt of consideration. Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to any Restricted Stock Units.

(b) ***Corporate Transaction.*** In the event of (i) a dissolution or liquidation of the Company, (ii) a sale of all or substantially all of the Company s assets or (iii) a merger, consolidation, share exchange or other transaction which results in the persons who own beneficially (as such terms are used in Section 13(d) and 14 (d) of the Exchange Act) 50% or more of the combined voting power of the Company immediately prior to such transaction failing to continue to own beneficially at least 50% of the combined voting power of the Company (or its respective successor or parent or corporation or other entity that survives such transaction), as the case may be, outstanding immediately after such transaction (each a ***Corporate Transaction***), all such Restricted Stock Units (A) to the extent that such Restricted Stock Units are not then vested and non-forfeitable, shall become vested and non-forfeitable, and (B) shall be paid in an equivalent number of Shares; *provided*, *however*, that payment shall be made in respect of a Corporate Transaction pursuant to the foregoing clause (B) only if such Corporate Transaction constitutes a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A(a)(2)(A)(v) of the Code; and *provided further*, that in the event the foregoing proviso is not satisfied, payment shall be made at the time otherwise provided herein unless otherwise permitted by Section 409A of the Code.

9. *Amendment and Termination of this Program.*

(a) ***Amendment and Termination.*** The Board may amend, alter, suspend, discontinue or terminate the Program or any portion thereof at any time; *provided*, that no such amendment, alteration, suspension, discontinuation or termination shall be made without stockholder approval if such approval is necessary to comply with all applicable laws or any applicable Stock Exchange requirement with which the Board intends this Program to comply or if such amendment constitutes a material amendment. For purposes of this Program, a material amendment shall mean an amendment that (i) materially increases the benefits accruing to Non-Employee Directors under this Program, (ii) materially increases the number of securities that may be issued under this Program, (iii) materially modifies the requirements for participation in this Program, or (iv) is otherwise deemed a material amendment by the Board pursuant to any applicable law or applicable accounting or Stock Exchange rules.

(b) ***Amendments to Awards of Restricted Stock Units.*** Without limiting any other express authority of the Board under (but subject to) the express limits of this Program, the Board may waive conditions of or limitations on Restricted Stock Units that the Board in the prior exercise of its discretion has imposed, without the consent of the Non-Employee Director, and may make other changes to the terms and conditions of such grants. Notwithstanding the foregoing, no amendment, suspension or termination of this Program or change of or affecting any outstanding grant shall, without written consent of the Non-Employee Director, affect in any manner materially adverse to such person any of his or her rights or benefits of such recipient or obligations of the Company under any grant prior to the effective date of such change. Changes, settlements and other actions contemplated by Section 8 shall not be deemed to constitute changes or amendments for these purposes

10. *Conditions upon Issuance of Shares.*

Shares shall not be issued pursuant to the payment of any Restricted Stock Units unless the payment thereof and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of applicable law, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, state securities laws, and the requirements of any Stock Exchange, and shall be further subject to the approval of counsel for the Company with respect to such compliance. As a condition to the payment of any Restricted Stock Units, the Company may require the person receiving payment to represent and warrant at the time of any such payment that the Shares are being acquired only for investment and without any present intention to sell or distribute such Shares, if, in the opinion of counsel for the Company, such a representation is required or advisable.

11. *Reservation of Shares.*

The Company, during the term of this Program, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of this Program. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company s counsel to be necessary to the lawful issuance of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue such Shares as to which such requisite authority shall not have been obtained.

12. ***Award Agreement.***

Awards of Restricted Stock Units may be evidenced by written agreements in such form as the Board shall approve. The Board need not require the execution of any such agreement by a Participant in which case acceptance of the award by the respective Participant will constitute agreement to the terms thereof.

13. *Unfunded Status of Program.*

This Program is intended to constitute an unfunded program for incentive compensation. With respect to any payments not then made to a Non-Employee Director by the Company, nothing contained herein shall give any such Non-Employee Director any rights that are greater than those of a general creditor of the Company.

14. *Governing Law.*

This Program and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Delaware, without giving effect to the conflict of laws principles thereof.

15. *Construction.*

This Program and any grant of Restricted Stock Units hereunder shall be construed, interpreted and administered to comply with Section 409A of the Code. The Company reserves the right to amend this Program and any such grant to the extent it reasonably determines is necessary in order to preserve the intended tax consequences of awards granted hereunder in light of Section 409A of the Code and any regulations or other guidance promulgated thereunder.

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ANNEX B

EMERGENCY MEDICAL SERVICES CORPORATION
2007 LONG-TERM INCENTIVE PLAN

The purposes of the Emergency Medical Services Corporation 2007 Long-Term Incentive Plan (the Plan) are to provide long-term incentives to those persons with responsibility for the success and growth of Emergency Medical Services Corporation, a Delaware corporation (the Company) and its subsidiaries, to associate more closely the interests of such persons with those of the Company s shareholders, to assist the Company and its subsidiaries in recruiting, retaining, and motivating a diverse and talented group of employees on a competitive basis. From and after the date hereof, the Plan shall be the sole plan or program by which equity is awarded to the Company s employees and no awards shall be made under any other plan or program now in existence, except the Emergency Medical Services Corporation 2007 Employee Stock Purchase Plan.

ARTICLE I.
DEFINITIONS

For purposes of the Plan:

1.1 *Award* means a grant of Options, Restricted Shares, Restricted Share Units, Stock Awards, Performance Shares, or any or all of them.

1.2 *Board* means the Board of Directors of the Company.

1.3 *Code* means the Internal Revenue Code of 1986, as amended.

1.4 *Committee* means the Compensation Committee of the Board (or any successor committee). The Committee shall be appointed by the Board and shall consist of at least three independent, outside members of the Board unless otherwise permitted by the rules of the New York Stock Exchange or any other principal securities exchange on which the Common Stock is then listed. The members of the Committee, in the judgment of the Board, shall constitute (a) non-employee directors as defined in Rule 16b-3 of the Securities and Exchange Act of 1934 and any rules and regulations of the principal stock exchange on which Common Stock is listed or quoted and (b) outside directors as defined in the regulations under Section 162(m) of the Code.

1.5 *Common Stock* means the class A common stock, par value $0.01 per share, of the Company.

1.6 *Company* means Emergency Medical Services Corporation, and any successor entity.

1.7 *Eligible Employees* means Employees of the Company and its domestic or international subsidiaries (including executive officers and officers of the Company).

1.8 *Eligible PA Employees* means employees of any professional association or professional corporation for which the Company or any of its subsidiaries provides management services pursuant to a physician services agreement.

1.9 *Employee* means any employee (as defined in accordance with Section 3401 of the Code) of the Company or any subsidiary thereof.

1.10 *Exercise Price* means the purchase price per share of Common Stock covered by an Option.

1.11 *Fair Market Value* on any date means the closing of the Company s shares of Common Stock on the date immediately preceding the day on which an Award is granted pursuant to the Plan, as reported on the principal exchange on which shares of Common Stock are then trading or, if the Common Stock is not publicly traded at any time, the Fair Market Value of a share shall be determined by the Board or the Committee, as applicable, in its sole discretion.

1.12 *Incentive Stock Option* or *ISO* means an Option satisfying the requirements of Section 422 of the Code and designated by the Committee as an ISO.

1.13 *Nonqualified Stock Option* or *NQSO* means an Option that does not satisfy the requirements of Section 422 of the Code or that is not intended to be an ISO.

1.14 *Option* means the right to purchase shares of Common Stock at a specified price per share for a specified period of time.

1.15 *Participant* means an individual who has received an Award under the Plan.

1.16 *Performance-Based Exception* means the performance-based exception (set forth in Section 162(m)(4)(C) of the Code) from the deductibility limitation imposed by Section 162(m) of the Code.

1.17 *Performance Goals* means the goals established by the Committee in accordance with Article IX hereof.

1.18 *Performance Measures* means the criteria set forth in Article X hereof that may be used by the Committee as the basis for a Performance Goal.

1.19 *Performance Period* means the period established by the Committee for which the achievement of Performance Goals is assessed in order to determine whether and to what extent a Performance Share has been earned.

1.20 *Performance Shares* means an Award, described in Article X hereof, of shares of Common Stock based on the achievement of Performance Goals during a Performance Period.

1.21 *Plan* means the Emergency Medical Services Corporation 2007 Long-Term Incentive Plan, as set forth herein and as amended from time to time.

1.22 *Restricted Shares* means an Award of shares of Common Stock, described in Article VII hereof, which may not sold or otherwise transferred until the date that the restrictions on transferability imposed by the Committee with respect to such shares have lapsed or as otherwise determined by the Committee.

1.23 *Restricted Share Units* means an Award, described in Article VIII hereof, of an amount, payable in cash, shares of Common Stock, or a combination thereof, as determined by the Committee, based on the value of a specified number of shares of Common Stock.

1.24 *SAR* means a Stock Appreciation Right, as described in Article VII hereof.

1.25 *Stock Award* means an Award, described in Article IX hereof, of shares of Common Stock, which shall be subject to such terms, conditions, and restrictions (if any) as the Committee shall determine.

ARTICLE II.
ELIGIBILITY

2.1 *Participation.* Any Eligible Employee may be granted an Option or other Award hereunder, provided that only employees may be granted an Incentive Stock Option, unless otherwise permitted pursuant to Section 422 of the Code. Any Eligible PA Employee may be granted a Stock Award.

ARTICLE III.
PLAN ADMINISTRATION

3.1 *Duties and Powers of the Committee.* It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and any agreements pursuant to which Awards are made, and to adopt such rules for

the administration, interpretation, and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. The Committee shall have the power, consistent with the terms of the Plan, to establish the terms and conditions of each Award under the Plan, including without limitation the effect of the termination of employment or service of a Participant under any circumstances. Awards under this Plan need not be the same with respect to each Participant. Any such interpretations and rules with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under this Plan except with respect to matters which under Rule 16b-3 or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee, provided that the Committee may delegate the right to determine the extent of the Award to any Participant to any member of management it deems appropriate, in its discretion.

3.2 *Majority Rule.* The Committee shall act by a majority of its members in attendance at a meeting at which a quorum is present or by a memorandum or other written instrument signed by all members of the Committee.

3.3 *Compensation; Professional Assistance; Good Faith Actions.* All expenses and liabilities which Committee members incur in connection with the administration of the Plan shall be borne by the Company. The Committee may, with the approval of the Board, employ attorneys, consultants, accountants, appraisers, brokers, or other persons. The members of Committee and the Board shall be entitled to rely on the information, opinions, reports or statements of any such persons as to matters which the member believes to be within such person s professional or expect competence. The Committee and the Board shall be entitled to rely on information, opinions, reports or statements prepared or presented by officers or employees of the Company whom the directors believe to be reliable and competent in the matters presented. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all Participants, the Company and all other interested persons. No members of the Board or Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or Awards granted under the Plan, and all members of the Board or Committee shall be fully protected and indemnified by the Company in respect of any such action, determination or interpretation so long as they act in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

ARTICLE IV.
SHARES SUBJECT TO THE PLAN

4.1 *Authorized Number of Shares.* Unless otherwise authorized by the Company s shareholders and subject to the terms and conditions of this Article IV and Article XII hereof, the maximum aggregate number of shares of Common Stock available for issuance under the Plan shall be (a) one million five hundred thousand (1,500,000) shares with respect to Awards to Eligible Employees, provided that any grant of Restricted Shares shall result in three (3) shares of Common Stock no longer being available for the grant of Options for each Restricted Share granted, plus (b) 500,000 shares with respect to Stock Awards to Eligible PA Employees. Any of the authorized shares of Common Stock may be used for any of the types of Awards described in the Plan.

4.2 *Share Counting.* The following rules shall apply in determining the number of shares of Common Stock remaining available for issuance under the Plan:

(a) When an outstanding Option or other Award (or portion thereof) expires, is canceled, is forfeited or is otherwise terminated for any reason without having been exercised or payment having been made in respect of the entire Option or other Award, the shares of Common Stock allocable to the expired, canceled, or otherwise terminated Option (or portion thereof) or other Award (or portion thereof) may again be available for issuance in respect of Options or other Awards granted under the Plan. Any such restored shares of Common Stock shall be available for issuance under the Plan pursuant to this Article IV.

(b) Any shares of Common Stock underlying Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or any subsidiary or with which the Company or any subsidiary combines, shall not, unless required by law or regulation, count against the reserve of available shares of Common Stock under the Plan.

4.3 *Shares to be Delivered.* The source of shares of Common Stock to be delivered by the Company under the Plan shall be determined by the Committee and may consist in whole or in part of authorized but unissued shares, treasury shares, or shares acquired on the open market.

ARTICLE V.
AWARD LIMITATIONS

Options may be granted, in the aggregate, to an Eligible Employee with respect to a maximum of 500,000 shares of Common Stock during a single Year. The maximum Award (excluding Options) that may be granted to any Eligible Employee for a Performance Period longer than one Fiscal Year shall not exceed the foregoing annual maximum multiplied by the number of full Fiscal Years in the Performance Period.

ARTICLE VI.
STOCK OPTIONS

6.1 *Grants.* Options may consist of ISOs or NQSOs, as the Committee shall determine.

6.2 *Option Terms.*

(a) *Committee Actions.* Except as otherwise provided herein, the Committee shall from time to time, in its sole discretion: (i) select which Eligible Employees shall be granted Options; (ii) determine the number of shares subject to each Option and its Exercise Price and vesting schedule; (iii) determine whether Options shall be subject to time vesting, performance vesting, or any combination thereof; (iv) determine whether an Option is to be an Incentive Stock Option or a Nonqualified Stock Option; and (v) determine the other terms and conditions of the Option, consistent with the Plan, including the effect of the termination of employment or termination of service of a Participant.

(b) *Exercise Price.* The Exercise Price shall be equal to the Fair Market Value of a share of Common Stock on the date the Option is granted.

(c) *Term.* The term of each Option shall be determined by the Committee, in its sole discretion, but in no event shall the term exceed ten years from the date of grant.

(d) *ISO Limits.* The aggregate Fair Market Value (determined as of the date the ISO is granted) of the shares of Common Stock with respect to which ISOs are exercisable for the first time by any Participant during any calendar year (under all plans of the Company (or of any parent or subsidiary company (within the meaning of Section 424 of the Code) of the Company)) shall not exceed $100,000 or such other amount as may subsequently be specified by the Code and/or applicable regulations, provided that if such limitation is exceeded, any Options in excess of such limitation shall be deemed to be NQSOs. ISOs shall contain such other provisions as the Committee shall deem advisable or necessary but shall in all events be consistent with and contain or be deemed to contain all provisions required in order to qualify as incentive stock options under Section 422 of the Code or any successor regulation.

6.3 *Manner of Exercise.* (a) An Option shall be exercised by delivery and receipt of a written notice to the Secretary of the Company, at the Company s principal executive office specifying the number of shares with respect to which the Option is being exercised, signed by the Optionee and accompanied by full payment therefor. Payment shall be in cash, by certified or bank check, or in the sole discretion of the Committee, through the delivery of shares of Common Stock owned by the Optionee for at least six months prior to the date of delivery, duly endorsed for transfer to the Company, having a Fair Market Value on the date of delivery equal to the aggregate Exercise Price; through a broker or other cashless exercise procedure; or through any combination of the foregoing or any other method approved by the Committee. A Participant may exercise an Option in whole or in part, from time to time, provided that an Option shall not be exercisable for less than one hundred (100) shares unless the number of Options so exercised constitutes the total number of Options then exercisable or the Committee determines otherwise, in its sole discretion.

(b) Before issuing Shares upon the exercise of an Option, the Committee shall have the discretion to require the Optionee to deliver such representations and documents as it deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act of 1933, as amended, and any other federal or state securities laws or regulations. The Committee may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars.

6.4 *Exercise Following Termination.* The Committee shall determine the extent, if any, to which an Option may be exercisable following a Participant s termination of employment under any circumstances, provided that such period shall be thirty (30) days following termination of employment for any reason except cause, provided further that the Committee shall be entitled to extend such period, in its sole discretion.

ARTICLE VII.
STOCK APPRECIATION RIGHTS

7.1 *Grant of Stock Appreciation Rights.* The Committee may grant a Stock Appreciation Right to an Eligible Employee (a) in connection and simultaneously with the grant of an Option, (b) with respect to a previously granted Option, or (c) independent of an Option. A SAR shall be subject to such terms and conditions not inconsistent with this Plan as the Committee shall impose, and shall be evidenced by a written Stock Appreciation Right Agreement, which shall be executed by the Grantee and an authorized officer of the Company. The Committee, in its discretion, may determine whether a SAR is to qualify as performance-based compensation as described in Section 162(m) of the Code, and Stock Appreciation Right Agreements evidencing SARs intended to so qualify shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code. Without limiting the generality of the preceding sentence, the Committee may, in its discretion and on such terms as it deems appropriate, require as a condition to the grant of a SAR that the Employee surrender for cancellation some or all of the unexercised Options, awards of Restricted Shares, SARs, or other rights which have been previously granted to him under this Plan or otherwise. A SAR, the grant of which is conditioned upon such surrender, may have an exercise price lower (or higher) than the exercise price of the surrendered Option or other award, may cover the same (or a lesser or greater) number or shares as such surrendered Option or other award, may contain such other terms as the Committee deems appropriate, and shall be exercisable in accordance with its terms, without regard to the number of shares, price, exercise period or any other term or condition of such surrendered Option or other award.

7.2 *Characteristics of Stock Appreciation Rights.*

(a) A SAR that is granted in connection with a particular Option (i) may be granted for no more than the number of shares of Common Stock subject to such Option, (ii) shall be exercisable only when and to the extent the related Option is exercisable, and (iii) shall entitle the Grantee (or other person entitled to exercise the Option) to surrender to the Company the unexercised portion of any then exercisable Option to which such SAR relates and to receive from the Company in exchange therefor an amount determined by multiplying the difference obtained by subtracting the exercise price of the option from the Fair Market Value of a share of Common Stock on the date of exercise of the SAR by the number of shares of Common Stock with respect to which the SAR shall have been exercised, subject to any limitations the Committee may impose.

(b) A SAR (i) which is independent of and not related to an Option shall be exercisable in such installments as the Committee may determine; shall cover such number of shares of Common Stock as the Committee may determine; and subject to Section 7.3, shall be exercisable only while the grantee is an Employee, and (ii) such SAR shall entitle the Grantee (or other person entitled to exercise the SAR) to exercise all or a specified portion of the SAR and to receive from the Company an amount determined by multiplying the difference obtained by subtracting the price per share at which the SAR was granted from the Fair Market Value of a share of Common Stock on the date of exercise of the SAR by the number of shares of Common Stock with respect to which the SAR shall have been exercised, subject to any limitations the Committee may impose.

7.3 *Exercise Following Termination of Employment.* Subject to the Committee s discretion, an Employee whose employment terminates while he or she is holding exercisable SARs shall be entitled to exercise such SARs for the same period as exercisable Options may be exercised pursuant to Article VI hereof (whether or not any such SARs were awarded in connection with any Option).

ARTICLE VIII.
RESTRICTED SHARES/RESTRICTED SHARE UNITS

8.1 *Awards.* The Committee may from time to time, in its sole discretion, award Eligible Employees Restricted Shares or Restricted Share Units, or both. The Committee may impose such terms, conditions, and/or restrictions on any Restricted Shares or Restricted Share Units granted, including: determining the purchase price, if any, for each Restricted Share or each Restricted Share Unit; forfeiture conditions; restrictions based upon the achievement of specific performance goals (as described in Article IX) hereof or otherwise); time-based restrictions on vesting; and/or restrictions under applicable federal or state securities laws. To the extent the Restricted Shares or Restricted Share Units are intended to be deductible under Section 162(m) of the Code, the applicable restrictions shall be based on the achievement of Performance Goals over a Performance Period.

(a) *Restricted Share Units.* Restricted Share Units shall be settled in cash, shares of Common Stock, or a combination of cash and Shares, as determined by the Committee. Any person who holds Restricted Share Units shall have no ownership interest in the shares of Common Stock to which such Restricted Share Units relate until and unless payment with respect to such Restricted Share Units is actually made in shares of Common Stock.

(b) *Transfer Restrictions.* During any period in which shares are subject to forfeiture, Restricted Shares may not be sold, assigned, transferred, or otherwise disposed of, or mortgaged, pledged, or otherwise encumbered. In order to enforce the limitations imposed upon the Restricted Shares, the Committee may (a) cause stop transfer instructions to be issued, and/or (b) cause a legend or legends to be placed on certificates (if any) evidencing such Restricted Shares, as the Committee deems necessary or appropriate. Restricted Share Units may not be sold, assigned, transferred, or otherwise disposed of, or mortgaged, pledged, or otherwise encumbered at any time.

(c) *Evidence of Interest in Shares.* Each Restricted Share issued pursuant to the Plan shall be evidenced by an interest in such Restricted Share registered in the name of the applicable Participant on the books and records of the Company or its designee (or by one or more physical certificates if physical certificates are issued with respect to such Restricted Share), subject, in any such case, to any transfer restrictions imposed by the Committee. If a Restricted Share is forfeited, such interest or certificate, as the case may be, shall be canceled. When Restricted Shares are no longer subject to forfeiture, the Company shall cause the applicable transfer restrictions to be removed with respect to any shares of Common Stock to which the Participant is then entitled. No interest shall be recorded (and no physical certificate shall be issued) with respect to a Restricted Share Unit unless and until such Restricted Share Unit is paid in shares of Common Stock.

ARTICLE IX.
STOCK AWARDS

(a) *Grants.* Subject to the terms and conditions of the Plan, the Committee may award shares of Common Stock to Eligible Employees or may sell shares or offer to sell shares to Eligible Employees or Eligible PA Employees. Stock Awards to Eligible Employees may be granted either alone or in addition to other Awards made under the Plan.

(b) *Terms and Conditions.* The Committee shall determine the terms and conditions governing each Stock Award which may include, without limitation, the purchase price, if any, for such shares, restrictions on transferability, restrictions concerning voting rights, restrictions based on duration of employment with, or service to, the Company (or in the case of an Eligible PA Employee, to his or her professional association or professional corporation), provided, however, that by a resolution adopted after an Award is made, the Committee may, on such terms and conditions as it may determine to be appropriate, remove any or all of the restrictions previously imposed by it.

(c) *Rights as Shareholders.* To the extent that a Participant purchases shares or exercises a right to purchase shares, unless otherwise provided by the Committee, the Participant shall have all the rights of a Stockholder with respect to such shares, including the right to receive all dividends and other distributions paid or made with respect to such shares, provided, however, that to the extent that the shares purchased are still subject to restrictions described in Section 7(b), such shares shall be treated in the same manner as Restricted Stock until such restrictions lapse or are removed.

ARTICLE X.
PERFORMANCE SHARES

10.1 *Grants.* The Committee may grant Performance Shares to Eligible Employees either alone or in addition to other Awards made under the Plan.

10.2 *Performance Goals.* Performance Shares shall be conditioned on the achievement of Performance Goals (based on one or more Performance Measures, as determined by the Committee in its sole discretion) over a Performance Period.

10.3 *Performance Measures.* The Performance Measure(s) to be used for purposes of Performance Shares shall be determined by the Committee and may be described in terms of objectives that are related to the individual Participant or objectives that are Company-wide or related to a subsidiary, division, department, region, function or business unit of the Company, and may include, but not be limited to, one or more or any combination of the following criteria:

- Income measures (including gross profit, operating income, earnings before or after taxes, net income, or earnings per share);
- Return measures (including return on assets, investment, equity, or sales);
- Cash flow;
- Costs;

- Revenue measures;
- Stock price (including growth measures and total shareholder return); and
- Individual performance.

The Performance Goals based on these Performance Measures may be expressed either in absolute terms or in relation to the performance of other entities.

10.4 *Negative Discretion.* Notwithstanding the achievement of any Performance Goal established under the Plan, the Committee has the discretion to reduce some or all of the Performance Shares that would otherwise be paid to a Participant.

10.5 *Extraordinary Events.* At any time (or from time to time) after an Award is granted, and to the extent permitted under Section 162(m) of the Code and the regulations thereunder without adversely affecting the treatment of the Award under the Performance-Based Exception, the Committee, in its sole discretion, may provide for the manner in which performance will be measured against the Performance Goals (or may adjust the Performance Goals) to reflect the impact of specific corporate transactions, accounting or tax law changes, and other extraordinary and nonrecurring events.

10.6 *Interpretation.* With respect to any Award that is intended to satisfy the conditions for the Performance-Based Exception under Section 162(m) of the Code: (a) the Committee shall interpret the Plan and this Article IX in light of Section 162(m) of the Code and the regulations thereunder; (b) the Committee shall have no discretion to amend the Award in any way that would adversely affect the treatment of the Award under Section 162(m) of the Code and the regulations thereunder; and (c) such Award shall not be paid until the Committee shall first have certified that the Performance Goals have been achieved.

ARTICLE XI.
STOCKHOLDERS AGREEMENT

11.1 As a condition to the grant of an Option or Award hereunder, each Participant shall execute and return any document required by the Committee, including but not limited to a stockholders agreement, and each Participant acknowledges that all Options and all Stock acquired by him or her pursuant to an Award, will be subject to the terms and conditions any such document or documents.

ARTICLE XII.
DILUTION AND OTHER ADJUSTMENTS

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, combination, or exchange of shares or other change in corporate structure affecting any class of Common Stock, the Committee shall make such adjustments in the class and aggregate number of shares that may be delivered under the Plan as described in Article IV hereof, the individual Award maximums under Article V hereof, the class, number, and Exercise Price of outstanding Options, and the class and number of shares subject to any other Awards granted under the Plan, as may be determined to be appropriate by the Committee, and any such adjustment may, in the sole discretion of the Committee, take the form of Awards covering more than one class of Common Stock. Such adjustment shall be conclusive and binding for all purposes of the Plan.

ARTICLE XIII.
MISCELLANEOUS PROVISIONS

(a) *Rights as Shareholder.* Except as otherwise provided herein, a Participant shall have no rights as a holder of Common Stock with respect to Awards hereunder, unless and until interests in, or certificates evidencing, shares of Common Stock are issued to the Participant.

(b) *No Loans.* No loans from the Company or any of its subsidiaries to Participants shall be permitted in connection with the Plan.

(c) *No Assignment or Transfer.* Except as expressly permitted by the Committee, no Award shall be transferred by the recipient otherwise than by will or by the laws of descent and distribution. During the lifetime of the recipient an Award, to the extent exercisable, shall be exercisable only by such recipient, by the recipient s legal representative or by a transferee permitted under the terms of the grant of the Award. Once awarded, the shares of Common Stock (other than Restricted Shares) received by Participants may be freely transferred, assigned, pledged, or otherwise subjected to lien, subject to the restrictions imposed by the Securities Act of 1933, Section 16 of the Securities Exchange Act of 1934, and the Company s Securities Trading Policy, as such policy may be amended from time to time.

(d) *Withholding Taxes.* The Company shall have the right to deduct from all Awards paid in cash (and any other payment hereunder) any federal, state, local, or foreign taxes required by law to be withheld with respect to such Awards and, with respect to Awards paid in shares of Common Stock or upon the exercise of Options, to require the payment (through withholding from the Participant s salary or otherwise) of any such taxes. Subject to the approval of the Committee, with respect to any withholding required upon the exercise of Options, upon the lapse of restrictions on Restricted Shares, or upon any other taxable event arising as a result of Awards granted hereunder, a Participant may elect to satisfy the withholding requirement, in whole or in part, by having the Company withhold shares of Common Stock having a Fair Market Value on the date as of which the tax is to be determined equal to the minimum statutory withholding tax that could be imposed on the transaction. All such elections shall be irrevocable and shall be subject to any restrictions or limitations that the Committee, in its discretion, deems appropriate.

(e) *No Rights to Awards.* Neither the Plan nor any action taken hereunder shall be construed as giving any person any right to be retained in the employ or service of the Company or any subsidiary, and the Plan shall not interfere with or limit in any way the right of the Company or any subsidiary to terminate any person s employment or service at any time. Except as set forth herein, no employee or other person shall have any claim or right to be granted an Award under the Plan. By accepting an Award, the Participant acknowledges and agrees that (i) the Award shall be exclusively governed by the terms and conditions of the Plan, and any award agreement governing such right, including the right reserved by the Company to amend or cancel the Plan at any time without the Company incurring liability to the Participant (except, to the extent that the terms of the Award so provide, for Awards already granted under the Plan), (ii) Awards are not a constituent part of salary and the Participant is not entitled, under the terms and conditions of employment, or by accepting or being granted Awards under the Plan to require Awards to be granted to him or her in the future under the Plan or any other plan, (iii) the value of Awards received under the Plan shall be excluded from the calculation of termination payments or other severance payments, and (iv) the Participant shall seek all necessary approval under, make all required notifications under, and comply with all laws, rules, and regulations applicable to the ownership of Options and shares of Common Stock and the exercise of Options, including currency and exchange laws, rules, and regulations.

(f) *Beneficiary Designation.* To the extent allowed by the Committee, each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named on a contingent or successive basis) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Unless the Committee determines otherwise, each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and shall be effective only when filed by the Participant with the Company or its designee during the Participant s lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant s death shall be paid to the Participant s estate.

(g) *Costs and Expenses.* The cost and expenses of administering the Plan shall be borne by the Company and shall not be charged to any Award or to any Participant.

(h) *Fractional Shares.* Fractional shares of Common Stock shall not be issued or transferred under an Award, but the Committee may direct that cash be paid in lieu of fractional shares or may round off fractional shares, in its discretion.

(i) *Funding of Plan.* The Company shall not be required to establish or fund any special or separate account or to make any other segregation of assets to assure the payment of any Award under the Plan.

(j) *Successors.* All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

(k) *Gender and Number.* Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, any feminine term used herein shall include the masculine, and the plural shall include the singular and the singular shall include the plural.

(l) *Severability.* If any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

(m) *Requirements of Law.* The granting of Awards and the issuance of shares of Common Stock under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(n) *Rules of Construction.* Whenever any provision of the Plan refers to any law, rule, or regulation, such provision shall be deemed to refer to the law, rule, or regulation currently in effect and, when and if such law, rule, or regulation is subsequently amended or replaced, to the amended or successor law, rule, or regulation. The term including shall be deemed to include the words including without limitation.

ARTICLE XIV.
EFFECTIVE DATE, GOVERNING LAW, AMENDMENTS, AND TERMINATION

(a) *Effective Date.* The Plan was approved by the Board on April 4, 2007, subject to the approval of the Company s shareholders, and shall become effective on the date it is so approved.

(b) *Amendments.* The Committee may at any time terminate or from time to time amend the Plan in whole or in part, but no such action shall adversely affect any rights or obligations with respect to any Awards granted prior to the date of such termination or amendment except to the extent that the Committee reasonably determines that such termination or amendment is necessary or appropriate to comply with applicable law (including the provisions of the Code (and the regulations thereunder) pertaining to the deferral of compensation) or the rules and regulations of any stock exchange on which Common Stock is listed or quoted. Notwithstanding the foregoing, unless the Company s shareholders shall have first approved the amendment, no amendment of the Plan shall be effective if the amendment would (i) increase the maximum number of shares of Common Stock that may be delivered under the Plan or to any one individual, (ii) extend the maximum period during which Awards may be granted under the Plan, (iii) add to the types of awards that may be made under the Plan, (iv) change the Performance

Measures pursuant to which Performance Shares are earned, (v) modify the requirements as to eligibility for participation in the Plan, or (vi) require shareholder approval pursuant to the Plan, applicable law, or the rules of the principal securities exchange on which shares of Common Stock are traded in order to be effective.

(c) *Governing Law.* All questions pertaining to the construction, interpretation, regulation, validity, and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of Delaware without giving effect to conflict of laws principles, except to the extent superseded by federal law.

(d) *Termination.* No Awards shall be made under the Plan after the day before the tenth anniversary of the Effective Date.

ANNEX C

EMERGENCY MEDICAL SERVICES CORPORATION

2007 EMPLOYEE STOCK PURCHASE PLAN

1. ***Purpose of the Plan.*** The purpose of the Plan is to provide employment incentive through a capital accumulation opportunity, link employee and shareholder interests, and provide an opportunity for employees of the Company and its Participating Subsidiaries to purchase Common Stock through payroll deductions. The Company intends that the Purchase Rights granted under the Plan be considered options issued under an employee stock purchase plan, as that term is defined in Section 423(b) of the Code.

2. ***Definitions.***

Board means the Company s Board of Directors.

Code means the Internal Revenue Code of 1986, as amended from time to time.

Change-in-Control means the happening of any of the events that would constitute a Change in Control under the Award Agreements evidencing grants made pursuant to the Emergency Medical Services Corporation 2007 Long-Term Incentive Plan.

Committee means the Compensation Committee of the Board.

Common Stock means the Class A Common Shares, $.0.01 par value of the Company.

Company means Emergency Medical Services Corporation, a Delaware corporation.

Compensation means annual base salary during a Purchase Period and does not include any bonus, severance or overtime payment, disability payment, contributions to an employee benefit plan or other similar payment or contribution.

Continuous Status as an Employee means the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of (i) sick leave, (ii) military leave, (iii) any other leave of absence approved by the Company, provided that such leave is for a period of not more than ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time, or (iv) in the case of transfers between locations of the Company or between the Company and its Participating Subsidiaries.

Employee means any person, including an officer, who is an employee of the Company or one of its Participating Subsidiaries for tax purposes and who is employed at least sixty (60) days prior to the Grant Date of an Offering (or such shorter period as the Company, in its sole discretion, may determine).

Expiration Date means the last day of an Offering as designated by the Committee, which, in any event, shall not be more than twenty-seven (27) months after the Grant Date.

Fair Market Value shall mean on any date, with respect to a share of Common Stock, the closing price of a share of Common Stock as reported by the Consolidated Tape of New York Stock Exchange Listed Shares on such date, or, if no shares were traded on such Exchange on such date, on the next date on which the Common Stock is traded.

Grant Date means the first business day of each Purchase Period of the Plan.

Offering means the grant of Purchase Rights under the Plan.

Participating Subsidiary means the Subsidiaries that have been designated by the Committee or the Board from time to time in its sole discretion as eligible to participate in one or more Offerings under the Plan; provided, however, that the Committee shall only have the discretion to designate Subsidiaries if the

grant of Purchase Rights to such Subsidiary Employees pursuant to the Plan would not cause the Company to incur material adverse accounting charges.

Plan means the Emergency Medical Services Corporation 2007 Employee Stock Purchase Plan, a plan intended to qualify under Section 423 of the Code.

Purchase Period means the period of an Offering beginning on the Grant Date and ending on the Expiration Date.

Purchase Rights means rights to purchase shares of Common Stock under the Plan on the terms or conditions set forth herein and as determined by the Committee as provided hereunder.

Subsidiary means any corporation in an unbroken chain of corporations beginning with (and including) the Company in which each corporation other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or as otherwise defined in Section 424(f) of the Code.

3. **Administration of the Plan.**

(a) The Committee shall administer the Plan unless and until the Board delegates administration to another committee, as provided in Section 3(c), provided, however, that, even though the Board has delegated administration to the Committee, the Board shall have the final power to determine all questions of policy and expediency that may arise in the administration of the Plan.

(b) The Committee shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine when and how Purchase Rights to purchase shares of Common Stock shall be granted and the provisions of each Offering of such Purchase Rights (which need not be identical).

(ii) To designate from time to time which Subsidiaries of the Company shall be Participating Subsidiaries.

(iii) To construe and interpret the Plan and Purchase Rights granted under the Plan, and to establish, amend and revoke rules and regulations for the administration of the Plan. The Committee, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iv) Generally, to exercise such powers and to perform such acts as it deems necessary or expedient to promote the best interests of the Company and the Participating Subsidiaries and to carry out the intent that the Plan be treated as an employee stock purchase plan for purposes of Section 423 of the Code.

(v) The Committee may adopt any sub-plans applicable to residents of any specified foreign jurisdiction as it deems necessary or appropriate in order to comply with or take advantage of any applicable tax or other laws in such jurisdiction or to otherwise facilitate the administration of the Plan.

(c) The Board may delegate administration of the Plan to a Committee of the Board other than the Compensation Committee composed of at least three members of the Board who are independent outside members of the Board unless otherwise permitted by the rules of the New York Stock Exchange or any other principal securities exchange on which the Common Stock is then listed. The members of the Committee, in the judgment of the Board, shall constitute (a) non-employee directors, as defined in Rule 16b-3 of the Securities and Exchange Act of 1934 and any rules and regulations of the principal stock exchange on which Common Stock is listed or quoted and (b) outside directors as defined under Section 162(m) of the Code.

4. ***Participation in the Plan.*** The individuals who shall be eligible to receive grants of Purchase Rights under an Offering shall be all Employees of the Company or of any Participating Subsidiary who are so employed by the Company or Participating Subsidiary on the Grant Date of such Offering; provided, however, that no individual shall be eligible to effect a purchase under an Offering if immediately thereafter and after giving effect thereto, the aggregate value or voting power of all shares of stock of the Company and any Subsidiary then owned by such individual, either directly or indirectly, within the meaning of the applicable sections of the Code and including all shares of stock with respect to which such individual holds options, would equal or exceed in the aggregate five percent (5%) of the total value or combined voting power of all classes of stock of the Company or any Subsidiary. Notwithstanding the foregoing, unless otherwise provided by the Committee, an Employee shall not be eligible to be granted Purchase Rights in an Offering unless, on the Offering Date, (i) such Employee has been in the employ of the Company or a Subsidiary for such continuous period preceding such Offering Date as the Committee may require, but in no event shall such required period be greater than two years, or (ii) such Employee s customary employment with the Company or a Subsidiary is more than twenty (20) hours per week and more than five months per calendar year.

5. ***Stock.***

(a) The stock subject to an Offering shall be authorized but unissued shares of Common Stock, or shares that have been bought on the open market at prevailing market prices or otherwise. Subject to adjustment in accordance with the provisions of paragraph 11(f) hereof, the total number of shares of Common Stock which may be the subject of Offerings under the Plan shall not exceed in the aggregate 500,000 shares.

(b) In the event that any shares of Common Stock, which are the subject of an Offering, are not purchased, such unpurchased shares of Common Stock may again be available for subsequent Offerings.

6. ***Number of Shares That an Employee May Purchase.***

(a) An eligible Employee may elect to purchase through payroll deductions under an Offering a number of whole shares of Common Stock determined by the Committee from time to time.

(b) The number of whole shares of Common Stock that a participating Employee may purchase on the Expiration Date shall be determined by dividing such Employee s contributions accumulated prior to such Expiration Date and retained in such Employee s account as of the Expiration Date by the applicable purchase price; provided, however, that such purchase shall be subject to the limitations set forth in this Section 6.

(c) Notwithstanding the foregoing provisions of the Plan, no eligible Employee may elect to purchase under Offerings in any single calendar year a number of whole shares of Common Stock which, together with all other shares in the Company and Subsidiaries which the Employee may be entitled to purchase in such year pursuant to an Offering and under any other employee stock purchase plan, as defined in Section 423 of the Code, has an aggregate fair market value (measured in each case as of the Grant Date) in excess of $25,000.

7. ***Participation.***

(a) An eligible Employee may become a participant in the Plan by completing a subscription agreement and any other required documents provided by the Company and submitting them in the form and manner designated by the Company.

(b) Unless otherwise determined by the Company, payroll deductions in respect of an Offering shall commence on the first full payroll period beginning on or after the Grant Date of such Offering and shall end on the last payroll period ending prior to the Expiration Date of such Offering, unless sooner terminated by the participating Employee as provided in Section 10.

8. ***Method of Payment of Contributions.***

(a) A participating Employee shall elect to have payroll deductions made on each payday during the Offering in whole percentages from one percent (1%) to, and not exceeding, fifteen percent (15%), or such lower amount specified by the Committee for such Offering, of such participating Employee s Compensation during the Offering. All payroll deductions made by a participating Employee shall be credited to his or her account under the Plan. A participating Employee may not make any additional payments into such account.

(b) A participating Employee may discontinue his or her participation in the Plan as provided in Section 10.

(c) Notwithstanding the foregoing, to the extent necessary to comply with the limitations set forth in Section 423(b)(8) of the Code and Section 6 hereof, the Company may cause a participant s payroll deductions to be decreased in respect of an Offering year to zero percent (0%).

9. ***Exercise of Purchase Rights.*** Unless a participating Employee withdraws from the Plan as provided in Section 10, his or her right to purchase whole shares in any Offering will be exercised automatically on each Expiration Date of an Offering, and the maximum number of whole shares subject to the Purchase Right will be purchased at the applicable purchase price with the accumulated contributions in his or her account.

10. ***Voluntary Withdrawals; Termination of Employment.***

(a) Prior to each Offering, the Committee shall determine, in its sole discretion, whether and when a participating Employee may withdraw all but not less than all the contributions credited to his or her account under the Plan prior to the Expiration Date of an Offering by notifying the Company in the form and manner designated by the Company. To the extent that such a withdrawal is permitted, all of the withdrawing participating Employee s contributions credited to his or her account will be paid to him or her without interest not later than sixty (60) days after receipt of his or her notice of withdrawal and his or her Purchase Right for the then current Offering will be automatically terminated, and no further contributions for the purchase of Common Stock will be permitted or made during the Offering.

(b) Upon termination of the participating Employee s Continuous Status as an Employee prior to the Expiration Date of an Offering for any reason, whether voluntary or involuntary, including retirement or death, the contributions credited to his or her account will be returned to him or her or, in the case of his or her death, to the Employee s estate, and his or her Purchase Right will be automatically terminated.

(c) A participating Employee s withdrawal from an Offering will not have any effect upon his or her eligibility to participate in a succeeding Offering or in any similar plan that may hereafter be adopted by the Company.

11. ***Terms and Conditions of Offerings.***

(a) General:

The Offerings shall be in such form as the Committee shall from time to time approve, and shall contain such terms and conditions as the Committee shall prescribe not inconsistent with the Plan.

(b) Maximum Number of Shares:

The Committee shall specify a maximum number of shares of Common Stock that may be purchased by any participating Employee during an Offering, and in connection with each Offering made may specify a maximum aggregate number of shares of Common Stock that may be purchased by all participating Employees pursuant to such Offering. If the aggregate purchase of shares of Common Stock issuable upon exercise of Purchase Rights granted under the Offering would exceed any such maximum aggregate number, then, in the absence of any Committee action otherwise, a pro rata allocation of the shares of Common Stock available shall be made in as nearly a uniform manner as shall be practicable and equitable.

(c) Purchase Price:

The purchase price per share will be established by the Committee for each offering but in no event will the purchase price per share be less than eighty-five percent (85%) of the lower of the Fair Market Value of a share of Common Stock on the Grant Date and the Expiration Date.

(d) Term of Offerings:

Each Offering shall commence on the Grant Date and terminate, subject to earlier termination by the Committee, on the Expiration Date.

(e) Employee s Purchase Directions:

Each Offering shall provide that the participating Employee at the conclusion of the Purchase Period may purchase all of the whole shares purchasable in such Offering with the contributions credited to such Employee s account unless such Employee shall, in the manner provided for in the Offering, notify the Company as set forth in Section 10 that the Employee does not desire to purchase any of such shares.

(f) Change-in-Control:

In the event of a Change-in-Control, then: (i) any surviving or acquiring corporation may continue or assume Purchase Rights outstanding under the Plan or may substitute similar rights (including a right to acquire the same consideration paid to stockholders in the Change-in-Control) for those outstanding under the Plan, or (ii) if any surviving or acquiring corporation does not assume such Purchase Rights or does not substitute similar rights for Purchase Rights outstanding under the Plan, then the Committee, in its sole discretion may (i) close the Offering Period early and permit the Participants accumulated payroll deductions to be used to purchase shares of Common Stock immediately prior to the Change-in-Control under the ongoing Offering, and the Participants Purchase Rights under the ongoing Offering shall terminate immediately after such purchase; or (ii) terminate such Offering and refund the Participants accumulated payroll deductions.

(g) Adjustments:

In the event that the Committee shall determine that any stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, offering to purchase Common Stock at a price substantially below Fair Market Value, or other similar event affects the Common Stock such that an adjustment is required in order to preserve or prevent an enlargement of the benefits or potential benefits intended to be made available under this Plan, then the Committee shall, in its sole discretion, and in such manner as the Committee may deem equitable, adjust any or all of (1) the number and kind of shares which thereafter may be made the subject of

Offerings under the Plan, (2) the number and kind of shares subject to outstanding Offerings and (3) the purchase price with respect to any of the foregoing and/or, if deemed appropriate, make provision for a cash payment to a person who has outstanding Purchase Rights provided, however, that the number of shares subject to any such Purchase Rights shall always be a whole number.

(h) Assignability:

No rights hereunder shall be assignable or transferable.

(i) Employee s Agreement:

If, at the time of the purchase of shares which are covered by Purchase Rights under an Offering, in the opinion of counsel for the Company, it is necessary or desirable, in order to comply with any applicable laws or regulations relating to the sale of securities, that the Employee purchasing such shares shall agree that such Employee will purchase such shares for investment and not with any present intention to resell the same, the Employee will, upon the request of the Company, execute and deliver to the Company an agreement to such effect. The Company may also require that a legend setting forth such investment intention be stamped or otherwise written on the certificates for shares purchased pursuant to the Plan.

(j) Rights as a Shareholder:

An Employee who has been granted Purchase Rights hereunder shall have no rights as a shareholder with respect to shares covered by such Purchase Rights until the date of the issuance of the shares to the Employee. No adjustment will be made for dividends or other rights for which the record date is prior to the date of such issuance. For purposes of the Plan, the Company, in lieu of the issuance of certificates, may utilize a book entry account system for recording ownership of shares of Common Stock, subject to the rules generally applicable to such system.

(k) Interest:

No interest shall accrue on payroll deductions made under or pursuant to the Plan or any Offering hereunder.

12. ***Term of Plan.*** No grant of Purchase Rights shall be made before the approval of the Plan by the Company s shareholders, or after the earliest of (a) the day before the tenth anniversary of such approval, (b) all Common Stock subject to the Plan has been issued, or (c) the Board terminates the Plan pursuant to Section 13.

13. ***Amendments and Termination Plan.*** The Plan is wholly discretionary in nature. As such, the Board may, in its sole discretion, from time to time alter, amend, suspend, or terminate the Plan or alter or amend any and all Purchase Rights or terminate any Offering; provided, however, that no such action of the Board may, without the approval of the shareholders, make any amendment for which shareholder approval is necessary to comply with any tax or regulatory requirement with which the Committee has determined it is necessary or advisable to have the Company comply. Subject to the limitations in this Section 13 relating to shareholder approval, the Committee may, in its sole discretion, make such amendment or modification to the Plan or any Purchase Rights granted hereunder as is necessary or desirable to comply with, or effectuate administration of, the Plan under the laws, rules or regulations of any foreign jurisdiction, the laws of which may be applicable to the Plan or its participants hereunder.

14. ***Application of Funds.*** The proceeds received by the Company from the sale of the Common Stock pursuant to an Offering will be used for general corporate purposes.

15. ***Governing Law.*** The Plan and all Offerings shall be construed in accordance with and governed by the laws of the state of Delaware, without regard to the choice of law rules thereunder.

16. ***Additional Restrictions of Rule 16b-3.*** The terms and conditions of Purchase Rights granted hereunder to, and the purchase of shares of Common Stock by, persons subject to Section 16 of the Exchange Act shall comply with the applicable provisions of Rule 16b-3 thereunder. The Plan shall be deemed to contain, and such Purchase Rights shall contain, and the shares of Common Stock issued upon exercise thereof shall be subject to, such additional conditions and restrictions as may be required by such Rule 16b-3 to qualify for the maximum exemption from such Section 16 with respect to Plan transactions.

EMERGENCY MEDICAL SERVICES CORPORATION

6200 S. Syracuse Way, Suite 200

Greenwood Village, CO 80111

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned stockholder of EMERGENCY MEDICAL SERVICES CORPORATION, a Delaware corporation, hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement, each dated April 16, 2007, and hereby appoints each of Randel G. Owen and Todd G. Zimmerman, proxy and attorney-in-fact, with full power of substitution, on behalf and in the name of the undersigned, to represent the undersigned at the 2007 Annual Meeting of Stockholders of EMERGENCY MEDICAL SERVICES CORPORATION to be held on May 15, 2007 at 10:00 a.m., Mountain Daylight Time at The Inverness Hotel, Englewood, Colorado, and at any adjournment or postponement thereof, and to vote all shares of Common Stock which the undersigned would be entitled to vote if then and there personally present, on the matters set forth on this proxy card. These proxies are authorized to vote in their discretion upon such other business as may properly come before the 2007 Annual Meeting of Stockholders or any adjournment or postponement thereof.

ANNUAL MEETING OF STOCKHOLDERS OF

EMERGENCY MEDICAL SERVICES CORPORATION

May 15, 2007

10:00 a.m. (Mountain Daylight Time)

Please date, sign and mail your proxy card in the envelope provided as soon as possible.

Please detach along perforated line and mail in the envelope provided.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSALS 1, 2, 3, 4 and 5.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

1. Election of Directors:

	NOMINEES:	
o **FOR ALL NOMINEES**	O	Steven B. Epstein
	O	Paul B. Iannini, M.D.
o **WITHHOLD AUTHORITY FOR ALL NOMINEES**	O	James T. Kelly
o **FOR ALL EXCEPT** (See instructions below)		

INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here

		FOR	AGAINST	ABSTAIN
2.	Approval of the Non-Employee Director Compensation Program	o	o	o
3.	Approval of the Long-Term Incentive Plan	o	o	o
4.	Approval of the 2007 Employee Stock Purchase Plan	o	o	o
5.	Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2007.	o	o	o

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. o

Signature of Stockholder	Date:	Signature of Stockholder	Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.