CITY COUNCIL MEETING
October 20, 1993

REPORT BY LIFE MEDICAL INDUSTRIES REGARDING MERGER

The City Council received a report by Mike Nilssen, Life Medical Industries, regarding the ambulance company merger.

FILE NO. CC-6 AND CC-22(d)

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MONTGOMERY SECURITIES

Vol. 24

BASIC REPORT
HEALTH CARE SERVICES

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July 22, 1993
DJIA: 3525
S&P 500: 445

AMERICAN MEDICAL RESPONSE

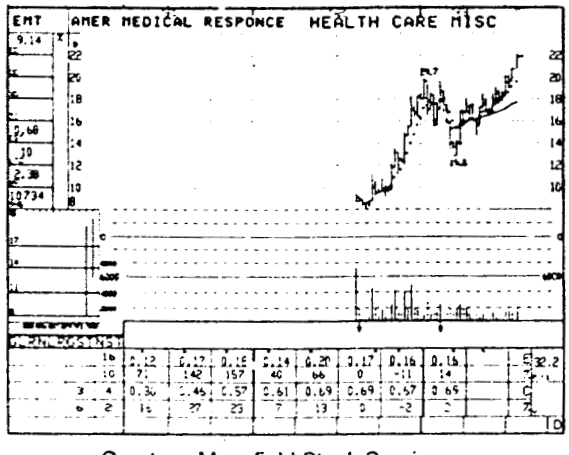
Rating: BUY

Traded:	NYSE: EMT
Recent Price:	$20-5/8
12 Mo. Price Range:	$23-8
Capitalization (3/31/93)	
Total Debt:	$12.8 million
Shareholders' Equity:	$41.2 million
Common Shares O/S:	10.8 million
Book Value/Share:	$3.81
Return on Avg. Equity:	20%

Fiscal Year Ending 11/30		
Year	EPS	P/E
1992	$0.67	30.8
1993E	$0.80	25.8
1994E	$1.07	19.3
Est. 1992-1995 Annualized Growth Rate:		30%
Dividend/Yield:		None

Quarterly EPS			
	1992A	1993	1994E
Q1	$0.12	$0.16A	$0.25
Q2	0.18	0.18E	0.26
Q3	0.20	0.22E	0.27
Q4	0.17	0.24E	0.29
Year	$0.67	$0.80	$1.07

- We have initiated coverage of American Medical Response with a rating of **BUY**.
- EMT is the leading private provider of 911 emergency response/pre-hospital care and general ambulance services in the country.
- Expenditures in the emergency transport and general ambulance market are expected to reach $4.5-5.0 billion in 1993 with internal growth rates of approximately 10%. The private sector of the ambulance service market is consolidating rapidly as municipalities and large payer groups seek out cost effective regional and national providers to deliver increasingly sophisticated levels of care and to meet more stringent response time goals.
- EMT has taken the lead in the race to consolidate the ambulance service sector by aggressively pursuing the acquisition of key strategic operators in attractive markets. Since its initial public offering in August 1992, the company is ahead of schedule in acquiring core properties having closed seven acquisitions with annual revenues exceeding $75 million and signing a letter of intent to acquire one additional provider with annual revenues exceeding $50 million.
- Our calendar 1993 EPS estimate is $0.80, increasing to $1.07 in 1994. At $20-5/8, the stock is trading at 26x our 1993 estimate and 19x our 1994 estimate. Based on a secular growth in earnings of 30%, we have established a 12-month price range target of $23.00-25.00 (+12-21%).



Courtesy Mansfield Stock Service, Jersey City, New Jersey

Summary and Investment Conclusion

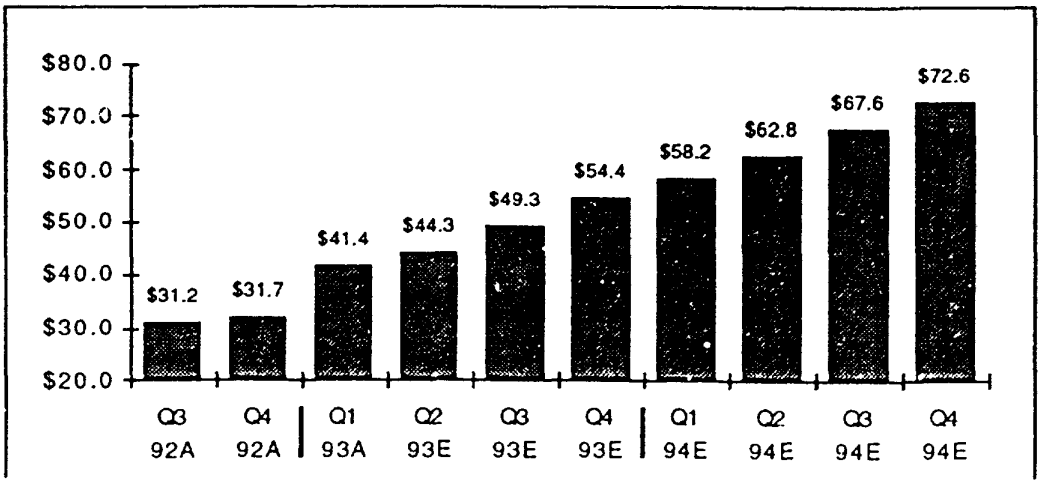
We have initiated coverage of American Medical Response (EMT) with a rating of **BUY.** EMT is the leading private provider of 911 emergency response and general ambulance services in the country. Since its initial public offering in August 1992, the company **has nearly doubled annualized revenues** through an aggressive expansion plan that has featured the acquisition of eight (one of which is pending under a letter of intent) additional providers and continued strong internal growth from existing operations. Net income has grown steadily in the three quarters following the IPO and all acquisitions consummated to date have been accretive to earnings. We believe EMT is in a premier position to continue to take advantage of the ongoing consolidation in the private ambulance sector and achieve sustained revenue and earnings growth of 30% plus based on the following:

- The private sector of the ambulance service market is highly fragmented with over 2,000 providers, the vast majority of which have revenues under $5 million. The **market is sharply bifurcated** with only a handful of large providers employing a multi-site strategy. The balance of providers are smaller operators focused on a single or limited local markets. The ambulance service sector is **undergoing rapid consolidation** as a number of factors including increasingly sophisticated levels of care in 911 emergency response calls, enhanced response time requirements imposed by municipalities, the investment required to implement advanced technologies and the emerging dominance of the mega-payer heavily favor the capabilities of strong regional and national ambulance companies.
- Expenditures on a "same store" basis are increasing approximately 10% annually as favorable demographic trends (more of us and we're getting older), higher levels of medical content associated with emergency care, and an increase in the number of inter-hospital transports stimulate both transport and price growth.
- EMT has taken the lead in the race to acquire key properties in attractive markets. By securing **"beachhead"** positions in markets such as Denver, San Francisco, Miami, Portland, OR, etc., EMT has secured an important competitive advantage and is favorably positioned to proceed with the second stage of its acquisition strategy with **"lock-on"** acquisitions of providers in contiguous communities. Since its IPO in August 1992, the company has successfully demonstrated this strategy in the Colorado market by acquiring three private providers in the Denver, Colorado Springs, Boulder corridor over a nine month period.
- Consolidating local acquisitions into a unified network leads to **tangible cost savings and operating and financial synergies** on both a regional and national basis. With its recent acquisitions, we expect EMT will continue to achieve further savings and productivity gains in capital intensive dispatching systems, labor, equipment purchase and asset utilization, collection and administration of accounts receivables, insurance and maintenance.
- Barriers to entry in the ambulance service market are very high. The technological and capital requirements of the industry have risen logarithmically over the past twenty-five years, fueling the move toward consolidation and muting the efforts of new entrants.

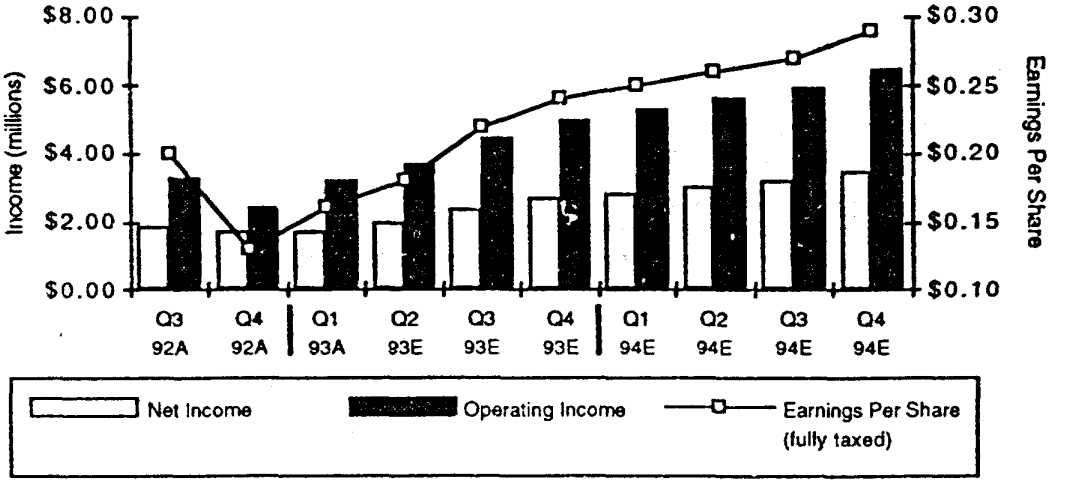
- EMT's success in consolidating eleven (to date) independent providers into one organization in less than a year reflects management's understanding of the independent operators' needs and the successful execution of its acquisition strategy. We believe the company's ability to integrate acquisitions as partners in the business with significant equity positions goes a long way toward insuring optimal performance at the local level. EMT is viewed as the leader in the race to consolidate the ambulance sector and we believe that existing independent providers seeking to gain liquidity through sales of their companies would **prefer to join an organization of proven winners.**
- EMT's senior management has an extensive background in consolidating local operators into strong regional networks. Through the merger of the four providers at the time of the IPO and subsequent acquisitions, EMT has also assembled **operating management with unparalleled experience and stature** within the ambulance service industry.

Our EPS estimates of $0.80 in 1993 and $1.07 in 1994 are based on our confidence in the growth of the private ambulance sector, management's ability to integrate recent acquisitions and the opportunities to close additional acquisitions in this consolidating sector. Our earnings model does not incorporate any upside from the company's recently announced letter of intent to acquire a California-based provider which had $50 million in annual revenues in 1992. This transaction, which remains subject to extensive due diligence and negotiations, will be incorporated into our model if and only when the probability of closing the acquisition increases. EMT is currently trading at 26x our 1993 estimate of $0.80, and 19x our 1994 estimate of $1.07. We recommend purchase of the stock at this price level with a 12-month price range target of $23.00-25.00. The following charts highlight the historical (restated to include the impact of the recent Miami acquisition which was a pooling of interests) and projected growth in revenues and earnings by quarter since the company's IPO in August 1992:

Historical and Projected Revenues
($ millions)



Historical and Projected Earnings Growth



Company Background

American Medical Response was formed in 1992 through the merger of four leading private ambulance providers in California (2), Connecticut, and Delaware. Since its initial public offering in August 1992, the company has expanded considerably by acquiring seven additional providers in Mississippi, Colorado (3), Oregon, Florida and Connecticut and has also signed a letter of intent to acquire one additional provider in California. As a result of these acquisitions, the company is the **dominant private provider of 911 emergency response and general ambulance services in the country.** We forecast that the company will transport over 500,000 patients in 1993 in its existing service areas. EMT was the first publicly traded ambulance service company in the country. At the time of this report, EMT employs approximately 2,950 people and leases or owns approximately 555 ambulances and transport vans.

The Emergency Transport and General Ambulance Market

Industry sources and the company believe that expenditures in the emergency transport/general ambulance market in the U.S. are **conservatively estimated at $4.5-5.0 billion annually.** Approximately 70% of this figure is associated with traditional 911 emergency responses with approximately 30% coming from general ambulance services such as inter-hospital and critical care transports. Overall market growth is estimated to equal 10% annually. The primary factors driving growth in this sector include:

- Favorable demographic trends as the population ages and demand for 911 emergency response services increases
- Expanding use of inter-hospital transports consistent with the growth in managed care
- Higher levels of medical content delivered in pre-hospital care situations

We believe these trends will continue to have a favorable impact on the private ambulance sector and project continued and sustainable industry growth in the foreseeable future.

A snapshot of the emergency transport and general ambulance market in the U.S. today reveals a highly fragmented industry poised for consolidation. Industry sources place **the number of ambulance service providers at approximately 14,000** (including municipal and volunteer organizations) with greater than 2,000 of these being private operators. From our viewpoint, the ambulance service industry resembles the waste management and death care (funeral homes and cemeteries) industries of the 1970s prior to the emergence of the consolidators such as Waste Management and Service Corporation.

The 2,000 plus private ambulance providers are sharply bifurcated into a handful of large (>$25 million in revenues annually), multi-site operators and an overwhelming majority of small (<$10 million in revenues annually) operators serving one or limited contiguous markets. Expenditures in the private sector are estimated to be growing at a rate exceeding that of the overall 10% market growth as municipalities increasingly turn to the private sector for their 911 emergency response services in response to the budget crisis faced by many communities.

Consolidation within the private ambulance sector is occurring as a result of competitive pressures in the industry and increasingly stringent standards imposed by municipalities and managed care providers. Simply put, **larger regional operators can more cost effectively meet tougher demands for higher levels of care, shorter response times, etc. than smaller local providers.** With the estimated annual savings for eliminating one redundant Advanced Life Support (ALS) ambulance from service at $400,000 annually, it is easy to envision further consolidation in the ambulance service sector as local operators seek to remain competitive.

Access to capital for private ambulance providers has historically been limited to an individual operator's personal wealth and limited secured debt financing. Liquidity options for independent operators have also been minimal with many companies passed on to new generations within the same family. EMT's foray into the public sector has given it a unique advantage in offering acquirees an attractive exit vehicle and allowed the company to acquire an outstanding group of top flight operators at attractive valuations.

For a more complete analysis of the emergency transport and general ambulance market, please refer to the Montgomery Securities industry review titled "The Private Sector to the Rescue – An Overview of the 911 Emergency Response and General Ambulance Market."

Discussion of EMT Operations

1) Existing Services and Markets

American Medical Response provides 911 emergency response in selected markets where EMT is designated the exclusive provider of these services by the municipal authority. The company also derives revenues from general ambulance services as diagrammed below. The company's strategy is to seek to expand its market penetration in the 911 emergency response sector and add incremental general ambulance revenues where it has an established 911 emergency response network. EMT management believes **the 911 emergency response sector has proven to be very receptive to high quality, cost-efficient larger private providers and offers the greatest opportunity for growth in the future.** The company's revenues in 1992 were derived from the following categories:

70%

911 Emergency Response Services

30%

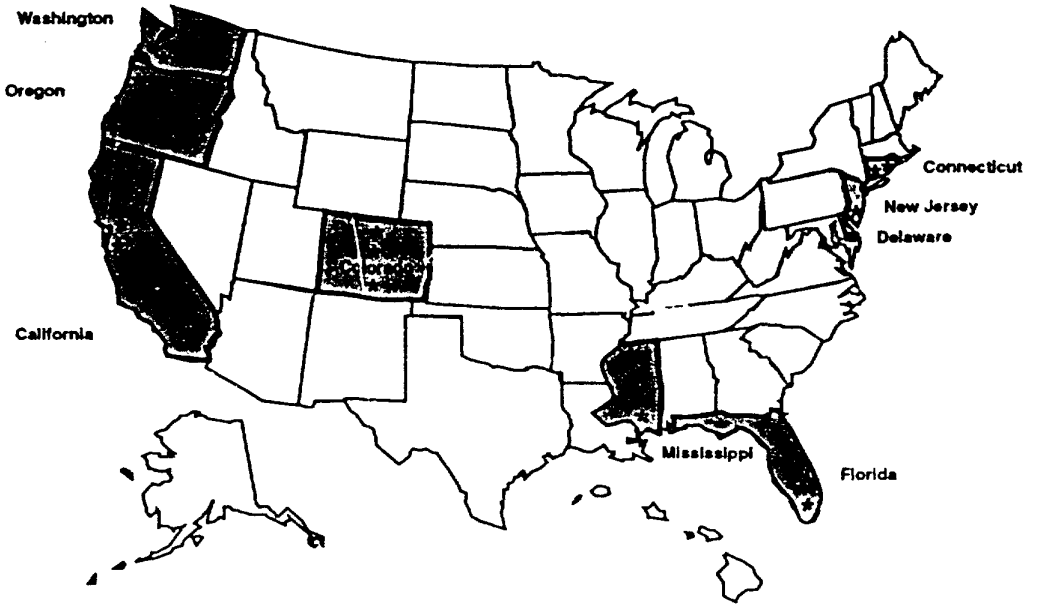
General Ambulance Services

- Inter-hospital Transport
- Critical Care Transport
- Handicapped Transport

EMT's management has pursued an aggressive expansion program since its IPO in August 1992 resulting in a balanced operation with dominant positions in key markets in the western, eastern, and southern regions of the country. Establishing a "beachhead" position in key markets allows the company to leverage off this base to proceed with "lock-on" acquisitions of operators in contiguous markets and realize significant operating synergies. In addition, the incremental revenue added to its base since 1992 significantly reduces the company's exposure to any regional regulatory, pricing, or reimbursement risks and the impact of the loss of any single 911 emergency response contract.

Highlighted below are the operators currently under the EMT umbrella and the areas in which they operate:

Company	Location	Date Acquired
Regional Ambulance	San Francisco Bay Area	IPO – August 92
Vanguard Ambulance	San Jose	IPO – August 92
New Haven Ambulance	Connecticut	IPO – August 92
Professional Ambulance	Delaware/New Jersey	IPO – August 92
Mobile Medic Ambulance	Mississippi	November 92
Ambulance Service Co.	Denver	December 92
Buck Medical Services	Portland, OR	January 93
A-1 Ambulance Services	Boulder, CO	April 93
Randle-Eastern Ambulance	Miami	June 93
Reed Ambulances	Denver	July 93
Bridgeport Ambulance Service	Connecticut	July 93
911 Emergency Services of Modesto	California	In Discussion



The 911 Emergency Response Business

Municipalities such as cities or counties typically contract with private ambulance providers for exclusive 911 emergency response services within prescribed geographic boundaries. The sophistication of the contracting process has increased in recent years with municipalities now specifying and monitoring response time goals, standards for care, regulated rates and other requirements. Contracts typically run 3-5 years in length with provisions for 1-2 year extensions. Contracts are generally put out for competitive bidding, but in most cases the close relationship between the municipality and the provider give the incumbent a distinct advantage in the bidding process. In return for agreeing to the terms of the contract, the company is granted the right to transport in all 911 responses. While the ambulance company may be designated the "first responder" in certain areas, it is more common to see the local fire department be designated as first responder with the ambulance company responsible for second responder and transport.

As the 911 emergency response market has developed, its visibility within a community has grown considerably. Elected officials now view 911 emergency response as the third leg of a municipal services stool alongside police and fire services. Mayors, supervisors, council members, etc. are keenly aware that unsatisfactory response to a 911 call can end up on page one of the local media. As a result, municipalities are factoring in **performance and quality of service as the most important considerations in awarding 911 emergency response contracts** to private providers. Accordingly, those responsible for approving contracts are utilizing more objective performance measures and demanding data from candidates in the contracting process. We believe this trend is accelerating nationwide and heavily favors larger operators such as EMT that employ sophisticated technology and can point to an outstanding track record of performance in a number of markets.

The ambulance service companies that EMT has brought under its umbrella have a stellar record in the 911 emergency response contract area. In evaluating suitable acquisition candidates, the company places a premium on operators with a long established record of high quality, efficient 911 emergency response service. None of the operators EMT has acquired have ever lost an existing 911 contract. We believe EMT's strong position in the emergency transport sector provides the company with significant downside protection as 911 emergency response call volume is highly statistically predictable by market served and not subject to wide volatility. The company has also recently negotiated new contracts or extensions in important markets such as Santa Clara County, CA and Contra Costa County, CA giving it a portfolio of high quality 911 emergency response contracts unparalleled in the industry.

The General Ambulance Service Business

Broadly defined, general ambulance service includes inter-hospital transport, discharge transport, critical care transport, and transportation of the handicapped. A significant portion of general ambulance transport is related to transport to and from long-term health care facilities. The majority of the general ambulance transport market is controlled by hospitals and payers through contracts with local operators. For example, if an individual is injured in an accident in Alameda County, CA and requires emergency transport to a trauma center, that individual would be transported by EMT to the appropriate hospital. If in our example, this individual happens to be one of the 4.5 million plus members of Kaiser Permanente Health Plans (staff model HMO) and Kaiser desires to have that person in its own facility in Alameda County, EMT (which holds an inter-hospital transport contract with Kaiser) would transport that patient, once stable, from the trauma center to a Kaiser facility.

By virtue of its extensive operating profile and geographic coverage, EMT has been quite successful in establishing general ambulance service contracts with key providers/payers. We believe the key to growing this sector of the business lies in the company's ability to serve the large payer groups in a particular region. With its extensive regional networks in markets such as Denver, San Francisco Bay Area,

Miami, etc., EMT has an inherent advantage over smaller competitors through its ability to offer "one-stop shopping" to the likes of a Kaiser Permanente. As managed care plans grow and control more patients in a region, EMT should control an increasing share of the non-emergency transports in its markets.

2) Economics of Transport

911 Emergency Response

As highlighted earlier, revenues from 911 emergency response service account for approximately 70% of EMT's revenues. The actual per transport charge in each municipality served varies by terms of the contract, the level of medical content provided, and the type of service provided. Emergency response and transport is most commonly serviced by Advanced Life Support (ALS) ambulances that are staffed by one or two paramedics with advanced medical training. Revenue per ALS transport averages between $350-450. In regions where Basic Life Support (BLS) response is allowed, the average revenue per transport is lower, primarily because BLS units are typically staffed by lower cost emergency medical technicians (EMTs, and hence the ticker symbol!) with less sophisticated equipment. It is worth noting here that **EMT's ratio of ALS versus BLS units used for 911 emergency response calls is higher than industry norms** and an important strategic advantage employed by the company as a barrier to entry for the competition.

Contracts for 911 emergency response service require the provider to respond to all requests for emergency transport in their assigned territories. Unfortunately, not all individuals transported are capable of paying all or part of the eventual charges billed by the provider. Since the paramedic doesn't request a VISA card or credit history prior to administering care, the company does not know on a call-by-call basis the capability of the patient to pay the eventual charges incurred. The uncollected portion of billed revenues is termed "uncompensated care" in the ambulance industry. The level of uncompensated care in any particular service area is a key component of the ultimate value of the 911 emergency response contract and an important factor in establishing contracted rates within a community.

Industry wide, uncompensated care varies widely in the 15-40% range with fluctuations noted by region and municipality. The factors impacting the level of uncompensated care are, as would be expected, related to the economic well-being of the population and demographic characteristics of the community. By way of example, a provider could expect the level of uncompensated care in Harlem to be at the high end of the range while the operator holding the 911 emergency response contract in Scarsdale would experience uncompensated care levels at the low end of the scale. While the level of uncompensated care will vary widely by community, **it is statistically predictable over the years and varies within a narrow range.** In our previous example, if the level of uncompensated care in Harlem historically averaged 40%, the operator might see the level drop to 39% or rise to 41% in any given period, but rarely would see a dramatic shift in either direction during the length of a contract. Because it is statistically predictable within a narrow range, the level of uncompensated care can be factored into the rate schedule with a high degree of confidence when negotiating a 911 emergency response contract with the municipality.

EMT's uncompensated care has averaged 22-23% of revenues over the past few years. We believe EMT's uncompensated care expense is lower than the industry average due primarily to the quality of reimbursement in the markets served and EMT's sophisticated collection process. In evaluating the attractiveness and value of potential acquisitions, EMT management carefully reviews the uncompensated care profile in a service area. Revenues are reported on a gross, billed basis while uncompensated care is charged as an expense against revenues on the income statement.

General Ambulance Transport

General ambulance transport revenues account for approximately 30% of EMT's revenues. The majority of general ambulance transports are handled under contracts with hospitals (discharge, inter-hospital), payers and other care providers. As most patients being transported are medically stable, the majority of these transports are handled by Basic Life Support units staffed by EMTs. Revenue per transport varies by region and medical content required and averages $150-250. Uncompensated care is less of a concern in this market due to the higher proportion of insured patients and some degree of selectivity in patients transported.

In certain cases, high risk patients are transferred between hospitals to access advanced technology, particular surgical procedures, etc. In these cases the patients are transported in a unique ambulance called a critical care transport (CCT) unit, outfitted with equipment similar to that found in a hospital's intensive care unit and are usually accompanied by either a nurse or a physician. Revenues from these critical care transports can easily average $1,000-1,500 per transport.

The smallest element of the company's general ambulance services is its wheelchair transport services in selected regions. Revenues per transport average $50 with specially modified vans handling all handicapped transport.

3) Reimbursement

EMT receives reimbursement from three primary sources:

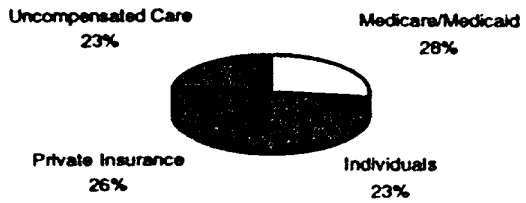
- The Private Insurer
- Medicare/MediCaid
- Individuals

Private insurers (including managed care organizations) are billed the full amount of the charges or contracted rate. Typically, the insurer pays 80% of the charge with the insured responsible for the balance. In instances where the patient is covered by Medicare, the company is reimbursed at the rate of 80% of the prevailing market rate. If the patient has no insurance and is not covered under a government health plan, the company bills the individual for the entire amount. In certain municipalities with a high percentage of uncompensated care, the municipality will pay a subsidy to the provider in an effort to keep the contracted rate within reasonable limits.

The plethora of payers and the not inconsequential payments required of individuals make accounts receivable management and relationships with payers of paramount importance. We believe **EMT has a distinct advantage in the receivables management area** due to the scope of its operations and corresponding ability to develop real economies of scale in billing and collection. After establishing a "beachhead" position in a particular market, the company is able to consolidate the billing and receivables functions from subsequent acquisitions in the region, achieving superior cash management efficiencies and tangible cost savings. By way of example, EMT recently completed the acquisition of Bridgeport Ambulance Services in Connecticut. With its existing presence in the Connecticut market through New Haven Ambulance Service, the company will be able to consolidate the billings and receivables management into the New Haven operations and realize tangible savings in labor and overhead and more effective cash management.

The reimbursement profile for EMT in 1992 was approximately as follows:

Reimbursement by Payer as a Percent of Revenues



4) Corporate Strategy

EMT is executing a specific business strategy that it believes is unique in the industry and distinguishes the company from its competitors. The company also believes its strategy is consistent with the trends in the industry, particularly the 911 emergency response sector, toward higher standards of care and more stringent performance goals. Key elements of their business strategy include the following:

- **Focus on 911 Emergency Response:** The company intends to continue to rely on 911 emergency response contracts as its primary source of revenues. Management believes significant opportunities for growth exist in the 911 emergency response market as municipalities turn to the private sector for assistance in cost-effectively managing their 911 emergency response systems. In addition, revenues in this market are highly predictable statistically and, given the long-term nature of 911 emergency response contracts, very stable. In evaluating the attractiveness of acquisition candidates, management focuses on the operators' 911 emergency response component as a percent of total revenues.

- **Technological Leadership:** Management believes it is imperative to utilize the latest technology available to maximize efficiency and productivity. In particular, the company believes cost-effective improvements are available by implementing sophisticated dispatching systems using global positioning satellite technology, digital mapping, etc., reducing the level of uncompensated care by installing predictive dialers, and updating MIS systems to provide real-time data capable of identifying performance issues immediately. Employing the most cost-effective technology is key to managing a nationwide network of regional operators.

- **The Use of ALS Units in 911 Emergency Response:** An important component of the company's strategy is to use Advanced Life Support units in the majority (65%) of 911 emergency response calls. Employing more highly trained paramedics, the use of ALS units parallels the trend toward increasing levels of medical content in on-scene treatment and pre-hospital care.

- **Expand Operations Utilizing Experienced Management:** Through its aggressive acquisition program, EMT has acquired literally hundreds of years of senior operating experience. In all key acquisitions, existing management has remained in place and is motivated through the financial structure of the consideration paid to continue to improve performance. Having senior operating management in-house is an important element in the company's strategy to expand in existing markets to create a network of strong regional operators.

- **Maintain Community Roots:** Choosing a private ambulance company to serve a community's 911 emergency response requirements remains a decision that is made at a local level. Choosing the wrong provider can be a minefield for elected officials and they naturally find solace in working with established local management. EMT's strategy of giving local operators an incentive to stay on board post-acquisition in "beachhead" properties is a key to maintaining roots in a community.

5) Acquisition Strategy

As highlighted in our industry report, "The Private Sector to the Rescue-An Overview of the 911 Emergency Response and General Ambulance Market" we believe the industry is poised for growth and ripe for consolidation. The future leaders in this industry sector by the end of the decade will be those companies that take action now to acquire strategically critical properties and begin to develop the infrastructure required to realize the operating and financial synergies inherent in consolidation. It is our belief that EMT has a substantial lead in the race to acquire key properties and that the willingness of management to be at the forefront in consolidating this industry will be rewarded in the years to come.

In the short term, the company's focus is on acquiring operators in strategically important markets. These "beachhead" properties, as the company terms them, form the nucleus of a future network that the company develops in a region along with future "lock-on" acquisitions of smaller providers in contiguous markets. As the network takes shape, the company expects to realize significant operating and financial synergies as discussed later in this report.

Implementation of EMT's acquisition strategy will vary by the market dynamics, availability of acquisition candidates and other factors in any particular region. EMT's ability to be flexible with regard to timing and structure of acquisitions is a key strength of the company and positions them as a strong buyer in any competitive bidding situation. The company's recent success in establishing EMT as the dominant private ambulance provider in Colorado is illustrative of the "beachhead"/"lock-on" acquisition strategy and an excellent example of its ability to be opportunistic in implementing this strategy. At the time of its IPO, EMT had no operations in the state of Colorado. In December 1992, EMT closed the acquisition of Denver-based Ambulance Service Company, Colorado's leading private ambulance service company. In April 1993, the company closed the acquisition of A-1 Ambulance Service which serves the surrounding communities of Boulder, Colorado Springs, and Longmont. Using the previously acquired Ambulance Service company, EMT was awarded the 911 emergency response contract for Aurora, CO, a suburb of Denver and the third largest city in the state. This month, the company solidified its position in Colorado by acquiring Reed Ambulances, Inc. of Denver. With this acquisition, EMT's service in Colorado will have progressed from zero at the time of the IPO to the dominant provider in the state in a period of less than one year.

EMT's success in acquisitions is attributable not only to a well-executed acquisition strategy, but also to its pace-setting reputation in the ambulance sector – **people like to join winners!** EMT's use of equity in "beachhead" acquisitions gives acquirees substantial incentives to maximize performance. The financial resources available to the company and its experience in structuring acquisitions that appeal to acquirees will be an important strategic advantage to EMT over the next 12-24 months as desirable "beachhead" properties turn over.

6) Synergies and Economies of Scale

EMT's strategy of creating strong regional networks by acquiring ambulance providers in contiguous markets is rooted in the premise that operating and financial synergies will be available from consolidating the operations of several independent providers in a region. The benefits to consolidating operations include tangible cost savings in labor, equipment, and overhead as well as productivity gains as the "down-

time" component is reduced and asset utilization rates are increased. As an example, **eliminating one redundant Advanced Life Support unit from a combined fleet can save an operator approximately $400,000 annually.** As the reader can imagine, companies involved in the 911 emergency response segment of the market are forced to keep a "safety stock" of units in operation to meet response time goals and cover unexpected events. Simply eliminating duplication in the safety stock in a combined operation can lead to tangible savings. Consolidating operations and the resulting synergies also presents a barrier to entry for competitors who do not enjoy similar synergies in the competitive bidding process.

The operating synergies and economies of scale experienced by EMT can be categorized as both regional and national in nature. On a national basis, EMT experiences savings in the following key expense categories:

- **Purchase of Equipment and Supplies:** Bought in bulk and distributed throughout the network
- **Insurance:** Multi-million dollar umbrella policy in place to cover all its operations
- **Lower Cost of Capital:** Distinct advantage in acquisitions

EMT also sees tangible cost savings and productivity gains when it consolidates providers in a region such as the Denver market and the San Francisco Bay Area. Some of the more visible regional operating synergies occur in the following areas:

- **Dispatching Systems:** At the heart of optimizing equipment and labor productivity and achieving response time goals is a technologically sophisticated dispatching system. Stepping into EMT's dispatching center in Fremont, California that handles an average of 600 calls per day for Alameda and Contra Costa Counties, one could envision that in their spare moments (of which there are few) the operators could guide a San Francisco bound 747 into SFO International Airport. In the darkened control room are multiple operators seated at sophisticated communications consoles watching an array of electronic maps that pinpoint the exact location and status of every ambulance on the streets. Features such as satellite-based navigators, computer graphics and electronic maps for counties accurate to the block are part of an impressive array of equipment designed to enhance efficiency, pare operating costs and meet more stringent 911 emergency responce contract requirements. The company estimates that its GPS-based dispatching system operating in the Bay area decreases the number of ambulances required to service the counties by twenty units.

  The productivity gains experienced result from utilizing computer derived algorithms which position units in high demand locations by the minute, significantly reducing downtime and shortening response time. Real time data on location and status allows the dispatchers to move units around like chess pieces to better meet anticipated demands. As a result, **less ambulances are required to service an area and tangible productivity gains are realized.** Smaller, local providers typically lack the capital to invest in advanced dispatch systems and the call volume to justify installation of a state-of-the-art dispatching system. As the company acquires smaller operators in contiguous markets, EMT's strategy is to fold the acquiree's dispatching system into a regional center to leverage off an infrastructure of advanced dispatch centers. In addition to tangible cost savings and productivity gains, an advanced dispatching system is a significant barrier to entry for any competitor looking at bidding on a 911 emergency services contract held by EMT.

- **Billing and Receivables:** Regionalized administration of billing and management of accounts receivable eliminates redundancy in the collection process leading to more effective cash management. Since the payers are the same, a centralized billing function can produce a much higher collection rate per employee than several smaller providers each handling billing and collection on their own.
- **Maintenance:** Ambulances are under extreme use and require extensive and frequent maintenance to insure 100% performance. Consolidating several maintenance centers into one facility leads to labor, equipment and overhead savings.

7) Management

The strategy outlined by EMT requires management with expertise in both ambulance service operations and in identifying and structuring acquisitions to add value in consolidating industries. EMT's senior management has the optimal blend of both sides of the management coin. The management team is led by Paul Verrochi, Chairman and CEO and Dominic Puopolo, Executive Vice President and CFO. Both Mr. Verrochi and Mr. Puopolo are founders of the company. Prior to founding EMT, Mr. Verrochi and Mr. Puopolo built and managed two highly successful service industry companies through the consolidation of local providers into regional and national companies.

The company has **hundreds of years of senior operating management experience** as a result of the consolidation of the original four providers at the time of the IPO and subsequent acquisitions. Paul Shirley, previously Executive Vice President of the company, was recently named Chief Operating Officer of EMT. Mr. Shirley has over thirty years of experience in the ambulance service industry and has served on numerous industry association and municipal commissions. Other key members of management include: William "Earl" Riggs, Executive Vice President, with approximately thirty years of direct operating experience in the ambulance service sector; Joseph Paolella, Executive Vice President, with over twenty years of industry experience and currently the Chairman of the government affairs committee of the American Ambulance Association; and Michael McClymont, Senior Vice President, with extensive experience in the integration of new acquisitions into a corporate structure in a variety of service organizations. In addition to the depth of senior management expertise, the company benefits from a Board of Directors with noteworthy experience in acquisitions, capital markets and health care reimbursement.

One feature that attracts us to the company is its success in retaining local management after acquiring a "beachhead" provider. In all major acquisitions, the company has retained senior management and benefits from their invaluable ties in the community. Retaining management insures a seamless transition from day one and brings with it a wealth of experience that further solidifies the company's management base. From our conversations with operators recently brought under the EMT umbrella, it is evident that the company recognizes the challenges associated with rapid expansion and takes great pains to create an environment and compensation structure that rewards the acquiree for continued superior performance.

Opportunities For Growth

We believe the leadership exhibited by EMT in consolidating the private ambulance service sector and the favorable market conditions in this industry will allow the company to achieve sustainable revenue and earnings growth of 25-30% for the foreseeable future. A few of the more visible trends expected to impact the company's growth include the following:

- **Compelling Market Dynamics:** We estimate from industry sources that the 911 emergency response and general ambulance market is growing at approximately 10% annu-

ally. Contributing to this growth are increasing transport volumes as the baby boomers begin to enter their "golden years" and a growing U.S. population, particularly in metropolitan regions on the coasts where the company is strong. Revenue per transport is also rising faster than inflation as municipalities require increasingly sophisticated levels of pre-hospital care and medical content rises. Early intervention by trained emergency personnel in the 10-20 minute "golden period" post trauma has been shown to improve the probability of recovery. As an example, the availability of a defibrillator and trained paramedics can mean the difference between life and death for a heart attack victim. The capability to stabilize the patient on-scene and administer appropriate treatment can also significantly reduce the risks and complications associated with delayed treatment.

- **Industry Sector in Transition:** The private ambulance market is evolving from a highly fragmented industry populated by numerous small providers to one in which strong national and regional operators that can take advantage of the synergies available in consolidation will prosper. The change in the structure of the industry is accelerating as more stringent performance goals and higher standards of care are demanded by municipalities in the 911 emergency response market. The emergence of group health care plans and their interest in contracting with providers capable of serving large patient populations under their control is another factor behind the consolidation trend. In addition, many private providers that entered the industry in the 1960s and 1970s are looking for a liquidity vehicle to realize value.

- **Trend Toward Privatization:** Municipally managed, tax subsidized 911 emergency response services can cost residents of a community more than contracting from a private provider and these programs are being evaluated daily to justify their continued existence. Since we don't see the municipal budget picture getting any brighter, the opportunities for private providers such as EMT should increase. The budding trend toward public/private partnerships in which providers divide up a service area to maximize efficiency is a compelling development that could accelerate even further the privatization trend.

- **Leading Consolidator in Sector:** EMT management has put theory into practice by successfully closing seven acquisitions and signing a letter of intent with one other company in less than a year. **All of the acquisitions completed to date have been accretive to earnings and we foresee this pattern continuing in the future.** Having proven successful in the public market since its IPO in August 1992, EMT is in a premier position to negotiate with potential sellers to bring further acquisitions under the EMT umbrella.

- **Synergistic Upside:** As proven by the company in markets such as the San Francisco Bay Area and the Denver corridor, significant upside is available through operating and financial synergies in the consolidation process. EMT's management has proven capable of identifying synergies in dispatching systems, labor and equipment utilization, insurance, maintenance, and billing/receivables management. As future acquisitions are consolidated into the company's corporate structure, the leverage gained from these synergies will become an important component of earnings growth.

Financial Overview/Forecast Assumptions

American Medical Response has enjoyed substantial growth in revenues, operating income, and earnings per share over the last several years.

Summary Historical and Projected Income Statements*
($ millions except per share)

	1989	1990	1991	1992	1993E	1994E
Revenues	$65.6	$84.9	$108.0	$121.2	$189.4	$261.2
Operating Income	4.5	5.5	9.5	10.3	16.4	23.3
Pre-tax Income	3.4	4.3	8.3	9.5	15.3	21.6
Net Income	1.9	2.4	4.7	5.9	8.8	12.5
EPS	$0.24	$0.30	$0.59	$0.67	$0.80	$1.07

* Note: results prior to the company's IPO in August 1992 are the combined results of the four separate ambulance companies acquired at the time of the IPO plus the financial results from the purchase of Randle-Eastern Ambulance which was treated as a pooling of interests transaction.

1) Revenues

EMT derives revenues from two sources:

- 911 emergency response
- General ambulance services

Approximately 70% of the company's revenues are from 911 emergency response with the balance from general ambulance services. Future revenue growth in our model will be derived from:

- **Existing Operations** - We are assuming an internal or "same-store" growth rate of 12% for existing operations. This growth is attributable to an increase in both the number of transports and the average revenue per transport as described earlier in this report.
- **Acquisitions** - The balance of the company's future revenue growth will come from acquisitions. Our model assumes the following acquisitions:

  1993: One additional acquisition with an annual revenue run rate of $10 million is closed in the fourth quarter.

  1994: Four acquisitions with annual run rates of $9 million each are closed evenly throughout the year at the beginning of each quarter resulting in $23 million of additional revenues for the year.
- **New Contracts** - New contracts are 911 emergency response contracts that are awarded to existing EMT operators in markets contiguous to existing service areas. For 1993 we are assuming the Aurora, CO contract in the second quarter, with $3 million in annual revenues, and one more new contract in the fourth quarter with $3 million in annual revenues. For 1994 we are assuming $9 million (annual ran rate) in new contracts acquired evenly throughout the year.

Summary of Revenues by Category 1993-1994
($ millions)

	1993	1994
Existing Operations*	$155.8	$233.9
Acquisitions	31.1	22.8
New Contracts	2.5	4.5
Total Revenues	**$189.4**	**$261.2**

- Acquisitions and new contracts are added to existing operations in the following year. For example, all 1993 acquisitions and new contracts become part of existing operations in 1994 and grow at the internal growth rate for all existing operations of 12%.

2) Operating Expenses

Operating expenses consist of Salaries and Benefits, Uncompensated Care, Depreciation and Amortization, and Other Expenses. We assume total operating expenses will decrease slightly from 91.5% of revenues in 1992 to 91.3% in 1993, and to 91.1% in 1994. The most significant category of operating expenses is uncompensated care which, as described earlier in this report, is an expense category to account for non-reimbursed ambulance services provided. The company's experience has been for uncompensated care to run between 22-23% of total revenues. We are conservatively assuming uncompensated care of 22.4% of revenues in 1993 and increasing slightly to 22.9% in 1994.

3) Balance Sheet

EMT's balance sheet is very strong and the company is well-positioned to finance future acquisitions. As of March 31, 1993 EMT had working capital of $24.8 million and a debt to total capitalization ratio of 23.7%. As a result of the company's IPO in August 1992, in which the company raised over $23 million, EMT has sufficient cash for further acquisitions. In addition, the company is cash flow positive on an operating basis and also has $18.5 million available under a $30 million credit line to fund future acquisitions.The company expects to increase this line to $50 million in the third quarter. Note that future key acquisitions will most likely follow historical precedence and be financed mainly by stock, which historically has comprised 60% of the total purchase price. Details regarding the company's letter of intent to purchase 911 Emergency Services of Modesto are unavailable at publication. This acquisition, if completed, is a major acquisition which could significantly alter the company's outstanding debt, cash position and capital structure depending on the terms.

Accounts receivable at March 31, 1993 were approximately $40.2 million, net of allowance for uncompensated care of $14.7 million. Average days outstanding is currently running at 87 days which is down from 103 and 102 days in 1992 and 1991, respectively. When EMT records revenue from a 911 emergency response, it also immediately records approximately 22-23% of this amount as a reserve against uncollected revenues. As these revenues are either collected or deemed uncollectible and credited against uncompensated care, accounts receivable and the allowance are adjusted accordingly. Currently, the allowance for doubtful accounts is 36.7% of accounts receivable which suggests that EMT is very conservative with respect to reserving for uncompensated care.

Competition

EMT and Rural Metro are currently the only publicly traded ambulance service companies in the industry. Rural Metro operates private fire service for rural communities in the Southwest and Florida as well as emergency transport and general ambulance services in these markets. A number of other private companies are seeking to expand through acquisition and compete directly with EMT for core "beachhead" properties. Some of the more successful but smaller private companies following a similar acquisition strategy include:

Company	Location
CareLine	Southern California
LifeFleet	Southern California/South/Northwest
Chaulk Ambulance	Northeast
Mercy Ambulance	Midwest/South
National Medical Transport Network(Medtrans)	Washington/California/Nevada/Texas (Recently acquired by Laidlaw Inc.).

Perhaps the most significant competitors for desirable 911 emergency response contracts are the municipalities themselves. While the economic justification for going to a private operator is compelling and municipal budgets remain under pressure, the political reality of wresting control from a fire department can be an obstacle in certain cases. Private ambulance providers of 911 emergency response services must generally be approved by local fire departments within the service area. As a result, private providers are forced to walk a fine line between selling themselves as economically attractive and capable of providing a high level of service without denigrating existing service provided by municipal agencies. On the positive side, we are greatly encouraged by the growth in public/private 911 emergency response partnerships and believe this model could prove to be a most attractive solution for private providers in large urban areas.

Risks

- **The Unknown Quantity of Health Care Reform**: At this stage, it is not possible to predict how health care reform and the much discussed HPICs, price freezes, managed competition, etc. will impact the private ambulance industry. However, it is our belief that any program to cover the uninsured in a national health plan could provide a short-term boost to private providers by greatly reducing the level of uncompensated care. Eventually, we expect that private payers presently stuck paying a portion of every bill to compensate for the uninsured would push for lower rates and the market would return to equilibrium. Overall, we believe EMT's earnings projections have minimal exposure to downward pressure from health care reform initiatives and could, in fact, enjoy short-term upside until prevailing rates adjust to account for coverage of the uninsured.
- **Shortage of Attractive Acquisition Candidates**: A significant portion of the company's earnings growth is dependent on future, unannounced acquisitions. If attractive properties are unavailable or the price for available properties increases markedly, EMT may fall behind in its acquisition strategy. This risk is minimized by the sheer number of private operators, market dynamics that favor large

call volume operators and our belief expressed earlier in this report that potential acquirees want to be associated with a winner like EMT.

- **Level of Uncompensated Care Increases:** From an expense control standpoint, EMT has the least degree of control over the level of uncompensated care in any particular quarter. Should the company experience greater levels of uncompensated care than historically noted, earnings could be negatively impacted. Based on the company's tenure in markets in which it has major 911 emergency response contracts, we believe any short-term exposure to uncompensated care is minimized by the insight gained from operating in these markets for extended periods of time. Further, while the level of uncompensated care varies by community, it is highly predictable and subject to minimal volatility on a quarterly and annual basis.

- **Loss of a Municipal Contract:** The loss of a major 911 emergency response contract would have an unfavorable impact on the company's operations. In particular, EMT's contracts to provide 911 emergency response services in Alameda County, Santa Clara County, and Contra Costa County in the San Francisco Bay Area are expected to individually provide between 3-7% of the company's revenues in 1993. Offsetting the risk of losing an 911 emergency response contract is the company's tenure in providing service in their respective markets, its position as the incumbent supplier and the company's track record of 100% success in winning contracts in existing markets. Of the contracts mentioned above, all have recently been re-negotiated and extended with the earliest contract expiration date set for June 1994 (with a two year extension at the county's option).

- **Poor Results from an Acquisition:** The company's earnings could be adversely impacted by unanticipated problems in a key acquisition. Given the pace of consolidation in the industry, this risk exists for all companies at the forefront of the acquisition process. In the due diligence process of evaluating acquirees, EMT management expends considerable effort understanding operations and the characteristics of the markets it serves. We believe EMT's ability to draw on the expertise of its operating management is a key advantage in the due diligence process and minimizes the risks associated with the aggressive pace of acquisitions.

Valuation

At $20-5/8, EMT is trading at 26x our 1993 EPS estimate of $0.80 and 19x our 1994 EPS estimate of $1.07. We note that at this price level, the P/E as a percent of our forecasted 30% growth rate in earnings is 87% based on 1993 estimates and 63% of our 1994 estimates. The most direct comparable is Rural/Metro which recently went public and is currently trading at 21x 1993 EPS estimates and 18x 1994 EPS estimates, although preliminary secular EPS growth is forecast to equal 20%. In addition, we reviewed the P/E ratio as a percent of earnings growth for leading consolidators in the death care (funeral homes and cemeteries), waste management, and medical rehabilitation areas. Our analysis shows that a sample of six companies in these sectors have an average P/E ratio of 21x 1993 estimates and a P/E over growth ratio of 1.1x. Using this analysis as a guide, we have established a **12 month price range target for EMT shares of $23-25.** Again, it should be noted that at press time EMT announced an agreement to acquire another California ambulance provider with 1992 revenues of approximately $50 million. This potential acquisition, which is expected to have a favorable impact on 1994 earnings estimates, has not been factored into our earnings model or valuation analysis. When further details are available and the certainty surrounding this transaction increases, we will adjust our earnings model accordingly.

Conclusion

American Medical Response is the leading private provider of emergency transport and general ambulance service in the country. Since its initial public offering less than one year ago, the company has successfully executed its strategy of acquiring top flight private ambulance service providers in key markets at attractive valuations. Further, the company is beginning to recognize operating and financial synergies from its early acquisitions resulting in both impressive revenue growth and corresponding growth in operating income. With the great deal of uncertainty surrounding health care reform and its eventual impact on health care service providers, **it is refreshing to find a company in the health care sector ahead of schedule in executing its strategy with the potential for significant earnings growth and limited downside risk.** We believe American Medical Response fits this profile and are initiating coverage of the company with a **BUY** recommendation and a 12-month price target of $23.00-25.00 (12-21% above current levels).

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AMERICAN MEDICAL RESPONSE

Income Statement

($000s)

Fiscal Year Ends 12/31

<<<<< HISTORICAL PROJECTED >>>>>

INCOME STATEMENT	FY 1990	FY 1991	FY 1992 Q1 3/31/92	Q2 6/30/92	Q3 9/30/92	Q4 12/31/92	FY 1992	FY 1993 Q1A 3/31/93	Q2E 6/30/93	Q3E 9/30/93	Q4E 12/31/93	FY 1993E
REVENUES	$94,020	$100,019	$28,795	$29,558	$31,183	$31,664	$121,192	$41,412	$44,308	$49,341	$54,381	$189,442
OPERATING EXPENSES:												
Salaries/Benefits	63,922	52,038	14,777	14,387	14,927	16,541	60,577	20,649	22,197	24,499	26,892	94,236
Uncompensated Care	19,769	25,862	6,576	7,393	7,303	7,066	28,338	9,244	9,880	11,028	12,208	42,360
Other	14,554	16,640	4,612	4,334	4,723	4,696	18,377	6,771	6,912	7,525	8,212	29,419
Depreciation	2,766	3,079	829	923	851	793	3,396	1,109	1,295	1,431	1,550	5,435
Amortization of Intangibles	1,213	927	146	127	127	161	561	115	163	69	453	1,539
Total Operating Expenses	79,324	98,517	26,890	26,954	27,958	29,237	110,919	38,169	40,637	44,560	49,315	172,681
OPERATING INCOME	5,544	9,501	1,895	2,604	3,247	2,427	10,273	3,244	3,669	4,452	5,067	16,632
Interest Expense, Net	1,266	1,216	271	261	155	97	784	230	258	311	367	1,165
PRETAX INCOME	4,280	8,285	1,624	2,443	3,092	2,330	9,489	3,014	3,411	4,142	4,700	15,266
Income Taxes	1,690	3,591	691	1,025	1,226	630	3,572	1,306	1,433	1,739	1,974	6,452
NET INCOME	$2,630	$4,694	$933	$1,418	$1,866	$1,700	$5,917	$1,708	$1,978	$2,402	$2,726	$8,814
AVERAGE SHARES OUTSTANDING	7,967	7,967	7,967	7,967	9,161	10,279	8,838	10,795	10,925	11,125	11,210	11,014
EARNINGS PER SHARE	$0.30	$0.59	$0.12	$0.18	$0.20	$0.17	$0.67	$0.16	$0.18	$0.22	$0.24	$0.80
FULLY TAXED EPS (42% Tax Rate)	$0.30	$0.59	$0.12	$0.18	$0.20	$0.13	$0.62	$0.16	$0.18	$0.22	$0.24	$0.80

INCOME STATEMENT	FY 1994 Q1E 3/31/94	Q2E 6/30/94	Q3E 9/30/94	Q4E 12/31/94	FY 1994E	FY 1995E
REVENUES	$58,168	$62,808	$67,819	$72,615	[illegible]	[illegible]
OPERATING EXPENSES:						
Salaries/Benefits	29,705	30,963	33,269	35,618	[illegible]	[illegible]
Uncompensated Care	13,145	14,319	15,557	16,847	[illegible]	[illegible]
Other	8,783	9,483	10,230	10,892	[illegible]	[illegible]
Depreciation	1,745	1,884	2,029	2,178	[illegible]	[illegible]
Amortization of Intangibles	497	541	585	629	[illegible]	[illegible]
Total Operating Expenses	52,875	57,190	61,664	66,164	[illegible]	[illegible]
OPERATING INCOME	5,291	5,618	5,974	6,451	[illegible]	[illegible]
Interest Expense, Net	390	420	450	480	[illegible]	[illegible]
PRETAX INCOME	4,901	5,194	5,504	5,951	[illegible]	[illegible]
Income Taxes	2,058	2,182	2,312	2,500	[illegible]	[illegible]
NET INCOME	$2,842	$3,013	$3,193	$3,452	[illegible]	[illegible]
AVERAGE SHARES OUTSTANDING	11,349	11,482	11,639	11,751	[illegible]	[illegible]
EARNINGS PER SHARE	$0.25	$0.26	$0.27	$0.29	$1.07	$1.40
FULLY TAXED EPS (42% Tax Rate)	$0.25	$0.26	$0.27	$0.29	$1.07	$1.40

MARGIN ANALYSIS	FY 1990	FY 1991	FY 1992 Q1	Q2	Q3	Q4	FY 1992	FY 1993 Q1A	Q2E	Q3E	Q4E	FY 1993E
REVENUES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
OPERATING EXPENSES:												
Salaries/Benefits	68.2%	68.1%	51.2%	48.7%	47.8%	52.2%	50.0%	49.9%	50.1%	49.7%	49.5%	49.7%
Uncompensated Care	23.3%	25.9%	22.8%	24.0%	23.4%	22.3%	23.1%	22.4%	22.3%	22.4%	22.5%	22.4%
Other	17.1%	15.4%	16.0%	14.7%	15.2%	14.8%	15.2%	16.4%	15.6%	15.3%	15.1%	15.5%
Depreciation	3.3%	2.9%	2.9%	3.1%	2.7%	2.5%	2.8%	2.8%	2.9%	2.9%	2.9%	2.9%
Amortization of Intangibles	1.5%	0.9%	0.5%	0.4%	0.4%	0.5%	0.5%	0.8%	0.6%	0.8%	0.8%	0.8%
Total Operating Expenses	93.5%	91.2%	93.4%	90.9%	89.6%	92.3%	91.5%	92.2%	91.7%	91.0%	90.7%	91.3%
OPERATING INCOME	6.5%	8.8%	6.6%	9.1%	10.4%	7.7%	8.5%	7.8%	8.3%	9.0%	9.3%	8.7%
Interest Expense, Net	1.5%	1.1%	0.9%	0.9%	0.5%	0.3%	0.6%	0.6%	0.6%	0.6%	0.7%	0.6%
PRETAX INCOME	5.0%	7.7%	5.6%	8.3%	9.9%	7.4%	7.8%	7.3%	7.7%	8.4%	8.6%	8.1%
NET INCOME	2.8%	4.3%	3.2%	4.8%	6.0%	5.4%	4.9%	4.1%	4.5%	4.9%	5.0%	4.7%
Tax Rate	43.9%	43.3%	42.5%	42.0%	39.7%	27.0%	37.6%	43.3%	42.0%	42.0%	42.0%	42.3%

MARGIN ANALYSIS	FY 1994 Q1E 3/31/94	Q2E 6/30/94	Q3E 9/30/94	Q4E 12/31/94	FY 1994E	FY 1995E
REVENUES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
OPERATING EXPENSES:						
Salaries/Benefits	49.6%	49.3%	49.2%	49.1%	[illegible]	[illegible]
Uncompensated Care	22.6%	22.8%	23.0%	23.2%	[illegible]	[illegible]
Other	15.1%	15.1%	15.1%	15.0%	[illegible]	[illegible]
Depreciation	3.0%	3.0%	3.0%	3.0%	[illegible]	[illegible]
Amortization of Intangibles	0.9%	0.9%	0.9%	0.9%	[illegible]	[illegible]
Total Operating Expenses	90.9%	91.1%	91.2%	91.1%	[illegible]	[illegible]
OPERATING INCOME	9.1%	8.9%	8.8%	8.9%	[illegible]	[illegible]
Interest Expense, Net	0.7%	0.7%	0.7%	0.7%	[illegible]	[illegible]
PRETAX INCOME	8.4%	8.3%	8.1%	8.2%	[illegible]	[illegible]
NET INCOME	4.9%	4.8%	4.7%	4.8%	[illegible]	[illegible]
Tax Rate	42.0%	42.0%	42.0%	42.0%	[illegible]	[illegible]

GROWTH RATES (VS. PRIOR YEAR)	FY 1990	FY 1991	FY 1992 Q1	Q2	Q3	Q4	FY 1992	FY 1993 Q1A	Q2E	Q3E	Q4E	FY 1993E
Revenues	29.4%	27.3%	16.8%	15.3%	10.6%	7.3%	12.2%	43.9%	49.9%	58.2%	71.7%	56.3%
Operating Expenses	29.9%	24.2%	20.2%	14.3%	8.5%	8.2%	12.6%	41.9%	51.3%	60.2%	68.7%	56.0%
Operating Income	22.0%	71.3%	(19.8%)	26.6%	28.5%	(1.8%)	8.1%	71.2%	35.7%	37.1%	108.8%	59.9%
Pretax Income	25.6%	93.6%	(20.9%)	33.2%	39.6%	6.8%	14.5%	85.6%	39.6%	33.9%	101.7%	60.9%
Net Income	26.1%	95.6%	(19.8%)	32.0%	48.6%	41.7%	26.1%	83.1%	39.5%	28.7%	60.4%	49.0%
Earnings Per Share	26.1%	95.6%	(19.8%)	32.0%	29.1%	9.8%	13.5%	36.6%	1.1%	8.0%	45.1%	19.5%
Fully Taxed EPS	26.1%	95.6%	(19.8%)	32.0%	29.1%	(12.7%)	5.7%	36.6%	1.1%	8.0%	82.5%	28.5%

GROWTH RATES (VS. PRIOR YEAR)	FY 1994 Q1E 3/31/94	Q2E 6/30/94	Q3E 9/30/94	Q4E 12/31/94	FY 1994E	FY 1995E
Revenues	40.5%	41.3%	37.0%	33.1%	[illegible]	[illegible]
Operating Expenses	38.5%	40.7%	37.3%	34.7%	[illegible]	[illegible]
Operating Income	63.1%	51.0%	34.2%	27.5%	[illegible]	[illegible]
Pretax Income	62.6%	52.3%	32.9%	26.6%	[illegible]	[illegible]
Net Income	64.6%	52.3%	32.9%	26.6%	[illegible]	[illegible]
Earnings Per Share	54.3%	44.4%	22.7%	20.8%	[illegible]	[illegible]
Fully Taxed EPS	54.3%	44.4%	22.7%	20.8%	[illegible]	[illegible]

MONTGOMERY SECURITIES

AMERICAN MEDICAL RESPONSE

Summary Balance Sheet and Cash Flow Statements

($000s)

Fiscal Year Ends 12/31

SUMMARY BALANCE SHEET

	FY 1990	FY 1991	FY 1992	FY 1993E	FY 1994E	FY 1995P
ASSETS						
Cash and cash equivalents		$3,542	$14,600	$4,594	$6,642	$5,408
Accounts receivable		30,515	34,310	50,938	69,216	91,344
Less: Allowance for uncompensated care		(10,843)	(11,655)	(17,319)	(23,533)	(31,057)
Net accounts receivable		19,672	22,655	33,619	45,682	60,287
Other		4,827	9,114	10,000	12,000	16,000
Total Current Assets		28,041	46,369	48,214	64,325	81,696
Property and equipment, net		9,620	10,555	17,861	23,932	31,915
Goodwill, net		399	11,153	29,827	45,126	68,337
Other		2,004	2,771	2,771	2,771	2,771
Total Assets		$40,064	$70,848	$98,672	$136,153	$184,719
LIABILITES AND STOCKHOLDERS' EQUITY						
Current liabilities		$17,628	$19,273	$21,810	$24,034	$28,255
Long-term debt		8,031	8,975	14,978	26,035	32,740
Other		1,534	5,384	6,000	6,000	6,000
Total Liabilities		27,193	33,632	42,788	56,069	66,995
Stockholders' equity		12,871	37,216	55,884	80,084	117,724
Total Liabilities and Equity		$40,064	$70,848	$98,672	$136,153	$184,719

SUMMARY CASH FLOWS

	FY 1990	FY 1991	FY 1992	FY 1993E	FY 1994E	FY 1995P
Operating Activities:						
Net Income	$2,528	$4,844	$5,236	$8,814	$12,499	$16,641
Depreciation	2,766	3,079	3,396	5,435	7,836	10,471
Amortization	1,313	927	561	1,539	2,251	3,039
Change in working capital (before cash)	(517)	(2,582)	(4,934)	(9,314)	(11,839)	(14,385)
Operating cash flow	6,090	6,268	4,259	6,474	10,748	15,766
Investing Activities:						
Cash used for acquisitions	0	0	(11,980)	(17,096)	(11,700)	(14,000)
Purchase of equipment	(1,927)	(3,763)	(1,460)	(5,000)	(7,000)	(10,000)
Other	(704)	(671)	997	0	0	0
Net cash used in investing activities	(2,631)	(4,434)	(12,443)	(22,096)	(18,700)	(24,000)
Financing Activities:						
Issuance of common stock/options	0	0	23,724	0	0	0
Net long-term debt raised/(repaid)	(2,131)	(1,177)	(4,457)	5,000	10,000	7,000
Other	(581)	(417)	(25)	616	0	0
Net cash from financing activities	(2,712)	(1,594)	19,242	5,616	10,000	7,000
Net Change in Cash and Equivalents	747	240	11,058	(10,006)	2,048	(1,234)
Beginning Cash and Equivalents	2,555	3,302	3,542	14,600	4,594	6,642
Ending Cash and Equivalents	$3,302	$3,542	$14,600	$4,594	$6,642	$5,408

KEY RATIOS

	FY 1990	FY 1991	FY 1992	FY 1993E	FY 1994E	FY 1995P
Working capital		$10,413	$27,096	$26,404	$40,290	$53,441
Accounts receivable days outstanding		103	103	98	97	96
Uncompensated care allowance as a % of accounts receivable		35.5%	34.0%	34.0%	34.0%	34.0%
Debt to total capitalization		38.4%	19.4%	21.1%	24.5%	21.8%
Return on average equity		44.6%	23.6%	18.9%	18.4%	16.8%
Return on average tangible equity		46.4%	30.7%	33.8%	41.0%	39.5%
Goodwill as a % of shareholders' equity		3.1%	30.0%	53.4%	56.3%	58.0%

MONTGOMERY SECURITIES

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Kidder, Peabody

SMALL CAP *EQUITY RESEARCH*

July 1, 1993 ***Company Report***

American Medical Response, Inc.

(NYSE - EMT)

Stock Rating: Outperform

GAINING SHARE IN A GROWTH INDUSTRY — AMBULANCE SERVICES

Recent Range	Recent Price	Fiscal Yr-end	Earnings Per Share 1992	1993E	1994E	P/E Ratio 1993E	1994E	Dividend Rate	Current Yield
20 - 8	19	Dec.	$0.67	$0.80	$1.00	21.3	17.9	Nil	Nil

INVESTMENT RECOMMENDATION

We are initiating coverage of American Medical Response, a provider of ambulance services, with an Outperform rating. EMT could expand EPS by over 20% annually over the next several years. The industry is expanding 10% to 13% annually and operating leverage should lead to stronger earnings growth. EMT is the largest publicly traded pure play in this consolidating industry.

Although EMT is not inexpensive on a statistical basis, we would begin to accumulate these shares for the following reasons:

- EMT is purchasing the largest and best run private ambulance companies at attractive multiples of earnings and cash flow that are additive to earnings. Earnings should increase since after about six months, operating units begin to benefit from operating economies of scale.
- For the long term, the company is building an organization of elite operators, with long histories of service in their respective communities. Additional growth could take hold as the company purchases smaller operators and merges them into existing operations. The company has been acquiring larger ambulance companies for a combination of stock, debt and cash. Smaller purchases are likely to be for cash.
- EMT has been completing acquisitions ahead of schedule. Additional acquisitions this year should lead us to increase our earnings estimates.
- The valuation of the stock could improve if the number of shares held by the public increases and the average trading volume rises. We would not be surprised if the company proceeded with an offering to provide capital for future acquisitions as well as liquidity for certain operators who have previously sold their ambulance companies to EMT.

Special Situations

Todd M. Berko
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BASIS FOR RECOMMENDATION

Valuation

On a purely statistical basis, American Medical Response appears fairly valued. However, our current estimates make the very conservative assumption that EMT will acquire no more companies in 1993. In addition, we believe the market penalizes the company's valuation, as noncash charges depress earnings. In its short history (the company was formed in early 1992 and went public midyear), company management has often exceeded expectations, and we anticipate upward adjustments to our earnings estimates.

Heavy goodwill amortization expenses mask the company's real earning power. The company's multiple on current-year earnings of 20.4 times is close to its expected growth rate. Yet, this includes significant charges from the amortization of goodwill. Excluding these charges, earnings would be $0.92 per share and the growth rate would be higher. Without goodwill expense, the company's share price could approach $20 per share, 23% above current levels.

Our $0.80 per share estimate for 1993 assumes no additional acquisitions in the current year. Given that the company has completed five since November 1992 plus a recently signed letter of intent, there is the potential for additional acquisitions that could move estimates up $0.05 or more this year and an even greater amount in future years.

The company has announced it is in negotiations to purchase an additional company with, perhaps, $50 million in sales.

Our assumption of only modest improvements in operating margins over the next several years could also prove too conservative. The company has already hired much of the corporate staff to oversee any integration. Addition of a senior executive expert at moving companies from the entrepreneurial to the corporate stage of development could further enhance margins. These improvements should begin to occur in 1994.

Finally, the company has yet to substantially benefit from add-on acquisitions, which could generate a greater impact on EPS from each dollar of revenue acquired than from the company's recent acquisitions. Bridgeport Ambulance Service will soon close, becoming the first add-on acquisition. These acquisitions have yet to occur as the market to purchase large companies has been more robust than expected. Gaining significant market share through major acquisitions expands the number of potential add-on acquisitions.

Reasons to Purchase

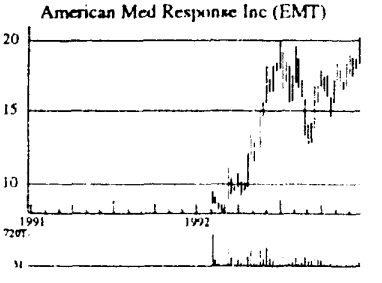
- The private ambulance industry is growing 10% to 13% annually. The number of ambulance trips is increasing as the population ages and transportation between hospitals and other care facilities becomes more commonplace. The revenue generated per emergency trip, about two thirds of company-wide revenue, is increasing as there is a rising level of medical sophistication required. An increasing number of municipalities are seeking ways to outsource this service.
- Market forces continue to move owner-operated companies into larger organizations. Ambulance companies are facing increasing capital requirements and face significant obstacles when attempting to expand. By selling to a larger entity for stock, cash and seller debt, the owner/operator diversifies his assets, benefits from the growth in the ambulance industry, and continues to operate the local company. Further, the owner/operator eliminates the financial pressure of having to guarantee all company debt personally.
- The concern over health care reform may provide incentives for owner-operators to diversify their assets.
- There continue to be many acquisition opportunities. The company makes under 15 acquisi-

BUSINESS

American Medical Response is the largest publicly held provider of ambulance services. This industry is expanding at 12.5%-15% annually, providing the company with the potential for 20% EPS growth. The company acquires larger competitors for a combination of cash, stock and company debt. Smaller competitors are purchased for cash.

Projected 5-Year Growth Rate	20%	Debt as % of 1993 Capital	31.2%
Shares Outanding (Millions)	10.7	Est. Ret. of 1993 Avg. Equity	22.2%
Average Daily Trading Volume	19,500	P/E relative to S&P 500	
Institutional Holdings	16 %	Cashflow Per Share (1994E)	$1.45
Insider Ownership	59 %	Multiple of cash flow	13.8
Book Value (1993E)	$4 64		
Price/Book	4 3		
Revenues Per Share (1993E)	$16.41		
Market Cap./Revenues (1993E)	1 2		

American Med Response Inc (EMT)



Source: Kidder, Peabody & Co. Incorporated

tions annually and the number of potential targets exceeds 300. While the company has concentrated on larger acquisitions, small add-on acquisitions have the potential to further enhance EPS. Smaller acquisitions benefit from operating economies of scale as they are usually merged into a larger operation.

- EMT has advantages when competing for acquisitions. As the largest of two publicly held ambulance companies, EMT can offer stock as part of the acquisition package. EMT's operating management is well respected as it has run some of the largest and best known independent ambulance companies. The company is completing acquisitions ahead of schedule and on favorable terms.
- Company EPS could grow 20% annually over the next several years given industry growth (12-15%) and acquisitions. EMT purchases private companies for about 8-10 times trailing 12-month earnings. This valuation includes the goodwill implied by the acquisition. Economies of scale gained from a private company's joining a larger company increase the positive impact on earnings after about a six-month lag.
- Operating managers own a large amount of EMT's stock. Increasing earnings raise the market value of the company and has a significant impact on the operating managers' personal net worth.
- The company is negotiating an acquisition that, if completed, could add $0.05 in earnings in 1994.

Concerns

- Health care reform increases uncertainty. However, under most scenarios, the demand for ambulance services could increase. Universal coverage could lead to reduced pricing, but this may be offset by lower uncompensated-care write-offs. The most negative scenario is a price freeze without wage controls.

American Medical Response, Inc.
Table 1
Market Participants

Volunteer	7,000
Municipalities	3,700
Hospitals	2,000
Private	2,100

Source: Company estimates.

- High insider ownership, particularly among former ambulance company owners, may lead to a significant overhang. The company is sensitive to this issue and insiders have been selling shares in an orderly fashion.
- Over time, the price of acquisitions may rise, particularly as additional ambulance companies come public. EMT's strategy of concentrating on core acquisitions should allow the company to gain access to many markets before competitors enter them and bid acquisition prices up. If the market for larger acquisitions later becomes overpriced, the company can then concentrate on add-on acquisitions.
- Revenue and profit growth may slow as acquired revenues are likely to diminish as a percent of a growing revenue base. Add-on acquisitions could allow EPS growth to expand more quickly than revenue growth. EMT will most probably make smaller acquisitions for cash and generate not only corporate, but also operating economies of scale.

AN EXPANDING, FRAGMENTED INDUSTRY

The ambulance industry is a $5 billion, highly fragmented industry with about 15,000 providers (see Table 1). Only about 30 companies have annual revenues in excess of $20 million (see Table 2). Growth has been about 10% annually over the last decade, but could accelerate. About half the participants serve markets in which population densities are too small to support a profitable private operation. Although these operations may be profitable, they are too small to interest EMT.

Increasing Demand

Ambulance services has been a growth industry throughout the 1980s. In 1980, the total market was $1.5 billion and private companies represented about 33%. By 1990, the market grew to $4.3 billion and private companies represented 55%. The current size is estimated at $4.9 billion. By 2000, the market could reach $10 billion and private

American Medical Response, Inc.
Table 2
Participants' Size

Annual Revenues	No. of Participants
Over $30 million	8
$20-$30 million	20
$15-$20 million	70
$10-$15 million	160
Under $10 million	1,900

companies could represent 66%.

The number of ambulance trips has been increasing. In the past, emergency patients were transported to a hospital, where they stayed until full and complete recovery. Now, after the initial emergency call, patients might be transported to the respective health maintenance organization of which they are a member or a hospital that specializes in a specific illness. Additional ambulance trips might bring the patient to centers housing expensive test equipment. For example, Magnetic Image Resonance Machines and other expensive technologies are now centrally located to generate enough revenues to support the test facility. Finally, discharged patients who are not fully recovered might require ambulance services if they are sent to another facility to complete recovery or home, where they will receive in-home health care. A short ambulance ride may move a patient from a $2,000 per-day bed to a $500 per-day bed. EMT provides complete patient transport services, from the most technically sophisticated critical care transport to more basic services.

Private ambulance services may continue to expand more quickly than the industry as a whole. Municipalities can reduce or eliminate the cost of ambulance services by contracting with a private company. Private ambulance companies can garner economies of scale by serving several communities, justifying investments in computer software and systems to improve collections from third-party sources — Medicare, Medicaid and private insurance carriers. Service levels and response times improve as larger companies can invest in more efficient dispatching systems and improved training. Over time, municipal subsidies to private ambulance companies tend to fall as they become more efficient and return some of the savings to the community to solidify their local relationships.

Value-Added Services

About two-thirds of EMT's revenues are generated by providing exclusive emergency services over specific geographic areas. ***Advanced life support*** ambulances contain many of the drugs and devices found in an emergency room plus advanced communications to talk to both the dispatch center and the local hospital. While an ambulance is traveling to an emergency room, physicians may give directions on administering treatment and drugs to the patient.

Over the past several years, the average revenue per emergency trip has been increasing. Local governments are requiring more sophisticated vehicles, faster response times (often within eight minutes 90% of the time) and more highly trained employees to utilize available technology. Costs rise further as concerns over AIDS and other blood pathogens increase the need for equipment to protect paramedics and for procedures for disposal of used equipment.

The ***basic life support*** (BLS) business leverages off the company's infrastructure required to maintain advanced life support. BLS transports patients between facilities for additional treatment, tests, or to discharge to another care facility. These ambulances have fewer drugs and less technology, but use the same maintenance facilities and dispatching terminals. Critical care units transport critically ill patients, who, under federal regulations, must receive the same level of care whether in a critical care unit or in the ambulance. Although it is currently only about 3-5% of the business, BLS is the fastest growing service.

AMERICAN MEDICAL RESPONSE SHOULD OUTPACE INDUSTRY GROWTH

In addition to benefiting from industry growth, EMT is expanding through acquisitions. Since going public, the company has acquired or signed a letter of intent for an estimated $79.3 million in annual revenues, about 40% of the estimated current revenue. The company's acquisitions year to date have already exceeded its budgeted plans through the end of 1993, and we expect further acquisitions that would be additive to earnings. The company is currently negotiating an acquisition that could add over $50 million in sales. In 1994 we expect acquisitions of $55 million in annual revenues. All acquisitions except one have been of larger competitors that create central locations supporting further local expansion.

Longer term, the company should begin to acquire smaller providers. EMT would benefit from reductions in both corporate and operating overhead. Typically, the physical plant of a small acquisition will close and all dispatching and maintenance functions will be handled from a central location. Effective deployment of an ambulance fleet does not require strategically located garages. The most efficient dispatching system (flexible deployment) requires ambulances, when on call, to be on the street.

The Industry Is Moving Toward Consolidation

Capital requirements are increasing. Localities are requiring more rapid response times and more sophisticated ambulances. A fully loaded emergency services ambulance now costs about $100,000 ($50,000 for the vehicle alone), and an ambulance to transport critical-care patients is $250,000. This compares to $50,000 for a more basic unit. To improve response times, ambulance service companies must either increase the size of the fleet or invest in more sophisticated dispatching technologies. Because of its size, American Medical Response can negotiate volume discounts on equipment.

American Medical Response, Inc.
Table 3
Earnings Model
(in thousands except per share amounts)

	1991	1992	1993E	1994E
Revenues	$94,104	$106,433	$183,000	$236,900
Percent Change	*28.6%*	*13.1%*	*71.9%*	*29.5%*
Expenses:				
Salaries and Benefits	$45,614	$53,364	88,900	114,700
Percentage of Revenues	*48.5%*	*50.1%*	*48.6%*	*48.4%*
Uncompensated care	22,262	24,397	43,400	56,200
Percentage of Revenues	*23.7%*	*22.9%*	*23.7%*	*23.7%*
Depreciation	2,772	3,066	5,800	7,500
Percentage of Revenues	*2.9%*	*2.9%*	*3.2%*	*3.2%*
Other	$13,717	$15,217	26,200	33,400
Percentage of Revenues	*14.6%*	*14.3%*	*14.3%*	*14.1%*
Total expenses	$84,365	$96,044	$164,300	$211,800
Earnings from operations	$9,739	$10,389	$18,700	$25,100
Operating Margins	*10.3%*	*9.8%*	*10.2%*	*10.6%*
Non-Operating Expenses				
Amortization of intangibles	$927	$561	$1,400	$2,000
Interest expense, net	$1,156	$747	$1,500	$1,600
Earnings before income taxes	$7,656	$9,081	$15,800	$21,500
	3,201	4,089	6,900	9,400
Tax Rate	41.8%	45.0%	43.7%	43.7%
Net earnings	$4,455	$4,992	$8,900	$12,100
Percentage of Sales	*4.7%*	*4.7%*	*4.9%*	*5.1%*
Pro forma net earnings (1)	$4,306	$5,670	$8,900	$12,100
Net earnings per common share	$0.57	$0.67	$0.80	$1.00
Net earnings per common share before Amort.	$0.69	$0.74	$0.92	$1.16
Weighted average common shares outstanding	7,576	8,447	11,150	12,150

(1) Includes certain adjustments reflecting the move from an S coproration

To finance this growth, entrepreneurs must invest additional capital or personally guarantee bank loans, even to finance accounts receivables. A publicly held company has greater access to capital and can borrow at significantly lower rates.

By selling to a larger ambulance company, entrepreneurs reduce their personal debt load, and get cash to diversify assets, stock to maintain an equity interest and debt from the company that generates income. The equity position is now in a larger company with professional financial management and is much less reliant on any one local contract or business relationship. A larger competitor may be more adept at reacting to any changes brought about by health care reform. The entrepreneur can concentrate on his strengths, running operations, and pass off onerous accounting, insurance, systems development and finance responsibilities.

There are significant barriers to expanding into new markets and new barriers are being added. Larger competitors that want to solidify their competitive position often suggest additions to municipal contracts. These contracts are now more likely to specify bonding requirements and more difficult performance criteria. Bonding may be difficult, if not impossible, for small companies to obtain.

American Medical Response's Acquisition Strategy

EMT currently evaluates companies with significant emergency services businesses, dominant market share, and a long-term relationship with local communities.

The basic criteria include:

- Dominant market share, ranging from 65% to 95-100%, includes no emergency services..
- A high proportion of sales generated through providing high value-added services. Over 70% of calls may come from the local 911 service, and over 50% of calls requires paramedics.
- Exclusive contracts for emergency services over specific geographic areas.
- More advanced equipment and employee training than the local competition.
- Profitable, established operations with long histories in their communities. American Medical Response's current operators average about 40 years of service in their communities.

Acquisitions are antidilutive to earnings, and they are even more attractive on a cash flow basis. Sellers receive a combination of stock (50%-60%), cash (20%-25%), and seller debt (20%-25%) structured to fit their needs. The company recently completed its first all stock transaction (a pooling). The return on equity on a trailing basis is about 10%, but it could move closer to 16%, given a higher level of assumed and seller debt. The P/E ratios on trailing earnings is 8 to 10 times, below the company's publicly traded multiple.

Using equity to finance acquisitions generates significant commitment by the former entrepreneurs to increase EMT's profitability and market value without compromising quality. Once the sale is complete, the former small business owners view the stock price as a vehicle for increasing wealth, particularly as they no longer garner the cash flow from their former business and receive modest salaries. In contrast, other potential acquirers may offer a comparable price, but often offer subordinated debt, limiting upside potential. Other acquirers may not have EMT's depth of operating management.

Increasing Profitability Through Rising Economies of Scale

One of EMT's initial acquisitions has developed an advanced logistical system that improves performance and cuts capital and operating expenses. Using proprietary software, sophisticated satellite telemetry, and computer algorithms, the company's ambulance dispatching systems efficiently locate ambulances throughout the service areas and dispatch them within 30 seconds. As the company grows, acquired companies will benefit by upgrading their existing technology to the level appropriate for the call volume. Going forward, operations should continue to improve as an expanding revenue base would support the development system improvements.

By more effectively posting ambulances throughout the service area, the company reduces the number of ambulances and crews on the street at any one time without increasing response times. The cost savings of eliminating a single ambulance are $100,000 for an ALS unit plus $300,000 in annual operating costs. A basic life support unit costs about $50,000, plus another $250,000 annually to keep on the road. In the California market, the company operates up to 80 emergency ambulances, 15 less than it would otherwise need.

The company can leverage certain fixed costs over a larger revenue base, lowering these costs as a percentage of sales. Costs of continuing education for emergency medical technicians and paramedics are spread over a larger employee base. The program is further enhanced as it can draw on a broader range of experience than other ambulance companies. Computer software development, fleet maintenance, human resources and insurance are also prime beneficiaries. The company now self-insures for claims within certain ranges. This saves agents' commissions of $1 million or more annually and focuses management's attention on improving the company's safety record. With increased purchasing power, the company faces lower costs for ambulances, as well as for

American Medical Response, Inc.
Table 4
Quarterly Earnings
(In thousands, except per share amounts)

	Three Months Ended					Three Months Ended					Three Months Ended				
	March 1992	June 1992	Sept 1992	Dec. 1992	Total 1992	March 1993E	June 1993E	Sept 1993E	Dec. 1993E	Total 1993E	March 1994E	June 1994E	Sept 1994E	Dec. 1994E	Total 1994E
Total Revenue	$25,227	$26,277	$26,834	$28,095	$106,433	$41,729	$42,090	$45,094	$54,087	$183,000	$52,482	$56,982	$61,482	$65,952	$236,900
Percent Change						65.41%	60.18%	68.05%	92.51%	71.91%	25.77%	35.38%	36.34%	21.94%	29.45%
Expenses:															
Salaries and benefits	$12,716	$12,664	$13,162	$14,822	$53,364	$21,157	$20,602	$21,442	$25,699	$88,900	$25,410	$27,589	$29,768	$31,932	$114,700
Percent of Sales	50.4%	48.2%	49.0%	52.8%	50.1%	50.7%	48.9%	47.6%	47.5%	48.6%	48.4%	48.4%	48.4%	48.4%	48.4%
Uncompensated care	5,705	6,281	6,239	6,172	24,397	9,180	9,553	10,686	13,981	43,400	12,450	13,518	14,586	15,646	56,200
Percent of Sales	22.6%	23.9%	23.3%	22.0%	22.9%	22.0%	22.7%	23.7%	25.8%	23.7%	23.7%	23.7%	23.7%	23.7%	23.7%
Other	$4,689	$4,519	$4,829	$4,807	18,844	8,095	7,468	8,136	$9,700	33,400	10,236	10,111	11,047	$11,506	42,900
Percent of Sales	18.6%	17.2%	18.0%	17.1%	17.7%	19.4%	17.7%	18.0%	17.9%	18.3%	19.5%	17.7%	18.0%	17.4%	18.1%
Total expenses	$23,110	$23,464	$24,230	$25,801	$96,605	$38,432	$37,623	$40,264	$49,381	$165,700	$48,097	$51,218	$55,400	$59,084	$213,800
Earnings from operations	$2,117	$2,813	$2,604	$2,294	$9,828	$3,297	$4,467	$4,830	$4,706	$17,300	$4,385	$5,764	$6,082	$6,869	$23,100
Interest expense, net	$247	$258	$149	$93	$747	$300	$400	$400	$400	$1,500	$325	$425	$425	$425	$1,600
Earnings before income taxes	$1,870	$2,555	$2,455	$2,201	$9,081	$2,997	$4,067	$4,430	$4,306	$15,800	$4,060	$5,339	$5,657	$6,444	$21,500
Income taxes	$743	$1,066	$1,702	$578	$4,089	$1,259	$1,776	$1,935	$1,930	$6,900	$1,773	$2,332	$2,471	$2,825	$9,400
Net earnings	$1,127	$1,489	$753	$1,623	$4,992	$1,738	$2,291	$2,495	$2,376	$8,900	$2,287	$3,008	$3,187	$3,619	$12,100
EPS	$0.14	$0.20	$0.17	$0.16	$0.67	$0.16	$0.20	$0.21	$0.22	$0.80	$0.20	$0.25	$0.26	$0.29	$1.00
Common shares out.	7,576	7,576	8,770	9,866	8,447	10,800	11,335	11,692	10,773	11,150	11,510	12,045	12,401	12,644	12,150

drugs and other consumables.

A SOLID REVENUE BASE

The company has the characteristics of a regulated utility where they are the sole provider. Localities grant ambulance companies rights to service a particular area. EMT's operating agreements, unlike about 50% of the largest ambulance companies, provide for exclusive operating rights over a specific geographic region. Given the importance of emergency service, EMT's long history of service (often over 40 years) and the political risks attendant with changing vendors, there is a bias to maintain relationships if the ambulance company is meeting performance criteria and remains price competitive.

Stable Payment Stream

Underpricing an entrenched competitor is difficult. Net income as a percentage of sales is only 4-5%. The current provider knows the pricing structure needed to maintain profitability and has already invested in a dispatching center and equipment. His collection of past data on traffic patterns and accident records is proprietary information required to maximize efficiency. A new bidder would have to factor in the costs of a rapid investment program to be fully operational in a short period of time. Conversely, the current provider would be aggressive to protect his investment. An established competitor may benefit from economies of scale by servicing several localities with service contracts expiring at different times. A new competitor would have to absorb losses with the expectation of bidding away future contracts from the established competitor.

Payments are made by Medicare (an estimated 29% of revenues), Medicaid (an estimated 8%), third-party insurers (an estimated 28%) and private individuals (an estimated 55%). Since local governments set prices, Medicare does not independently evaluate rates, paying about 80% of the average area price. Private insurers and individual citizens pay the full rate, and Medicaid (which covers some elderly and AFDC) pays the least. Individuals often submit the charges to an insurance company for payment. Uncompensated care represented a write-off of 22.9% of sales in 1992. When compared to the portion paid by individuals, the bad-debt ratio rises to 59%.

Pricing Should Rise With Costs

Emergency ambulance charges do not come under intense review by insurers as the $350-$450 per emergency trip and $150-$200 per nonemergency trip are usually dwarfed by other medical charges. Insurers can get greater cost savings by concentrating on other parts of the medical establishment.

Because localities set but do not pay the costs, ambulance companies find it easier to pass on cost increases. Contracts have cost-of-living adjustments and may be reopened if OSHA regulations, local government requirements or certain cost factors change. Localities may subsidize ambulance services if they have a large population of uninsured citizens who cannot afford to pay for ambulance services. As EMT only acquires companies with a long-term history of serving specific communities, these operating companies have built up a long history of dealing fairly while providing one of a municipality's three vital services, making rate adjustments less difficult.

For nonemergency service, pricing is much more aggressive as it is set by negotiations with individual hospitals, clinics, HMOs and nursing homes. Hospitals and other facilities see cost as the most important factor. However, EMT's ability to supply a hospital or care group with all its transportation needs on a timely basis gives it a competitive advantage over small competitors that just provide nonemergency transport services, and have smaller fleets and less sophisticated dispatching systems.

HEALTH CARE REFORM CREATES UNCERTAINTY

While it is too early to predict what form health care reform will take, concerns about costs could hurt the overall profitability of health care companies. However, it is possible that ambulance companies may not be dealt with as harshly as other health care providers. Ambulance companies do not generate a return on sales that would attract scrutiny. EMT's return on sales is only about 5.0% and this could be above the industry averages. A cut in prices that would remove all profits would drive some operators out of business, but would not provide a significant reduction in health care costs.

If health care is extended to those currently uncovered, EMT could cut prices substantially without reducing profitability. In 1993, we expect uncompensated care to reach 23.7% of revenues. This is significantly higher than the percentage for health care providers and compares to 7% for hospitals. The vast majority of this loss is because ambulance services are provided to all, regardless of ability to pay.

EMT could do well in a health care environment dominated by large buying groups (i.e., managed competition). Because of its dominance in certain key markets, its ability to service broad geographic areas and its broad range of services, EMT can service a buying group's entire menu of transportation needs.

LEGAL LIABILITY HAS NOT BEEN A SIGNIFICANT ISSUE

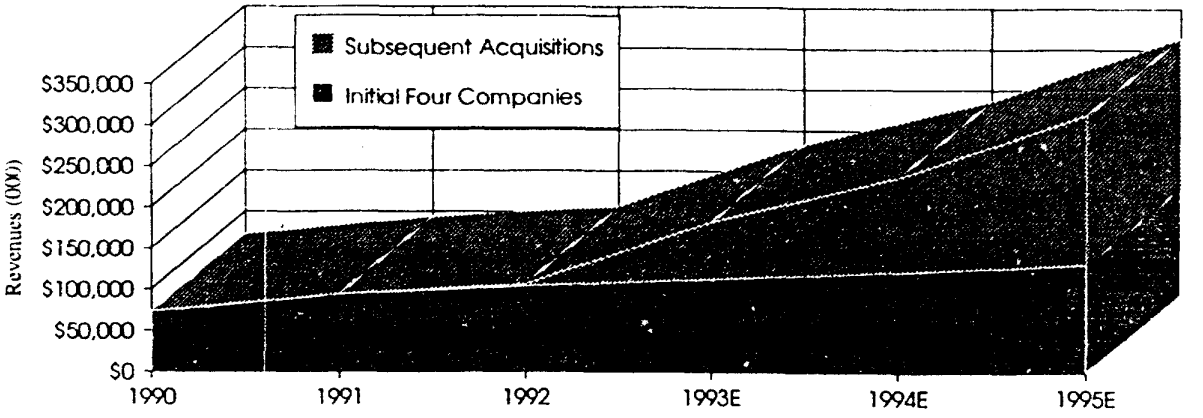
Ambulance drivers benefit from

American Medical Response, Inc.
Table 5
Combined Balance Sheets
(in thousands)

Kidder, Peabody & Co.
Incorporated

	December 31,			
	1991	1992	1993E	1994E
Current assets:				
Cash and cash equivalents	$2,530	$14,134	32,140	$2,723
Short term investments	925	260	260	260
Accounts receivable	29,132	32,121	50,057	67,968
Allowance for uncompensated care	10,150	10,779	16,798	22,808
Net	$18,982	$21,342	$33,259	$45,160
Receivable from affiliated party	332	0	0	0
Advances to stockholders	641	0	0	0
Inventories	718	827	1,289	1,750
Prepaid expenses	1,658	1,805	3,812	5,177
Deferred income taxes	0	4,280	7,222	9,840
Total current assets	$25,786	$42,648	$47,983	$64,909
Property and equipment, at cost:	18,482	21,308	38,090	51,366
Less, accumulated depreciation	9,668	11,282	17,082	24,582
Net property and equipment	8,814	10,026	21,008	26,784
Other assets				
Goodwill	450	11,251	20,514	37,404
Acc. Amort.	51	98	1,498	3,498
	399	11,153	19,016	33,906
Covenants not to compete, net	1,009	735	1,145	1,555
Other	850	1,987	4,097	5,562
Total assets	$36,858	$66,549	$93,249	$132,717
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	2,889	3,258	5,077	6,894
Accrued compensation, benefits and taxes	3,631	4,725	7,363	9,998
Accrued expenses	1,372	2,528	3,940	5,349
Income taxes payable	2,420	2,104	3,550	4,837
Deferred income taxes	1,457	0	0	0
Current maturities of long-term debt	4,717	4,421	3,685	3,641
Total current liabilities	$16,486	$17,036	$23,616	$30,719
Long-term debt, excluding current maturities	7,179	8,372	16,372	16,372
Deferred income taxes	911	4,240	7,222	9,840
Other liabilities	623	1,144	1,783	2,421
Total liabilities	$25,199	$30,792	$48,993	$59,351
Stockholders' equity:				
Common stock	90	103	103	113
Additional paid-in capital	266	21,267	20,867	37,867
Retained earnings	11,353	14,387	23,287	35,386
Note receivable from officer	(50)	0	0	0
Total stockholders' equity	$11,659	$35,757	$44,256	$73,366
Commitments and contingencies				
Total liabilities and stockholders' equity	$36,858	$66,549	$93,249	$132,717

American Medical Response Inc.
Chart 1
Components of Revenue Growth



the Good Samaritan Rules, which appear to limit liability. To collect damages, injured parties must prove gross negligence. Also, paramedics administer drugs while in communication with a doctor, under whose license the paramedic is operating. However, given the litigious nature of our society and the increasing sophistication of ambulance equipment and personnel, we expect this doctrine to continue to be challenged.

THOUGH RECENTLY FORMED, EMT HAS EXCEEDED EXPECTATIONS

The company was formed in February 1992 for the specific purpose of acquiring ambulance companies. Concurrent with the public offering, the company purchased four ambulance companies for $45,414,750. The consideration paid was $10,195,000 plus 4,143,500 shares of stock valued at $8.50 per share, the IPO price. The four initial companies were: Regional Ambulance serving Alemeda and Contra Costa Counties, including the City of Oakland; Vanguard Ambulance servicing San Jose, Santa Clara and Santa Cruz Counties; New Haven Ambulance located in Connecticut; and Professional Ambulance Service, serving Wilmington, Delaware. EMT, combining its financial strength and its local presence, recently signed a contract to service Atlantic City, N.J., on December 9, 1992, and another for Aurora, Colorado outside of Denver, signed only recently.

Acquisitions are being completed more rapidly than expected. The company has already exceeded its acquisition plans for all of 1993. Acquisitions include:

- Mobile Medic based in Gulfport, Mississippi (November 4, 1992).
- Ambulance Service Company of Denver, Colorado (December 23, 1992).
- Buck Medical Services in Portland, Oregon (January 11, 1993).
- A-1 Ambulance, adjacent to the company's Denver operations, serving Boulder, Colorado Springs, and Longmont (April 27, 1993).
- Bridgeport Ambulance Service (letter of intent signed June 2, 1993).
- Randle-Eastern Ambulance Service of Miami (June 1, 1993).
- Reed Ambulance, also serving the Denver area (letter of intent announced June 18, 1993).

CONTINUED EARNINGS GROWTH EXPECTED

We anticipate revenue growth of over 70% in 1993 based on internal growth and acquisitions already completed or announced. Estimated 1994 revenue growth of 25-30% is based on internal growth plus the acquisition of $55 million of

revenues. Since November 1992, EMT acquired companies that could generate $68 million of annualized revenues. Individual companies are expected to grow revenues 10%-11% annually. These anticipated acquisitions, plus internal growth, should support EPS growth from $0.67 in 1992 to an estimated $0.80 in 1993 and $1.00 in 1994.

Ambulance companies have been expanding consistently over the past several years. Together, the four founding companies of American Medical Response generated annual revenue growth of 23% from 1989 to 1992. We are anticipating internal company growth of 10%-12.5% over the next several years. We attribute about 5 percentage points of this growth to an increase in the number of ambulance trips and the level of medical intervention in certain of these trips. Another 5 percentage points represent annual price increases as the company will face higher personnel costs as agreed to in a recent union agreement. Through EMT companies bidding for ambulance contracts in contiguous areas, revenues could rise another 2.5% annually.

We anticipate a modest rise in net margins over time. The company's goal is to increase net margins from the 4-5% range to 5-6%. When a company is first acquired, benefits should accrue within six months as EMT centralizes certain overhead functions and installs advanced dispatching systems. These benefits become apparent in 6-12 months. In the short term, this may be partially offset as the company adds corporate staff to help absorb acquisitions. As the company matures, corporate expenses should rise less quickly than sales.

We assume that price increases will closely match wage increases. EMT's California employees are unionized and have recently agreed to a three-year contract: a 6% raise this year, 5% next year, and 4% the year after. Price increases, particularly when related to wage hikes, can whipsaw operating margins for a short period of time. Ambulance companies cannot raise prices until they begin to experience increased costs. Therefore, during the price review process, margins may be depressed. Once it is approved, the company is allowed to price even more aggressively for several months to make up for the loss of past revenues. After the second interim period, prices fall to the agreed-upon levels.

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DJIA (6/30/93):	**3521.34**
S&P (6/30/93):	**451.06**

Editor: Esther Trepal **Production:** Elaine B. Wilg

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Kurt H. Kammerer

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June 22, 1993

AMERICAN MEDICAL RESPONSE, INC.

Largest and Leading EMS Consolidator Running Ahead of Schedule

Price:	$19⅝	*Earnings Per Share*		*P/E*
52-Week Range*:	$19⅞-$8⅛	1994 Est.:	$1.10	17.8x
Traded:	NYSE-EMT	1993 Est.:	$0.85	23.0x
Market cap.:	$211.8 Million	1992 Act.:	$0.67	29.2x
Shares Out.:	10.795 Million	1991 Act.:	$0.57	34.4x
Fiscal Year:	December			

Advest co-managed an offering for EMT within the last three years.
*Trading range since IPO on August 5, 1992

Investment Rating Reiterated: Buy (1)

With its two announcements over the past three business days, American Medical Response, Inc. (AMR) has continued to demonstrate an ability to execute its founding corporate strategic plan of leading the emergency medical services industry consolidation. This past Friday, AMR announced that it has signed a Letter of Intent to acquire Reed Ambulances, Inc., headquartered in Denver, Colorado. Reed's 1992 revenue from existing operations was approximately $8 million. While terms of the proposed acquisition were not disclosed, historically AMR's acquisitions have been priced at 8x-10x the acquired company's after-tax income. Yesterday, AMR disclosed that it has reached a preliminary understanding concerning the acquisition of 911 Emergency Services of Modesto (Modesto), a California-based company which had 1992 revenues in excess of $50 million. The completion of the Modesto transaction is subject to customary due diligence.

If AMR successfully closes the Reed transaction, it will have effectively secured its position as the largest private provider of EMS services in the Denver metropolitan area. To date, AMR has acquired three operators in Colorado, whose total revenues for 1992 were approximately $25.3 million. Additionally, the company was awarded a new two year municipal contract to provide exclusive EMS service for Aurora, the state's third largest city, with gross revenues of an estimated $2.7 million per year anticipated.

Although we are more than enthusiastic about the prospects of AMR's latest negotiations in California, investors need to remain cognizant of the extremely complex nature of the transaction. There are numerous issues to be resolved before the transaction is consummated, and as always, timing is difficult to predict. In our opinion, it is unlikely that any more than a modestly positive impact on fiscal 1993 would result from this prosposed transaction should it occur before the end of the year. However, if it were to close before the end of 1993, we believe our projections for 1994 would prove to be conservative.

Investors should note that since its IPO, AMR has acquired five private EMS companies (with two LOIs pending and one "understanding" pending) that when combined had approximately $58.1 million in revenues (over $60 million pending) during 1992. Remember too, AMR has so far closed every LOI announced. We estimate that approximately $15 million more in acquired annualized revenue would enable the company to meet our 1993 revenue projection of $202 million. Given that over half of fiscal 1993 lies ahead of us, and that AMR's acquisition program is seemingly gaining momentum, we encourage investors to remain focused on the exciting long-term prospects for AMR. We are maintaining our twelve-to-eighteen month price target of $25 per share (29x our FY '93 EPS estimate of $0.85, and 22x our FY '94 EPS estimate of $1.10). We reiterate our purchase recommendation for long-term small-cap investors seeking capital appreciation.

Additional information on recommended securities is available on request.
The information herein has been obtained from sources considered reliable, but is not guaranteed, and it, together with all estimates and forecasts, is subject to change without notice. This report does not purport to be a complete analysis of the security, issuer or industry, and is not an offer or a solicitation of offers to buy or sell any securities. Advest, Inc. employees may have recommended these securities to certain investors prior to this publication. Advest, Inc. may make a market in and Advest, Inc. or its employees may maintain position in, or buy or sell these securities or related options. Any OTC-traded securities or non-U.S. companies mentioned in this report may not be cleared for sale in all states. Consult your Account Executive. © *1993* *Advest, Inc.*

Co- 'ensed Consolidated Income Statement
($ in thousands)
(Fiscal Year ends December 31)

	1991	1992	1993E	1994E
Total revenue	$ 94,104	$106,433	$202,379	$270,600
Salary & benefit expense	45,613	53,364	100,981	135,300
% of revenue	48.47%	50.14%	49.90%	50.00%
Uncompensated care expense	22,262	24,397	45,623	60,209
% of revenue	23.66%	22.92%	22.54%	22.25%
Other	13,717	15,217	30,694	40,996
% of revenue	14.58%	14.30%	15.17%	15.15%
Depreciation	2,772	3,066	5,822	8,118
% of revenue	2.95%	2.88%	2.88%	3.00%
Total operating expenses	84,364	96,044	183,119	244,622
Earnings from operations	9,740	10,389	19,260	25,978
Operating margin	10.35%	9.76%	9.52%	9.60%
Non-operating expenses:				
Interest expense, net	1,156	747	1,000	1,500
Amortization of intangibles	927	561	1,600	2,000
Total non-operating expenses	2,083	1,308	2,600	3,500
Pre-tax earnings	7,657	9,081	16,660	22,478
Pre-tax margin	8.14%	8.53%	8.23%	8.31%
Income taxes	3,201	4,089	6,997	9,441
Tax rate	41.80%	45.03%	42.00%	42.00%
Net earnings	4,456	4,992	9,663	13,037
Net margin	4.74%	4.69%	4.77%	4.82%
Tax adjustment	150	(780)	—	—
Pro forma net income	4,306	5,670	9,663	13,037
Pro forma EPS	$0.57	$0.67	$0.85	$1.10
Wtd avg. shs. out.	7,576	8,447	11,400	11,900

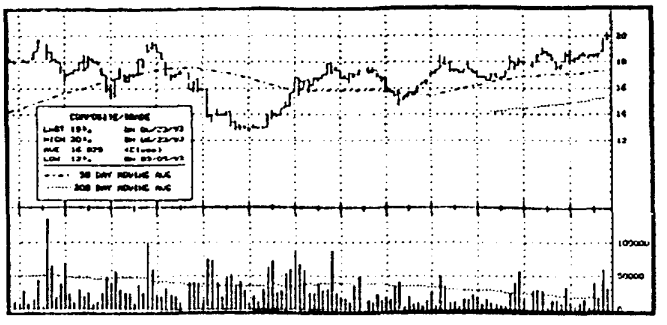

Chart courtesy of Bloomberg L.P.

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Investment Research — *Company Report Update*

American Medical Response, Inc.

(EMT - NYSE)

Rating: BUY

Nancy Moyer
(212) 872-1383
May 12, 1993

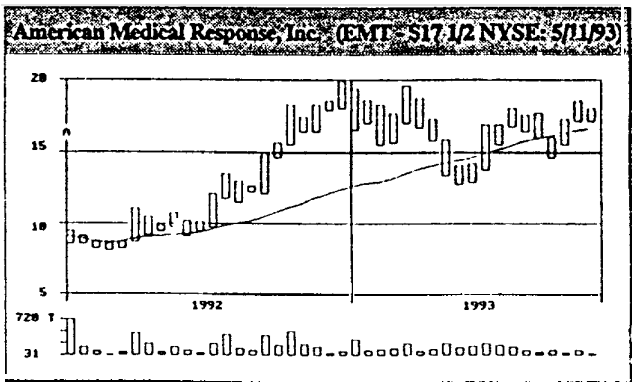
Price 5/11/93	52-Week Range	EPS (FY December) 1992A	1993E	1994E	P/E 1993E	1994E	Quarterly Expectation 2Q Ending June Current	Year Ago	Div/Yld
$17 1/2	$19 5/8 - $8 1/4	$0.67	$0.80	$1.00	21.9x	17.5x	$0.18	$0.20	Nil
		Previous:	$0.80	$1.00					
		Consensus:	N/M			Consensus:	N/M		

DJIA: 3469 — S&P 500: 444 — Approximate Reporting Date: July 1993

Investment Summary and Conclusion

American Medical Response reported excellent Q1 EPS of $0.16, exceeding our estimate by $0.01. We believe that this unique company, the leading and only publicly traded provider of emergency and scheduled medical transport services, will continue to grow rapidly as it leads the way in the growth of privatization of the industry. Industry sources currently estimate that almost 50%, or $2.5 billion, of the $5.5 billion spent on medical transport was provided by private industry.

We reiterate our full year 1993 EPS estimate of $0.80-$0.85; if the rate of acquisition continues, we expect to see further acceleration in growth, and we will update our estimates. At its current price, EMT sells for 21.1x the midpoint of our $0.80-$0.85 1993 earnings per share range and 17x the midpoint of our preliminary 1994 estimate of $1.00-$1.05. **We continue to rate the stock a BUY.**



Technical Opinion —From its low in March, EMT has made sequentially higher highs and lows, which is technically bullish. Overhead supply around 19 5/8 appears to be the current target.

— Robert B. Ritter

Chart Courtesy of Bridge Information Systems, Inc.

Three Months Ended Mar. 31, 1993[1]			
FY December	1993	1992	% Change
Revenues	$37.7	$25.2	49.4%
Net Earnings	$1.6	$1.1[2]	51.3%
EPS	$0.16	$0.14[2]	14.3%
Shares Outstanding	10.4	7.6	37.3%

(1) Numbers in millions except EPS.
(2) Net earnings and earnings per share for 1992 are pro forma amounts reflecting certain adjustments made to reflect income taxes that would have been payable if one of the company's subsidiaries had been subject to corporate income taxes on an ongoing basis.

Source: Company filings.

The company's acquisition program is ahead of schedule. Since EMT's initial public offering in August 1992, four beachhead acquisitions have been closed. In 1992, the company acquired Mobile Medic Ambulance Service, Inc., in Gulfport, Mississippi, and Ambulance Service Company in Denver, Colorado. The total expense for these acquisitions was $3.2 million in cash, $1.8 million in subordinated promissory notes and 611,268 shares of common stock.

In the first quarter of 1993, American Medical Response completed two acquisitions: Buck Medical Services, Inc., headquartered in Portland, Oregon, for $5.5 million in cash and 125,085 shares of common stock and A-1 Ambulance Services, headquartered in Boulder, Colorado, for $2.1 million in cash and 306,250 shares of common stock. The two had 1992 revenues of $15 million and $8.5 million, respectively. A fifth acquisition, Randle-Eastern Ambulance Service in Miami, Florida, is pending; we expect closure soon. The price is expected to be 391,459 shares of common stock. Randle-Eastern had estimated 1992 revenues of $15 million, and it controls 60-70% of Dade county medical transport. The company answers 911 calls in concert with the fire department, but its ambulances perform the actual transport. Unlike the others, the Miami acquisition will be a pooling of interest; as a result, we anticipate a restatement of first quarter results to accommodate increased revenues (in the $15 million range), increased net income and increased shares outstanding. The net effect will likely add $0.01 to earnings per share.

For the quarter, EMT's **internal revenue growth accelerated to 9.5%** from 8.5% in the prior quarter as a result of increased transports and price increases. Salaries and benefits, as a percent of revenues, fell slightly in the period from 50.4% to 50.3% as a result of favorable settlement of union negotiations, lower salary expenses in newly acquired properties, offset by additions to corporate salaries and benefits. The company currently has 2,200 employees. Uncompensated care fell slightly from 22.6% to 22.0% of revenues as a result of more effective billing and collection procedures and lower levels of uncompensated care in newly acquired businesses. Other expenses, which includes a laundry list of items, rose from 15.1% of revenues to 15.8%, primarily as a result of increased corporate overhead. Pretax margin rose to 7.8% vs. 7.4% last year. On a pro-forma basis, the tax rate rose from 42.2% to 43.5%, which kept net after tax margin flat at 4.3%. Days' sales outstanding fell 14.3%, from 105 days to 90, as new management implemented better collection procedures.

The company is maintaining a revenue run rate of about $185 million; we anticipate that by the second half of 1993, the run rate will ramp up to more than $200 million. Cash decreased during the quarter to $8.1 million from $21.3 million at December 31, 1992 as a result of cash used for acquisitions and the early repayment of certain indebtedness.

We believe there are many lock-on acquisition candidates in the $5 million revenue range available to strengthen regional operations. Current widespread uncertainty about the future of health-care reform is encouraging small entrepreneurs to join forces with a larger market contender, better able to negotiate in a managed care environment.

The combined California operation, American Medical Response West, has a GPS (Global Positioning Satellite) state-of-the-art dispatch system up and running. To ensure uninterrupted ambulance utilization, the prior computer aided system is running parallel. When management is confident that the new system will operate perfectly, the

computer aided system will be sent to Colorado, to manage dispatch for Denver, Colorado Springs, Boulder and Longmont. The computer aided system that had been used by part of American Medical Response West before the merger of the two California companies is now operational in New Haven.

American Medical Response continues to build an infrastructure to manage its rapidly growing operations. The addition of a corporate attorney, a chief operating officer, an auditor, a safety and risk management officer and support staff will necessitate adding to corporate space. The added staffing is expected to add about $800,000 to expenses for the year.

The company has received a commitment from a group of banks for a $30 million unsecured revolving credit facility. The lending group, which is led by Fleet Financial Group, also includes Continental Bank, N.A. and Pacific Western Bank. EMT expects to use the credit facility to consolidate existing debt, to finance future acquisitions, and for working capital. The facility bears interest at the prime rate or LIBOR plus 2.5%.

If proposed health-care reforms expand access for part or all of the currently uninsured, American Medical Response should benefit, even if rates are capped. Ambulance services are such a small part of the national health care bill that we do not anticipate they will be singled out for specific price caps. However, we do anticipate that managed competition will encourage discounting for volume in the provision of non-emergency transport (30% of 1992 revenues). This should be more than offset by increased volume.

Ladenburg, Thalmann & Co. Inc.

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The closing price of American Medical Response, Inc. is as of May 11, 1993.

Additional information is available to clients upon written request.

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American Medical Response, Inc.

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Letter to Shareholders
September 1993

Dear Fellow Shareholder:

We are delighted to report record financial results for the second quarter ended June 30, 1993. Total revenue for the second quarter was $44.8 million compared to $29.6 million for the same period in 1992, an increase of approximately 52%. Net earnings for the quarter were $2.4 million, or $0.22 per share, as compared to $1.4 million, or $0.18 per share, in the same period a year ago, an increase of more than 71% in net earnings.

These record results speak for themselves and reflect the success of our business strategy and commitment. The increase in revenue and earnings compared with 1992 pro forma results were due primarily to the incremental revenue provided by acquisitions, additional service contracts which were awarded in late 1992 and a company-wide increase in the number of emergency and non-emergency transports.

In addition to this excellent performance, a number of other positive events took place during the quarter. We are particularly proud to welcome three new outstanding providers to American's partnership of entrepreneurs. American acquired A-1 Ambulance Services, located in Boulder, CO in April; Reed Ambulance Service, Inc., located in Denver, CO in June; and Randle-Eastern Ambulance, located in Miami, FL, also in June. The Company also began providing exclusive "911" emergency response service to the residents of Aurora, CO on June 1. With these acquisitions in the Colorado marketplace, we are now in position to consolidate certain operational elements and bring greater efficiencies to the market, as we have done in Northern California.

Since the end of the quarter, American completed the acquisition of Bridgeport Ambulance Service, Inc. in Bridgeport, CT. Bridgeport's long-standing reputation and location make it an excellent complement to our New Haven, CT facility.

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Ronald M. Levenson
Senior Vice President &
Chief Accounting Officer
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AMERICAN MEDICAL RESPONSE ANNOUNCES RECENT DEVELOPMENTS

Boston, MA -- September 23, 1993 -- American Medical Response, Inc. (NYSE: EMT), the nation's leading provider of ambulance services, announced today that it has signed a Letter of Intent to acquire Life Medical Industries, Inc., headquartered in Stockton, California. Life Medical, which serves the San Joaquin County area, had revenues of approximately $4.5 million in 1992. Specific terms of the proposed acquisition were not disclosed.

The completion of the transaction is subject to, among other things, negotiation of definitive agreements and the completion of customary due diligence.

"In our strategic review of the industry, we came to the conclusion that a business combination would help us continue our growth by providing important additional managerial, financial and operational resources," said Louis K. Meyer, Chief Executive Officer of Life Medical Industries, Inc. "With American as a partner, we will continue to be able to provide the kind of quality service that we have delivered to the citizens of San Joaquin County since 1967. We're simply delighted to join the American team."

"We are excited about the opportunity to add Life Medical Industries to our expanding service base in California," commented Paul M. Verrochi, Chairman, Chief Executive Officer and President of American Medical Response, Inc. "This is another example of an industry leader joining our team. Lou Meyer, who is President of the California Ambulance Association and a member of the state's Emergency Medical Services Commission, and his partners, Michael Nilssen and JoAnn Hodge, have together built an outstanding organization based on quality first."

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Separately, the Company said that on September 21, 1993, it was notified by the Denver Regional Office of the Federal Trade Commission ("FTC") that the FTC is conducting a preliminary inquiry of the facts and circumstances concerning the Company's recent acquisition of Reed Ambulances, Inc. to determine whether the Reed acquisition in the Denver metropolitan area complied with federal antitrust laws. The FTC has requested that the Company provide certain information to it and the Company is currently evaluating the request and preparing its response. During the first six months of 1993, Reed had revenues of approximately $4.8 million.

American Medical Response is the leading provider of emergency and non-emergency ambulance services in the United States. The Company currently provides ambulance services in Northern California, South Central Connecticut, Northern Delaware and Southern New Jersey, Southern and Central Mississippi, Portland, Oregon and surrounding areas, Central Colorado and Dade County, Florida. The Company's growth strategy is focused on acquiring new businesses, expanding existing operations, improving the quality and efficiency of operations, and promoting and capitalizing on the expertise of the operating executives of its providers.

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AMERICAN MEDICAL RESPONSE ANNOUNCES INCREASE IN CREDIT LINE TO $50 MILLION

Boston, MA -- September 22, 1993 -- American Medical Response, Inc. (NYSE: EMT), the nation's leading provider of ambulance services, announced today that it has received a commitment from its existing lenders to increase their credit line from $30 million to $50 million. The facility, led by Fleet Bank of Massachusetts, N.A., also includes Continental Bank, N.A. and Pacific Western Bank.

American intends to use the credit facility to finance acquisitions and for general working capital purposes. The credit facility, which bears interest at the prime rate, is anticipated to be closed shortly.

"We are delighted that our lenders have elected to increase the Company's credit line. Our relationship with this outstanding group of institutions has proven extremely rewarding," said Paul M. Verrochi, Chairman, Chief Executive Officer and President of American Medical Response, Inc. "This additional capital will help us to build upon our existing business by enabling us to continue our acquisition programs and further improve our current operations."

Leo R. Breitman, Chairman and Chief Executive Officer of Fleet Bank of Massachusetts, N.A., commented, "Our relationship with American has been a truly positive one, and we look forward to building upon this relationship as American develops and expands their business."

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AMERICAN MEDICAL RESPONSE, INC. FILES FOR PUBLIC OFFERING

Boston, MA -- August 13, 1993 -- American Medical Response, Inc. (NYSE: EMT) announced today the filing with the Securities and Exchange Commission of a registration statement relating to the public offering of 2,750,000 shares of common stock. Of the 2,750,000 shares to be offered, 2,000,000 shares will be issued and sold by the Company and 750,000 shares will be sold by Selling Stockholders. Of the 2,750,000 shares to be offered, 2,200,000 shares will be offered initially to U.S. persons by the U.S. underwriters and 550,000 shares will be offered initially to non-U.S. persons by the International Managers. Certain of the Selling Stockholders have granted the underwriters an option to purchase an additional 412,500 shares to cover over-allotments. The net proceeds of the sale of shares by the Company will be used for general corporate purposes, including acquisitions and the reduction of borrowings under the Company's revolving line of credit.

The U.S. offering will be managed by Lehman Brothers, Kidder, Peabody & Co. and Advest, Inc., and the international offering will be led by Lehman Brothers International (Europe), Kidder, Peabody International Limited and Advest, Inc.

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A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective.

This communication shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

A copy of a preliminary prospectus relating to these securities may be obtained from the Prospectus Department, Lehman Brothers, Inc., 34 Hubert Street, 3rd Floor, New York, New York 10017.

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AMERICAN MEDICAL RESPONSE REPORTS INCREASED SECOND QUARTER EARNINGS

-- Revenue, Earnings, and EPS Reach Record Levels --

Boston, MA -- August 5, 1993 -- American Medical Response, Inc. (NYSE: EMT) announced today total revenue of $44.8 million for the second quarter of 1993 versus $29.6 million for the same quarter of 1992, an increase of 51%. Net earnings for the quarter were $2.4 million as compared with pro forma net earnings of $1.4 million, an increase of 71% from the 1992 second quarter. Earnings per share were $0.22 as compared with pro forma earnings per share of $0.18 for the same quarter a year ago based on 11,035,618 weighted average shares outstanding versus 7,967,563 weighted average shares outstanding during the prior period. The increase in the weighted average number of shares outstanding results from the Company's initial public offering in August of 1992 and shares issued in connection with acquisitions.

Total revenue for the six months ended June 30, 1993 were $86.2 million versus $58.3 million for the same period of 1992, an increase of 48%. Net earnings for the six months ended June 30, 1993 were $4.1 million as compared with pro forma net earnings of $2.4 million, an increase of 71%. Earnings per share were $0.38 as compared with pro forma earnings per share of $0.30 for the same period a year ago based on 10,916,042 weighted average shares outstanding versus 7,967,563 weighted average shares outstanding during the prior period.

"Our acquisitions of beachhead operations completed since our initial public offering have been a major factor in our earnings results," commented Paul M. Verrochi, Chairman and Chief Executive Officer of American Medical Response, Inc. "An increased number of transports by all of our providers during the second quarter also contributed to the increases. During the second quarter, we also successfully completed the renegotiation of two of our California

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provider contracts, and the Company has continued its acquisition program, with the recent completion of our first 'lock-on' acquisition, Bridgeport Ambulance Service, Inc. of Bridgeport, Connecticut."

Mr. Verrochi continued, "As our Company has expanded, we have taken important steps during the second quarter to strengthen our management team and operational capabilities. Paul T. Shirley, formerly Chief Executive Officer of our subsidiary, AMR West, was appointed Chief Operating Officer for American Medical Response, Inc. Also, Robert W. Trinkleback, formerly a Corporate Safety Manager with Federal Express, Inc. was named Corporate Director of Safety and Health. We feel confident that these appointments will further strengthen our team as we build for the future."

Mr. Verrochi further commented on the preliminary understanding related to the possible acquisition of a large California-based ambulance service provider, previously announced in the second quarter, "We continue to caution our investors and analysts from drawing any conclusions on this complex transaction, and anticipate that more information will be available over the next few months."

American Medical Response is the leading provider of emergency and non-emergency ambulance services in the United States. It currently serves an aggregate population of over six million people in California, Colorado, Connecticut, Delaware, Florida, Mississippi, New Jersey, Oregon and Washington. In 1992, American Medical Response responded to more than 390,000 transports in response to calls for its services. Through the consolidation of local service providers, American intends to expand and build its service areas and maintain its position as the country's leading ambulance service provider.

FINANCIAL TABLE, NEXT PAGE

AMERICAN MEDICAL RESPONSE, INC.

Financial Highlights

(in thousands, except per share amounts)[1]

	Three months ended June 30,		Six months ended June 30,	
	1993	1992[2]	1993	1992[2]
Total revenue	$ 44,778	$ 29,558	$ 86,190	$ 58,343
Operating expenses:				
Salaries and benefits	21,630	14,387	42,279	29,114
Uncompensated care	9,852	7,083	19,116	13,659
Other	7,319	4,334	14,090	8,946
Depreciation	1,194	923	2,363	1,752
Amortization of intangibles	344	127	659	273
Total operating expenses	40,339	26,854	78,507	53,744
Earnings from operations	4,439	2,704	7,683	4,599
Interest expense, net	203	261	433	532
Earnings before income taxes	4,236	2,443	7,250	4,067
Income taxes	1,841	1,025	3,147	1,716
Net earnings	$ 2,395	$ 1,418	$ 4,103	$ 2,351
Net earnings per common share	$ 0.22	$ 0.18	$ 0.38	$ 0.30
Weighted average shares outstanding	11,036	7,968	10,916	7,968

[1] Amounts for all periods include the results of Randle-Eastern Ambulance Service, Inc. acquired in June 1993 and accounted for as a pooling-of-interests.

[2] Net earnings and earnings per share for 1992 are pro forma amounts reflecting certain adjustments made to reflect income taxes that would have been payable if one of the Company's subsidiaries had been subject to corporate income taxes on an ongoing basis.

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Executive Vice President & CFO — Edelman Worldwide
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AMERICAN MEDICAL RESPONSE, INC. APPOINTS ROBERT W. TRINKLEBACK CORPORATE DIRECTOR OF SAFETY AND HEALTH

Boston, Mass. -- July 19, 1993 -- American Medical Response, Inc. (NYSE: EMT) today announced that Robert W. Trinkleback, CSP has been appointed Corporate Director of Safety and Health. Mr. Trinkleback had most recently been with Federal Express, Inc., where, as Corporate Safety Manager, he designed and administered corporate safety, health and environmental programs and policies.

Mr. Trinkleback, 35 years old, brings extensive senior level experience to American Medical Response, Inc. During his eight-year tenure at Federal Express, Mr. Trinkleback developed and implemented safety programs to reduce vehicle accidents, address environmental and industrial hygiene concerns, and minimize workers compensation claims. Prior to Federal Express, Mr. Trinkleback was Manager of Safety and Risk Management for Retail Express, Inc., and prior to that was a Safety Engineering Representative for Aetna Casualty and Surety Company.

Mr. Trinkleback is a graduate of West Virginia University, where he also received a Master's Degree in Industrial Safety Management. He is a Certified Safety Professional (CSP) and is an active member in the American Society of Safety Engineers. National Safety Council, and the National Association of Environmental Professionals. Mr. Trinkleback is also a former certified EMT in the state of New Jersey.

Paul M. Verrochi, Chairman, CEO and President of American Medical Response, Inc. commented, "We are extremely pleased to welcome Robert Trinkleback as Corporate Director of Safety and Health. His extensive experience in building safety programs in a wide variety of areas for businesses with similar transportation modalities will be invaluable to us as we expand the scope of our activities through additional acquisitions."

"I am very excited to be joining American Medical Response, Inc., because they clearly recognize that safety and health management programs are the key determinant of insurance claims. There are substantial synergies and benefits to be realized through bringing national programs to the various locations," Mr. Trinkleback added.

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American Medical Response is the leading provider of emergency and non-emergency pre-hospital care in the ambulance services industry. It currently serves an aggregate population of over six million people in California, Colorado, Connecticut, Delaware, Florida, Mississippi, New Jersey, Oregon and Washington. American Medical Response responded to more than 450,000 total emergency service calls during 1992. Through the consolidation of local service providers, American intends to expand and build its service areas and maintain its position as the country's leading ambulance service provider.

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AMERICAN MEDICAL RESPONSE COMPLETES CONNECTICUT ACQUISITION

Boston, MA -- July 16, 1993 -- American Medical Response, Inc. (NYSE: EMT) announced today that it has closed the acquisition of Bridgeport Ambulance Service, Inc., headquartered in Bridgeport, Connecticut. Bridgeport Ambulance, which serves the city of Bridgeport and its surrounding communities, had revenues of approximately $5.1 million in 1992. Specific terms of the acquisition were not disclosed.

"Our existing beachhead operation in New Haven provides us the opportunity to realize significant synergies at Bridgeport Ambulance. In the long run, we believe that these synergies will benefit both the Bridgeport community and our patients," commented Paul M. Verrochi, Chairman and Chief Executive Officer of American Medical Response. "Over the past 26 years, Bridgeport Ambulance and its owner, Joe Lansing, have built an outstanding record of service, one which we intend to build upon."

American Medical Response is the leading provider of emergency and non-emergency pre-hospital care in the ambulance services industry. It currently serves an aggregate population of over six million people in California, Colorado, Connecticut, Delaware, Florida, Mississippi, New Jersey, Oregon and Washington. American Medical Response responded to more than 450,000 total emergency service calls during 1992. Through the consolidation of local service providers, American intends to expand and build its service areas and maintain its position as the country's leading ambulance service provider.

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AMERICAN MEDICAL RESPONSE CLOSES PREVIOUSLY ANNOUNCED ACQUISITION

Boston, MA -- July 7, 1993 -- American Medical Response, Inc. (NYSE: EMT) announced today that it has closed the acquisition of Reed Ambulances, Inc., headquartered in Denver, Colorado. Reed's 1992 revenues were approximately $9 million. Specific terms of the acquisition were not disclosed.

"The business combination of Reed with our two other Colorado service providers -- A-1 and Ambulance Service Company -- should enable us to improve service levels while holding down costs, all to the benefit of the citizens of Denver and its outlying communities," commented Paul M. Verrochi, Chairman and Chief Executive Officer of American Medical Response.

American Medical Response is the leading provider of emergency and non-emergency pre-hospital care in the ambulance services industry. It currently serves an aggregate population of over six million people in California, Colorado, Connecticut, Delaware, Florida, Mississippi, New Jersey, Oregon and Washington. American Medical Response responded to more than 450,000 total emergency service calls during 1992. Through the consolidation of local service providers, American intends to expand and build its service areas and maintain its position as the country's leading ambulance service provider.

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American Medical Response Reaches Preliminary Understanding with California Service Provider

Boston, MA -- June 22, 1993 -- American Medical Response, Inc. (NYSE: EMT) today announced that it has reached a preliminary understanding concerning the acquisition of a California-based company which had 1992 revenues in excess of $50 million.

The completion of the transaction is subject to customary due diligence.

"This transaction is extremely complex, and our due diligence is only now beginning. While potentially an outstanding fit with our present California operations, there are also many complications which need to be addressed before the transaction can be consummated," said Paul M. Verrochi, Chairman and Chief Executive Officer of American Medical Response, Inc.

American Medical Response is the leading provider of emergency and non-emergency pre-hospital care in the ambulance services industry, and is the only publicly owned ambulance service company in the United States. It currently services an aggregate population of more than six million people in California, Colorado, Connecticut, Delaware, Florida, Mississippi, New Jersey, Oregon and Washington. American Medical Response intends to penetrate new areas of the country by expanding its established regions and consolidating operations.

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AMERICAN MEDICAL RESPONSE APPOINTS PAUL T. SHIRLEY AS CHIEF OPERATING OFFICER

Boston, MA -- June 3, 1993 -- American Medical Response, Inc. (NYSE: EMT) today announced that Paul T. Shirley has been appointed Chief Operating Officer, a newly created position. Mr. Shirley had most recently been Chief Executive Officer of American Medical Response West, the largest subsidiary of the parent.

As Chief Operating Officer, Mr. Shirley will be responsible for directing the national consolidation of American's nine current operating units. Mr. Shirley will report directly to Paul M. Verrochi, Chairman and Chief Executive Officer of American Medical Response, Inc.

Mr. Shirley, 53 years old, has been a leader and pioneer in the ambulance service business for over 30 years. Prior to the formation of American Medical Response, Mr. Shirley was President and Chief Executive Officer of Vanguard Ambulance Services and its predecessor, Santa Cruz Ambulance Service, since 1963.

"Because of our extraordinary growth, it is time to focus on the challenge of consolidation itself, and to further develop the infrastructure and programs necessary to bring our Company to the next level of performance. This is the first of several key additions to our top-level corporate management team which we will be making over the coming months," commented Paul M. Verrochi, Chairman and Chief Executive Officer of American Medical Response, Inc. "Since our Initial Public Offering last year, Paul Shirley has demonstrated time and again his exceptional leadership abilities. He has managed and directed the successful consolidation of our two large existing California providers; he has been the chief architect and builder of our key Colorado strategy, where we have already made two acquisitions and obtained a significant new municipal contract; and he has been a key player in bringing other companies and their leaders into our growing network of providers."

"I am excited about the opportunity to utilize my experience at the corporate level," commented Mr. Shirley. "We will be working to improve management techniques in certain areas, such as purchasing and accounts receivable, as well as developing new quality programs, coordinating the development of technology systems, and improving management techniques. I look forward to this important set of challenges."

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Mr. Shirley is also active in public affairs. He is currently a member of the California Ambulance Association, of which he was President from 1968 to 1969. He served as a member of the Santa Cruz County Planning Commission from 1965 to 1969; as a member of the State of California Narcotic Addict Evaluation Authority from 1971 to 1974; and as a member of the Board of Directors of Federal Prison Industries, Inc. from 1982 to 1991. Mr. Shirley has also served as a member of the Santa Cruz County Emergency Medical Care Commission and the State of California Emergency Medical Service Advisory Committee.

American Medical Response is the leading provider of emergency and non-emergency pre-hospital care in the ambulance services industry, and is the only publicly owned ambulance service company in the United States. It currently serves an aggregate population of more than 6 million people in California, Colorado, Connecticut, Delaware, Florida, Mississippi, New Jersey, Oregon and Washington. American Medical Response responded to more than 450,000 emergency service calls during 1992. Through strategic acquisitions, American Medical Response intends to penetrate new areas of the country by expanding its established regions and consolidating operations.

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AMERICAN MEDICAL RESPONSE SIGNS LETTER OF INTENT TO ACQUIRE SECOND CONNECTICUT SERVICE PROVIDER; WINS NEW COLORADO MUNICIPAL CONTRACT; AND COMPLETES MIAMI ACQUISITION

Boston, MA -- June 2, 1993 -- American Medical Response, Inc. (NYSE: EMT) today announced that it has signed a Letter of Intent to acquire Bridgeport Ambulance Service, Inc., headquartered in Bridgeport, Connecticut; that it has been awarded an exclusive contract to provide emergency ambulance services in Aurora, Colorado; and that it successfully closed the previously-announced acquisition of Randle-Eastern Ambulance, headquartered in Miami, Florida.

Signs Letter of Intent

Bridgeport Ambulance, which serves the city of Bridgeport and its surrounding communities, had revenues of approximately $5.1 million in 1992. "Bridgeport Ambulance is a highly regarded provider of emergency medical services. They have a long-standing and successful record of community commitment." said Paul M. Verrochi, Chairman and Chief Executive Officer of American Medical Response, Inc. "We already have a substantial presence in Connecticut through our New Haven provider, and we believe that this addition will result in a terrific business combination."

"We are confident that the combination of our company with American Medical Response will produce significant benefits for our patients and the Bridgeport community as a whole," Joseph D. Lansing, President of Bridgeport Ambulance Service, Inc., said. "American is a perfect fit to continue providing the kind of quality service we've delivered since 1966."

The completion of the transaction is subject to negotiation and execution of definitive agreements and the completion of customary due diligence. Specific terms of the proposed acquisition were not disclosed.

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warded Denver Contract

The Company also announced that it has recently been awarded a new municipal contract to provide exclusive emergency medical transportation services for the community of Aurora, Colorado, the third largest city in Colorado with a population of 232,000. This contract, which has an initial two-year term, was awarded to American's subsidiary Ambulance Service Company in Denver. The Company began providing service yesterday, June 1st. The Company estimates gross revenues at $2.7 million per year with approximately 9500 transports per year, and expects possible additional revenues from hospitals and nursing homes.

Carl Unrein, CEO of American's subsidiary Ambulance Service Company, commented, "We are delighted to add Aurora to our expanding service area, and believe we can improve the standards of delivered care and response times in the community."

Completes Florida Acquisition

American Medical Response also announced that it has successfully completed its previously announced acquisition of Randle-Eastern Ambulance, headquartered in Miami, Florida. Randle-Eastern, which serves the Dade County area, had 1992 revenues of approximately $17 million. The acquisition was accounted for on a pooling-of-interests basis.

"During our due diligence process, we came to the conclusion that Randle-Eastern represents a terrific base for future expansion in the important Florida market. This is a first-class operation with a strong management team that can use American's additional resources to further build its territory," commented Mr. Verrochi.

Robert L. Garner, President of Randle-Eastern Ambulance, commented, "We are excited about being a part of American Medical Response. I am convinced that joining forces with them will benefit both our patients and our company over the long-term."

American Medical Response is the leading provider of emergency and non-emergency pre-hospital care in the ambulance services industry, and is the only publicly owned ambulance service company in the United States. It currently serves an aggregate population of more than 6 million people in California, Colorado, Connecticut, Delaware, Florida, Mississippi, New Jersey, Oregon and Washington. American Medical Response responded to more than 450,000 emergency service calls during 1992. Through strategic acquisitions, American Medical Response intends to penetrate new areas of the country by expanding its established regions and consolidating operations.

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Paul M. Verrochi
Chairman, President and Chief Executive Officer

Paul M. Verrochi, 44, has spent his career prior to the formation of American Medical Response, Inc. starting, building, and managing two highly successful quality service companies. In 1972, Mr. Verrochi founded Omni Building Services, a janitorial services firm which he built from inception to more than 10,000 employees over a 14-year period. When Omni was sold to ADT Limited in 1984, he continued to manage the business for an additional two years.

In 1987, Mr. Verrochi created American Environmental Group, Inc. through the merger and subsequent consolidation of several small asbestos removal concerns. In 1989, the Company was merged with Allwaste, Inc., a national publicly-held environmental corporation.

Beginning in 1991, Mr. Verrochi created a business plan to consolidate the ambulance services business. American Medical Response, Inc. was formed in February 1992 with that express aim, and in a short period of time has become the pre-eminent force in its field. As with Omni and American Environmental group, the Company competes on the basis of quality in a fragmented industry where economies of scale and synergies can be translated into profit and into building further competitive barriers to entry.

During his tenure at Omni/ADT and American Environmental Group/Allwaste, Mr. Verrochi completed over 30 acquisitions.

Mr. Verrochi received his B.S. degree from the United States Merchant Marine Academy at Kings Point, New York.

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Paul T. Shirley
Director, Chief Operating Officer and Executive Vice President

Paul T. Shirley, 53, is Chief Operating Officer, Executive Vice President and a Director of American Medical Response, Inc. He has been in the ambulance business since 1963, when he began serving as President of Vanguard Ambulance Services (formerly PacMed), one of the founding companies of American Medical Response, Inc. Until recently assuming the position as Chief Operating Officer, Mr. Shirley was Chief Executive Officer of AMR West, the Company's largest subsidiary.

Mr. Shirley has extensive experience in both the management and acquisition of ambulance services, having completed several acquisitions to form Vanguard. As Chief Operating Officer, he is responsible for the integration and consolidation of the Company's newly-acquired businesses, and he also plays an active role in corporate strategy and acquisition planning.

Mr. Shirley has been the President of the California Ambulance Association and remains active in both that organization and the American Ambulance Association. His record of public service includes having been appointed by the President of the United States to the Board of Directors of Federal Prison Industries, Inc. and by the Governor of California to the Narcotic Addict Evaluation Authority. He is also active in other civic affairs.

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Dominic J. Puopolo
Executive Vice President, Chief Financial Officer and Treasurer

Dominic J. Puopolo, 50, has been Executive Vice President, Chief Financial Officer, Treasurer and a Director of American Medical Response, Inc. since its inception in February of 1992. Mr. Puopolo is an original founder of the Company. He is responsible for the Company's financial policies and procedures, acquisition program and strategic planning.

In 1987, Mr. Puopolo co-founded American Environmental Group, which was created through the acquisition, merger and consolidation of several asbestos abatement service companies located in New England. In 1989 American Environmental Group merged with Allwaste, Inc. a national, publicly-held, environmental service company. Mr. Puopolo continued to serve as Vice President and Chief Financial Officer of that division through 1990.

From 1983 to 1987, he was Executive Vice President and Chief Financial Officer of Omni Building Services, Inc., a janitorial services firm. The company merged with ADT, Ltd. in 1984, and he continued to serve as Chief Financial Officer of ADT Maintenance Service, Inc.'s Northeast Region. Mr. Puopolo was responsible for the company's financial policies and the acquisition program.

Mr. Puopolo received a Bachelor of Science degree from Northeastern University and a Masters of Business Administration from Suffolk University. Mr. Puopolo is a Certified Public Accountant. He is a member of the American Institute of Certified Public Accountants, Inc., Massachusetts Society of Certified Public Accountants, Inc., and the National Association of Accountants.

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Michael J. McClymont
Senior Vice President

Michael J. McClymont, 50, is Senior Vice President of American Medical Response, Inc. He has spent his entire career in service industries. Prior to joining American Medical Response, Inc., Mr. McClymont worked exclusively on operational and financial analysis of acquisitions at Exel Holdings, Ltd.

In 1989, Mr. McClymont was President and Chief Operating Officer of Mycor Services, a food and vending service company. From 1988 to 1989, he was President of Food Concepts, Inc., an indirect subsidiary of ADT. From 1985 to 1988, Mr. McClymont served as Vice President of business development for ADT Maintenance Services where he was responsible for numerous service company acquisitions.

From 1984 to 1985, Mr. McClymont served as a regional manager for Canteen Services where he managed P&L operations in the greater New York area. From 1979 to 1984, he served as a Vice President for vending operations at ARA Services with full P&L responsibility for all vending services located in the Northeast.

Mr. McClymont received both his B.S. and M.B.A. degrees from Manhattan College in Riverdale, New York.

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Ronald M. Levenson
Senior Vice President and Chief Accounting Officer

Ronald M. Levenson, 36, is Senior Vice President, Chief Accounting Officer and Assistant Secretary of American Medical Response, Inc. From 1985 to September of 1992, he was a Senior Manager at KPMG Peat Marwick, a public accounting firm, where he had been employed since 1979.

While at Peat Marwick, Mr. Levenson specialized in providing professional accounting and auditing services to publicly held companies. He is experienced in working with initial and secondary offerings of common stock, mergers and acquisitions and leveraged buyouts.

Mr. Levenson is also a former lecturer in accounting at the Boston University School of Law and Northeastern University.

Mr. Levenson received his B.A. degree from Northeastern University. He is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the Massachusetts Society of Certified Public Accountants.

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William E. "Bill" Riggs
Executive Vice President, Director

William E. Riggs, 51, is Executive Vice President and Director of American Medical Response, Inc. as well as Chief Executive Officer of American Medical Response West. Through his 29 year tenure in the ambulance service business, Mr. Riggs has come to be recognized as one of the "founding fathers" of the modern ambulance industry, building Regional Ambulance into the largest and most respected ambulance service provider in California.

Mr. Riggs has also played a leadership role in developing and pioneering the emergency medical service systems for Alameda and Contra Costa counties. He has served as a member of the emergency Medical Care Committee for Alameda county. In addition, he has served on the Governor's State Task Force on Earthquake Preparedness and was appointed to the State Legislature Joint Commission on Police, Fire and Medical Services. He has also served as a Director of the American Association and past president of the California Ambulance Association.

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Joseph R. Paolella
Executive Vice President, Director

Joseph R. Paolella, 42, is Executive Vice President and a Director of American Medical Response, Inc. Mr. Paolella has been in the ambulance services business since 1975. He is currently President, Chief Executive Officer and Director of New Haven Ambulance Service Inc., one of the founding companies of American Medical Response, Inc. His responsibilities include managing corporate operations, financial planning, administrative services and public affairs.

Mr. Paolella currently serves as Chairman of the Government Affairs Committee of the American Ambulance Association, the national trade association of the ambulance industry. This committee is responsible for representing industry positions on EMS laws and regulations promulgated by Congress and the Health Care Finance Administration. He was a founding Director of the Connecticut Ambulance Association and served as its President for eight years. He was also a member of the Connecticut Advisory Committee on Emergency Medical Services.

Mr Paolella received the Outstanding Achievement Award in emergency medical services in 1988 given by the State of Connecticut Department of Health Services. He was also the recipient of the J. Walter Shaeffer Memorial Award for Excellence presented by the American Ambulance Association in 1990.

Mr. Paolella received his B.A. degree from Georgetown University.

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James E. McGrath
Director

James E. McGrath, 38, is a recognized expert in the fields of corporate development and finance. Over his career, he has been a founding principal of, or early investor in, over 50 companies, many of which have become publicly-held. He has been involved in venture capital, leveraged acquisitions, joint ventures, limited partnerships, and many other financial vehicles. Mr. McGrath is also currently Chairman of the Board of Directors of Perceptron, Inc. (OTC - PRCP), a leading imaging solutions corporation.

From 1987 through 1989, he was Managing Director and a partner at William E. Simon & Sons, Inc., where he was responsible for investing in and overseeing more than one hundred million dollars of private investments in many industries. Prior to that, Mr. McGrath was a Corporate Senior Vice President of E.F. Hutton & Company, Inc., where, among other responsibilities, he was President of the venture capital division and head of the firm's merchant banking activities, which together represented approximately $150 million of investments.

Previously, he was Chairman and CEO of McLaughlin, Inc., a large private Western construction firm. In that capacity, he helped build the Stoneway Concrete division into the largest and most profitable ready-mix concrete company in the Pacific Northwest, principally through acquisition and consolidation. He began his career at Bain & Company, a large strategic planning and consulting firm.

Mr. McGrath received his A.B. degree from Harvard College and his M.B.A. degree from the Harvard Business School.

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Michael A. Baker
Director

Michael A. Baker, 47, is President of Notre Capital Ventures, Ltd. and a recognized expert in the field of mergers and acquisitions and in the formation of new organizations utilizing reorganization accounting. Mr. Baker is both a lawyer and CPA. He was involved in the acquisition of over 500 companies while serving as Associate General Counsel of Browning-Ferris Industries, Inc. Mr. Baker was a founder of Allwaste, Inc.; ENSR Corporation; Sanifill, Inc.; and American Medical Response, Inc. Mr. Baker also helped establish and direct the acquisition programs at each of those companies, which in aggregate have produced more than one hundred acquisitions.

Mr. Baker is a frequent lecturer at legal conferences and industry meetings on the topic of business planning and mergers and acquisitions. Mr. Baker was a faculty member at the University of Houston Law Center from 1971 until 1985.

Mr. Baker received both his Juris Doctorate, *summa cum laude,* and his Bachelor of Business Adminstration, *cum laude,* from the University of Houston.

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David B. Hammond
Director

David B. Hammond, 48, is a well-regarded expert both in developing sophisticated financial systems and controls, and arranging large and complex financial transactions.

Mr. Hammond is currently Deputy Chairman of ADT Limited and has been on ADT's board of directors since September 1984. From 1981 to 1984, he was a director of Hawley Group PLC, the predecessor company of ADT. From 1973 to 1980, Mr. Hammond was employed by Thorn-EMI plc in various senior financial positions including Financial and commercial Director of the Entertainment Division. Previous to that, he was employed by both Touche Ross & Co. and Arthur Andersen & Co. Mr. Hammond is a Fellow of the Institute of Chartered Accountants, and a Fellow of the United Kingdom Institute of Taxation.

Over his career, Mr. Hammond has also served on numerous boards of directors in many different countries.

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John Larkin Thompson
Director

John L. Thompson, 62, is currently of Counsel to the Boston law firm of Nutter, McClennen and Fish. In September of 1992, he retired as President and CEO of Blue Cross and Blue Shield of Massachusetts, the largest health insurer in Massachusetts with a premium volume in 1991 of $3.2 billion. He served as President and CEO of the company from 1987 to 1992. Prior to that he was President and CEO of Blue Shield of Massachusetts from 1970 to 1987 when the company merged with Blue Cross of Massachusetts.

Previously, Mr. Thompson was an attorney with the Boston law firm of Palmer & Dodge. During the past 20 years, Mr. Thompson has been a member of various health related and civic organizations, including the National Advisory Council on Health Care technology Assessment; the Health Insurance Benefits Council; the Advisory Panel on National Health Insurance, Subcommittee on Health, Committee on Ways and Means, U.S. House of Representatives; and, as Vice Chairman, Advisory Board of Emergency Medical Services, Commonwealth of Massachusetts.

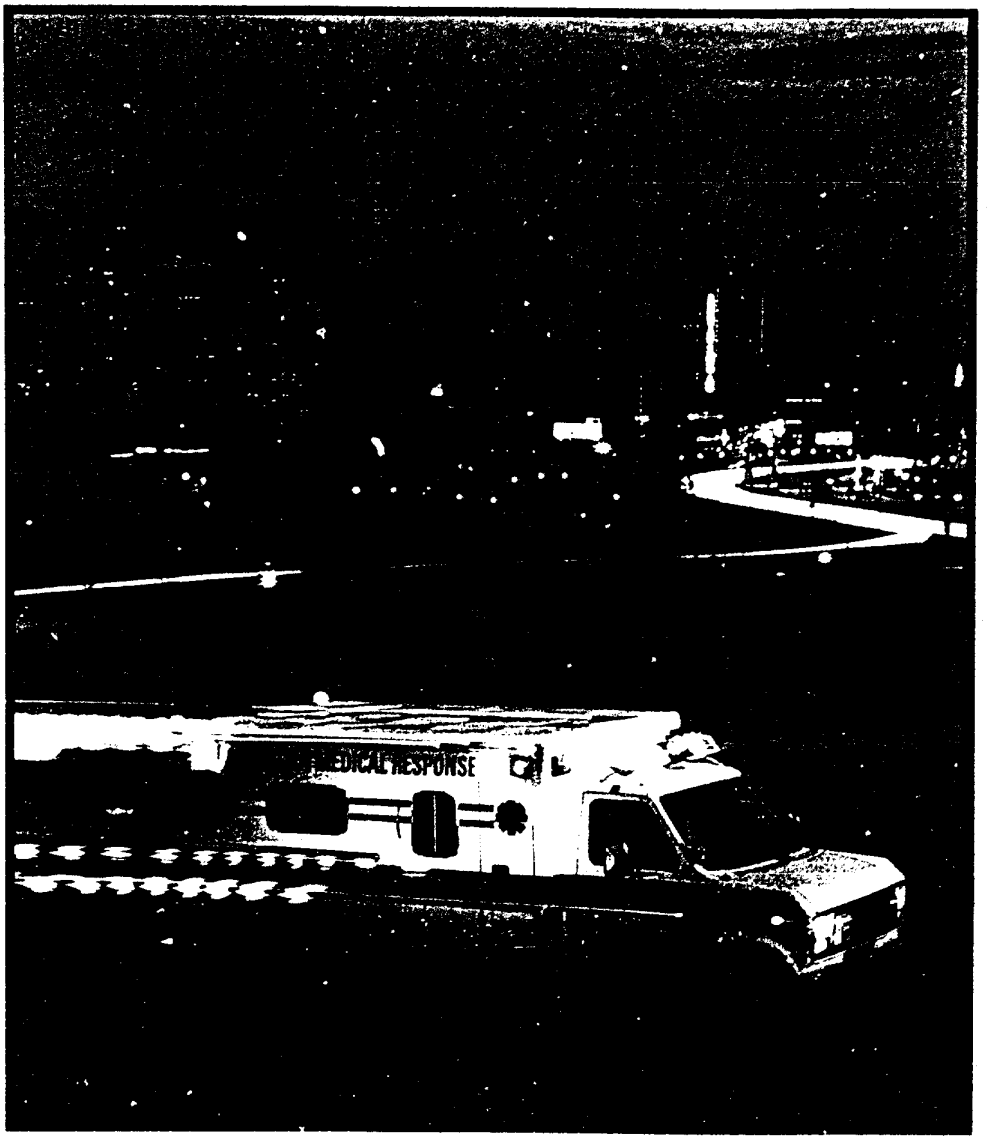
He currently serves as the Chairman of the Boston Public Library Foundation and previously served as the Chairman of the Untied Way of Massachusetts Bay, Chairman of the Greater Boston Chamber of Commerce, and as Chairman of the New England Aquarium.

Mr. Thompson also serves as a Director of Blue Cross and Blue Shield of Massachusetts and as a Director of EG&G, Inc. of Wellesley, a diversified technical manufacturing company.

Mr. Thompson received his B.S. degree from Villonova University; his M.S. degree from Columbia University Graduate School of Business; and his law degree from Boston University School of Law.

American Medical Response, Inc.

1992 Annual Report



Providing Emergency Medical Services to Our Communities...When Every Second Counts

American Medical Response, Inc. is the nation's premier provider of emergency and non-emergency pre-hospital care and other general ambulance services. The Company is the leader in an exciting and rapidly growing industry which is nearly $5 billion in size.

American was formed on August 5, 1992 through the merger of Regional Ambulance, Inc. (Fremont, California), Vanguard Ambulance Services (San Jose, California), New Haven Ambulance Service, Inc. (New Haven, Connecticut) and Professional Ambulance Service, Inc. (Wilmington, Delaware). Since August, three additional service providers have joined our growing family of companies: Mobile Medic Ambulance Service, Inc. (Gulfport, Mississippi), Ambulance Service Company (Denver, Colorado), and Buck Medical Services, Inc. (Portland, Oregon).

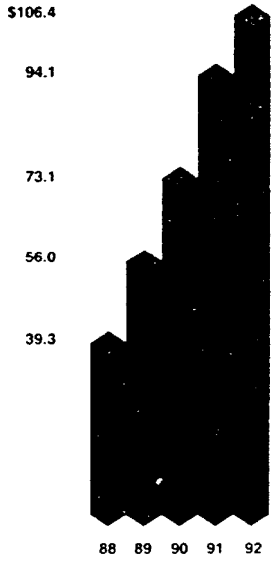
By the end of 1992, American served an aggregate population of more than five million people and responded to more than 400,000 calls. Through strategic acquisitions, American intends to penetrate new areas of the country while expanding its services in established regions.

Financial Highlights

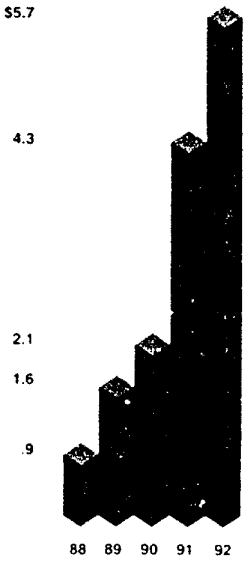
(in thousands, except per share amounts)

	Year-ended December 31, 1992	1991
Total Revenue	$106,433	$94,104
Net Earnings (pro forma)	$ 5,670	$ 4,306
Earnings Per Share (pro forma)	$ 0.67	$ 0.57
Weighted Average Shares Outstanding	8,447	7,576

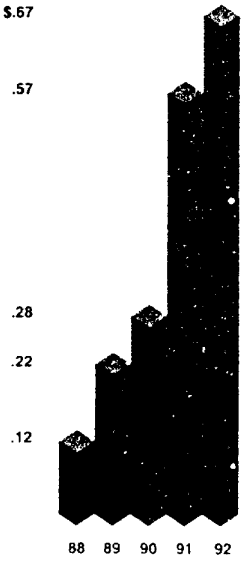
Total Revenue
(in Millions)



Net Earnings (pro forma)
(in Millions)



Earnings Per Share (pro forma)



Letter to The Shareholders

(Left to Right) Paul J. Shirley, Chief Executive Officer, AMR Wm. D. Trace Skeen, President and Chief Executive Officer, Back Medical Services; Dominic J. Pinopolo, Executive Vice President, Chief Financial Officer and Treasurer; Wayne S. Rachlin, Sr. Financial Analyst; Michael J. McClymont, Senior Vice President; Paul M. [illegible], Chairman, Chief Executive Officer and President; Ronald M. Levenson, Senior Vice President and Chief Accounting Officer; John K. Rieter, President and Chief Executive Officer, Mobile Medical Ambulance Service; [illegible] R. Paolella, President and Chief Executive Officer, New Haven Ambulance [illegible] President and Chief Executive Officer, [illegible] Service [illegible] Chief Executive Officer, [illegible] Service.

Nineteen ninety-two was noteworthy for the challenges it posed and the changes that occurred throughout the country, the economy and the business community. For American Medical Response, 1992 marked our beginning. American was formed through the merger of four of our country's leading ambulance service companies. We became publicly owned on August 5, 1992, when our Initial Public Offering was completed and our stock was listed on the New York Stock Exchange. This event made us the first and only publicly traded company in the ambulance services industry. The creation of American was predicated on our belief that the quality and efficiency of ambulance companies and the emergency services they provide could be enhanced through consolidation. Since August, we have made progress toward achieving our goals and believe that we have begun to demonstrate the value we can provide to our communities and to our shareholders. We look forward to building upon these early successes and to a bright future.

1992 Results

We believe that American's 1992 results support our original premise that financial performance and efficient community service do indeed go hand-in-hand. For the year ended December 31, 1992, the Company reported total revenue of $106.6 million, an increase of 15.1% from $94.1 million in 1991. Net earnings on a pro forma basis were $5.7 million compared to $4.5 million in 1991, an increase of 71.6%. Earnings per share in 1992 on a pro forma basis were $0.67 on $[illegible]750 weighted average shares outstanding versus $0.57 on 7,[illegible]76,089 weighted average shares outstanding in 1991.

In addition to the continued growth and success of our four founding companies, we have augmented our growth by acquiring "beachhead facilities" in new regions and also by expanding our services into areas that are contiguous to communities we currently serve. In November, we completed our first acquisition, Mobile Medic Ambulance Service of Gulfport, Mississippi. In December, we completed the acquisition of Ambulance Service Company in Denver, Colorado. In January 1993, we completed the acquisition of Buck Medical Services, based in Portland, Oregon.

The first concrete example of our progress in expanding services into areas adjacent to those we currently serve is the recent contract awarded to our Delaware operation. In December, we signed a three-year, approximately $4 million contract with the municipality of Atlantic City, New Jersey.

Internally, the consolidation and streamlining of functions in the San Francisco Bay Area continues by Regional Ambulance and Vanguard Ambulance, two of the "founding companies". Now known as American Medical Response West, these two companies are largely housed under one roof.

Business Strategy

Our business strategy is based on acquiring operations that share several common winning elements. We believe the following elements will become the standards against which other companies will be measured:

- ▲ Our operations are committed to providing exceptional quality service. Our services are provided primarily by paramedics, recipients of the highest level of medical certification in the ambulance industry.
- ▲ Our providers manage "911" response in their respective areas and enjoy significant market share positions.
- ▲ Our operations feature the industry's most technologically advanced dispatch and operating systems.
- ▲ Our providers are deeply rooted within their respective communities.

We also are consolidating and streamlining certain functions at the corporate level, such as banking and insurance. American has received a commitment from a group of banks for a $30 million unsecured revolving credit facility. The Company intends to use the credit facility to consolidate existing debt, to finance future acquisitions and for general working capital purposes. The lending group is led by the Fleet Financial Group. This centralized credit facility should provide sufficient cash availability for the foreseeable future to continue our acquisition program at a favorable rate. We also have established an insurance program that has consolidated our insurance coverage on a national level.

The creation of American was predicated on our belief that the quality and efficiency of ambulance companies and the emergency services they provide could be enhanced through consolidation.

Community Commitment

As an industry leader, we recognize our obligation to set an example. We take our role as community citizens seriously. During 1993 we will be making a significant financial contribution to the communities we serve. I am pleased to announce that each of our current locations will be making a contribution to support their local public school systems. Together we can make a difference in helping address our nation's critical public education problem.

Over the next six months, we will be announcing further details of the innovative and unique educational program we intend to create. We hope our commitment will serve as a challenge to other corporations to join us in this important endeavor.

Looking Ahead

American's performance always has been driven by the need to contain costs associated with delivering superior emergency and non-emergency health care. We welcome the Clinton Administration's emphasis on containing costs. We believe that the President's pledge to broaden access to health care, particularly for the uninsured and underinsured, could prove beneficial for the Company. In addition, we are proud that the Administration's ideas echo American's strategy of producing cost efficiencies.

In sum, we believe that in the short time since August we have made significant strides toward achieving our initial objectives. In recognizing this success, it is important to thank American's employees for their dedication. Together, we look forward to building upon this foundation and achieving continued success and growth in 1993.

We appreciate your commitment as shareholders and your continued interest in American Medical Response. We look forward to returning this trust as every member of our hard-working team contributes to improving the delivery of emergency and non-emergency ambulance service throughout the United States.

Sincerely,

Paul M. Verrochi
Chairman,
Chief Executive Officer
and President

"Today, pre-hospital medical care is comparable to that found in many emergency rooms."

In 1992, American's 2,200 employees responded to over 400,000 emergency calls.

In examining industries poised for dramatic change and continued growth in the 1990s, the founders of American Medical Response identified the emergency and non-emergency pre-hospital and ambulance services business as leading candidates to benefit from a nationally integrated approach. Supporting this conclusion are the numerous changes occurring both inside and outside of the industry.

Entering the Modern Age of Emergency Transport

Although frequently overlooked in discussions of the health-care industry, the ambulance sector has evolved rapidly along with other areas in the medical care arena. Not long ago, an ambulance was referred to as an "Invalid Coach", offering a ride that provided little or no medical care. Today, a modern ambulance is fully equipped and capable of administering many of the services available in a hospital emergency room.

The advances in pre-hospital medical care now require higher levels of training for emergency medical technicians and paramedics, the latter being the most highly trained ambulance professionals. Emergency personnel use the industry's most advanced emergency medical equipment every day, often in the most hostile and non-sterile environments imaginable.

As the nation's largest ambulance services provider, American enjoys substantial competitive advantages. For example, the Company's large-scale purchasing programs allow American to acquire state-of-the-art equipment for less than the competition, while greater revenue volume enables the Company to achieve efficiencies in areas such as banking and insurance. Such economies of scale also allow American to provide better advanced personnel training and to more consistently monitor patient care standards.

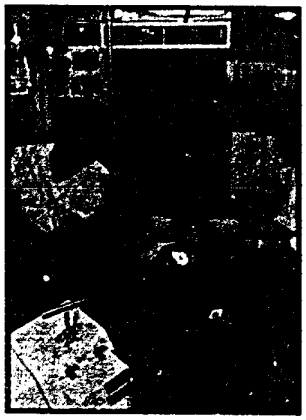
A Nearly $5 Billion Industry

Ambulance service expenditures total nearly $5 billion annually. While this may seem small in the context of the nearly $1 trillion health-care industry, pre-hospital medical care is as vital as police and fire departments to the health and well-being of every community member.

Moreover, the size of the ambulance industry, measured in local value of services, is continuing to grow as the demand and need for enhanced services increases. The private sector, in which American participates, has been growing at over 10% annually during the last decade. In this now large business, there are over 2,100 private providers of ambulance services. As a result, the opportunities for consolidation are enormous since less than 2% of these providers generate annual revenue of over $20 million. As the only publicly traded company exclusively devoted to pre-hospital medical care — organized and operating on a national scale — American is exceptionally well-positioned to capitalize on the industry's need to provide a uniformly high level of service and deliver savings through cost efficiencies.

The ambulance industry's growth is driven by the following factors:

- ▲ The aging of America — As people live longer, they have an increasing need for medically complex movement not only between home and hospital, but also between hospital and long-term care facilities or nursing homes.
- ▲ Growth of outpatient-care facilities — Use of these facilities often necessitates an ambulance trip to and from another location.
- ▲ The growth of in-home health care — In-home care enables many patients to receive treatment at home even though they are still quite ill. Often they require ambulance services upon discharge from the hospital.
- ▲ Greater specialization of hospitals and managed care — Many specialty medical procedures are performed in fewer hospitals resulting in increased inter-hospital transport. Also, many HMOs require that once stable, a subscribing patient must be transported to a member hospital.



The administration of high quality care, using sophisticated medical equipment, is vital long before hospital arrival.

- ▲ An increased emphasis on higher levels of medical care at the accident scene — Communities are more frequently demanding higher levels of care in the pre-hospital setting.
- ▲ Lowered response-time thresholds — Early intervention can potentially curtail costly medical procedures, shorten recovery time, and ultimately lower overall individual health-care costs.

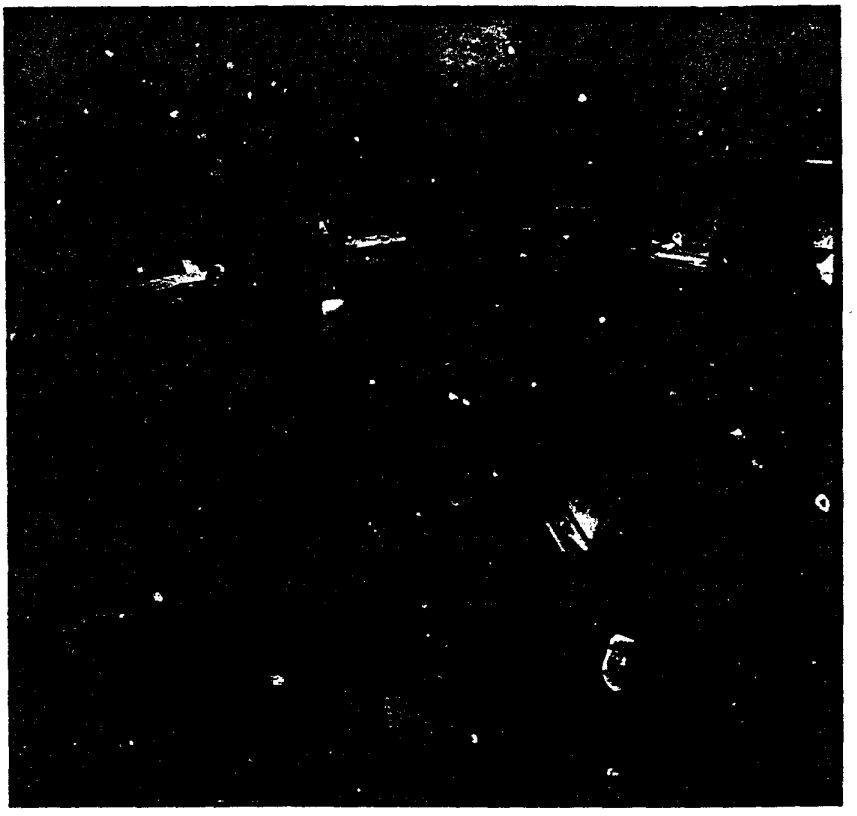
Taken together, these factors drive what American believes is sustainable and non-cyclical growth. The Company expects that these factors will continue to be important because ambulance services are absolutely vital and, unlike some other areas of health care, are not generally viewed as discretionary.

In addition, many municipalities which have traditionally operated their own emergency medical response systems are under increased pressure to control costs. Among the alternatives available is the use of private sector providers. Many small municipalities are recognizing that, by banding together and entering into a single contract, they can achieve better service at a lower overall cost.

In this changing arena, the awarding of exclusive municipal contracts typically is based not only on cost considerations, but more importantly on a quantitative evaluation of a provider's response time, medical track record, level of service provided, staff expertise, quality of management, and financial condition. American is well positioned to compete on each and every one of these criteria.

American – At The Forefront

American is at the forefront of a dynamic and changing industry. From the Company's inception, its goal has been to be the nation's leading provider of high quality emergency and non-emergency pre-hospital care. As an industry leader, the Company is playing an instrumental role in the development of uniform quality and measurement standards.



The dispatch center located in Fremont, CA, on average handles between 650 and 700 calls a day.

A staff consisting of over 2,200 dedicated paramedics, emergency medical technicians and support personnel strive to meet the needs of all community members served by the Company. The range of our services include Advanced Life Support, Basic Life Support, Critical Care Transport and elderly and handicapped transportation. In 1992, American responded to over 400,000 emergency calls with a fleet of more than 500 vehicles.

Technological Superiority

A single dispatch control center in Fremont, California provides the exclusive 911 emergency response [illegible] to over two million people spread over 7,000 square miles. As the largest exclusive provider, American [illegible] efficient control center in California rather than [illegible]. This is a prime example of the economies of [illegible] the Company enjoys.

This system uses sophisticated computers and a satellite tracking system to optimally post and dispatch its fleet. American's satellite tracking system is the largest system operated by an ambulance service provider in the U.S. This system allows the Company to monitor ambulance movement and progress every 15-4 seconds. Additionally, the system computes the statistical incidence of ambulance need based on time-of-day demographic patterns and can even be programmed to consider prevailing traffic conditions. The system then recommends how many ambulances are needed and exactly where they should be deployed. Because the system serves a large geographic area, it can more efficiently deploy vehicles to provide a given level of coverage, thereby minimizing total system costs.

A Partnership of Entrepreneurs

American's management team is seasoned and experienced. The founding partners and the individuals who have joined the team through acquisition are well-respected industry leaders who have made important contributions to their profession and in their communities. Identifying and encouraging the development of managers committed to the growth and enhancement of ambulance services is an important priority for American.

Corporate Growth Strategy

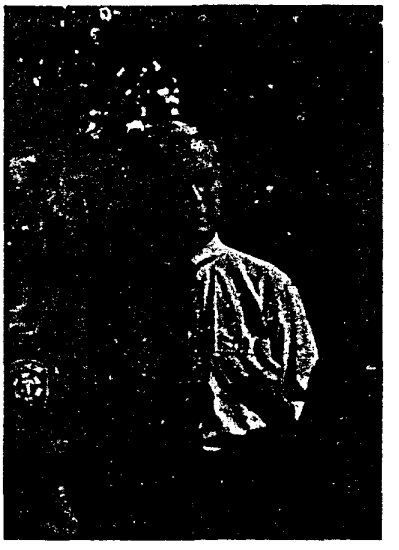
American's disciplined corporate growth is based on a three-pronged strategy: target suitable regions of the country and acquire providers to serve as regional headquarters known as "beachhead facilities"; expand services in these areas through additional "lock-on" acquisitions contiguous to the beachhead facilities; and grow internally by providing additional services and streamlining operations.

In many respects, American's acquisition criteria mirror the qualities desired by municipalities when awarding a contract. In selecting the appropriate emergency care provider, cost is by no means the only consideration. A provider's track record — in the areas of quality, delivery and efficiency of service — is of paramount importance.

Benefitting from a Changing U.S. Health Care Environment

During the first months of the Clinton Administration, a new outline of the legislative and regulatory direction for the U.S. health-care system will become evident. American believes it can benefit over the long term from the President's dedication to addressing national health-care concerns. The issues on the national agenda are consistent with those faced by ambulance service providers: how to deliver the best service to all people while ensuring the highest quality of care. American believes that concepts such as managed competition and global budgeting are parallel with American's corporate objective of achieving efficiencies through cost containment and consolidation.

Ambulance services are provided without consideration of a patient's ability to pay. Exclusive contracts, subsidies, permission to increase prices and other measures have been introduced by local governments to ease the burden of uncompensated care on private providers. American believes the introduction of some form of national health-care plan — one that increases access to health care and thereby reduces the level of uncompensated care — could benefit American as well as consumers.



Earl Riggs, Chief Operating Officer, AMR West, with paramedics Patrice Skipp-Severe and David Veitch.

Our Communities Come First

American's providers have been important members of their communities for many years. Buck Medical Services and Ambulance Service Company are the oldest, commencing operations in 1913 and 1920, respectively.

Together with police and fire departments, American provides the essential ingredients of a community's emergency response capabilities. The Company greatly values the trust placed in it by its communities. American's service providers actively participate in community volunteer programs that include health fairs, local school education and career programs.

American's profitability is the reward for delivering the highest quality service in the most efficient manner. The Company's commitment is to return the trust and confidence of the communities it serves with every emergency and non-emergency response.

American's employees regularly introduce schoolchildren to the challenges and rewards of the emergency medical response profession.

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Selected Financial Data

(in thousands, except per share amounts)

	1992[1]	1991	1990	1989	1988
Earnings Data:					
Total revenue	$106,433	$94,104	$73,148	$56,027	$39,320
Operating expenses:					
Salaries and benefits	53,364	45,614	36,012	28,037	20,431
Uncompensated care	24,397	22,262	16,413	11,485	7,660
Other	15,217	13,717	11,947	9,563	6,999
Depreciation	3,066	2,772	2,518	1,977	1,033
Total operating expenses	96,044	84,365	66,890	51,062	36,123
Earnings from operations	10,389	9,739	6,258	4,965	3,197
Nonoperating expenses:					
Interest expense, net	747	1,156	1,170	1,076	626
Amortization of intangibles	561	927	1,313	921	951
Total nonoperating expenses	1,308	2,083	2,483	1,997	1,577
Earnings before income taxes	9,081	7,656	3,775	2,968	1,620
Income taxes	4,089	3,201	1,556	1,190	623
Net earnings	$ 4,992	$ 4,455	$ 2,219	$ 1,778	$ 997
Pro forma net earnings(2)	$ 5,670	$ 4,306	$ 2,091	$ 1,631	$ 889
Pro forma net earnings per common share	$ .67	$ .57	$ .28	$ .22	$ .12
Weighted average common shares outstanding	8,447	7,576	7,576	7,576	7,576
Balance Sheet Data:					
Working capital	$ 25,612	$ 9,300	$ 6,688	$ 6,674	$ 3,505
Property and equipment, net	10,026	8,814	7,687	6,285	3,442
Total assets	66,549	36,858	30,059	26,185	16,568
Long-term debt, net of current maturities	8,372	7,179	8,392	9,010	5,493
Stockholders' equity	35,757	11,659	7,901	6,217	4,439

(1) Includes the results of Mobile Medic Ambulance Service, Inc. (acquired on November 4, 1992) and Ambulance Service Company (acquired on December 23, 1992) from the date of acquisitions. See note 2 to the consolidated financial statements.

(2) Certain adjustments have been made to net earnings to reflect income taxes that would have been payable by one of the Company's subsidiaries that was an S corporation for federal income tax purposes during the periods presented. See note 4 to the consolidated financial statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Year Ended December 31, 1992 Compared to the Year Ended December 31, 1991

Overview

The Company's net earnings on a pro forma basis amounted to $5.7 million or $.67 per share for the year ended December 31, 1992, as compared with pro forma net earnings of $4.3 million or $.57 per share for 1991. The improvement in pro forma net earnings results from increased transports, increased rates, an increase in fixed government subsidies, an upgrade of basic life support services to paramedic services, a reduction in net interest expense, and a reduction in the pro forma effective tax rate. The increase in pro forma earnings per share results from the increase in net earnings, which is partly offset by an increase in the weighted average number of shares outstanding resulting from the initial public offering and shares issued in connection with the acquisitions.

Results of Operations

The Company's total revenue amounted to $106.4 million for the year ended December 31, 1992 as compared with $94.1 million for 1991, an increase of $12.3 million or 13%. The increase in total revenue results from approximately 16,000 more ambulance transports in 1992 as compared with 1991, rate increases received in certain areas, an upgrade of basic life support services to paramedic services and an increase in fixed government subsidies. The acquisitions discussed in note 2 to the consolidated financial statements contributed approximately $2 million to total revenue for 1992.

Salaries and benefits expense amounted to $53.4 million for 1992 as compared with $45.6 million for 1991, an increase of $7.8 million or 17%. As a percentage of total revenue, salaries and benefits increased to 50.1% for 1992 from 48.5% in 1991. The increase was primarily the result of higher staffing levels required to satisfy contractual obligations for faster response times in certain areas, the changing mix to paramedic from EMT personnel in order to provide enhanced paramedic services, generally higher labor costs due to wage increases, and the addition of corporate salaries and benefits which did not exist in the prior year.

Uncompensated care expense amounted to $24.4 million for 1992 as compared with $22.3 million for 1991, an increase of $2.1 million or 9.6%. As a percentage of total revenue, uncompensated care was 22.9% and 23.6% for the years ended December 31, 1992 and 1991, respectively. The dollar increase in uncompensated care expense results primarily from the growth in the Company's business.

Other operating expenses were $15.2 million for 1992 as compared with $13.7 million for 1991, an increase of $1.5 million or 10.9%. The increase in other operating expenses was a result of the growth of total revenues and the addition of corporate expenses which did not exist in the prior year. However, as a percentage of total revenue, other operating expenses remained consistent at 14.3% for 1992 as compared to 14.6% for 1991.

Depreciation expense increased by $294,000 for 1992 as compared to 1991. The increase was attributable to new vehicle purchases and depreciation expense related to the property and equipment acquired in connection with the purchase of Mobile Medic Ambulance Service, Inc. As a percentage of total revenue, depreciation expense remained consistent at 2.9% for both 1992 and 1991.

Net interest expense decreased by $409,000 for 1992 as compared to 1991. This decrease was the result of the continued decline in borrowing rates, the decline in the average amount of debt outstanding, and an increase in investment income derived from the remaining net proceeds of the initial public offering.

Amortization of intangibles decreased by $366,000 for 1992 as compared to 1991 because of certain goodwill amounts becoming fully amortized in 1991. Amortization of intangibles will increase in the future as a result of goodwill recorded in connection with the Company's acquisitions.

Prior to the merger with the Company, one of the Predecessor Companies was taxed as an S corporation. As an S corporation, income taxes were not required to be provided in this subsidiary's financial statements. In August 1992, concurrent with the merger, this S corporation status was terminated and the method of accounting for tax purposes changed from the cash to the accrual method. Deferred income tax expense for the year ended December 31, 1992, includes $780,000 attributable to this termination of S corporation status.

Pro forma income tax expense for the years ended December 31, 1992, 1991 and 1990 are tax amounts which would have been recorded had this subsidiary been a C corporation during those years. If the subsidiary had been subject to corporate income taxes on an ongoing basis, income tax expense would have been $3.4 million for 1992 and 1991. The effective tax rate for 1992 was 37.5% as compared with 43.7% for 1991. The decline in the effective tax rate results from a favorable resolution of an IRS examination for which amounts had previously been expensed in the Company's financial statements, combined with a decrease in amounts which are not deductible for tax purposes.

Liquidity and Capital Resources

In August, 1992, the Company completed its initial public offering of 3 million shares of common stock at a price of $8.50 per share. The proceeds, net of underwriting discounts and expenses of the offering, were approximately $21.5 million. Concurrent with the completion of the initial public offering, the Company paid approximately $10.2 million to the stockholders of the Predecessor Companies and issued an aggregate 4.1 million shares of common stock in connection with the acquisition by merger of those companies with American. On September 3, 1992, the Company sold an additional 300,000 shares of common stock pursuant to an over-allotment option granted to the underwriters in connection with the Company's initial public offering. The proceeds, net of underwriting discounts, were $2.4 million.

Working capital at December 31, 1992 amounted to $25.6 million as compared to $9.3 million at December 31, 1991, an increase of $16.3 million. This increase results primarily from the remaining net proceeds received from the Company's initial public offering, after paying the cash portion of the purchase price for the acquisition of the Predecessor Companies, repayment of certain indebtedness and cash paid for subsequent acquisitions. In addition, working capital was enhanced as cash generated from operations exceeded cash requirements.

Cash and cash equivalents and short-term investments were $14.4 million at December 31, 1992 as compared with $3.5 million at December 31, 1991, an increase of $10.9 million. Net cash generated by operations during 1992 was $5.1 million.

The Company had additions to vehicles and other operating equipment of $2.2 million. For these additions, the Company paid $1.4 million in cash while $.8 million was financed by notes and capital lease obligations.

At December 31, 1992, the Company had total outstanding debt of $12.8 million, compared with $11.9 million at December 31, 1991. The increase was a result of debt issued and assumed in connection with the acquisitions of Mobile Medic Ambulance Service and Ambulance Service Company, the financing of vehicles and other equipment, and debt issued by one of the Company's subsidiaries to repurchase common stock of the Predecessor Company. These increases were offset by debt repayments of $5.7 million.

Certain debt obligations of the Company's subsidiaries were personally guaranteed by the former stockholders of the subsidiaries prior to the acquisitions. At December 31, 1992, the outstanding amount of such indebtedness was approximately $6.0 million. The Company has agreed to use its best efforts to have the personal guarantees released and to pay or refinance such indebtedness in the event that the guarantees cannot be released.

In connection with the mergers discussed in note 2 to the consolidated financial statements, certain operating entities changed from the cash to the accrual method of accounting for tax purposes. The resulting difference in taxable income is being recognized for tax purposes over a four year period beginning with the current year. This change resulted in an increase in current income tax expense for 1992 and a decrease in the deferred tax liability as of December 31, 1992, as compared with December 31, 1991. The taxes expected to be payable in subsequent years are included as a component of non-current deferred income tax liabilities.

During 1992, the Company acquired two providers of emergency and non-emergency pre-hospital care. On November 4, 1992, the Company acquired Mobile Medic Ambulance Service, Inc. located in Gulfport, Mississippi, and on December 23, 1992, the Company acquired Ambulance Service Company located in Denver, Colorado. The total paid for these acquisitions was $3.2 million in cash, $1,780,000 in subordinated promissory notes and 611,268 shares of the Company's common stock.

On January 11, 1993, the Company acquired Buck Medical Services, Inc., a provider of emergency and non-emergency pre-hospital care, located in Portland, Oregon. The purchase price consisted of $5.5 million in cash and 125,085 shares of the Company's common stock.

Current financial resources and anticipated funds generated by operations are expected to be adequate to meet the Company's operating cash requirements in the foreseeable future. The Company plans to use a combination of cash and securities in connection with its acquisition program. The Company has an effective Shelf Registration Statement on file with the Securities and Exchange Commission covering 2,000,000 shares of common stock, of which 1,263,647 shares remain available after the acquisition of Buck Medical Services, Inc., for issuance in connection with the acquisition of other businesses by the Company. The Company has received a commitment from a group of banks for a $30 million credit facility to refinance certain existing indebtedness, for acquisitions and working capital purposes. In the event that the Company is unable to secure this financing or a suitable financing alternative, or that acquisition candidates are reluctant to accept the Company's securities, the Company's growth strategy could be adversely affected.

Certain health care reforms are presently being considered at the federal level. The Company is unable to predict the impact any health care reform will have on its operations.

Year Ended December 31, 1991
Compared to the Year Ended December 31, 1990

Overview

The Company's net earnings on a pro forma basis amounted to $4.3 million or $.57 per share for the year ended December 31, 1991, as compared with pro forma net earnings of $2.1 million or $.28 per share for 1990. The improvement in pro forma net earnings results from increased transports, increased rates, an upgrade of basic life support services to paramedic services, and a reduction in the pro forma effective tax rate. The increase in pro forma earnings per share results from the increase in net earnings.

Results of Operations

The Company's total revenue amounted to $94.1 million for the year ended December 31, 1991 as compared with $73.1 million for 1990, an increase of $21.0 million or 28.7%. The increase in total revenue results from approximately 28,000 more ambulance transports in 1991 as compared with 1990. The increase in transports was due primarily to increased transports provided in an expanded area of Alameda County where the City of Oakland was included for a full year in 1991 as compared to a six month period in 1990. Enhanced paramedic services and general rate increases also resulted in higher average revenues per transport.

Salaries and benefits expense amounted to $45.6 million for 1991 as compared with $36.0 million for 1990, an increase of $9.6 million or 26.7%. As a percentage of total revenue, salaries and benefits decreased to 48.5% for 1991 from 49.2% in 1990. The dollar increase was primarily the result of the general growth of the Company's business and generally higher labor costs due to wage increases.

Uncompensated care expense amounted to $22.3 million for 1991 as compared with $16.4 million for 1990, an increase of $5.8 million or 35.6%. As a percentage of total revenue, uncompensated care increased to 23.6% for 1991 from 22.4% for 1990. The increase results primarily from a significant change in patient demographics resulting from the provision of services in the Oakland, California area for a full year in 1991 compared to a six month period in 1990.

Depreciation expense increased to $2.8 million for 1991 from $2.5 million for 1990, an increase of $.3 million or 10.1%.

Other expenses were $13.7 million for 1991 as compared with $11.9 million for 1990, an increase of $1.8 million or 14.8%. As a percentage of total revenue, other expenses decreased to 14.6% from 16.3%.

Amortization of intangibles decreased to $.9 million in 1991 from $1.3 million in 1990, a decrease of $.4 million or 29.4%.

Net interest expense decreased by $14,000 for 1991 as compared to 1990. This decrease was the result of the general decline in borrowing rates.

Independent Auditors' Report

The Board of Directors
American Medical Response, Inc.

We have audited the accompanying consolidated balance sheets of American Medical Response, Inc. and subsidiaries (the "Company") as of December 31, 1992 and 1991, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1992. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Medical Response, Inc. and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1992, in conformity with generally accepted accounting principles.

KPMG Peat Marwick

Boston, Massachusetts
February 25, 1993

Consolidated Balance Sheets

American Medical Response, Inc.

(in thousands, except share amounts)

	December 31, 1992	1991
Assets		
Current assets:		
Cash and cash equivalents	$14,134	$ 2,530
Short term investments	260	925
Accounts receivable, less allowance for uncompensated care of $10,779 and $10,150 at December 31, 1992 and 1991, respectively	21,342	18,982
Advances to stockholders and affiliated parties	—	973
Inventories	827	718
Prepaid expenses and other receivables	1,805	1,658
Deferred income taxes	4,280	—
Total current assets	42,648	25,786
Property and equipment, net	10,026	8,814
Noncurrent assets:		
Cost in excess of net assets acquired, net	11,153	399
Covenants not to compete, net	735	1,009
Other	1,987	850
Total noncurrent assets	13,875	2,258
Total assets	$66,549	$36,858
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,258	$ 2,889
Accrued compensation, benefits and taxes	4,725	3,631
Accrued expenses	2,528	1,372
Income taxes payable	2,104	2,420
Deferred income taxes	—	1,457
Current maturities of debt	4,421	4,717
Total current liabilities	17,036	16,486
Noncurrent liabilities:		
Long-term debt	8,372	7,179
Deferred income taxes	4,240	911
Other liabilities	1,144	623
Total noncurrent liabilities	13,756	8,713
Total liabilities	30,792	25,199
Stockholders' equity:		
Preferred stock, $.01 par value, 500,000 shares authorized, none issued	—	—
Common stock, $.01 par value, 25,000,000 shares authorized, 10,292,369 shares issued and outstanding at December 31, 1992	103	—
Common stock, predecessor companies	—	90
Additional paid-in capital	21,267	266
Retained earnings	14,387	11,353
Notes receivable from stockholders	—	(50)
Total stockholders' equity	35,757	11,659
Commitments and contingencies		
Total liabilities and stockholders' equity	$66,549	$36,858

See accompanying notes to consolidated financial statements.

Consolidated Statements of Earnings

American Medical Response, Inc.

(in thousands, except per share amounts)

	December 31, 1992	1991	1990
Total revenue	$106,433	$94,104	$73,148
Operating expenses:			
Salaries and benefits	53,364	45,614	36,012
Uncompensated care	24,397	22,262	16,413
Other	15,217	13,717	11,947
Depreciation	3,066	2,772	2,518
Total operating expenses	96,044	84,365	66,890
Earnings from operations	10,389	9,739	6,258
Nonoperating expenses:			
Interest expense, net	747	1,156	1,170
Amortization of intangibles	561	927	1,313
Total nonoperating expenses	1,308	2,083	2,483
Earnings before income taxes	9,081	7,656	3,775
Income taxes	4,089	3,201	1,556
Net earnings	$ 4,992	$ 4,455	$ 2,219
Pro Forma Data (unaudited—see note 4)			
Historical net earnings	$ 4,992	$ 4,455	$ 2,219
Pro forma income taxes (benefit)	(678)	149	128
Pro forma net earnings	$ 5,670	$ 4,306	$ 2,091
Pro forma net earnings per common share	$ 0.67	$ 0.57	$ 0.28
Weighted average common shares outstanding	8,447	7,576	7,576

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

American Medical Response, Inc.

(in thousands)

	Common Stock Shares	Common Stock Amount	Common Stock Predecessor Companies	Additional Paid-in Capital	Retained Earnings	Notes Receivable	Total Stockholders' Equity
Balance at December 31, 1989	–	$ –	$ 91	$ 272	$ 5,854	$ –	$ 6,217
Note receivable from officer for purchase of common stock	–	–	–	–	–	(60)	(60)
Distributions to stockholders	–	–	–	–	(475)	–	(475)
Net earnings	–	–	–	–	2,219	–	2,219
Balance at December 31, 1990	–	–	91	272	7,598	(60)	7,901
Repayment of note receivable	–	–	–	–	–	10	10
Stock repurchase	–	–	(1)	(6)	(700)	–	(707)
Net earnings	–	–	–	–	4,455	–	4,455
Balance at December 31, 1991	–	–	90	266	11,353	(50)	11,659
Repurchase and retirement of common stock – Regional	–	–	(1)	(12)	(1,803)	–	(1,816)
Initial issuance of common stock	2,730	27	–	48	–	(1)	74
Repurchase and retirement of common stock	(510)	(5)	–	(9)	–	–	(14)
Distribution to stockholders – Professional	–	–	–	–	(155)	–	(155)
Issuance of stock	3,000	30	–	21,435	–	–	21,465
Distribution of cash portion of purchase price for acquisition of Predecessor Companies	–	–	–	(10,195)	–	–	(10,195)
Distribution of stock portion of purchase price for acquisition and elimination of Predecessor Companies' stock	4,143	42	(89)	47	–	–	–
Repayment of notes receivable	–	–	–	–	–	51	51
Issuance of common stock	300	3	–	2,369	–	–	2,372
Stock options exercised	18	–	–	127	–	–	127
Tax benefit from exercise of stock options	–	–	–	70	–	–	70
Issuance of stock in connection with acquisitions	611	6	–	7,121	–	–	7,127
Net earnings	–	–	–	–	4,992	–	4,992
Balance at December 31, 1992	10,292	$103	$ –	$ 21,267	$14,387	$ –	$35,757

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

American Medical Response, Inc.

(in thousands)

	December 31, 1992	1991	1990
Cash flows from operating activities:			
Net earnings	$ 4,992	$ 4,455	$ 2,219
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	3,066	2,772	2,518
Amortization of intangible assets	561	927	1,313
Deferred income taxes	(2,365)	1,002	784
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	124	(5,561)	(1,522)
Other current assets	(11)	(503)	68
Other assets	(1,101)	418	(1,043)
Accounts payable and accrued expenses	(382)	265	891
Accrued compensation, benefits and taxes	347	1,439	582
Income taxes payable	(626)	705	(727)
Other liabilities	524	(156)	448
Net cash provided by operating activities	5,129	5,763	5,531
Cash flows from investing activities:			
Acquisition of Predecessor Companies	(10,195)	–	–
Acquisitions, net of cash acquired	(1,785)	–	–
Purchase of short term investments	–	(930)	(777)
Proceeds from sale of short term investments	665	634	73
Purchase of property and equipment, net	(1,408)	(3,585)	(1,516)
Purchase of stock and covenant not to compete	–	(575)	–
Repayment of advances to related parties	332	–	–
Net cash used for investing activities	(12,391)	(4,056)	(2,220)
Cash flows from financing activities:			
Proceeds from issuance of common stock	23,911	–	–
Repurchase and retirement of common stock	(314)	–	–
Proceeds from exercise of stock options	127	–	–
Proceeds from borrowings	316	2,906	1,492
Repayment of borrowings	(5,149)	(3,868)	(3,642)
Principal payments on capital lease obligations	(562)	(127)	(172)
Net advances to stockholders	641	(300)	66
Distribution to stockholders	(155)	–	(475)
Repayment of notes receivable for stock	51	10	–
Net cash provided by (used for) financing activities	18,866	(1,379)	(2,731)
Increase in cash and cash equivalents	11,604	328	580
Cash and cash equivalents at beginning of year	2,530	2,202	1,622
Cash and cash equivalents at end of year	$ 14,134	$ 2,530	$ 2,202
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 1,084	$ 1,338	$ 1,389
Income taxes	$ 7,026	$ 1,240	$ 1,095
Supplemental schedule of non-cash transactions:			
Issuance of debt and equipment for repurchase of Predecessor Company common stock	$ 1,516	$ 332	$ –
Issuance of debt for non-compete agreement	$ 240	$ 340	$ –
Issuance of debt for equipment purchases	$ 791	$ 579	$ 2,361
Property acquired under capital lease	$ 38	$ 189	$ 471
Acquisitions:			
Assets acquired	$ 17,037	$ –	$ –
Liabilities assumed and issued	(6,710)	–	–
Common stock issued	(7,127)	–	–
Cash paid	3,200	–	–
Less cash acquired	(1,415)	–	–
Net cash paid for acquisitions	$ 1,785	$ –	$ –

See accompanying notes to consolidated financial statements.

December 31, 1992, 1991 and 1990

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of American Medical Response, Inc. ("American" or the "Company") and its subsidiaries; American Medical Response West, formerly Vanguard Ambulance Services ("AMR West"), Regional Ambulance, Inc. ("Regional"), New Haven Ambulance Service, Inc. ("New Haven"), Professional Ambulance Service, Inc. ("Professional"), Mobile Medic Ambulance Service, Inc. ("Mobile Medic") and Ambulance Service Company ("Ambulance Service"). All intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts for the prior periods have been reclassified to conform with the current period presentation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Short Term Investments

Short term investments consist primarily of marketable equity securities which are stated at lower of cost or market.

Accounts Receivable and Net Revenue

Accounts receivable and net revenue are reported at the estimated net billable amounts due from patients, third-party payors and others for services rendered, net of contractual adjustments, which represent the difference between gross billable charges and the portion of those charges allowable by third-party payors.

Uncompensated Care

Uncompensated care results when ambulance service is provided to patients for which the Company receives no reimbursement. The Company expects payment for its charges each time ambulance transportation is provided.

Inventories

Inventories consist primarily of medical supplies and are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment

Property and equipment are stated at cost. Property and equipment under capital leases are stated at the present value of minimum lease payments at the inception of the lease. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of property and equipment. Property and equipment held under capital leases and leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the asset. Amortization of assets subject to capital leases is included in depreciation expense.

Cost in Excess of Net Assets Acquired

Cost in excess of net assets acquired is amortized straight-line over the period of expected benefit, but not in excess of twenty-five years. Accumulated amortization amounted to $98,000 and $51,000 at December 31, 1992 and 1991, respectively.

Covenants Not To Compete

Covenants not to compete are amortized using the straight-line method over the term of the agreements.

Income Taxes

Income taxes are provided based upon provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", which requires recognition of deferred income taxes under the asset and liability method.

Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on the deferred taxes of changes in the tax rates is recognized in income in the period that includes the enactment date.

Earnings Per Share

Earnings per share are computed based on the weighted average number of shares outstanding plus common stock equivalents related to stock options and warrants, if such common stock equivalents cause dilution in earnings per share in excess of 3%.

Earnings per share for all periods prior to the initial public offering have been computed based on weighted average shares outstanding of 7,576,089 which consist of (i) 2,220,001 founders' shares outstanding prior to the initial public offering, (ii) 4,143,500 shares issued in connection with the merger described in note 2, (iii) 1,199,412 shares to reflect on a pro forma basis the sale of a sufficient number of shares to provide funds to pay the $10,195,000 cash portion of the purchase price of the merger, and (iv) 13,176 shares considered as outstanding as a result of the application of the treasury stock method to certain outstanding options.

(2) Reorganization and Acquisitions

The Merger and Reorganization

In August, 1992, concurrent with the initial public offering of the Company's common stock, the Company acquired by merger four ambulance service providers, Regional, AMR West, New Haven and Professional (the "Predecessor Companies"). Pursuant to the terms of the merger agreements with each of the Predecessor Companies, the Company paid a total of $10,195,000 in cash and 4,143,500 shares of common stock for such companies as set forth below.

Regional - The Company acquired by merger all of the outstanding shares of Regional for $2,830,000 in cash and

1,991,859 shares of common stock. The Company also entered into a five-year non-competition agreement and a three-year employment contract with one of the stockholders and appointed such stockholder to the Company's board of directors.

AMR West - The Company acquired by merger all of the outstanding shares of AMR West for $3,800,000 in cash and 1,303,160 shares of common stock. An additional 100,000 shares of common stock will be paid in the event that AMR West obtains a particular contract for emergency ambulance services by March 1994. The Company also entered into five-year non-competition agreements and three-year employment agreements with two stockholders and appointed one of the stockholders to the Company's board of directors.

New Haven - The Company acquired by merger all of the outstanding shares of New Haven for $2,940,000 in cash and 634,145 shares of common stock. The Company also entered into five-year non-competition agreements with two stockholders, a three-year employment contract with one stockholder and appointed such stockholder to the Company's board of directors.

Professional - The Company acquired by merger all of the outstanding shares of Professional for $625,000 in cash and 214,336 shares of common stock. The Company also entered into five-year non-competition agreements and three-year employment contracts with the two stockholders of Professional.

The consolidated operations of American subsequent to the transaction are substantially identical to the combined operations of the individual Predecessor Companies prior to the transaction. Additionally, as a result of the mergers, the owners of the Predecessor Companies are significant stockholders of American. Accordingly, the aforementioned mergers were accounted for as a combination of the Predecessor Companies and American at historical cost. The assets and liabilities are presented at their historical values and stockholders' equity has not been adjusted as a result of the mergers.

Acquisitions

During 1992, the Company also acquired two providers of emergency and non-emergency pre-hospital care. On November 4, 1992, the Company acquired Mobile Medic Ambulance Service, Inc., located in Gulfport, Mississippi and on December 23, 1992, the Company acquired Ambulance Service Company, located in Denver, Colorado.

The total paid consisted of $5.2 million in cash, $1,780,000 in subordinated promissory notes and 611,268 shares of the Company's common stock.

The acquisitions have been accounted for as purchases and, accordingly, their results of operations have been included in the consolidated financial statements from their date of acquisition. The excess of the purchase price and expenses associated with the acquisitions over the estimated fair value of the net assets acquired has been recorded as goodwill.

The following unaudited pro forma results of operations give effect to the acquisitions as if the transactions had occurred at the beginning of 1991. Such pro forma financial information reflects certain adjustments including amortization of goodwill, income tax effects, and the increase in the weighted average shares outstanding. This pro forma information does not necessarily reflect the results of operations which would have occurred had the acquisitions taken place at the beginning of 1991 and is not necessarily indicative of results which may be obtained in the future (in thousands, except per share amounts):

	1992	1991
	(unaudited)	
Total revenue	$124,731	$110,345
Earnings before income taxes	10,416	7,767
Net earnings	5,571	4,335
Pro forma net earnings	6,167	4,206
Pro forma earnings per share	.69	.51

(3) Property and Equipment

Property and Equipment

Property and equipment consist of the following at December 31 (in thousands):

	1992	1991
Vehicles	$12,181	$10,110
Land, buildings and leasehold improvements	1,254	1,204
Equipment	5,478	5,357
Furniture and fixtures	2,395	1,811
	21,308	18,482
Less accumulated depreciation	11,282	9,668
Net property and equipment	$10,026	$8,814

Operating Leases

The Company is obligated under a number of non-cancelable operating leases for premises and equipment expiring in various years through the year 2000. Total rent expense amounted to $2,351,000, $2,095,000 and $1,644,000 for the years ended December 31, 1992, 1991 and 1990, respectively.

Minimum future rentals under non-cancelable operating leases (including leases with related parties discussed in Note 8) as of December 31 are as follows (in thousands):

	Amount
1993	$2,119
1994	1,904
1995	1,631
1996	1,308
1997	972
Thereafter	1,660
Total minimum lease payments	$9,594

(4) Income Taxes

The components of the deferred tax assets and liabilities as of December 31 are as follows (in thousands):

	1992	1991
Deferred tax assets:		
Allowance for uncompensated care	$4,409	$ 1,588
Accrued expenses and other liabilities	2,112	–
Other	57	–
	6,578	1,588
Deferred tax liabilities:		
Cash to accrual accounting	–	3,045
Intangible assets	107	–
Property and equipment	841	635
Change in accounting method	5,552	82
Other	38	194
	(6,538)	(3,956)
Net deferred tax asset (liability)	$ 40	$(2,368)

At December 31, the net deferred tax asset (liability) consists of the following (in thousands):

	1992	1991
Deferred tax asset (liability) – current	$4,280	$(1,457)
Deferred tax asset (liability) – long term	(4,240)	(911)
Net deferred income tax asset (liability)	$ 40	$(2,368)

Included in the gross deferred tax assets and liabilities are deferred tax (benefits) and deferred tax expense of $(438,000) and $395,000 respectively, relating to allowances for uncompensated care and a change in accounting method, recorded as a result of the acquisitions of Mobile Medic and Ambulance Service.

The provision for Federal and state income taxes for the years ended December 31 consists of the following (in thousands):

	1992	1991	1990
Current:			
Federal	$ 5,267	$1,701	$ 573
State	1,187	498	199
	6,454	2,199	772
Deferred:			
Federal	(1,811)	734	611
State	(554)	268	173
	(2,365)	1,002	784
Total	$ 4,089	$3,201	$1,556

For the year ended December 31, 1992, income tax benefits of $70,000 were allocated to additional paid-in capital for tax benefits associated with the exercise of non-qualified stock options.

The following table reconciles the Federal statutory income tax rate and the Company's effective income tax rate for the years ended December 31:

	1992	1991	1990
Provision for income taxes at Federal statutory rate	34.0 %	34.0 %	34.0 %
State taxes, net of Federal benefit	5.9	7.0	6.7
Amortization of goodwill	.2	1.3	3.2
Subchapter S earnings	(.7)	(2.1)	(3.4)
Change in tax status	8.6	–	–
Other, net	(3.0)	1.6	.7
	45.0 %	41.8 %	41.2 %

Change in Tax Accounting Method

In connection with the mergers discussed in note 2 to the consolidated financial statements, certain operating entities changed from the cash to the accrual method of accounting for tax purposes. The resulting difference in taxable income is being recognized for tax purposes over a four-year period beginning with the current year.

Change in Tax Status

Prior to the merger with the Company, one of the Predecessor Companies was taxed as an S corporation. As an S corporation, income taxes were not required to be provided in this subsidiary's financial statements. In August 1992, concurrent with the merger, this S corporation status terminated and the method of accounting for tax purposes changed from the cash to the accrual method. Deferred income tax expense for the year ended December 31, 1992, includes $780,000 attributable to this termination of S corporation status. Pro forma income tax expense for the years ended December 31, 1992, 1991 and 1990, are tax amounts which would have been recorded had this subsidiary been a C corporation during those years.

(5) Debt

Long-term debt and capital lease obligations consist of the following at December 31 (in thousands):

	1992	1991
Demand notes payable, unsecured, interest rates ranging from 6.75% to 7.5%	$ 228	$ 273
Demand notes payable, secured, bearing interest at 10%	–	236
Demand notes payable to principal stockholder, bearing interest at prime plus 2%	–	94
Notes payable, secured, interest rates ranging from 6% to 16.5%, payable in installments, maturing through 1998	5,954	7,500
Notes payable to former owners and individuals, interest rates ranging from 6% to 9%, payable in installments, maturing through 2007	3,382	2,436
Subordinated notes payable to stockholders and former owners, bearing interest at 7% and 7.5%, maturing through 1996	1,780	–
Capital lease obligations	1,449	1,357
	12,795	11,896
Less current maturities	4,421	4,717
Long-term debt, excluding current maturities	$8,372	$7,179

Annual maturities of long-term debt and future minimum lease payments under capital leases as of December 31, 1992 are as follows (in thousands):

	Long-term debt	Capital leases
1993	$ 3,685	$ 880
1994	3,641	616
1995	1,888	299
1996	643	107
1997	220	18
Thereafter	1,267	–
Total payments	$11,344	1,920
Less: amounts representing interest		471
Total obligations under capital leases		$1,449

(6) Capital Stock and Additional Paid-in Capital

Preferred Stock

The Company is authorized to issue up to 500,000 shares of preferred stock, $.01 par value, of which no shares are issued or outstanding. The Company's board of directors is authorized to provide for the issuance of the preferred stock in series, to establish the number of shares to be included in each such series, and the qualifications, limitations or restrictions thereof. This includes any voting rights, preemptive rights, conversion privileges and liquidation rights which shall be superior to the common stock.

Common Stock

The Company is authorized to issue 25,000,000 shares of common stock, $.01 par value, of which 10,292,369 shares were issued and outstanding at December 31, 1992.

The Company has an effective Shelf Registration Statement on file with the Securities and Exchange Commission covering 2,000,000 shares of common stock, of which 1,388,732 shares remain available at December 31, 1992 for issuance in connection with the acquisition of other businesses by the Company.

In August, 1992, the Company completed an initial public offering of common stock and issued 3,000,000 shares of such stock at a price of $8.50 per share. The proceeds, net of underwriting discounts and expenses of the offering, were approximately $21,465,000. Concurrent with the completion of the public offering, the Company paid $10,195,000 to the stockholders of Regional, AMR West, New Haven, and Professional and issued an aggregate 4,143,500 shares of common stock in connection with the acquisition by merger of those companies by American. On September 3, 1992, the Company sold an additional 300,000 shares of common stock pursuant to an overallotment option granted to the underwriters in connection with the initial public offering. The proceeds from this overallotment, net of underwriting discounts, were $2,371,500.

In connection with the initial public offering, the Company issued warrants to the underwriters to purchase an additional 300,000 shares of the Company's common stock at an exercise price of $10.20 per share for 150,000 shares and $12.00 per share for 150,000 shares. Such warrants expire on August 5, 1997.

During the period February 21, 1992 to May 22, 1992, the Company issued 2,730,001 shares of common stock to its founders at a price of $.0273 per share. On July 17, 1992, the Company repurchased and retired 510,000 shares of founders common stock at the original purchase price of $.0273 per share for a total of $13,923.

The Company was incorporated on February 21, 1992. On June 8, 1992, the Company was reorganized as a Delaware corporation. Pursuant to the reorganization, each of the outstanding shares of the Massachusetts corporation was converted into 2,928.71 shares of common stock, resulting in 2,730,001 shares outstanding on that date. All financial information and share and per share information with respect to the Company's stock have been restated to reflect the shares issued in the reorganization.

Common Stock - Predecessor Companies

All of the outstanding shares of common stock of the Predecessor Companies were acquired by American in connection with the merger and reorganization.

In January 1992, prior to the merger of Regional with American, Regional repurchased 1,600 shares of its common stock from two former employees for a total of $1,816,000. In addition, Regional entered into five year non-competition agreements with the former employees for $240,000.

During 1991, Regional repurchased 800 shares of its stock from former shareholders. A charge to retained earnings of $700,000 was recorded as a result of this transaction.

(7) Commitments and Contingencies

Third-Party Rate Adjustments and Revenue

A significant portion of the Company's net revenue is derived under Federal and state third-party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of the Company.

Legal Proceedings

The Company is party to various legal actions arising in the ordinary course of business. In management's opinion, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position.

Letters of Credit

The Company has outstanding letters of credit of $784,000 to secure payments of certain insurance policies. Such letters of credit expire in February 1993.

(8) Related Party Transactions

Indemnification Agreements

In connection with the merger and reorganization discussed in note 2, certain related parties have agreed to indemnify the Company up to a maximum of $1,750,000 for losses the Company may incur if one of its former insurers is unable to refund unearned premiums and pay pending claims.

Leasing Transactions

The Company leases various facilities from related parties. The leases on these properties expire at various times through the year 2000. Total rent expense paid to related parties amounted to $990,000, $1,020,000 and $661,000 for the years ended December 31, 1992, 1991 and 1990, respectively.

Loans and Cash Advances

Loans and advances outstanding to related parties amounted to $0 and $973,000 at December 31, 1992 and 1991, respectively.

Notes payable to related parties amounted to $0 and $94,000 at December 31, 1992 and 1991, respectively.

Guaranty

The Company has guaranteed a $2,500,000 loan owed by a related party to a bank. This loan is secured by one of the Company's operating facilities that it leases from a related party, bears interest at prime plus 1% and is callable by the bank on or after May 1994. The related party has agreed to indemnify the Company in the event the Company is required to pay any amounts under the guaranty.

Contractual Agreements

The Company purchases vehicles and repair parts from a related party. Vehicles purchased from related parties amounted to $143,000, $306,000 and $153,000 for the years ended December 31, 1992, 1991 and 1990, respectively. Repair parts purchased from related parties and included in expense amounted to $168,000, $159,000 and $175,000, respectively. Accounts payable included $20,000 and $82,000 at December 31, 1992 and 1991, respectively, due to these related parties.

(9) Stock Option Plans

1992 Equity Incentive Plan

The Company's 1992 Equity Incentive Plan (the "Equity Incentive Plan") was adopted on June 8, 1992 and provides for the grant of a variety of stock and stock-based awards and related benefits. The Equity Incentive Plan permits the granting of options that qualify as incentive stock options and non-qualified options. The option exercise price of each option shall be determined by the Board of Directors, but in the case of incentive stock options shall not be less than 100% of the fair market value of the shares on the date of grant (110% in the case of incentive stock options granted to an individual with stockholdings in excess of certain limits).

Subject to adjustment for stock splits and similar events, the total number of shares of Common Stock that can be issued under the Equity Incentive Plan is 800,000 shares.

1992 Stock Option Plan for Non-Employee Directors

The Company's 1992 Stock Option Plan for Non-Employee Directors (the "Director Option Plan") was adopted on June 8, 1992. Pursuant to the Director Option Plan, beginning on the date of the first annual meeting of stockholders after the date of the initial public offering, each director who is not an employee of the Company or one of its subsidiaries and neither is a holder of five percent or more of the Company's Common Stock nor was a stockholder of the Company prior to completion of the initial public offering will receive, on the date of his or her first election as director, an option to purchase 7,500 shares of Common Stock. Thereafter, each director will be granted, at each annual meeting at which such director is elected or reelected, so long as he or she remains an eligible director, an option to acquire an additional 7,500 shares of Common Stock.

The exercise price of such options will be the fair market value of the Common Stock on the date of grant. Each option will be non-transferable except upon death, will expire 10 years after the date of grant and will become exercisable on the first anniversary of the date of grant.

Stock Option Activity

A summary of stock option activity for the year ended December 31 follows:

	Number of Options	Option Price Range
Outstanding at December 31, 1991	–	$ –
Granted	303,100	5.00 – 12.375
Exercised	(17,600)	5.00 – 8.500
Cancelled	–	–
Outstanding at December 31, 1992	285,500	$5.00 – 12.375
Exercisable at December 31, 1992	60,875	

(10) Employee Benefit Plans

1992 Employee Stock Purchase Plan

The 1992 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan") was adopted by the Board of Directors of the Company and approved by the stockholders on June 8, 1992. The Employee Stock Purchase Plan is designed to enable eligible employees to purchase shares of Common Stock at a discount on a periodic basis through payroll deductions. All employees with at least six months of continuous service, other than employees owning 5% or more of the combined voting power of all classes of stock of the Company, are eligible to participate. Purchases will occur at the end of option periods, each of six months' duration. The first such option period began January 1, 1993.

The purchase price of Common Stock under the Employee Stock Purchase Plan is 85% of the lesser of the value of the Common Stock at the beginning of an option period and the value of the Common Stock at the end of the option period. Participants may elect under the Employee Stock Purchase Plan, prior to each option period, to have from 2% to 10% of their pay withheld and applied to the purchase of shares at the end of the option period. However, the Employee Stock Purchase Plan imposes a maximum of $10,000 on the amount that may be withheld from any participant in any option period.

Subject to adjustment for stock splits and similar events, a total of 100,000 shares of Common Stock has been reserved for issuance under the Employee Stock Purchase Plan. None of these shares has been issued to date.

Retirement Plans

Two of the Company's subsidiaries have defined contribution 401(k) plans for the benefit of their employees. Full-time employees with one year of service and 1,000 hours are eligible to participate. The total plan expense for the years ended December 31, 1992, 1991 and 1990 was $450,000, $242,000 and $339,000, respectively.

Four of the Company's subsidiaries have profit sharing plans which cover substantially all of their employees. Contributions into the trust funds of the plans are discretionary, and the companies have the right to amend, modify or terminate the plans, but in no event will any portion of the contributions paid revert to the companies. The total profit sharing plan expense for the years ended December 31, 1992, 1991 and 1990 was $115,000, $109,000 and $33,000, respectively.

(11) Quarterly Financial Data (Unaudited)

The Company's summary financial data for the years ended December 31, 1992 and 1991 by quarter is as follows (in thousands except per share amounts):

	Year ended December 31, 1992			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Total revenue	$28,095	$26,834	$26,277	$25,227
Total operating expenses	25,640	24,097	23,331	22,976
Earnings from operations	2,455	2,737	2,946	2,251
Earnings before income taxes	2,201	2,455	2,555	1,870
Net earnings	1,623	753	1,489	1,127
Pro forma net earnings	1,623	1,482	1,485	1,080
Pro forma earnings per common share	0.16	0.17	0.20	0.14
Weighted average common shares outstanding	9,888	8,770	7,576	7,576

	Year ended December 31, 1991			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Total revenue	$26,043	$24,705	$22,231	$21,125
Total operating expenses	23,010	22,011	20,142	19,202
Earnings from operations	3,033	2,694	2,089	1,923
Earnings before income taxes	2,530	2,174	1,665	1,387
Net earnings	1,488	1,259	926	782
Pro forma net earnings	1,415	1,232	908	751
Pro forma earnings per common share	0.19	0.16	0.12	0.10
Weighted average common shares outstanding	7,576	7,576	7,576	7,576

(12) Subsequent Events

Acquisition

On January 11, 1993, the Company acquired Buck Medical Services, Inc. located in Portland, Oregon. The purchase price consisted of $5,500,000 in cash and 125,085 shares of the Company's common stock. The acquisition has been accounted for as a purchase, and the excess of the purchase price and expenses associated with the acquisition over the estimated fair value of the net assets has been recorded as goodwill.

The following unaudited pro forma summary give effect to the acquisition as if it had occurred on December 31, 1992 with respect to the pro forma balance sheet and as if the action (along with the acquisition of Mobile Medic and Ambulance Service) had occurred at the beginning of 1991. Such pro forma financial information reflects certain adjustments including amortization of goodwill, income tax effects, and the increase in the weighted average shares outstanding. This pro forma information does not necessarily reflect the results of operations which would have occurred had the acquisition taken place at the beginning of 1991 and is not necessarily indicative of results which may be obtained in the future (in thousands, except per share amounts):

Balance Sheet:	1992 *(unaudited)*
Total assets	$72,655
Total liabilities	34,739
Total stockholders' equity	37,916
Total liabilities and stockholders' equity	$72,655

Statements of Earnings:	1992	1991
	(unaudited)	
Total revenue	$145,070	$124,282
Earnings before income taxes	10,588	8,035
Net earnings	5,860	4,568
Pro forma net earnings	6,402	4,268
Pro forma earnings per share	.70	.51

Credit Facility

In February 1993, the Company received a commitment from a group of banks for a $50 million revolving credit facility to refinance existing indebtedness, for acquisitions and working capital purposes.

Corporate Information

Directors

PAUL M. VERROCHI
Chairman of the Board

MICHAEL A. BAKER

DAVID B. HAMMOND
Deputy Chairman
ADT Limited

JAMES E. McGRATH
Chairman and Chief Executive Officer
Fairfax Capital Partners, Inc.

JOSEPH R. PAOLELLA

DOMINIC J. PUOPOLO

W. EARL RIGGS

PAUL T. SHIRLEY

JOHN LARKIN THOMPSON
President Emeritus
Blue Cross Blue Shield
of Massachusetts

Officers

PAUL M. VERROCHI
Chairman of the Board,
Chief Executive Officer and President

DOMINIC J. PUOPOLO
Executive Vice President, Chief
Financial Officer and Treasurer

JOSEPH R. PAOLELLA
Executive Vice President

W. EARL RIGGS
Executive Vice President

PAUL T. SHIRLEY
Executive Vice President

RONALD M. LEVENSON
Senior Vice President and
Chief Accounting Officer

MICHAEL J. McCLYMONT
Senior Vice President

JOHN K. RESTER
Senior Vice President

Regional Company Officers

STEPHEN C. DONOHOE
President and Chief Executive Officer
Professional Ambulance Service, Inc.
Wilmington, DE

JOSEPH R. PAOLELLA
President and Chief Executive Officer
New Haven Ambulance Service, Inc.
New Haven, CT

JOHN K. RESTER
President and Chief Executive Officer
Mobile Medic Ambulance Service, Inc.
Gulfport, MS

W. EARL RIGGS
Chief Operating Officer
AMR West
San Jose, CA

PAUL T. SHIRLEY
Chief Executive Officer
AMR West
San Jose, CA

D. TRACE SKEEN
President and Chief Executive Officer
Buck Medical Services, Inc.
Portland, OR

CARL UNREIN
President and Chief Executive Officer
Ambulance Service Company
Denver, CO

Shareholder Information

Transfer Agent:
Bank of Boston
Boston, MA

Independent Auditors:
KPMG Peat Marwick
Boston, MA

General Counsel:
Ropes & Gray
Boston, MA

Stock Information:
Common Stock is traded on the
New York Stock Exchange under
the symbol "EMT"

Annual Meeting:
Thursday, May 13, 1993
at 2:00 pm
Bank of Boston
100 Federal Street
Floor One Auditorium
Boston, MA 02105

Executive Offices:
67 Batterymarch Street
Boston, MA 02110
617-261-1600

Form 10-K:
A copy of the American Medical Response, Inc. Form 10-K will be available to stockholders of record at no charge upon written request to its Investor Relations Department at 67 Batterymarch Street, Boston, MA 02110

Market for the Registrant's Common Equity and Related Stockholder Matters:

The Company's Common Stock has been traded on the New York Stock Exchange since August 5, 1992 under the symbol "EMT". Prior to August 5, 1992, the date of the Company's initial public offering, no established public trading market existed for the Company's Common Stock. The following table sets forth the high and low sales prices for the Common Stock for the fiscal quarters, or portions thereof, specified:

	High	Low
August 5, 1992 through September 30, 1992	11 1/2	8 1/2
Quarter ended December 31, 1992	19 5/8	9 3/4

On April 2, 1993, the last sale price of the Common Stock on the New York Stock Exchange was $16 3/4. As of March 19, 1993 there were 366 holders of record of Common Stock.

The Company has not paid any cash dividends on the Common Stock in the past and does not plan to pay any cash dividends on the Common Stock in the foreseeable future. The Company's Board of Directors intends, for the foreseeable future, to retain earnings to finance the expansion of the Company's business, but expects to review its dividend policy regularly. In the foreseeable future, the Company expects to obtain a credit facility that will restrict the Company's ability to pay dividends.

AMERICAN MEDICAL RESPONSE, INC.

American Medical Response, Inc.
67 Batterymarch Street
Boston, MA 02110
617-261-1600

Subject to Completion, dated August 31, 1993

PROSPECTUS

2,750,000 Shares

AMERICAN MEDICAL RESPONSE INC.

Common Stock

Of the 2,750,000 shares of Common Stock offered hereby, 2,000,000 shares are being sold by American Medical Response, Inc. (the "Company") and 750,000 shares are being sold by certain selling stockholders (the "Selling Stockholders"). The Company will not receive any proceeds from the sale of the shares being sold by the Selling Stockholders. See "Principal and Selling Stockholders".

Of the 2,750,000 shares offered hereby, 2,200,000 shares are being offered initially in the United States by the U.S. Underwriters and 550,000 shares are being offered initially outside the United States by the International Managers (subject to transfers between the U.S. Underwriters and the International Managers). Such offerings are referred to collectively as the "Offerings". The offering price and underwriting discounts and commissions per share are identical for both Offerings. See "Underwriting".

The Company's Common Stock is traded on the New York Stock Exchange (the "NYSE") under the symbol "EMT". The closing price of the Company's Common Stock on the NYSE on August 27, 1993 was $20⅝ per share. See "Price Range of Common Stock".

For information containing certain factors relating to the Offerings, see "Investment Considerations".

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions (1)	Proceeds to Company (2)(3)	Proceeds to Selling Stockholders (3)
Per Share	$	$	$	$
Total (4)	$	$	$	$

(1) The Company and the Selling Stockholders have agreed to indemnify the U.S. Underwriters and the International Managers against certain liabilities, including liabilities under the Securities Act of 1933. See "Underwriting".
(2) Before deducting estimated expenses of the Offerings of $550,000 payable by the Company.
(3) The Company will receive $1,998,000 upon exercise of warrants held by a Selling Stockholder concurrent with the consummation of the Offerings. "Proceeds to Selling Stockholders" has not been adjusted to reflect payment of such amount.
(4) Certain Selling Stockholders have granted the U.S. Underwriters and the International Managers a 30-day option to purchase up to 412,500 additional shares of Common Stock solely to cover overallotments, if any. If such options are exercised in full, the total "Price to Public", "Underwriting Discounts and Commissions" and "Proceeds to Selling Stockholders" will be $, $ and $, respectively. See "Underwriting".

The shares of Common Stock offered by this Prospectus are offered by the U.S. Underwriters subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, to delivery to and acceptance by the U.S. Underwriters and to certain further conditions. It is expected that delivery of the shares of Common Stock will be made at the offices of Lehman Brothers Inc., New York, New York on or about , 1993.

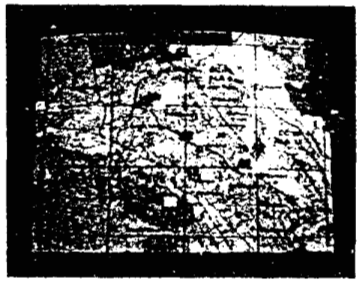
LEHMAN BROTHERS

KIDDER, PEABODY & CO.
INCORPORATED

ADVEST, INC.

, 1993

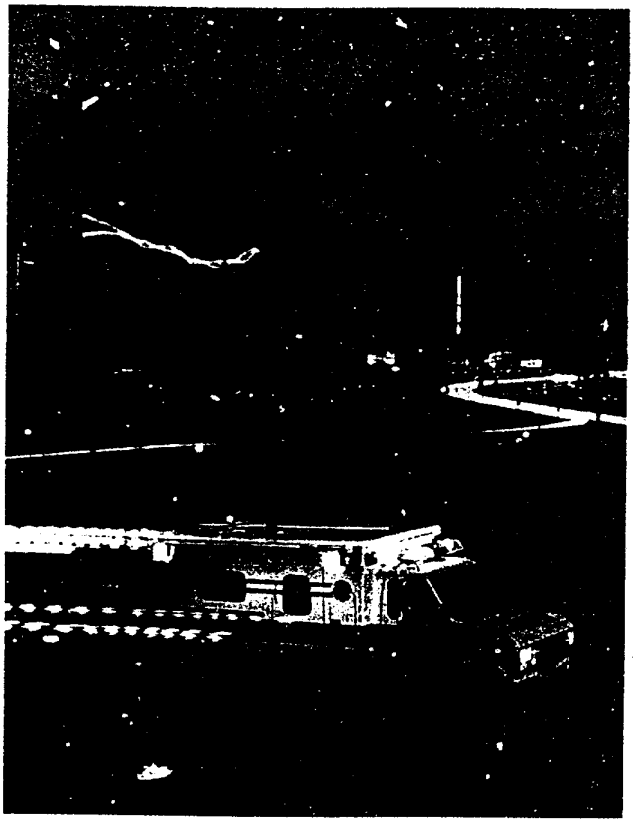
Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.



American Medical Response, Inc.'s Fremont, California dispatch center utilizes modern technologies and a Global Positioning Satellite system to assist in ambulance deployment. The above map area overviews show the location of both emergency calls and ambulances.

The administration of high quality care, using advanced life support equipment, is vital long before hospital arrival.

Providing Emergency Medical Services to Our Communities... When Every Second Counts.



IN CONNECTION WITH THESE OFFERINGS, THE U.S. UNDERWRITERS AND THE INTERNATIONAL MANAGERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

OFFERS AND SALES OF THE COMMON STOCK IN THE UNITED KINGDOM, AND ADVERTISEMENTS THEREIN IN CONNECTION THEREWITH, ARE SUBJECT TO CERTAIN RESTRICTIONS. SEE "UNDERWRITING".

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy statements and other information filed by the Company may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 and at the Commission's Regional offices at 7 World Trade Center, 13th Floor, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such materials may be obtained at prescribed rates upon request from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20449. The Company's Common Stock is listed on the New York Stock Exchange and reports, proxy statements and other information concerning the Company may be inspected and copied at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed by the Company with the Commission pursuant to the Exchange Act are hereby incorporated by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 1992, including the portions of the Company's Proxy Statement dated March 11, 1993 relating to its 1993 Annual Meeting of Shareholders, as amended by the amendment to the Form 10-K on Form 10-K/A dated June 11, 1993.

(2) The Company's Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 1993.

(3) The Company's Current Reports on Form 8-K dated November 18, 1992, January 6, 1993, January 25, 1993, as amended by the Company's Current Report on Form 8 dated February 2, 1993, and June 29, 1993.

(4) The description of the Common Stock in the Company's Registration Statement on Form 8-A (No. 1-11196), as amended.

All reports and other documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of these Offerings shall be incorporated by reference into this Prospectus and shall be deemed to be a part of this Prospectus from the date of filing of such reports and documents. Any statement contained herein or in a document incorporated by reference shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide, upon request, without charge to each person to whom a copy of this Prospectus has been delivered, a copy of any or all of the documents which have been or may be incorporated in this Prospectus by reference, other than certain exhibits to such documents. Requests for such copies should be directed to: American Medical Response, Inc., 67 Batterymarch Street, Boston, Massachusetts 02110 (telephone: (617) 261-1600).

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the information and financial statements and notes thereto appearing elsewhere in this Prospectus or incorporated by reference herein. Except as otherwise indicated, all information in this Prospectus assumes no exercise of the over-allotment options granted to the U.S. Underwriters and the International Managers. Unless otherwise indicated, all references to the "Company" herein include American Medical Response, Inc. and its subsidiaries.

For information concerning certain factors relating to the Offerings, see "Investment Considerations".

The Company

American Medical Response, Inc. (the "Company") is the leading provider of emergency and non-emergency ambulance services in the United States. The Company currently provides ambulance services in Northern California (Alameda, Contra Costa, Santa Clara and Santa Cruz Counties), South Central Connecticut (the greater New Haven and Bridgeport area), Northern Delaware and Southern New Jersey, Southern and Central Mississippi, Portland, Oregon and surrounding areas, Central Colorado and Dade County, Florida.

The Company provides emergency pre-hospital medical care and ambulance services to patients in response to "911" emergency medical calls. Additionally, the Company provides non-emergency ambulance services to patients during transfer to and from health care facilities and residences and nonmedical transport services to the handicapped and the elderly. The Company completed approximately 390,000 and 294,000 transports in response to calls for its services during 1992 and the first six months of 1993, respectively.

The Company believes that expenditures for ambulance services in the United States were at least $4 billion during 1992 and have grown at approximately 10% per year over the last decade. The growth in expenditures for ambulance services has resulted from an increase in both the number of ambulance transports and in average expenditures per transport. Demand for ambulance services has increased due to both the growth and aging of the U.S. population as well as the trend toward greater use of outpatient care facilities in response to current efforts to contain health care costs.

The Company acquired by merger four ambulance service providers concurrent with its initial public offering in August 1992 and since that time has acquired seven additional ambulance service providers. The Company's objective is to continue to be the leading provider of emergency and non-emergency ambulance services in the United States. The Company's growth strategy is focused on acquiring new businesses, expanding existing operations, improving the quality and efficiency of operations and promoting and capitalizing on the expertise of the operating executives of its providers.

American Medical Response, Inc. was organized as a Massachusetts corporation in February 1992 and was reincorporated in Delaware in June 1992. The Company's executive offices are located at 67 Batterymarch Street, Boston, Massachusetts 02110 and its telephone number is (617) 261-1600.

The Offering

Common Stock to be offered:	
By the Company	2,000,000 shares
By Selling Stockholders	750,000 shares
Total	2,750,000 shares
Common Stock to be outstanding after the Offerings	13,388,720 shares (1)
Use of proceeds	For general corporate purposes, including acquisitions and the repayment of borrowings under the Company's revolving line of credit
NYSE symbol	EMT

(1) Based on the number of shares outstanding on August 9, 1993 and includes 180,000 shares being offered hereby that are issuable upon exercise of warrants held by a Selling Stockholder. Does not include 428,350 shares reserved for issuance upon exercise of outstanding options granted under employees' and directors' stock plans, 120,000 shares reserved for issuance upon exercise of outstanding warrants and 100,000 shares contingently issuable in connection with the acquisition of one of the Company's subsidiaries.

Summary Financial Data (1)

(in thousands, except per share amounts)

	Six Months Ended June 30,		Year Ended December 31,				
	1993	1992	1992	1991	1990	1989	1988
Earnings Data:							
Total revenue	$86,190	$58,343	$121,192	$108,018	$84,870	$65,606	$48,409
Earnings from operations	7,683	4,599	10,273	9,501	5,546	4,547	2,559
Earnings before income taxes	7,250	4,067	9,489	8,285	4,280	3,408	1,907
Net earnings	4,103	2,402	5,239	4,843	2,528	2,050	1,173
Pro forma net earnings (2)	4,103	2,351	5,917	4,694	2,400	1,903	1,065
Pro forma net earnings per common share	$ 0.38	$ 0.30	$ 0.67	$ 0.59	$ 0.30	$ 0.24	$ 0.13
Weighted average common shares outstanding	10,916	7,968	8,838	7,968	7,968	7,968	7,968

	June 30, 1993		December 31, 1992
	Actual	As Adjusted (3)	
Balance Sheet Data:			
Working capital	$24,550	$ 51,047	$27,096
Total assets	90,392	116,889	70,848
Current maturities of long-term debt	911	911	5,465
Long-term debt	19,114	4,975	8,975
Stockholders' equity	47,408	88,044	37,216

(1) For all periods presented, the summary financial data includes the combined results of the four ambulance service providers acquired by the Company in August 1992 concurrent with its initial public offering and the results of Randle Eastern Ambulance Service, Inc. which was acquired in June 1993 and accounted for as a pooling-of-interests. The financial data for the companies acquired by the Company from November 1992 through June 1993 and accounted for as purchases are included from their respective dates of acquisition. The summary financial data should be read in conjunction with the accompanying Consolidated Financial Statements, and the related notes thereto, the Pro Forma Financial Statements, and the related notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

(2) Certain adjustments have been made to net earnings to reflect income taxes that would have been payable by one of the Company's subsidiaries that was an S corporation for federal income tax purposes during the periods presented through August 1992. See Note 4 to the Consolidated Financial Statements.

(3) Adjusted to reflect the sale by the Company of 2,000,000 shares of Common Stock in the Offerings at an assumed offering price of $20.625 per share, after deduction of underwriting discounts and estimated offering expenses payable by the Company, the receipt by the Company of $1,998,000 upon exercise of warrants held by a Selling Stockholder concurrent with the consummation of the Offerings and application of the net proceeds to the Company from the Offerings to reduce the Company's outstanding borrowings under its revolving line of credit.

INVESTMENT CONSIDERATIONS

The following factors should be considered, together with the other information contained in this Prospectus, in evaluating an investment in the Company.

Growth Strategy — Acquisition of Ambulance Service Providers. The Company's growth strategy depends in large measure on its ability to acquire additional ambulance service providers. Competition for the acquisition of ambulance service providers is increasing as the ambulance service industry undergoes consolidation. Although the Company has acquired seven additional ambulance service providers since it acquired four providers in August 1992, there can be no assurance that suitable additional acquisitions can be identified, consummated or successfully integrated into the Company's operations. The Company has used a combination of cash and securities as consideration for acquisitions. In the event that the Common Stock does not maintain a sufficient valuation or if potential acquisition candidates are unwilling to accept the Company's securities as consideration, the Company will be required to use more cash resources to continue its acquisition program. In addition, if sufficient financing is not available as needed on terms acceptable to the Company, the Company's acquisition program could be adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" and "Business — Company Strategy" and "— Competition".

Limited Combined Operating History. The Company was founded in February 1992 to acquire ambulance service providers and conducted no operations until August 1992 when it acquired four providers. Since August 1992, the Company has acquired seven additional providers. Although providers acquired by the Company have substantial operating experience as separate companies, the Company has only operated as a combined entity for approximately one year. In addition, members of the Company's management group who were not members of management of the providers acquired had no prior experience in the ambulance service industry. There can be no assurance that the Company's management will be successful in integrating the combined operations of providers acquired or in implementing the Company's business strategy. See "Business — Overview" and "Management".

Possible Adverse Changes in Reimbursement Rates or Coverage. A substantial majority of the Company's revenues are attributable to payments received from third-party payors, including Medicare, Medicaid and private insurers. The revenues, cash flows and profitability of the Company, like those of other companies in the health care industry, are affected by the continuing efforts of third-party payors to control expenditures for health care. In addition, reimbursement can be influenced by the financial instability of private third-party payors and by budget pressures and cost shifting by governmental payors. A reduction in coverage or reimbursement rates by third-party payors could have a material adverse effect on the Company's results of operations. See "Business — Governmental Regulation" and "— Reimbursement".

Health Care Reform. The public and the federal government have recently focused significant attention on reforming the health care system in the United States. In the last session of Congress, numerous legislative proposals were introduced that would effect major reforms of the U.S. health care system. The Clinton Administration has pledged to bring about a reform of the nation's health care system, and, in January 1993, the Task Force on National Health Care Reform (the "Task Force") was created and charged with preparing health care reform legislation to be presented to Congress. Among the stated concerns to be considered by the Task Force are means to control or reduce public and private spending on health care, to reform the payment methodology for health care goods and services by both the public (Medicare and Medicaid) and private sectors, which may include overall limitations on federal spending for health care benefits, and to provide universal access to health care. The Company cannot predict the proposals or policy initiatives that may be enacted nor the effect any health care reforms may have on its business. No assurance can be given that any such reforms will not have a material adverse effect on the Company.

Reliance on Personnel. The Company is dependent on its senior management. Although the Company has entered into employment agreements with these officers, there can be no assurance that the Company will be able to retain their services. The Company is also dependent on its staff of supervisory personnel and on its staff of medical personnel, over one-half of which is covered by collective bargaining agreements. The loss of

key management and other personnel, an inability to extend or renew collective bargaining agreements or an inability to attract and retain sufficient numbers of qualified employees could have an adverse effect on the Company and its operations. See "Management".

Dependence on Certain Contracts. During the first six months of 1993 and 1992, the Company derived approximately 37% and 57% of its total revenue, respectively, from emergency medical ambulance services provided under contracts to provide "911" ambulance services with three counties in California and from subsidies the Company received under these contracts. These contracts expire on various dates between June 1994 and June 1996. The cancellation or loss of any one or more of these contracts could have a material adverse effect on the Company and its operations. These contracts are subject to competitive bid processes or renegotiation upon expiration. See "Business — Marketing and Sales" and "— Contracts".

Government Regulation. Ambulance service providers are subject to numerous federal, state and local laws and regulations that govern various aspects of their businesses. There can be no assurance that federal, state or local governments will not adopt laws or regulations that would increase the Company's cost of doing business, lower reimbursement levels or otherwise have a material adverse effect on the Company. See "Business — Governmental Regulation" and "— Reimbursement".

Competition. The ambulance service industry is highly competitive. Principal participants include government entities, large regional ambulance service providers, hospitals and numerous local providers. Certain existing and potential competitors of the Company have significantly greater capital and other resources than the Company. There can be no assurance that municipalities or health care facilities that presently contract for ambulance services will not choose to provide ambulance services directly in the future. See "Business — Competition".

Shares Eligible for Future Sale. Future sales of substantial amounts of Common Stock in the public market could adversely affect the market price of the Common Stock. Of the approximately 13.4 million shares of Common Stock that will be outstanding after the Offerings, approximately 6.7 million shares will be freely tradeable without restriction, unless held by "affiliates" of the Company, except in certain cases, subject to certain volume and manner of sale restrictions. The remaining 6.7 million shares are "restricted securities" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), and will not be eligible for resale in the public market until various times in 1994 and 1995. Of these restricted shares, approximately 5.2 million shares (assuming that the underwriters' over-allotment option is not exercised) are held by directors, executive officers, Selling Stockholders and their affiliates who have agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this Prospectus without the prior written consent of the representatives of the U.S. Underwriters. Upon expiration of the 180-day period, approximately 2.0 million shares will be available immediately for sale in the public market under Rule 144 beginning in February 1994 and, in addition, approximately 3.6 million shares will be available for sale in the public market under Rule 144 beginning in August 1994, in each case subject to volume limitations and other restrictions. Approximately 761,000 of the shares that will be available for resale immediately after the expiration of the 180-day lock-up period are subject to certain repurchase obligations. As of August 9, 1993, 1,578,112 shares of Common Stock are available for issuance under a shelf registration statement and generally will be freely tradeable after their issuance under Rule 145 (unless held by an affiliate), subject to the volume and manner of sale restrictions under Rule 144. In addition, the Company has filed an S-8 registration statement under the Securities Act registering all 1,000,000 shares of Common Stock issuable under the Company's stock plans. Shares issued upon the exercise of options generally will be freely tradeable. See "Shares Eligible for Future Sale".

Control by Stockholders. Upon completion of the Offerings, directors and executive officers of the Company and their affiliates will own beneficially approximately 39% (or 36% assuming exercise of the over-allotment option) of the outstanding shares of Common Stock. As a result, these stockholders may, if they act as a group, be able to elect the Board of Directors of the Company and to determine the outcome of certain corporate transactions and amendments to the Company's Restated Certificate of Incorporation and By-laws requiring stockholder approval.

Possible Volatility of Stock Price. The market price of the Common Stock may be highly volatile. Factors such as quarter-to-quarter variations in the Company's revenues and earnings, the timing of acquisitions made by the Company, and the announcement and implementation of health care reform proposals could cause the market price of the Common Stock to fluctuate significantly. In addition, general economic, political and market conditions may adversely affect the market price of the Common Stock.

PRICE RANGE OF COMMON STOCK

The Common Stock is traded on the NYSE under the symbol "EMT". The following table sets forth the high and low sales prices for the Common Stock from August 5, 1992, the date of the Company's initial public offering, through August 27, 1993.

1992	Low	High
Third Quarter (from August 5, 1992)	$ 8⅛	$11
Fourth Quarter	9⅞	19⅛
1993		
First Quarter	12¾	19½
Second Quarter	14⅝	20⅛
Third Quarter (through August 27, 1993)	19⅛	22⅝

On August 27, 1993, the closing price of the Common Stock was $20.625. On August 9, 1993, there were 808 shareholders of record of the Common Stock.

USE OF PROCEEDS

The Company intends to use the net proceeds to the Company from the Offerings, estimated to be approximately $38.6 million (assuming an offering price of $20.625 and after deducting underwriting discounts and the estimated expenses of the Offerings) for general corporate purposes, including acquisitions and the repayment of borrowings under the Company's revolving line of credit, which totalled approximately $13.0 million as of August 11, 1993. The Company will not receive any proceeds from the shares being sold by the Selling Stockholders but will receive $1,998,000 upon exercise of warrants held by a Selling Stockholder concurrent with the consummation of the Offerings. Pending application of the proceeds, the Company intends to invest the balance in short-term investment-grade, interest bearing securities or certificates of deposit. Borrowings under the Company's revolving line of credit, which were used to refinance other indebtedness and for acquisitions and working capital purposes, bear interest at the prime rate or LIBOR plus 2.5%. The revolving line of credit matures in April 1996. After application of the proceeds from the Offerings, $30.0 million will be available to the Company under the revolving line of credit. The Company expects to borrow under the revolving line of credit as needed in connection with acquisitions and other corporate purposes.

DIVIDEND POLICY

The Company has not paid any cash dividends on the Common Stock in the past and does not plan to pay any cash dividends on the Common Stock in the foreseeable future. In addition, the Company's revolving line of credit agreement prohibits the Company from paying dividends and making other payments with respect to its capital stock in any year in excess of 50% of the Company's net income for that year. The Company's Board of Directors intends, for the foreseeable future, to retain earnings to finance the expansion of the Company's business, but expects to review its dividend policy regularly.

CAPITALIZATION

The following table sets forth the Company's cash, short-term debt and capitalization at June 30, 1993, and as adjusted to reflect the sale of the shares of Common Stock offered by the Company hereby (assuming an offering price of $20.625 per share and after deducting underwriting discounts and estimated offering expenses payable by the Company), the receipt by the Company of $1,998,000 upon exercise of warrants held by a Selling Stockholder concurrent with the consummation of the Offerings and application of the net proceeds to the Company from the Offerings to reduce the Company's outstanding borrowings under its revolving line of credit. This table should be read in conjunction with the Financial Statements and the related notes thereto included elsewhere in this Prospectus.

	June 30, 1993	
	Actual	As Adjusted
	(in thousands)	
Cash	$ 5,909	$32,406
Current maturities of debt	$ 911	$ 911
Long-term debt	19,114	4,975
Stockholders' equity:		
Preferred Stock, $.01 par value, 500,000 shares authorized; none outstanding	—	—
Common Stock, $.01 par value, 25,000,000 shares authorized; 11,126,813 shares outstanding; 13,306,813 shares outstanding as adjusted(1)	111	133
Additional paid-in capital	27,385	67,999
Retained earnings	19,912	19,912
Total stockholders' equity	47,408	88,044
Total capitalization	$66,522	$93,019

(1) Does not include 428,350 shares reserved for issuance upon exercise of outstanding options granted under employees' and directors' stock plans, 120,000 shares reserved for issuance upon exercise of outstanding warrants and 100,000 shares contingently issuable in connection with the acquisition of one of the Company's subsidiaries.

SELECTED FINANCIAL DATA

For all periods presented, the following selected financial information includes the consolidated results of the four ambulance service providers the Company acquired concurrent with its initial public offering and of Randle Eastern Ambulance Service Inc., which was accounted for as a pooling-of-interests. The financial data of the companies acquired by the Company from November 1992 through June 1993 and accounted for as purchases are included from their respective dates of acquisition. The following selected consolidated financial information with respect to the Company's consolidated statements of earnings for the years ended December 31, 1992, 1991 and 1990 and with respect to the Company's consolidated balance sheets as of December 31, 1992 and 1991 have been derived from the Consolidated Financial Statements that have been audited by KPMG Peat Marwick. The selected consolidated financial information for the years ended December 31, 1989 and 1988 and for the six-month periods ended June 30, 1993 and 1992 and for the balance sheet data as of December 31, 1990 have not been audited, but in the Company's opinion reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of results of operations for those periods. The results of the six-month period ended June 30, 1993 are not necessarily indicative of the results to be expected for the entire year. The selected financial data provided below should be read in conjunction with the accompanying Consolidated Financial Statements, and the related notes thereto, the Pro Forma Financial Statements, and the related notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

SELECTED FINANCIAL DATA
(in thousands, except per share amounts)

	Six Months Ended June 30,		Year Ended December 31,				
	1993	1992	1992	1991	1990	1989	1988
Earnings Data:							
Total revenue	$86,190	$58,343	$121,192	$108,018	$84,870	$65,606	$48,409
Operating expenses:							
Salaries and benefits	42,279	29,114	60,577	52,009	40,922	32,092	24,263
Uncompensated care	19,116	13,659	28,008	25,862	19,769	14,297	10,383
Other operating expenses	14,090	8,946	18,377	16,640	14,554	11,523	8,983
Depreciation	2,363	1,752	3,396	3,079	2,766	2,226	1,270
Amortization of intangibles	659	273	561	927	1,313	921	951
Total operating expenses	78,507	53,744	110,919	98,517	79,324	61,059	45,850
Earnings from operations	7,683	4,599	10,273	9,501	5,546	4,547	2,559
Interest expense, net	433	532	784	1,216	1,266	1,139	652
Earnings before income taxes	7,250	4,067	9,489	8,285	4,280	3,408	1,907
Income taxes	3,147	1,665	4,250	3,442	1,752	1,358	734
Net earnings	$ 4,103	$ 2,402	$ 5,239	$ 4,843	$ 2,528	$ 2,050	$ 1,173
Pro forma net earnings(1)	$ 4,103	$ 2,351	$ 5,917	$ 4,694	$ 2,400	1,903	$ 1,065
Pro forma net earnings per common share	$ 0.38	$ 0.30	$ 0.67	$ 0.59	$ 0.30	$ 0.24	$ 0.13
Weighted average common shares outstanding	10,916	7,968	8,838	7,968	7,968	7,968	7,968

	June 30,	December 31,				
	1993	1992	1991	1990	1989	1988
Balance Sheet Data:						
Working capital	$24,550	$ 27,096	$10,413	$ 7,538	$ 7,219	$ 4,416
Property and equipment, net	15,125	10,555	9,620	8,423	6,859	3,953
Total assets	90,392	70,848	40,064	35,494	29,094	19,447
Current maturities of debt	911	5,465	5,137	4,301	4,114	2,830
Long-term debt	19,114	8,975	8,031	9,286	10,000	6,789
Stockholders' equity	47,408	37,216	12,871	8,725	6,732	4,682

(1) Certain adjustments have been made to net earnings to reflect income taxes that would have been payable by one of the Company's subsidiaries that was an S corporation for federal income tax purposes during the periods presented through August 1992. See Note 4 to the Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

For all periods presented, the following financial information includes the combined results of the four ambulance service providers the Company acquired concurrent with its initial public offering in August 1992 and of Randle Eastern Ambulance Service, Inc. which was acquired in June 1993 in a transaction accounted for as a pooling-of-interests. The companies acquired by the Company from November 1992 through June 1993 and accounted for as purchases are included from their respective dates of acquisition.

The Company's total revenue, which is comprised primarily of ambulance service fees charged to Medicare and Medicaid, to other third-party payors, including private insurance carriers and health maintenance organizations, and directly to patients, is presented net of contractual adjustments. Contractual adjustments represent the difference between gross billable charges and the portion of those charges allowable by the third-party payor. The Company's provision for uncompensated care represents the difference between net ambulance fee revenues and expected collections.

Six Months Ended June 30, 1993 Compared to the Six Months Ended June 30, 1992

Overview

The Company's net earnings amounted to $4.1 million or $0.38 per share for the six months ended June 30, 1993, as compared with pro forma net earnings of $2.4 million or $0.30 per share for the corresponding period of 1992. The increase in net earnings results from incremental earnings provided from acquisitions, new contracts and increases in transports. The increase in earnings per share results from the increase in net earnings, which is partly offset by an increase in the weighted average number of shares. The weighted average number of shares was 10,916,042 and 7,967,563 for the first six months of 1993 and 1992, respectively. The increase in the weighted average number of shares outstanding results from the initial public offering in August 1992 and shares issued in connection with acquisitions.

Results of Operations

The Company's total revenue amounted to $86.2 million for the first six months of 1993 as compared with $58.3 million for the same period of 1992, an increase of $27.9 million or 47.7%. The largest single contributor to the increase in total revenue was the incremental revenue provided from acquisitions. Also contributing to the increase was revenue generated from the Company's contract to provide exclusive "911" emergency response service to Atlantic City, New Jersey, awarded in late 1992, and an increase in the number of emergency and non-emergency transports. On June 1, 1993, the Company began providing exclusive "911" emergency response service to Aurora, Colorado.

The Company is a party to three significant contracts to provide emergency "911" services. The Company derived approximately 37% and 57% of its total revenue from these contracts during the first six months of 1993 and 1992, respectively.

Salaries and benefits expense as a percentage of total revenue was 49.1% and 49.9% for the first six months of 1993 and 1992, respectively. This was a result of a favorable impact of acquisitions, which in the aggregate have relatively lower labor costs, offset by the addition of corporate salaries and benefits that did not exist in the prior period and certain wage increases. It is anticipated that corporate salary expense will increase in future periods as the Company continues to implement its acquisition program and to centralize certain operating, financial, and treasury management functions. However, it is also anticipated that corporate salary expense will decrease as a percentage of total revenue as the Company continues to grow.

Uncompensated care expense as a percentage of total revenue was 22.2% and 23.4% for the six months ended June 30, 1993 and 1992, respectively. The percentage decrease is due to the favorable impact of acquisitions, which in the aggregate have experienced lower uncompensated care expense as a percentage of total revenue and an improvement in the quality of the Company's receivables.

Other operating expenses were $14.1 million in the first six months of 1993 as compared with $8.9 million in the same period of 1992. As a percentage of total revenue, other operating expenses increased to 16.3% in the first six months of 1993 from 15.3% in the same period of 1992. The percentage increase was primarily the result of the addition of corporate expenses that did not exist in the prior period.

Amortization of intangibles increased to $659,000 for the first six months of 1993 from $273,000 for the first six months of 1992, an increase of $386,000. This increase was the result of the cost in excess of net assets acquired recorded in connection with the Company's acquisitions. Amortization of intangibles will increase in the future as a result of acquisitions accounted for as purchases.

Net interest expense decreased by $99,000 for the first six months of 1993 as compared to the first six months of 1992. This decrease was the result of the decline in the Company's weighted average borrowing rate and the decline in the average amount of debt outstanding, resulting primarily from implementation of the Company's revolving credit facility.

The effective tax rate for the first six months of 1993 was 43.4% as compared with a pro forma effective tax rate of 42.2% for the same period in 1992. The increase in the effective tax rate results primarily from an increase in amounts that are not deductible for tax purposes. Pro forma income tax expense for the six months ended June 30, 1992, are tax amounts that would have been recorded if one of the companies acquired at the time of the initial public offering had been a C corporation during this period. If the subsidiary had been subject to corporate income taxes on an ongoing basis, the Company's income tax expense would have been $1,716,000 for the first six months of 1992. In August 1993, legislation was enacted which will increase the top marginal income tax rate for corporate taxpayers, effective as of January 1, 1993, and which will implement other tax changes. The Company has not determined the effect such legislation will have on the Company.

Year Ended December 31, 1992 Compared to the Year Ended December 31, 1991

Overview

The Company's net earnings on a pro forma basis amounted to $5.9 million or $0.67 per share for the year ended December 31, 1992, as compared with pro forma net earnings of $4.7 million or $0.59 per share for 1991. The improvement in pro forma net earnings results from increased transports, increased rates, an increase in fixed government subsidies, an upgrade of basic life support services to paramedic services, a reduction in net interest expense, and a reduction in the pro forma effective tax rate. The increase in pro forma earnings per share results from the increase in net earnings, which is partly offset by an increase in the weighted average number of shares outstanding resulting from the initial public offering and shares issued in connection with the acquisitions.

Results of Operations

The Company's total revenue amounted to $121.2 million for the year ended December 31, 1992 as compared with $108.0 million for 1991, an increase of $13.2 million or 12.2%. The largest single contributor to the increase in total revenue was the increase in ambulance transports in 1992 as compared with 1991. The balance of the increase was the result of rate increases received in certain areas, an upgrade of basic life support services to paramedic services and an increase in fixed government subsidies. The acquisitions accounted for as purchases discussed in Note 2 to the Consolidated Financial Statements contributed approximately $2.0 million to total revenue for 1992.

The Company is a party to three significant contracts to provide emergency "911" services. The Company derived approximately 57% of its total revenue from these contracts during 1992.

Salaries and benefits expense amounted to $60.6 million for 1992 as compared with $52.0 million for 1991, an increase of $8.6 million or 16.5%. As a percentage of total revenue, salaries and benefits increased to 50.0% for 1992 from 48.1% in 1991. The increase was primarily the result of higher staffing levels required to satisfy contractual obligations for faster response times in certain areas, the changing mix to paramedic from EMT personnel in order to provide enhanced paramedic services, generally higher labor costs due to wage increases, and the addition of corporate salaries and benefits which did not exist in the prior year.

Uncompensated care expense amounted to $28.0 million for 1992 as compared with $25.9 million for 1991, an increase of $2.1 million or 8.3%. As a percentage of total revenue, uncompensated care was 23.1%

and 23.9% for the years ended December 31, 1992 and 1991, respectively. The dollar increase in uncompensated care expense results primarily from the growth in the Company's business.

Other operating expenses were $18.4 million for 1992 as compared with $16.6 million for 1991, an increase of $1.7 million or 10.4%. The increase in other operating expenses was a result of the growth of total revenues and the addition of corporate expenses which did not exist in the prior year. However, as a percentage of total revenue, other operating expenses remained consistent at 15.2% for 1992 as compared to 15.4% for 1991.

Depreciation expense increased by $317,000 for 1992 as compared to 1991. The increase was attributable to new vehicle purchases and depreciation expense related to the property and equipment acquired in connection with the purchase of Mobile Medic Ambulance Service, Inc. As a percentage of total revenue, depreciation expense remained constant at 2.8% and 2.9%, for 1992 and 1991, respectively.

Amortization of intangibles decreased by $366,000 for 1992 as compared to 1991 due to goodwill amounts becoming fully amortized in 1991. Amortization of intangibles will increase in the future as a result of goodwill recorded in connection with the Company's acquisitions.

Net interest expense decreased by $432,000 for 1992 as compared to 1991. The decrease was the result of the continued decline in borrowing rates, the decline in the average amount of debt outstanding, and an increase in investment income derived from the remaining net proceeds of the initial public offering.

Prior to the merger with the Company, one of the Company's subsidiaries was taxed as an S corporation. As an S corporation, income taxes were not required to be provided in this subsidiary's financial statements. In August 1992, concurrent with the merger, this S corporation status was terminated and the method of accounting for tax purposes changed from the cash to the accrual method. Deferred income tax expense for the year ended December 31, 1992, includes $780,000 attributable to this termination of S corporation status.

Pro forma income tax expense for the years ended December 31, 1992, 1991 and 1990 are tax amounts which would have been recorded had this subsidiary been a C corporation during those years. If the subsidiary had been subject to corporate income taxes on an ongoing basis, income tax expense would have been $3.6 million for 1992 and 1991. The effective tax rate for 1992 was 37.6% as compared with 43.3% for 1991. The decline in the effective tax rate results from a favorable resolution of an IRS examination for which amounts had previously been expensed in the Company's financial statements, combined with a decrease in amounts which are not deductible for tax purposes.

Year Ended December 31, 1991 Compared to the Year Ended December 31, 1990

Overview

The Company's net earnings on a pro forma basis amounted to $4.7 million or $0.59 per share for the year ended December 31, 1991, as compared with pro forma net earnings of $2.4 million or $0.30 per share for 1990. The improvement in pro forma net earnings results from increased transports, increased rates, an upgrade of basic life support services to paramedic services, and a reduction in the pro forma effective tax rate. The increase in pro forma earnings per share results from the increase in net earnings.

Results of Operations

The Company's total revenue amounted to $108.0 million for the year ended December 31, 1991 as compared with $84.9 million for 1990, an increase of $23.1 million or 27.3%. The majority of the increase in total revenue results from the increase in ambulance transports in 1991 as compared with 1990. The increase in transports was due primarily to increased transports provided in an expanded area of Alameda County where the City of Oakland was included for a full year in 1991 as compared to a six month period in 1990. Enhanced paramedic services and general rate increases also resulted in higher average revenues per transport.

Salaries and benefits expense amounted to $52.0 million for 1991 as compared with $40.9 million for 1990, an increase of $11.1 million or 27.1%. As a percentage of total revenue, salaries and benefits decreased to

48.1% for 1991 from 48.2% in 1990. The dollar increase was primarily the result of the general growth of the Company's business and generally higher labor costs due to wage increases.

Uncompensated care expense amounted to $25.9 million for 1991 as compared with $19.8 million for 1990, an increase of $6.1 million or 30.8%. As a percentage of total revenue, uncompensated care increased to 23.9% for 1991 from 23.3% for 1990. The increase results primarily from a significant change in patient demographics resulting from the provision of services in the Oakland, California area for a full year in 1991 compared to a six month period in 1990.

Depreciation expense increased to $3.1 million for 1991 from $2.8 million for 1990, an increase of $313,000 or 11.3%.

Other expenses were $16.6 million for 1991 as compared with $14.6 million for 1990, an increase of $2.0 million or 14.3%. As a percentage of total revenue, other expenses decreased to 15.4% from 17.1%.

Amortization of intangibles decreased to $927,000 in 1991 from $1.3 million in 1990, a decrease of $386,000 or 29.4%.

Net interest expense decreased by $50,000 for 1991 as compared to 1990. This decrease was the result of the general decline in borrowing rates.

Liquidity and Capital Resources

The Company has financed its cash needs, including cash used for acquisitions, from the net proceeds of its initial public offering, borrowings under its revolving line of credit and cash from operations. Concurrent with its initial public offering in August 1992, the Company acquired four ambulance service providers for aggregate consideration consisting of $10.2 million in cash and 4,143,500 shares of Common Stock. Through June 30, 1993, the Company has made six additional acquisitions for aggregate consideration consisting of $15.5 million in cash, $4.3 million in subordinated promissory notes and 1,434,062 shares of Common Stock.

The Company currently has a $30 million unsecured revolving line of credit with a group of banks consisting of Fleet Bank of Massachusetts, N.A., Continental Bank N.A. and Pacific Western Bank. Borrowings under the line of credit have been used to refinance certain indebtedness, for acquisitions and for working capital purposes. Borrowings are limited to the lesser of $30 million and 200% of the Company's earnings before interest, income taxes, depreciation and amortization for the most recent twelve months. Interest is determined at the time of borrowing at the Company's option at either prime or LIBOR plus 2.5%. Letter of credit fees are 1.0% per annum on outstanding letters of credit that are cash collateralized and 1.5% per annum on outstanding letters of credit that are not cash collateralized. Under the agreement, the Company is required to comply with certain financial and other covenants. The line of credit matures in April 1996. As of August 11, 1993, the Company had approximately $13.0 million of borrowings and $3.5 million of letters of credit outstanding under the line of credit, and $13.5 million remained available for future borrowings.

During 1992 and 1991, the Company had additions to ambulances and other operating equipment of $2.2 million and $4.4 million, respectively. During the first six months of 1993, capital expenditures were made primarily for new ambulances and amounted to $3.0 million. It is expected that capital expenditures for the Company's existing operations for the remainder of 1993 will be approximately $4.0 million and consist primarily of new ambulances and other operating equipment.

Cash generated from operations during 1992 was $4.3 million. Cash generated from operations during the first six months of 1993 was $5.3 million. Working capital at June 30, 1993 amounted to $24.6 million as compared to $27.1 million at December 31, 1992. Current financial resources and anticipated funds generated by operations are expected to be adequate to meet the Company's operating cash requirements in the foreseeable future.

The Company expects to actively continue its acquisition program. Successful implementation of the Company's acquisition strategy depends upon its ability to acquire additional ambulance service providers. The Company plans to continue to use a combination of cash, subordinated debt and Common Stock to finance its acquisition program.

Subsequent Acquisitions and Pending Developments

In July 1993, the Company acquired substantially all of the assets of Bridgeport Ambulance Service, Inc. of Bridgeport, Connecticut. The consideration paid by the Company in this transaction consisted of approximately $1.4 million in cash, a $500,000 subordinated promissory note and 58,589 shares of Common Stock.

In June 1993, the Company also announced that it reached a preliminary understanding concerning the acquisition of 911 Emergency Services, Inc., a California-based company which had 1992 revenues in excess of $50 million. The transaction is subject to due diligence, the negotiation of definitive documentation and the receipt of certain regulatory approvals. If the transaction is consummated the Company expects that additional shares of Common Stock will be issued. There can be no assurance that such transaction will be consummated.

BUSINESS

Overview

The Company is the leading provider of emergency and non-emergency ambulance services in the United States. The Company acquired by merger four ambulance service providers concurrent with its initial public offering in August 1992 and since that date has acquired seven additional providers. The Company currently provides ambulance services in Northern California (Alameda, Contra Costa, Santa Clara and Santa Cruz Counties), South Central Connecticut (the greater New Haven and Bridgeport areas), Northern Delaware and Southern New Jersey, Southern and Central Mississippi, Portland, Oregon and surrounding areas, Central Colorado and Dade County, Florida.

The Company provides pre-hospital emergency medical care and ambulance services to patients in response to "911" emergency medical calls. Additionally, the Company provides non-emergency ambulance services to patients during transfer to and from health care facilities and residences and non-medical transport services to the handicapped and the elderly. The Company completed approximately 390,000 and 294,000 transports in response to calls for its services during 1992 and the first six months of 1993, respectively.

The following table lists acquisitions made by the Company concurrent with, or subsequent to, its initial public offering in August 1992:

PROVIDER	IN OPERATION SINCE	DATE ACQUIRED	CURRENT SERVICE AREA
Regional Ambulance, Inc.	1963	August 1992	Alameda and Contra Costa Counties, California
American Medical Response West	1964	August 1992	Santa Clara and Santa Cruz Counties, California
New Haven Ambulance Service, Inc.	1972	August 1992	New Haven, Connecticut
Professional Ambulance Service, Inc.	1978	August 1992	Northern Delaware and Southern New Jersey
Mobile Medic Ambulance Service, Inc.	1977	November 1992	Southern and Central Mississippi
Ambulance Service Company	1920	December 1992	Denver, Colorado and surrounding areas
Buck Medical Services	1967	January 1993	Portland, Oregon and surrounding areas
A-1 Ambulance Companies	1971	April 1993	Boulder, Colorado Springs and Longmont, Colorado
Randle Eastern Ambulance Service, Inc.	1955	June 1993	Dade County, Florida
Reed Ambulances, Inc.	1978	June 1993	Denver, Colorado
Bridgeport Ambulance Service, Inc.	1968	July 1993	Bridgeport, Connecticut

Industry Background

The Company believes that expenditures for ambulance services in the United States were at least $4 billion during 1992 and have grown at approximately 10% per year over the last decade. The Company believes that while the industry is highly fragmented, with over 2,000 privately-owned companies, consolidation is occurring. In addition, the Company believes that privatization of ambulance services has occurred.

The growth in expenditures for ambulance services has resulted from an increase in both the number of ambulance transports and in average expenditures per transport. Demand for ambulance services has increased due to both the growth and aging of the U.S. population as well as the trend toward the greater use of outpatient care facilities in response to current efforts to contain health care costs. Average expenditures per ambulance transport have increased over the last decade due primarily to the additional costs of providing a higher level of pre-hospital emergency medical care and shortened response times to emergency medical calls. Increasingly sophisticated life-saving techniques and medical equipment are used by trained paramedics

applying medical skills at the scene of an emergency and en route to the hospital. Immediate response to an emergency medical call is, in many cases, critical in saving a patient's life and determining the course and level of future medical care. County and municipal contracts for emergency ambulance services typically require that providers meet or exceed increasingly stringent, specifically-defined response time and other quality assurance criteria.

Company Strategy

Since its initial public offering in August 1992 the Company has (i) entered new service areas through acquisitions of providers in Mississippi, Colorado, Oregon and Florida, (ii) expanded certain existing service areas through the acquisition of two additional Colorado providers, and a provider in Bridgeport, Connecticut (whose operations were combined with the Company's existing New Haven operations), (iii) obtained a new service contract in Atlantic City, New Jersey, which is serviced by the Company's Delaware operations, (iv) established a national insurance program and consolidated capital resource management as part of its efforts to generate efficiencies by centralizing appropriate functions at the corporate level, and (v) built a management team with substantial operating experience in the ambulance service business.

The Company's objective is to continue as the leading provider of emergency and non-emergency ambulance services in the United States. To achieve its objective, the Company's growth strategy is focused on the following three principal elements:

- Acquiring new businesses.
- Expanding and improving operations.
- Promoting and capitalizing on the expertise and entrepreneurial spirit of the operating executives of the Company's ambulance service providers.

Growth by Acquisition

New Service Areas. The Company seeks to enter into new service areas by acquiring leading ambulance service providers with high quality management and strong performance records. The Company selects acquisition candidates that it believes offer attractive opportunities for intrinsic growth and "add-on" acquisitions in nearby service areas. Senior management of acquired companies in new service areas typically remains with the Company after the acquisition to manage local operations.

"Add-On" Service Areas. The Company also seeks to expand existing service areas by acquiring providers in contiguous or nearby service areas. Management believes that it can enhance levels of service and achieve economies of scale by integrating these providers with existing operations.

Acquisition Review Process. The Company considers a number of factors in evaluating a potential acquisition candidate, including the quality of its personnel and management, its financial history and condition, its operations, the demographic characteristics of its service areas, its regulatory environment, and its fee structure and reimbursement levels. The Company has an experienced acquisition team that manages the acquisition and due diligence process. As part of the due diligence process, the Company also draws on the specific expertise of operating executives of the Company's providers.

Expand and Improve Operations

In addition to its acquisition strategy, the Company seeks to expand and enhance the businesses of its existing and acquired ambulance services providers. Within existing service areas, the Company's objective is to maintain, and where appropriate, improve upon its average response time through, among other things, enhanced fleet maintenance and advanced fleet dispatching technologies. Management believes that providing enhanced levels of service within existing service areas is critical to its ability to increase the number of transports in a service area and improves its ability to retain existing service contracts and to compete for additional service contracts. The Company also seeks to improve the efficiency of its operations by consolidating certain administrative, maintenance and financial functions where appropriate.

Management Philosophy

The Company believes that strong, established local management and an entrepreneurial atmosphere are important to the Company's success. The Company encourages its providers to enhance their operations by drawing on the expertise of its other providers. The Company has assembled a management team with substantial experience in acquisitions and long records of successful management in the ambulance service business. The Company believes that the operating expertise of its management enhances the Company's acquisition due diligence process and is a shared resource available to each of the Company's providers to improve their respective operations.

Typically, management of an acquired company in a new service area continues to manage local operations of the acquired business and receives an equity interest in the Company. Local management generally has autonomy in daily operations such as dispatching, marketing and contract supervision and is supported at the corporate level in such areas as financial and treasury management, insurance and risk management, and the development and maintenance of quality standards.

Company Services

The Company generally provides emergency medical ambulance services pursuant to contracts with counties and municipalities either on an exclusive or a non-exclusive basis. Under these contracts, the Company typically provides "911" emergency ambulance services in designated service areas. In some service areas, the Company is designated as "first responder" to emergency medical calls and in other services areas, where a public sector provider, such as the fire department, is the primary responder, the Company is designated as back-up responder and supports the first responder as needed.

The Company responds to "911" calls involving life-threatening emergencies with Advanced Life Support (ALS) ambulance units. ALS ambulance units, staffed by two paramedics or one paramedic and an emergency medical technician (EMT), are equipped with advanced life support equipment, such as cardiac monitors, defibrillators and oxygen delivery systems, and contain pharmaceuticals and medical supplies. Upon arrival at an emergency, the ALS crew members deploy portable life support equipment, ascertain the patient's medical condition and, if required, begin life support techniques and procedures that may include airway intubation, cardiac monitoring, defibrillation of cardiac arrhythmias and the administration of medications and intravenous solutions. As soon as medically appropriate, the patient is placed on a portable gurney and carried into the ambulance. While a paramedic monitors and treats the patient, the other crew member drives the ambulance to a hospital designated either by the patient or the particular medical protocol. En route, the ALS crew generally alerts the hospital to the patient's medical condition and, if necessary, a physician advises the attending paramedic as to treatment. Upon arrival at the hospital, the patient is taken to the appropriate section of the hospital, usually the emergency department.

The Company provides Basic Life Support (BLS) ambulance services in response to "911" emergency medical calls when a patient's medical condition is not life-threatening. The Company also provides BLS ambulance services to patients requiring a basic level of medical supervision during transfer to and from residences and health care facilities. These services may be provided when a home-bound patient requires examination or treatment at a health care facility or when a hospital patient requires tests or treatments available at another facility, such as MRI testing, CAT scans, dialysis, or chemotherapy treatment. A BLS ambulance unit typically is staffed by two EMTs and equipped with medical supplies and equipment necessary to administer first aid and basic medical treatment. At the scene or while transporting the patient in the ambulance, the crew may perform BLS services which include basic airway management, hemorrhage control, stabilization of fractures, emergency childbirth and basic vehicle extrication. BLS ambulance services may be provided pursuant to contracts with counties and municipalities, health care facilities or at the request of a patient or a physician, and are either scheduled in advance or provided on an as-needed basis.

The Company also provides critical care transport services to medically unstable patients, such as cardiac patients and neonatal patients, who require critical care while being transported between health care facilities. Critical care services differ from BLS services in that the ambulance may be equipped with additional medical equipment, such as balloon pumps and isolettes, and may also be staffed by a medical specialist provided by

the Company or by a health care facility to attend to a patient's special medical needs. Critical care services are typically provided pursuant to contracts with hospitals, health maintenance organizations and other health care facilities.

In addition to ambulance services, the Company provides non-medical transportation for the handicapped and the elderly. Transportation is generally between residences or nursing homes and hospitals or other health care facilities. This service is provided in vans or coaches that contain hydraulic wheelchair lifts or ramps and are operated by drivers who generally are trained in cardiopulmonary resuscitation (CPR). These services are typically provided pursuant to contracts with nursing homes, hospitals and other health care facilities.

Medical Personnel

As of July 31, 1993, the Company employed 1,207 paramedics, 913 EMTs and 131 invalid coach drivers.

Paramedics and EMTs must be state certified to transport patients and to perform emergency care services. Certification as an EMT typically requires completion of a minimum of 140 hours of training in a program designed by the United States Department of Transportation and supervised by state authorities. EMTs may also complete advanced training courses to become certified to provide certain additional emergency care services such as administration of intravenous fluids and advanced airway management. In addition to completion of the EMT training program, certification as a paramedic generally requires completion of over 800 hours of training in advanced patient care assessment, pharmacology, cardiology and clinical and field skills. Many of the paramedics currently employed by the Company served as EMTs for the Company prior to being certified as paramedics.

Medical protocols for paramedics and EMTs are developed by local physician advisory boards. Paramedics and EMTs are required to follow the particular medical protocols for a service area. In addition, instructions are conveyed on a case-by-case basis through direct communications between the ambulance crew and hospital physicians prior to the initiation of life support procedures. Both paramedics and EMTs are required to complete continuing education programs, and in some cases, to complete state supervised refresher training examinations, to maintain their certifications. Certification and continuing education requirements for paramedics and EMTs vary among states and counties.

Dispatch and Communications

Because effective fleet deployment is a key factor in reducing response time, the Company uses vehicle location and detailed status plans to position its ambulances within a designated service area. The Company's dispatch center in Fremont, California uses a global positioning satellite tracking system for optimal real time deployment of its fleet in Alameda and Contra Costa counties. In certain of its designated service areas, the Company uses computers to analyze data on traffic patterns, demographics, usage frequency and similar factors to help determine optimal ambulance deployment and selections. Generally, ambulance units are not stationed at fixed sites but are constantly repositioned in "flexible deployment" systems to provide better coverage and reduce response time.

The center that controls the deployment and dispatch of ambulances in response to "911" calls may be owned and operated either by the county or municipality or by the Company itself. In both cases, the control center is equipped with computer hardware and software and sophisticated communications equipment. Control centers servicing larger geographic areas may also be equipped with vehicle locating equipment that can accurately locate each vehicle in the fleet. Control centers are responsible for fleet deployment and utilization 24 hours a day, seven days a week.

Depending on the emergency medical dispatch system in a designated service area, the public authority that receives "911" emergency medical calls either dispatches the Company's ambulances directly from the public control center or communicates information regarding the location and type of medical emergency to the Company's control center which in turn dispatches ambulances to the scene. In many of the Company's operations, a computer assists the dispatcher by analyzing a number of factors such as time of day, ambulance location and historical traffic patterns in order to recommend optimal ambulance selections. In all cases, a

dispatcher selects and dispatches the ambulance. While the ambulance is en route to the scene, information concerning the patient's condition is relayed to the ambulance as it prepares for arrival.

The Company's communication systems also allow the ambulance crew to communicate directly with the destination hospital to alert hospital medical personnel as to the arrival of the patient and the patient's condition and to receive instructions directly from hospital personnel on specific pre-hospital medical treatment. These systems also allow for close and direct coordination with other emergency service providers, such as the appropriate police and fire departments, that may also be responding to a call.

Deployment and dispatch are also important factors in providing non-emergency ambulance services. The Company implements system status plans for these services that are designed to insure appropriate response times to non-emergency calls.

Billing and Collection

The Company derives a substantial majority of its revenue from reimbursement by third-party payors including payments under Medicare, Medicaid and private insurance programs, typically invoicing and collecting payments directly from third-party payors. The Company also collects payments directly from patients, including payments under deductible and co-insurance provisions and otherwise. During 1992, the Company derived an estimated 29% of its net ambulance fee revenue from Medicare, 8% from Medicaid, 28% from private insurers, including prepaid health plans and other non-government sources, and 35% directly from patients. The Company's provision for uncompensated care is generally higher with respect to revenues derived directly from patients than for revenues derived from third-party payors. Uncompensated care represented 23.1% and 22.2% of the Company's revenue for 1992 and for the first six months of 1993, respectively.

The Company is generally required to provide ambulance services without regard to a patient's insurance coverage or ability to pay. As a result, the Company is often not compensated for services provided to patients who are not covered by Medicare, Medicaid or private insurance. The Company has sophisticated collection systems and its collection staff is specially trained in third party coverage and reimbursement procedures. Computerized billing and collection reports allow the Company's personnel to continually monitor open accounts. The level of uncompensated care may also be considered in determining the Company's subsidy and permitted rates under contracts with a county or municipality or with a health care facility.

Marketing and Sales

Contracts with counties and municipalities to provide "911" emergency services are generally obtained through a competitive bidding process. In some instances where the Company is the existing provider, the county or municipality may elect to renegotiate the Company's existing contract instead of putting the contract out for re-bid. The Company believes that counties and municipalities consider quality of care and historical response time performance to be the most important factors in awarding contracts although other factors, such as financial stability, personnel policies and practices, and total cost both to the municipality or county and to the public, are also considered.

The Company markets its non-emergency ambulance services to hospitals, health maintenance organizations, convalescent homes and other health care facilities that require a stable and reliable source of medical transportation for their patients. The Company believes that its status as a "911" provider in a designated service area increases its visibility and enhances its marketing efforts for non-emergency services. Contracts for non-emergency services usually are based on criteria — quality of care, response time and cost — similar to those in contracts for emergency services. The Company has recently hired a national marketing director to coordinate and enhance company-wide and local marketing efforts.

To market its services both to public and private entities, the Company sponsors joint educational seminars on CPR techniques, safety planning, and emergency life-saving techniques. The Company also participates in educational programs for the public.

Contracts

The Company enters into contracts with counties and municipalities to provide "911" emergency ambulance services in designated service areas. These contracts typically specify maximum fees that the Company may charge and set forth required response times, staffing levels, types of vehicles and equipment, quality assurance and insurance coverage. Counties and municipalities may also require that the Company provide a performance bond or other assurances of financial responsibility. The amount of the subsidy that the Company receives from a county or municipality and the rates that the Company is permitted to charge for services under a contract for emergency ambulance services depend in part on the nature of the services rendered and performance requirements.

The Company is a party to three contracts to provide "911" services which each accounted for more than 10% of the Company's total revenue for 1992. The Company derived approximately 26%, 17% and 14% of its total revenue during 1992, and 16%, 12% and 9% of its total revenue during the first six months of 1993, from contracts with Alameda, Santa Clara and Contra Costa Counties, respectively. These contracts are subject to competitive bid processes or renegotiation upon expiration. No other contract accounted for more than 5% of the Company's total revenue during the same periods.

Alameda County. The Company has been under contract with Alameda County, California to provide ambulance services since 1964. Under the Company's existing contract, the Company provides dispatch and emergency ambulance services in response to all "911" requests for emergency ambulance services in the designated service area. The designated service area consists of most of Alameda County, including the City of Oakland. The existing contract has an initial term of four years, which expires in June 1994. The county may, at its option, extend the contract for up to two terms of two years each. The county pays the Company a monthly subsidy of approximately $80,000 through the initial term of the contract. The contract imposes financial penalties against the Company for failure to meet performance requirements and provides that the county may terminate the contract if the Company has materially breached its obligations, after notice and opportunity to cure.

Santa Clara County. The Company has been under contract with Santa Clara County, California to provide ambulance services since 1979. Under the Company's existing contract, which became effective in July 1993, the Company provides "911" emergency ambulance services on an exclusive basis in most of Santa Clara County, including the City of San Jose and the Silicon Valley area. The existing contract expires in June 1996 and may be extended for two one-year periods at the county's option. The county may terminate the contract for cause after notice and opportunity to cure, and also after notice in the event of certain regulatory changes. The contract may also be terminated by either party for convenience after notice.

Contra Costa County. The Company has been under contract with Contra Costa County to provide ambulance services since 1982. Under the Company's existing contract, the Company provides dispatch and emergency ambulance services in response to "911" emergency medical requests in most of the county which is directly north of Alameda County. The existing contract expires in January 1995. The contract provides for a monthly subsidy of approximately $207,000, subject to reduction in certain instances. The county may terminate the contract if the Company fails to perform its obligations under the contract.

Other Contracts. The Company also has other contracts with certain cities and counties in California, Colorado, Connecticut, Delaware, Mississippi, New Jersey and Washington to provide emergency and non-emergency ambulance services. These contracts expire at various times during 1993-97, subject in certain cases to renewal options.

The Company also has contracts with hospitals and other health care facilities and nursing homes to provide non-emergency and critical care ambulance services. These contracts typically provide that the Company is the first ambulance service provider contacted to provide non-emergency ambulance services to those facilities for which the Company receives a base fee, mileage reimbursement and additional fees for the use of particular medical equipment and supplies.

Competition

The ambulance service industry is highly competitive. The principal participants include governmental entities, large regional ambulance service providers, small local ambulance providers, hospitals and numerous local volunteer providers. Ambulance service providers compete primarily on the basis of quality of service, performance and cost. The Company believes that counties and municipalities consider quality of care and historical response time performance to be the most important factors in awarding a contract, although other factors such as financial stability, personnel policies and practices and cost are also considered. Certain existing and potential competitors of the Company have significantly greater capital and other resources than the Company. In addition, there can be no assurance that counties, municipalities, hospitals or health care facilities that presently contract for ambulance services will not choose to provide ambulance services directly in the future.

Competition for acquisitions in the ambulance service industry is expected to continue to increase as the industry undergoes consolidation. Increased competition for acquisitions may increase purchase prices for acquisitions.

Governmental Regulation

The Company's business is subject to governmental regulation at the federal, state and local levels. At the federal level, the Company is subject to regulations under the Occupational Safety and Health Act designed to protect employees of the Company. The federal government also recommends standards for ambulance design and construction, medical training curriculum, and designation of appropriate trauma facilities, which standards may be modified by state agencies.

Each state in which the Company operates regulates various aspects of its business. The Company's business is subject to state requirements governing the licensing or certification of ambulance service providers, training and certification of medical personnel, the scope of services that may be provided by medical personnel, staffing requirements, medical control, medical procedures, communication systems, vehicles and equipment. The Company's contracts with counties in California typically prescribe maximum rates that the Company may charge for services. Some states, such as Connecticut, annually set maximum allowable rates that providers may charge for ambulance and invalid coach services, and allow providers to earn up to a fixed percentage of revenues annually. The process of determining rates may include cost reviews, analyses of levels of reimbursement from all sources and a determination of reasonable profits. The public may participate in the hearing process of the rate setting agency. Regulatory schemes for ambulance services may vary widely from state to state.

In California, counties are responsible for enforcing state requirements and standards and often set higher standards than those established by the state. In other states in which the Company operates, counties and local communities may also impose higher standards for ambulance services providers than those established by the state.

Applicable federal, state and local laws and regulations are subject to change. The Company believes that it is currently in substantial compliance with regulatory requirements applicable to its ambulance service business. The Company may, however, in the future be required under these regulatory requirements to increase capital and operating expenditures in order to maintain current operations or initiate new operations.

Reimbursement

A substantial majority of the Company's revenue is attributable to payments received from third-party payors, including Medicare, Medicaid and private insurers. The revenues, cash flow and profitability of the Company, like those of other companies in the health care industry, are affected by the continuing efforts of third-party payors to control expenditures for health care.

The Company is subject to various regulatory requirements in connection with its participation in Medicare and Medicaid. Medicare is a federal health insurance program for the elderly and for chronically disabled individuals that pays for ambulance services when medically necessary. Medicare uses a charge-

based reimbursement system for ambulance services and, subject to the limits fixed for the particular geographic area, reimburses 80% of charges determined to be reasonable by Medicare. The patient is responsible for paying the balance of the bill. In determining reasonable charges, Medicare considers the following charge factors and applies whichever is lowest: the actual charge, the customary charge, the prevailing charge in the same locality, the amount of reimbursement for comparable services or the inflation-indexed charge limit.

Medicaid is a combined federal-state program for medical assistance to impoverished individuals who are aged, blind, or disabled or members of families with dependent children. Medicaid programs are in effect in all states in which the Company operates. Although Medicaid programs differ in certain respects from state to state, all are subject to federal requirements. State Medicaid agencies are permitted to set levels of reimbursement within federal guidelines.

The Company, like other Medicare and Medicaid providers, is subject to governmental audits of its Medicare and Medicaid reimbursement claims. The Company has not, to date, experienced significant losses as a result of any such audit. As a provider of services under the Medicare and Medicaid programs, the Company is also subject to the Medicare and Medicaid fraud and abuse laws. These laws prohibit any bribe, kickback or rebate in return for the referral of Medicare or Medicaid patients. Violations of these prohibitions may result in civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Investigations of alleged violations of these laws by ambulance providers are currently being conducted. The Company believes that it is in substantial compliance with these fraud and abuse laws.

Government funding for health care programs is subject to statutory and regulatory changes, administrative rulings, interpretations of policy, determinations by intermediaries and governmental funding restrictions, all of which could materially increase or decrease program reimbursements for ambulance services. In recent years, Congress has consistently attempted to curb federal spending on such programs. No assurance can be given that future funding levels for Medicare and Medicaid programs will be comparable to present levels. Changes in the reimbursement policies as a result of budget cuts or other government action could adversely affect the Company's operations. In the most recent session of Congress, numerous legislative proposals were introduced that would effect major reforms of the U.S. health care system. The Clinton Administration has pledged to bring about a reform of the nation's health care system. The Company cannot predict the proposals or policy initiatives that may be enacted nor the effect any health care reform may have on its business. No assurance can be given that any such reform will not have a material adverse effect on the Company.

The Company also receives direct reimbursement for services from health care institutions such as hospitals, health maintenance organizations and other state, federal or private entities. Reimbursement can be influenced by the financial instability of private third party payors. Reductions in coverage or reimbursement rates by third party payors could have a material adverse effect on the Company's operations.

Legal Proceedings

The Company, Regional Ambulance, Inc., the Company's wholly owned subsidiary ("Regional"), and William E. Riggs, an officer and director of Regional and the Company have been named as defendants in a lawsuit filed by a former stockholder of Regional on August 3, 1993 in the United States District Court for the Northern District of California. The complaint alleges that during 1990 and 1991 when Regional, through Mr. Riggs, was negotiating to redeem such stockholder's shares of Regional common stock, they failed to disclose material facts relating to Regional's intention to merge with other companies and conduct a public stock offering. The complaint seeks damages in excess of $1.5 million plus interest and exemplary and punitive damages. Although the Company is unable to predict the outcome of the proceeding, the Company believes the claims against it are without merit and Mr. Riggs has informed the Company that he believes the claims against him and Regional are without merit and management believes the resolution of the lawsuit will not have a material adverse effect on the financial condition of the Company. The Company believes that any losses that the Company and Regional might suffer by reason of or in connection with the lawsuit would be covered by an indemnity given to Regional and the Company by Mr. Riggs and his wife, who were the sole stockholders of Regional when it was acquired by the Company, in connection with Regional's 1992 merger into the Company.

The Company is a party to litigation arising in the ordinary course of business. There can be no assurance that the Company's insurance coverage will be adequate to cover all liabilities occurring out of such claims. In the opinion of management, any liability that the Company might incur upon the resolution of this litigation will not, in the aggregate, have a material adverse effect on the consolidated financial condition or results of operations of the Company.

Insurance

The Company has implemented a company-wide insurance program, which provides a broad range of general liability, comprehensive property damage, malpractice, worker's compensation, and other insurance coverage. Management considers the Company's insurance coverage adequate for the protection of its assets and operations, although there can be no assurance that its coverage limits will be adequate. A successful claim against the Company in excess of its insurance coverage could have a material adverse effect on the Company and its financial condition. Claims against the Company, regardless of their merit or outcome, may also have an adverse effect on the Company's reputation and business. The Company is also subject to accident claims as a result of the normal operation of its fleet of ambulances.

The Company has hired a corporate director of safety, health and risk management to manage and administer the Company's safety and risk programs and policies.

Facilities and Equipment

At July 31, 1993, the Company's fleet included 455 owned ambulances and 18 leased ambulances.

The Company leases its principal executive offices in Boston, Massachusetts. The Company also leases administrative facilities and other facilities used principally for ambulance basing, garaging and maintenance in areas in which it provides ambulance services. The aggregate rental expense for the Company's facilities was approximately $2.3 million during 1992.

Employees

As of July 31, 1993, the Company had 2,409 full-time and 596 part-time employees, including 1,207 paramedics, 913 EMT's, 131 invalid coach drivers and 754 management, administrative and clerical personnel. The Company is a party to seven collective bargaining agreements that as of July 31, 1993 covered approximately 41% of the Company's employees. The Company considers its relations with employees to be good.

MANAGEMENT

Directors and Executive Officers

The following table sets forth information concerning each of the directors and executive officers of the Company:

Name	Age	Position
Paul M. Verrochi	44	Chairman of the Board, Chief Executive Officer, President, Director
Dominic J. Puopolo	50	Executive Vice President, Chief Financial Officer, Treasurer, Director
Paul T. Shirley	53	Executive Vice President, Chief Operating Officer, Director
Joseph R. Paolella	42	Executive Vice President, Director
William E. Riggs	51	Executive Vice President, Director
Ronald M. Levenson	37	Senior Vice President, Chief Accounting Officer
Michael J. McClymont	50	Senior Vice President
John K. Rester	45	Senior Vice President
Michael A. Baker (1)	47	Director
David B. Hammond (1)(2)	48	Director
James E. McGrath	38	Director
John Larkin Thompson (1)(2)	62	Director

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

All officers serve at the discretion of the Board of Directors. The directors of the Company are elected annually for one-year terms.

Paul M. Verrochi has served as Chairman of the Board, Chief Executive Officer, President, and a director of the Company since its inception in February 1992. Since February 1991, he has also been a Principal of Exel Holdings, Ltd., a privately-held investment firm he co-founded with Mr. Puopolo. From April 1989 to December 1990, Mr.Verrochi was President of Allwaste Asbestos Abatement, Inc., a subsidiary of Allwaste, Inc., a publicly held, national environmental company. Mr. Verrochi was a founder of American Environmental Group, a regional asbestos abatement company, and served as Chairman of its Board of Directors from July 1987 until April 1989 when the company was acquired by Allwaste. In addition, Mr. Verrochi was a founder and Chairman of the Board of Omni Building Services, Inc., a major regional janitorial service company, from September 1972 to July 1984 when the company was acquired by a subsidiary of ADT Limited ("ADT"), an international services company. From July 1984 to December 1986, he was a Vice President of ADT and President of ADT Maintenance Services, Inc.'s Northeast Region.

Dominic J. Puopolo has served as Executive Vice President, Chief Financial Officer, Treasurer and a director of the Company since its inception in February 1992. Since February 1991, he has also been a Principal of Exel Holdings, Ltd., which he co-founded with Mr. Verrochi. From April 1989 to December 1990, Mr. Puopolo was Vice President and Chief Financial Officer of Allwaste Asbestos Abatement, Inc. Mr. Puopolo was a founder of American Environmental Group and served as its Chief Financial Officer from July 1987 to April 1989. From 1983 to 1987, he was Vice President of Omni Building Services, Inc. Mr. Puopolo was Chief Financial Officer of ADT Maintenance Services, Inc.'s Northeast Region from July 1984 to December 1986. Mr. Puopolo is a Certified Public Accountant.

Paul T. Shirley has served as an Executive Vice President and a director of the Company since August 1992 and has served as Chief Operating Officer of the Company since May 1993. Mr. Shirley was President

and Chief Executive Officer of American Medical Response West from March 1989 until August 1992 when it was acquired by the Company. From June 1963 until March 1989, he was President of Santa Cruz Ambulance Service, which in 1989 became part of American Medical Response West. Mr. Shirley is currently a member of the California Ambulance Association, of which he was President from 1968 to 1969. Mr. Shirley served as a member of the Santa Cruz County Planning Commission from 1965 to 1969 and as a member of the State of California Narcotic Addict Evaluation Authority from 1971 to 1974. He served as a member of the Board of Directors of Federal Prison Industries, Inc. from 1982 to 1991. Mr. Shirley has also served as a member of the Santa Cruz County Emergency Medical Care Commission and the State of California Emergency Medical Service Advisory Committee.

Joseph R. Paolella has served as an Executive Vice President and a director of the Company, and President of New Haven Ambulance Services, Inc., a subsidiary of the Company, since 1992. Mr. Paolella was an Executive Vice President of New Haven Ambulance, Inc. from 1974 to August 1992 when it was acquired by the Company. He was a founding Director of the Connecticut Ambulance Association and served as its President from 1980 to 1988. Mr. Paolella is currently the Chairman of the Government Affairs Committee for the American Ambulance Association which is responsible for public relations with Federal government agencies including the Health Care Finance Administration.

William E. "Earl" Riggs has served as an Executive Vice President and a director of the Company since August 1992. Mr. Riggs is also Chief Executive Officer and President of Regional Ambulance, Inc. and American Medical Response West, subsidiaries of the Company. Mr. Riggs was President and Chief Executive Officer of Regional Ambulance, Inc. until August 1992 when it was acquired by the Company. He co-founded Fremont Ambulance Company in 1964 and during the subsequent twenty-five year period organized Regional Ambulance. In 1974, he participated in the reorganization of the Alameda County Emergency Medical Care Committee and assisted in the development of an ambulance response system for Alameda County. Mr. Riggs has served as a member of the Committee for Benefit Assessment for the Alameda Emergency Medical Services District as well as the Medical Services Advisory Committee of the Governor's Emergency Task Force on Earthquake Preparedness. He has served as a Director of the American Ambulance Association, an Advisory Board Member to the State Legislature on Emergency Medical Services and President of the California Ambulance Association.

Ronald M. Levenson has served as a Senior Vice President and the Chief Accounting Officer of the Company since October 1, 1992. From 1985 to September 1992, Mr. Levenson was a senior manager at KPMG Peat Marwick, a public accounting firm, where he was employed from 1979 to 1992. Mr. Levenson is a Certified Public Accountant and is a former lecturer in accounting at the Boston University School of Law and Northeastern University.

Michael J. McClymont has served as a Senior Vice President of the Company since February 1992. Since February 1991, he has been an Associate at Exel Holdings, Ltd. From 1989 to 1991, Mr. McClymont was President and Chief Operating Officer of Mycor Services, a food and vending service company. From 1988 to 1989, Mr. McClymont was President of Food Concepts, Inc., an indirect subsidiary of ADT, which subsequent to Mr. McClymont's tenure filed a petition for bankruptcy under the federal bankruptcy laws. From 1985 to 1988, he served as Vice President of Business Development for ADT Maintenance Services, Inc. From 1984 to 1985, Mr. McClymont served as Regional Manager at Canteen Services. In addition, from 1979 to 1984, he served as Vice President for Food and Vending Operations at ARA Services, Inc.

John K. Rester has served as a Senior Vice President of the Company and President of Mobile Medic Ambulance Service, Inc. a subsidiary of the Company, since November 1992. Mr. Rester was President and Chief Executive Officer of Mobile Medic Ambulance Service, Inc. from 1977 to November 1992 when it was acquired by the Company.

Michael A. Baker has served as a director of the Company since February 1992. Mr. Baker is currently President of Notre Capital Ventures, Ltd. Mr. Baker was a co- founder of Sanifill, Inc., a developer and operator of nonhazardous solid waste landfills, where he held the positions of Co-Chief Executive Officer from May 1989 through November 1989, Senior Vice President -- Corporate Development from December 1989 to October 1991, and director from May 1989 to May 1992. From August 1987 through March 1989, Mr.

Baker was Chief Financial Officer for ENSR Corporation, an environmental engineering consulting firm. From 1984 through 1987, Mr. Baker was a principal with the law firm of Baker & Kirk, P.C. in Houston, Texas. Mr. Baker taught at the University of Houston Law Center both full time and part time from 1971 through 1985. From 1972 through 1983, he was employed by Browning-Ferris Industries, Inc. with responsibility for the acquisition of companies in the waste industry. Mr. Baker is a director of Allwaste, Inc.

David B. Hammond has served as a director of the Company since August 1992. Mr. Hammond is also currently Deputy Chairman of ADT and has been on ADT's board of directors since September 1984. From 1981 to 1984, Mr. Hammond was a director of Hawley Group PLC, the predecessor company of ADT. From 1973 to 1980, he was employed by Thorn-EMI PLC, in various senior financial positions including financial and commercial director of its Entertainment Division. Mr. Hammond is also a Chartered Accountant.

James E. McGrath has served as a director of the Company since February 1992. Since April 1989, Mr. McGrath has been Chairman and Chief Executive Officer of Fairfax Capital Partners, Inc., a private investment firm. From June 1987 to April 1989, he was Managing Director of William E. Simon & Sons, Inc., a private merchant banking company. From September 1981 through June 1987, he was employed by EF Hutton & Company, Inc. where he served at various times as President of its venture capital subsidiary, head of the firm's merchant banking operation and as a corporate Senior Vice President. From 1979 until 1981, Mr. McGrath was Chairman and Chief Executive Officer of McLaughlin, Inc., a private construction firm. Mr. McGrath is Chairman of the Board and a director of Perceptron, Inc., a manufacturer of laser-based sensor and image processing systems.

John Larkin Thompson has served as a director of the Company since August 1992. Mr. Thompson has been of counsel to the law firm Nutter, McClennen & Fish since January 1993. Mr. Thompson has been a director of Blue Cross and Blue Shield of Massachusetts, Inc. since 1987. From 1987 to September 1992, Mr. Thompson was President and Chief Executive Officer of Blue Cross and Blue Shield of Massachusetts, Inc. Mr. Thompson was President of Blue Shield of Massachusetts from 1970 until 1987 when the company merged with Blue Cross of Massachusetts. From 1964–1970 he was an attorney with the Boston law firm of Palmer & Dodge. During the past 20 years, Mr. Thompson has been a member of various regional and national health care related organizations, including the National Advisory Council on Health Care Technology Assessment, the Health Insurance Benefits Council and the Advisory Panel on National Health Insurance for the Subcommittee on Health, U.S. House of Representatives Ways and Means. Mr. Thompson also served as Vice Chairman of the Massachusetts Advisory Board of Emergency Medical Services from 1975 to 1978. Mr. Thompson is a director of EG&G, Inc., a diversified, technical manufacturing company.

Compensation of Executive Officers

The following table sets forth information with respect to compensation paid to or accrued in 1992 (beginning on the date in August 1992 when the Company acquired by merger four ambulance providers) on behalf of the Chief Executive Officer and each of the other four other most highly paid Executive Officers of the Company in 1992 (the "Named Executive Officers"). None of the Named Executive Officers has been granted any stock options. Base salary for Messrs. Verrochi and Puopolo was determined by the Company prior to its initial public offering. Base salary and certain perquisites for the other Named Executive Officers, who are former stockholders of providers acquired by the Company, was determined by the board of directors of the Company at the time of the acquisition of their companies. Additional compensation and increases in base salary for the Named Executive Officers will be determined by the Compensation Committee of the Company's Board of Directors.

Summary Compensation Table

Name and Principal Position	Annual Compensation			All Other Compensation
	Year	Salary	Other(1)	
Paul M. Verrochi Chairman, Chief Executive Officer and President	1992	$64,583	$ —	$—
Dominic J. Puopolo Executive Vice President, Chief Financial Officer and Treasurer	1992	52,083	—	—
Paul T. Shirley Executive Vice President and Director	1992	63,462	9,198	2,083(2)
Joseph R. Paolella Executive Vice President and Director	1992	60,577	—	3,000(3)
William E Riggs Executive Vice President and Director	1992	57,796	14,345	—

(1) No Named Executive Officer, other than Messrs. Riggs and Shirley, received other compensation in excess of the lesser of $50,000 or 10% of his cash compensation. The amounts included for Mr. Riggs and Mr. Shirley reflect the cost of perquisites provided to them by the Company, none of which exceed 25% of his total perquisites except for the cost of automobiles for Mr. Riggs of $13,095 and for Mr. Shirley of $7,998.

(2) Represents the dollar values of insurance premiums paid by the Company for life insurance for the benefit of Mr. Shirley.

(3) Represents Company contributions under a profit sharing plan maintained by one of the Company's subsidiaries.

See footnote 8 to the accompanying Consolidated Financial Statements for information regarding certain relationships between the Company and certain of its directors and executive officers.

Employment Agreements

Messrs. Verrochi, Puopolo, Riggs, Shirley and Paolella have each entered into an employment agreement with the Company that entitles him to receive an annual base salary as well as such bonuses as may be authorized from time to time by the Board of Directors. Each agreement has a term of three years expiring in 1995, with automatic extensions of one year unless terminated, with a covenant-not-to-compete with the Company for a period of up to two years following termination of employment. The agreement requires the executive to devote his full time, attention and efforts to the business and affairs of the Company. If the Company terminates the agreement other than for cause, the Executive will be entitled to continue to receive his base salary through the end of the term. If termination is for cause as defined in the agreements, the Executive will be entitled to receive his base salary through the date of termination. Base annual salaries for 1993 are Mr. Verrochi — $155,000, Mr. Puopolo — $125,000, Mr. Riggs — $150,000, Mr. Shirley — $150,000 and Mr. Paolella — $150,000.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of shares of Common Stock as of August 9, 1993 (i) individually by the Named Executive Officers and each director of the Company, (ii) by all executive officers and directors of the Company as a group, (iii) by each person known to the Company to be the beneficial owner of more than five percent of the Company's outstanding Common Stock and (iv) by each of the Selling Stockholders. Except as noted below, each of the persons listed has sole investment and voting power with respect to the shares indicated. The address of each executive officer and director listed is c/o the Company.

Executive Officers, Directors and 5% Stockholders	Amount of Beneficial Ownership of Common Stock Prior to Offering		Number of Shares to be Offered	Amount of Beneficial Ownership of Common Stock After Offering(1)		Number of Shares subject to Over-allotment
	Number of Shares	Percentage Outstanding Shares(2)		Number of Shares	Percentage Outstanding Shares(2)(3)	
William E. Riggs†*(4)	1,712,785	15.28%	179,145	1,533,640	11.45%	137,114
Paul T. Shirley†*(5)	1,238,202	11.05	120,410	1,117,792	8.35	92,158
Paul M. Verrochi†*(6)	936,525	8.36	91,220	845,305	6.31	69,819
Dominic J. Puopolo†*(7)	749,132	6.68	73,271	675,861	5.05	56,078
Joseph R. Paolella†*	317,072	2.83	29,410	287,662	2.15	9,026
James E. McGrath*(8)	308,628	2.75	30,088	278,540	2.08	23,030
Michael A. Baker*(9)	120,517	1.08	0	120,517	**	0
Michael J. McClymont(10)	60,039	**	5,861	54,178	**	4,486
John Larkin Thompson*(11)	10,000	**	0	10,000	**	0
David B. Hammond*(11)	10,000	**	0	10,000	**	0
All executive officers and directors as a group (12 persons)(12)	5,735,193	51.06	529,405	5,205,788	38.81	391,711
Other Selling Stockholders						
Phillip Paolella, Jr.	292,073	2.61	13,435	278,638	2.08	0
Ladenburg, Thalmann & Co. Inc.(13)	180,000	1.58	180,000	0	0	0
Stephen Donohoe	160,752	1.43	15,615	145,137	1.08	11,953
Robert T. Allen(14)	67,658	**	6,340	61,318	**	4,852
Rosaria Donohoe	53,584	**	5,205	48,379	**	3,984
Verrochi Family Charitable Trust(15)	25,000	**	25,000	0	0	0
Junemarie Verrochi(16)	50,000	**	4,875	45,125	**	3,755
Sonia M. Puopolo(16)	50,000	**	4,875	45,125	**	3,755
Andrea McGrath(16)	50,000	**	4,875	45,125	**	3,755
Donna McClymont(16)	30,000	**	2,925	27,075	**	2,253

† Named Executive Officer.
* Director of the Company.
** Less than one (1) percent.
(1) Assumes no exercise of the Underwriters' over-allotment options.
(2) Based on 11,208,720 shares outstanding on August 9, 1993. Includes shares issuable pursuant to warrants and options held by the respective person which may be exercised during the 60 days following the date of this Prospectus.
(3) Includes the 2,000,000 shares offered by the Company hereby and 180,000 shares issuable upon exercise of warrants held by a Selling Stockholder.
(4) Represents shares held by Mr. Riggs and his wife, Sharon Riggs, in a revocable trust for their benefit.
(5) Represents 1,101,602 shares held by Mr. Shirley and his wife, Patricia Shirley, in a revocable trust for their benefit and 136,600 shares held by Mr. Shirley's children, as to which he disclaims beneficial ownership.
(6) Includes (a) 50,000 shares held by Junemarie Verrochi, Mr. Verrochi's wife, as to which he disclaims beneficial ownership, of which 4,875 shares are being sold in the Offerings and an additional 3,755 shares are subject to the Underwriters' overallotment options and (b) 25,000 shares to be transferred by Mr. Verrochi to the Verrochi Family Charitable Trust, of which Mr. and Mrs. Verrochi are the trustees, and which are being sold in the Offerings.
(7) Includes 50,000 shares held by Sonia M. Puopolo, Mr. Puopolo's wife, as to which he disclaims beneficial ownership, of which 4,875 shares are being sold in the Offerings and an additional 3,755 shares are subject to the Underwriters' overallotment options.
(8) Includes 50,000 shares held by Andrea McGrath, Mr. McGrath's wife, as to which he disclaims beneficial ownership, of which 4,875 shares are being sold in the Offerings and an additional 3,755 shares are subject to the Underwriters' overallotment options.
(9) Owned by Wasatch Capital Corporation, a corporation owned by Mr. Baker's children. Mr. Baker disclaims beneficial ownership of these shares.
(10) Includes 30,000 shares held by Donna McClymont, Mr. McClymont's wife, as to which he disclaims beneficial ownership, of which 2,925 shares are being sold in the Offerings and an additional 2,253 shares are subject to the Underwriters' overallotment options.
(11) Represents shares subject to currently exercisable options.
(12) Includes shares issuable pursuant to options held by executive officers and directors which may be exercised during the 60-day period following the date of this Prospectus.
(13) Represents shares issuable upon exercise of warrants to purchase Common Stock.
(14) Includes 2,200 shares held by Mr. Allen's children, as to which he disclaims beneficial ownership and 2,500 shares subject to currently exercisable options.
(15) Represents shares that will be transferred to the Verrochi Family Charitable Trust by Mr. Verrochi after the effectiveness of the registration statement of which this Prospectus is a part and prior to the execution of the Underwriting Agreements.
(16) Excludes shares held by the respective person's spouse as to which such person disclaims beneficial ownership.

Shares Eligible for Future Sale

Of the approximately 11,208,720 shares of Common Stock outstanding at August 9, 1993, approximately 7.2 million shares are "restricted securities" and may not be resold except pursuant to an effective registration statement or an applicable exemption from registration, including an exemption under Rule 144. The remaining shares are freely tradeable without restriction under the Securities Act, unless held by an "affiliate" of the Company as that term is defined in Rule 144 under the Securities Act (an "Affiliate") or in certain instances subject to certain restrictions under Rule 145.

Approximately 4.2 million of the restricted shares were issued to former stockholders of providers acquired by the Company and are subject to contractual restrictions on transfer without the consent of the Company. These restrictions expire two years from the date of issuance of the shares.

In August 1992, Messrs. Verrochi and Puopolo each entered into a Stock Restriction Agreement with the Company, Mr. Riggs and Mr. Shirley which provides that 60% of the shares originally issued to him by the Company are subject to repurchase by the Company at $.01 per share in the event of his voluntary resignation as an employee of the Company or the termination of his employment by the Company for cause. The restrictions lapse ratably each August over four years beginning in August 1993. In addition, all restrictions lapse as to either Mr. Verrochi or Mr. Puopolo if he dies or is incapacitated, his employment is terminated by the Company other than for cause, the Company is a party to a merger or consolidation or sells all or substantially all of its assets, or either Mr. Riggs or Mr. Shirley voluntarily resigns his employment with the Company, is terminated by the Company for cause or fails to renew his employment agreement for an additional one year beyond the original three-year term. As of August 13, 1993, 422,336 shares held by Mr. Verrochi and 338,909 held by Mr. Puopolo remain subject to the restrictions.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated), including an Affiliate, who has beneficially owned "restricted securities" (as that term is defined in Rule 144) for a period of at least two years from the later of the date such restricted securities were acquired from the Company or the date they were acquired from an Affiliate, is entitled to sell, within any three-month period, a number of such securities that does not exceed the greater of 1% of the then outstanding shares of the Company's Common Stock or the average weekly trading volume in the Company's Common Stock during the four calendar weeks preceding the filing of notice of such sale. Sales under Rule 144 are also subject to certain restrictions on the manner of sale, notice requirements, and the availability of current public information about the Company. Affiliates may sell shares not constituting restricted securities in accordance with the foregoing volume limitations and other restrictions, but without regard to the two-year holding period. Further, under Rule 144(k), if a period of at least three years has elapsed between the later of the date restricted securities were acquired from the Company and the date they were acquired from an Affiliate of the Company, a holder of such restricted securities who is not an Affiliate of the Company at the time of the sale and has not been an Affiliate of the Company for at least three months prior to the sale would be entitled to sell the shares immediately without regard to the volume limitations and other conditions described above.

As of August 9, 1993, 1,578,112 shares of Common Stock are available for issuance under a shelf registration statement and generally will be freely tradeable after their issuance under Rule 145 (unless held by an Affiliate), subject to the volume and manner of sale restrictions under Rule 144. In addition, the Company has filed S-8 registration statements under the Securities Act registering all 1,000,000 shares of Common Stock issuable under the Company's stock plans. Shares issued upon the exercise of options generally will be freely tradeable. At August 9, 1993, the Company had outstanding under its 1992 Equity Incentive Plan options to purchase approximately 428,350 shares, and options to acquire approximately 101,675 shares were then immediately exercisable. In addition, Advest Inc. holds warrants to purchase 120,000 shares of Common Stock which may be exercised at any time prior to August 5, 1997.

The Company, each executive officer and director of the Company and the Selling Stockholders have agreed not to sell or otherwise dispose of any shares of Common Stock for a period of 180 days after the date of this Prospectus without the prior written consent of the Representatives of the U.S. Underwriters, except in the case of the Company in connection with certain permitted issuances described in the Underwriting Agreements. In addition, Advest, Inc. has agreed not to sell or otherwise dispose of its warrants or shares issued upon exercise of the warrants for a period of 180 days after the date of this Prospectus.

Registration Rights

After giving effect to the Offering, holders of approximately 6,000,000 shares of Common Stock will have the right, in the event the Company proposes to register under the Securities Act any Common Stock for its own account or for the account of others, subject to certain exceptions, to require the Company to include their shares in the registration, subject to the right of any managing underwriter of the offering to exclude some or all of the shares for marketing reasons. In addition, Advest, Inc., which holds warrants to purchase 120,000 shares of Common Stock, has the right until August 1997 to require the Company to file a registration statement covering the shares issued upon exercise of the warrants, subject to the Company's right to delay such registration for a 60-day period under certain circumstances. The Company has also agreed to use its best efforts to register for sale under the Securities Act shares of Common Stock issued to former stockholders of providers acquired by the Company in the event that such holders are required to indemnify the Company under the acquisition agreements.

CERTAIN UNITED STATES TAX CONSEQUENCES TO FOREIGN HOLDERS

The following is a discussion of certain anticipated United States income and estate tax consequences of the ownership and disposition of Common Stock applicable to Foreign Holders of Common Stock. For the purpose of this discussion, a "Foreign Holder" is any corporation, individual, partnership, estate or trust that is, as to the United States, a foreign corporation, a non-resident alien individual, a foreign partnership or a foreign estate or trust as such terms are defined in the United States Internal Revenue Code of 1986, as amended (the "Code"). This discussion does not deal with all aspects of United States income and estate taxation, does not consider specific facts and circumstances which may be relevant to a particular Foreign Holder, and does not address foreign, state and local tax consequences which may be relevant to Foreign Holders. Furthermore, the following discussion is based on current provisions of the Code and administrative and judicial interpretations thereof as of the date hereof, all of which are subject to change. Prospective Foreign Holders are urged to consult their tax advisors regarding the United States federal, state, local and foreign income and other tax consequences of owning and disposing of Common Stock.

Dividends

Dividends paid to a Foreign Holder of Common Stock will be subject to withholding of United States federal income tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty, unless either (i) the dividends are effectively connected with the conduct of a trade or business by the Foreign Holder within the United States and the Foreign Holder properly files United States Internal Revenue Service Form 4224 (or such other applicable form that may be required by the Internal Revenue Service) with the Company or its dividend paying agent or (ii) if a tax treaty applies, the dividends are attributable to a U.S. permanent establishment maintained by the Foreign Holder. If the dividends are effectively connected with a U.S. trade or business or, if a tax treaty applies, are attributable to a U.S. permanent establishment, they will be subject to the United States federal income tax at the same rates applicable to domestic corporations or U.S. citizens or residents, as the case may be. In the case of a corporate Foreign Holder, such effectively connected income may also be subject to the U.S. branch profits tax, which is generally imposed at a 30% rate (or lower treaty rate) on the repatriated portion of the foreign corporation's earnings and profits which are effectively connected with the conduct of a trade or business within the United States. Foreign Holders which are partnerships or trusts may be subject to certain additional withholding requirements.

Under current United States Treasury Regulations, dividends paid to an address outside the United States are presumed to be paid to a resident of such country for purposes of the withholding tax discussed above and, under the current interpretation of United States Treasury Regulations, for purposes of determining the applicability of a tax treaty rate. However, under proposed United States Treasury Regulations not currently in effect, a Foreign Holder of Common Stock who wishes to claim the benefit of an applicable treaty rate would be required to satisfy certain certification and other requirements. A Foreign Holder of Common Stock eligible for a reduced rate of United States withholding tax pursuant to a tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service within the time period applicable to such claims.

Disposition of Common Stock

A Foreign Holder generally will not be subject to United States federal income tax on any gain realized upon the sale or other disposition of Common Stock, unless (i) such gain is effectively connected with the conduct of a United States trade or business of the Foreign Holder, (ii) the Foreign Holder is an individual who has a tax home in the United States and is present in the United States for a period or periods aggregating 183 days or more during the taxable year in which such disposition occurs and certain other conditions are met, (iii) the Foreign Holder is a former citizen of the United States whose loss of citizenship within the preceding ten-year period had as one of its principal purposes the avoidance of United States tax, or (iv) the Company is, or has been at any time during the five-year period preceding the disposition, a "United States real property holding corporation" and the Foreign Holder directly or indirectly owned more than 5% of the value of the outstanding Common Stock at any time during such five-year period. Generally, a corporation is a

"United States real property holding corporation" if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Foreign holders should consult their own tax advisors regarding the rate at which their gain, if any, on the sale of Common Stock would be taxed if they meet any one of the four conditions described above.

Backup Withholding and Information Reporting

The Company must report annually to the Internal Revenue Service and to each Foreign Holder the amounts of dividends paid and tax withheld with respect to such Foreign Holder's shares of Common Stock. These information reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable tax treaty. This information may also be made available to the tax authorities of the country in which the Foreign Holder resides. United States backup withholding tax (imposed at a rate of 31% on dividends paid to certain holders who fail to provide in the required manner such identifying information, as the holder's name, address and taxpayer identification number, or under certain other circumstances) generally does not apply to dividends that are subject to the 30% U.S. withholding tax or reduced tax treaty rate or to dividends paid to a Foreign Holder at an address outside the United States or otherwise to a Foreign Holder who is an "exempt recipient" (such as a corporation).

The payment of the proceeds of a Foreign Holder's disposition of Common Stock to or through a United States office of a broker will be subject to information reporting and backup withholding, unless the Foreign Holder certifies, among other things, its status as a Foreign Holder or otherwise establishes an exemption from backup withholding. The payment of the proceeds of a Foreign Holder's disposition of Common Stock to or through a non-United States office of a broker will not be subject to information reporting or backup withholding, unless the broker is a United States person, a controlled foreign corporation for United States tax purposes or a foreign person 50% or more of whose gross income was effectively connected with the conduct of a trade or business within the United States during the three-year period ending with the close of the taxable year preceding the year of payment, in which case information reporting will apply to such payment unless such broker has documentary evidence in its files of the payee's non-United States status and has no actual knowledge to the contrary, or the payee otherwise establishes an exemption.

The backup withholding and information reporting rules are under review by the Internal Revenue Service and their application to Foreign Holders could be changed by the adoption of proposed regulation or the issuance of new regulations.

Estate Tax

Common Stock owned, or treated as owned, by a nonresident alien individual at the time of his death will be included in such holder's gross estate for United States federal estate tax purposes and thus will be subject to United States federal estate tax, unless an applicable estate tax treaty provides otherwise.

UNDERWRITING

The underwriters of the United States Offering of the Common Stock (the "U.S. Underwriters"), for whom Lehman Brothers Inc., Kidder, Peabody & Co. Incorporated and Advest, Inc. are acting as representatives (the "Representatives"), have severally agreed, subject to the terms and conditions of the U.S. Underwriting Agreement, the form of which is filed as an exhibit to the Registration Statement, to purchase from the Company and the Selling Stockholders, and the Company and the Selling Stockholders have agreed to sell to the U.S. Underwriters, the aggregate number of shares of Common Stock set forth opposite their respective names below:

U.S. Underwriters	Number of Shares
Lehman Brothers Inc.	
Kidder, Peabody & Co. Incorporated	
Advest, Inc.	
Total	2,200,000

The managers of the International Offering of the Common Stock (the "International Managers"), for whom Lehman Brothers International (Europe), Kidder, Peabody International Limited and Advest, Inc. are acting as lead managers (the "Lead Managers"), have severally agreed, subject to the terms and conditions of the International Underwriting Agreement, the form of which is filed as an exhibit to the Registration Statement, to purchase from the Company and the Selling Stockholders, and the Company and the Selling Stockholders have agreed to sell to the International Managers, the aggregate number of shares of Common Stock set forth opposite their respective names below:

International Managers	Number of Shares
Lehman Brothers International (Europe)	
Kidder, Peabody International Limited	
Advest, Inc.	
Total	550,000

The U.S. Underwriting Agreement and the International Underwriting Agreement (collectively, the "Underwriting Agreements") provide that the obligations of the several U.S. Underwriters and the International Managers to purchase shares of Common Stock are subject to the certain conditions contained therein, and that if any of the foregoing shares of Common Stock are purchased by the U.S. Underwriters pursuant to the U.S. Underwriting Agreement or by the International Managers pursuant to the International Underwrit-

ing Agreement, all the shares of Common Stock agreed to be purchased by either the U.S. Underwriters or the International Managers, as the case may be, pursuant to their respective Underwriting Agreements must be so purchased. The offering price and underwriting discounts and commissions for the United States Offering and the International Offering are identical. The closing of the United States Offering is a condition to the closing of the International Offering, and the closing of the International Offering is a condition to the closing of the United States Offering.

The Company has been advised that the U.S. Underwriters and the International Managers propose to offer the shares of Common Stock directly to the public at the public offering price set forth on the cover page of this Prospectus, and to certain selected dealers (who may include the U.S. Underwriters and the International Managers) at such public offering price less a selling concession not in excess of $ per share. The selected dealers may reallow a concession not in excess of $ per share to certain brokers and dealers. After the initial public offering, the public offering price, the concession to selected dealers and the reallowance may be changed by the Representatives and the Lead Managers.

The U.S. Underwriters and the International Managers have entered into an Agreement between U.S. Underwriters and International Managers pursuant to which each U.S. Underwriter has agreed that, as a part of the distribution of the shares of Common Stock offered in the United States Offering, (a) it is not purchasing any such shares for the account of anyone other than a U.S. person and (b) it has not offered or sold, and will not offer, sell, resell or deliver, directly or indirectly, any of such shares or distribute any prospectus relating to the United States Offering to anyone other than a U.S. person. In addition, pursuant to this same Agreement, each International Manager has agreed that, as part of the distribution of the shares of Common Stock offered in the International Offering, (a) it is not purchasing any of such shares for the account of any U.S. person and (b) it has not offered or sold, and will not offer, sell or deliver, directly or indirectly, any of such shares or distribute any prospectus relating to the International Offering to any U.S. person. The foregoing limitations do not apply to stabilization transactions or to certain other transactions specified in the Underwriting Agreements and the Agreement between U.S. Underwriters and International Managers, including (i) certain purchases and sales between the U.S. Underwriters and the International Managers, (ii) certain offers, sales, resales, deliveries or distributions to or through investment advisors or other persons exercising investment discretion, (iii) purchases, offers or sales by a U.S. Underwriter who is also acting as an International Manager or by an International Manager who is also acting as a U.S. Underwriter and (iv) other transactions specifically approved by the Representatives and the Lead Managers.

Pursuant to the Agreement between U.S. Underwriters and International Managers, sales may be made between the U.S. Underwriters and the International Managers of such number of shares of Common Stock as may be mutually agreed. The price of any shares so sold shall be the public offering price as then in effect for Common Stock being sold by the U.S. Underwriters and the International Managers, less an amount not greater than the selling concession allocable to such Common Stock. To the extent that there are sales between the U.S. Underwriters and the International Managers pursuant to the Agreement between U.S. Underwriters and International Managers, the number of shares initially available for sale by the U.S. Underwriters or by the International Managers may be more or less than the amount specified on the cover page of this Prospectus.

Each International Manager has represented and agreed that (i) it has not offered or sold, and will not offer or sell, in the United Kingdom, by means of any documents, any shares of Common Stock other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent (except under circumstances which do not constitute an offer to the public within the meaning of the Companies Act of 1985); (ii) it has complied and will comply with all applicable provisions of the Financial Services Act of 1986 with respect to anything done by it in relation to the Common Stock in, from or otherwise involving the United Kingdom, and (iii) it has only issued or passed on, and will only issue or pass on to any person in the United Kingdom, any document received by it in connection with the issue of the Common Stock if that person is of a kind described in Article 9(3) of the Financial Services Act of 1986 (Investment Advertisements) (Exemptions) Order 1988.

No action has been taken in any jurisdiction by the Company or the International Managers that would permit a public offering of the shares offered pursuant to the Offerings in any jurisdiction where action for that purpose is required, other than the United States. Persons into whose possession this Prospectus comes are required by the Company and the International Managers to inform themselves about and to observe any restrictions as to the offering of the shares offered pursuant to the Offerings and the distribution of this Prospectus.

Purchasers of the shares offered hereby may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover hereof.

Selling Stockholders have granted to the U.S. Underwriters an option to purchase up to an additional 330,000 shares of Common Stock and the International Managers have been granted a similar option to purchase up to an additional 82,500 shares of Common Stock at the initial public offering price less the aggregate underwriting discount, solely to cover over-allotments if any. The options may be exercised at any time up to 30 days after the date of this Prospectus. To the extent that the U.S. Underwriters or the International Managers exercise such options, each of the U.S. Underwriters or the International Managers, as the case may be, will be committed, subject to certain conditions, to purchase a number of option shares proportionate to such U.S. Underwriter's or International Manager's initial commitment.

The Company and its executive officers and directors, and the Selling Stockholders, have agreed not to offer, sell or otherwise dispose of any shares of Common Stock for a period of 180 days after the date of this Prospectus without prior written consent of the Representatives, except in the case of the Company in connection with certain permitted issuances described in the Underwriting Agreements. Advest, Inc., which holds warrants to purchase 120,000 shares of Common Stock, has also agreed not to offer, sell or otherwise dispose of such shares for a period of 180 days after the date of this Prospectus without the prior written consent of the other Representatives. The Company and the Selling Stockholders have agreed to indemnify the U.S. Underwriters and the International Managers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the U.S. Underwriters and International Managers may be required to make in respect thereof.

Advest, Inc. received its warrants as partial compensation for acting as an underwriter in the Company's initial public offering. Since the Company's initial public offering, Advest, Inc. has earned an aggregate of approximately $335,000 from the Company for consulting services rendered in connection with the structuring and negotiating of the Company's line of credit and the implementation of the Company's acquisition program. Since October 23, 1992, the services provided to the Company by Advest, Inc. have been governed by a letter agreement which provides for fees to be paid by the Company to Advest, Inc. for specified and ongoing services and for success fees negotiated on a transaction by transaction basis.

Following the effectiveness of the Registration Statement of which this Prospectus is a part, and until the execution and delivery of the Underwriting Agreements by the Verrochi Family Charitable Trust, the Verrochi Family Charitable Trust, one of the proposed Selling Stockholders, may sell the 25,000 shares to be sold by it in a transaction or transactions other than to the U.S. Underwriters and the International Managers. Such sales may be effected on the New York Stock Exchange, in a negotiated transaction or otherwise, at prevailing market prices or negotiated prices. The shares may be sold through one or more broker-dealers, who may be deemed to be underwriters with respect to such shares.

LEGAL MATTERS

The validity of the Shares offered hereby will be passed upon for the Company by Ropes & Gray, Boston, Massachusetts. Keith F. Higgins, a partner with Ropes & Gray, is secretary of the Company. Certain legal matters related to this Offering will be passed upon for the Underwriters by Fulbright & Jaworski L.L.P., New York, New York.

EXPERTS

The audited consolidated financial statements of the Company listed in the Index to Financial Statements on page F-1, and included herein, and the audited financial statements as of and for the year ended December 31, 1991 of Buck Medical Services, Inc. and as of and for the years ended December 31, 1992 and 1991 of Randle Eastern Ambulance Service Inc. incorporated herein by reference have been included herein and in the Registration Statement in reliance upon the reports of KPMG Peat Marwick, independent certified public accountants, appearing elsewhere herein or incorporated herein by reference, and upon the authority of said firm as experts in accounting and auditing. The audited financial statements of Mobile Medic Ambulance Service, Inc. incorporated herein by reference have been incorporated herein in reliance upon the reports of Arthur Andersen & Co., independent public accountants, incorporated herein by reference, and upon the authority of said firm as experts in accounting and auditing. The audited financial statements of Ambulance Service Company incorporated herein by reference have been incorporated by reference in reliance upon the reports of Gelfond Hochstadt Pangburn Stark & Co., independent certified public accountants, incorporated by reference, and upon the authority of said firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Commission a Registration Statement with respect to the Common Stock offered hereby. This Prospectus, filed as part of the Registration Statement, does not contain all the information contained in the Registration Statement, certain portions of which have been omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Common Stock offered hereby, reference is made to the Registration Statement including the exhibits and schedules thereto. Statements contained in this Prospectus as to the contents of any contract or any other document are not necessarily complete, and in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. All of these documents may be inspected without charge at the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies can also be obtained from the Commission at prescribed rates.

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Independent Auditors' Report

The Board of Directors
American Medical Response, Inc.:

We have audited the accompanying consolidated balance sheets of American Medical Response, Inc. and subsidiaries (the "Company") as of December 31, 1992 and 1991, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1992. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Medical Response, Inc. and subsidiaries as of December 31, 1992 and 1991, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1992, in conformity with generally accepted accounting principles.

KPMG Peat Marwick

Boston, Massachusetts
February 25, 1993, except as to Note 1
(Basis of Presentation) which is as of
June 1, 1993

AMERICAN MEDICAL RESPONSE, INC.

Consolidated Balance Sheets

	June 30, 1993 (unaudited)	December 31, 1992	December 31, 1991
Assets			
Current assets:			
Cash and cash equivalents	$ 5,909	$14,600	$ 3,542
Short term investments	—	260	925
Accounts receivable, less allowance for uncompensated care of $16,191, $11,655 and $10,843	28,082	22,655	19,672
Advances to stockholders and affiliated parties	—	—	973
Inventories	1,152	867	748
Prepaid expenses and other receivables	2,888	3,515	2,181
Deferred income taxes	5,571	4,472	—
Total current assets	43,602	46,369	28,041
Property and equipment, net	15,125	10,555	9,620
Non-current assets:			
Cost in excess of net assets acquired, net	29,146	11,153	399
Covenants not to compete, net	544	735	1,009
Other	1,975	2,036	995
Total non-current assets	31,665	13,924	2,403
Total assets	$90,392	$70,848	$40,064
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$ 4,264	$ 3,607	$ 3,159
Accrued compensation, benefits and taxes	6,273	5,094	3,964
Accrued expenses	5,536	2,787	1,627
Income taxes payable	2,068	2,320	2,420
Deferred income taxes	—	—	1,321
Current maturities of debt	911	5,465	5,137
Total current liabilities	19,052	19,273	17,628
Non-current liabilities:			
Long-term debt	18,014	7,875	8,031
Subordinated note payable to related party	1,100	1,100	—
Deferred income taxes	4,142	4,240	911
Other liabilities	676	1,144	623
Total non-current liabilities	23,932	14,359	9,565
Total liabilities	42,984	33,632	27,193
Stockholders' equity:			
Preferred stock, $.01 par value, 500,000 shares authorized, none issued	—	—	—
Common stock, $.01 par value, 25,000,000 shares authorized, 11,126,813, 10,683,828 and 391,459 shares issued and outstanding	111	107	4
Common stock, predecessor companies	—	—	90
Additional paid-in capital	27,385	21,300	299
Retained earnings	19,912	15,809	12,528
Note receivable from stockholders	—	—	(50)
Total stockholders' equity	47,408	37,216	12,871
Commitments and contingencies			
Total liabilities and stockholders' equity	$90,392	$70,848	$40,064

See accompanying notes to consolidated financial statements.

AMERICAN MEDICAL RESPONSE, INC.

Consolidated Statements of Earnings
(in thousands)

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	1993	1992	1992	1991	1990
	(unaudited)				
Total revenue	$86,190	$58,343	$121,192	$108,018	$84,870
Operating expenses:					
Salaries and benefits	42,279	29,114	60,577	52,009	40,922
Uncompensated care	19,116	13,659	28,008	25,862	19,769
Other operating expenses	14,090	8,946	18,377	16,640	14,554
Depreciation	2,363	1,752	3,396	3,079	2,766
Amortization of intangibles	659	273	561	927	1,313
Total operating expenses	78,507	53,744	110,919	98,517	79,324
Earnings from operations	7,683	4,599	10,273	9,501	5,546
Interest expense, net	433	532	784	1,216	1,266
Earnings before income taxes	7,250	4,067	9,489	8,285	4,280
Income taxes	3,147	1,665	4,250	3,442	1,752
Net earnings	$ 4,103	$ 2,402	$ 5,239	$ 4,843	$ 2,528
PRO FORMA DATA (UNAUDITED — SEE NOTE 4)					
Historical net earnings	$ 4,103	$ 2,402	$ 5,239	$ 4,843	$ 2,528
Pro forma income taxes (benefit)	—	51	(678)	149	128
Pro forma net earnings	$ 4,103	$ 2,351	$ 5,917	$ 4,694	$ 2,400
Pro forma net earnings per common share	$ 0.38	$ 0.30	$ 0.67	$ 0.59	$ 0.30
Weighted average common shares outstanding	10,916	7,968	8,838	7,968	7,968

See accompanying notes to consolidated financial statements.

AMERICAN MEDICAL RESPONSE, INC.

Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock		Common Stock Predecessor Companies	Additional Paid-in Capital	Retained Earnings	Notes Receivable	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 1989, as previously reported	—	$—	$ 91	$ 272	$ 5,854	$—	$ 6,217
Restatement for business acquired as a pooling-of-interests	391	4	—	33	478	—	515
Balance at December 31, 1989, as restated	391	4	91	305	6,332	—	6,732
Note receivable from officer for purchase common stock	—	—	—	—	—	(60)	(60)
Distributions to stockholders	—	—	—	—	(475)	—	(475)
Net earnings	—	—	—	—	2,528	—	2,528
Balance at December 31, 1990	391	4	91	305	8,385	(60)	8,725
Repayment of note receivable	—	—	—	—	—	10	10
Stock repurchase	—	—	(1)	(6)	(700)	—	(707)
Net earnings	—	—	—	—	4,843	—	4,843
Balance at December 31, 1991	391	4	90	299	12,528	(50)	12,871
Repurchase and retirement of common stock — Regional	—	—	(1)	(12)	(1,803)	—	(1,816)
Initial issuance of common stock	2,730	27	—	48	—	(1)	74
Repurchase and retirement of common stock	(510)	(5)	—	(9)	—	—	(14)
Distribution to stockholders — Professional	—	—	—	—	(155)	—	(155)
Issuance of stock	3,000	30	—	21,435	—	—	21,465
Distribution of cash portion of purchase price for acquisition of Predecessor Companies	—	—	—	(10,195)	—	—	(10,195)
Distribution of stock portion of purchase price for acquisitions and elimination of Predecessor Companies' stock	4,143	42	(89)	47	—	—	—
Repayment of notes receivable	—	—	—	—	—	51	51
Issuance of common stock	300	3	—	2,369	—	—	2,372
Stock options exercised, including related tax benefit	18	—	—	197	—	—	197
Issuance of stock in connection with acquisitions	611	6	—	7,121	—	—	7,127
Net earnings	—	—	—	—	5,239	—	5,239
Balance at December 31, 1992	10,683	107	—	21,300	15,809	—	37,216
Issuance of stock in connection with acquisitions	432	4	—	5,939	—	—	5,943
Stock options exercised, including related tax benefit	12	—	—	146	—	—	146
Net earnings	—	—	—	—	4,103	—	4,103
Balance at June 30, 1993, (unaudited)	11,127	$111	$—	$ 27,385	$19,912	$—	$ 47,408

See accompanying notes to consolidated financial statements.

AMERICAN MEDICAL RESPONSE, INC.

Consolidated Statements of Cash Flows
(in thousands)

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	1993	1992	1992	1991	1990
	(unaudited)				
Cash flows from operating activities:					
Net earnings	$ 4,103	$ 2,402	$ 5,239	$ 4,844	$ 2,528
Adjustments to reconcile net earnings to net cash provided by operating activities:					
Depreciation	2,363	1,752	3,396	3,079	2,766
Amortization	659	273	561	927	1,313
Deferred income taxes	(785)	—	(2,421)	1,002	784
Changes in assets and liabilities, net of acquisitions:					
Accounts receivable	(619)	144	(499)	(5,391)	(1,848)
Other current assets	755	(350)	(1,208)	(239)	(132)
Other assets	98	54	(1,008)	404	(1,058)
Accounts payable and accrued expenses	(134)	153	(298)	81	1,249
Accrued compensation, benefits and taxes	(298)	69	383	1,711	503
Income taxes payable	(378)	234	(410)	6	(463)
Other liabilities	(468)	—	524	(156)	448
Net cash provided by operating activities	5,296	4,731	4,259	6,268	6,090
Cash flows from investing activities:					
Acquisition of Predecessor Companies	—	—	(10,195)	—	—
Acquisitions, net of cash acquired	(11,282)	—	(1,785)	—	—
Purchase of short term investments	—	(85)	—	(930)	(777)
Proceeds from sale of short term investments	260	—	665	634	73
Purchase of property and equipment, net	(2,980)	(1,247)	(1,460)	(3,763)	(1,927)
Purchase of stock and covenant not to compete	—	—	—	(375)	—
Repayment of advances to related parties	—	(62)	332	—	—
Net cash used for investing activities	$(14,002)	$(1,394)	$(12,443)	$(4,434)	$(2,631)

AMERICAN MEDICAL RESPONSE, INC.

Consolidated Statements of Cash Flows — (Continued)
(in thousands)

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	1993	1992	1992	1991	1990
	(unaudited)				
Cash flows from financing activities:					
Proceeds from issuance of common stock	$ —	$ 74	$ 23,911	$ —	$ —
Repurchase and retirement of common stock	—	—	(314)	—	—
Proceeds from exercise of stock options	93	—	127	—	—
Net borrowings under credit facility	14,139	—	—	—	—
Proceeds from borrowings	—	—	1,407	3,144	1,811
Repayment of borrowings	(14,217)	(915)	(5,864)	(4,321)	(3,942)
Principal payments on capital lease obligations	—	—	(562)	(127)	(172)
Net advances to stockholders	—	(474)	641	(300)	66
Distribution to stockholders	—	—	(155)	—	(475)
Repayment of notes receivable for stock	—	—	51	10	—
Net cash provided by (used for) financing activities	15	(1,315)	19,242	(1,594)	(2,712)
Increase (decrease) in cash and cash equivalents	(8,691)	2,022	11,058	240	747
Cash and cash equivalents beginning of period	14,600	3,542	3,542	3,302	2,555
Cash and cash equivalents, end of period	$ 5,909	$ 5,564	$ 14,600	$ 3,542	$ 3,302
Supplemental disclosure of cash flow information:					
Cash paid during the period for:					
Interest	$ 567	$ 601	$ 1,144	$ 1,398	$ 1,485
Income taxes	$ 4,276	$ 1,677	$ 7,026	$ 1,749	$ 1,291
Supplemental schedule of non-cash transactions:					
Issuance of debt and equipment for repurchase of Predecessor Company common stock	$ —	$ —	$ 1,516	$ 332	$ —
Issuance of debt for non-compete agreement	$ —	$ —	$ 240	$ 340	—
Issuance of debt for equipment purchases	$ —	$ —	$ 791	$ 579	$ 2,361
Property acquired under capital lease	$ —	$ —	$ 38	$ 189	$ 471
Acquisitions:					
Assets acquired	$ 30,001	$ —	$ 17,037	$ —	$ —
Liabilities assumed and issued	(11,794)	—	(6,710)	—	—
Common stock issued	(5,943)	—	(7,127)	—	—
Cash paid	12,264	—	3,200	—	—
Less cash acquired	(982)	—	(1,415)	—	—
Net cash paid for acquisitions	$ 11,282	$ —	$ 1,785	$ —	$ —

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of American Medical Response, Inc. and subsidiaries ("American" or the "Company") have been prepared to give retroactive effect to the merger with Randle Eastern Ambulance Service, Inc. on June, 1993, which was accounted for as a pooling-of-interests.

Principles of Consolidation

The consolidated financial statements include the accounts of American Medical Response, Inc. ("American" or the "Company") and its subsidiaries; American Medical Response West, formerly Vanguard Ambulance Services ("AMR West"), Regional Ambulance, Inc. ("Regional"), New Haven Ambulance Services, Inc. ("New Haven"), Professional Ambulance Services, Inc. ("Professional"), Mobile Medic Ambulance Service ("Mobile Medic"), Ambulance Service Company ("Ambulance Service") and Randle Eastern Ambulance Service, Inc. ("Randle"). All intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts for the prior periods have been reclassified to conform with the current period presentation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Short Term Investments

Short term investments consist primarily of marketable equity securities which are stated at lower of cost or market.

Accounts Receivable and Net Revenue

Accounts receivable and net revenue are reported at the estimated net billable amounts due from patients, third-party payors and others for services rendered, net of contractual adjustments, which represent the difference between gross billable charges and the portion of those charges allowable by third-party payors.

Uncompensated Care

Uncompensated care results when ambulance service is provided to patients for which the Company receives no reimbursement. The Company expects payment for its charges each time ambulance transportation is provided.

Inventories

Inventories consist primarily of medical supplies and are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment

Property and equipment are stated at cost. Property and equipment under capital leases are stated at the present value of minimum lease payments at the inception of the lease. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of property and equipment. Estimated useful lives for major asset categories are 4 years for vehicles, 20 years for buildings, 3-7 years for equipment and 3-5 years for furniture and fixtures. Equipment held under capital leases and leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the asset. Amortization of assets subject to capital leases is included in depreciation expense.

Cost in Excess of Net Assets Acquired

Cost in excess of net assets acquired is amortized straight-line over the period of expected benefit, but not in excess of twenty-five years. Accumulated amortization amounted to $98,000 and $51,000 at December 31, 1992 and 1991, respectively.

Covenants Not To Compete

Covenants not to compete are amortized using the straight-line method over the term of the agreements.

Income Taxes

Income taxes are provided based upon provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", which requires recognition of deferred income taxes under the asset and liability method.

Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on the deferred taxes of changes in the tax rates is recognized in income in the period that includes the enactment date.

Earnings Per Share

Earnings per share are computed based on the weighted average number of shares outstanding plus common stock equivalents related to stock options and warrants, if such common stock equivalents cause dilution in earnings per share in excess of 3%.

Earnings per share for all periods prior to the initial public offering have been computed based on weighted average shares outstanding of 7,967,548 which consist of (i) 2,220,001 founders shares outstanding prior to the initial public offering, (ii) 4,143,500 shares issued in connection with the merger described in note 2, (iii) 1,199,412 shares to reflect on a pro forma basis the sale of a sufficient number of shares to provide funds to pay the $10,195,000 cash portion of the purchase price of the merger, (iv) 391,459 shares issued in connection with the acquisition of Randle and (v) 13,176 shares considered as outstanding as a result of the application of the treasury stock method to certain outstanding options.

(2) Reorganization and Acquisitions

The Merger and Reorganization

In August, 1992, concurrent with the initial public offering of the Company's common stock, the Company acquired by merger four ambulance service providers, Regional, AMR West, New Haven and Professional (the "Predecessor Companies"). Pursuant to the terms of the merger agreements with each of the Predecessor Companies, the Company paid a total of $10,195,000 in cash and 4,143,500 shares of common stock for such companies as set forth below.

Regional — The Company acquired by merger all of the outstanding shares of Regional for $2,830,000 in cash and 1,991,859 shares of common stock. The Company also entered into a five-year non-competition agreement and a three-year employment contract with one of the stockholders and appointed such stockholder to the Company's board of directors.

AMR West — The Company acquired by merger all of the outstanding shares of AMR West for $3,800,000 in cash and 1,303,160 shares of common stock. An additional 100,000 shares of common stock will be paid in the event that AMR West obtains a particular contract for emergency ambulance services by March 1994. The Company also entered into five-year non-competition agreements and three-year employment agreements with two stockholders and appointed one of the stockholders to the Company's board of directors.

New Haven — The Company acquired by merger all of the outstanding shares of New Haven for $2,940,000 in cash and 634,145 shares of common stock. The Company also entered into five-year non-competition agreements with two stockholders, a three-year employment contract with one stockholder and appointed such stockholder to the Company's board of directors.

Professional — The Company acquired by merger all of the outstanding shares of Professional for $625,000 in cash and 214,336 shares of common stock. The Company also entered into five-year non-competition agreements and three-year employment contracts with the two stockholders of Professional.

The consolidated operations of American subsequent to the transaction are substantially identical to the combined operations of the individual Predecessor Companies prior to the transaction. Additionally, as a result of the mergers, the owners of the Predecessor Companies are significant stockholders of American. Accordingly, the aforementioned mergers were accounted for as a combination of the Predecessor Companies and American at historical cost. The assets and liabilities are presented at their historical values and stockholders' equity has not been adjusted as a result of the mergers.

Acquisition Accounted for as a Pooling-of-Interests

In June 1993, the Company acquired all the outstanding common stock of Randle Eastern Ambulance, Inc. in exchange for 391,459 shares of the Company's common stock in a transaction accounted for as a pooling-of-interests.

Restated total revenue and pro forma net earnings of the Company are summarized below:

	1992		1991		1990	
	Total Revenue	Pro Forma Net Earnings	Total Revenue	Pro Forma Net Earnings	Total Revenue	Pro Forma Net Earnings
The Company, as previously reported	$106,433	$5,670	$ 94,104	$4,306	$ 73,148	$2,091
Randle	14,759	247	13,914	388	11,722	309
The Company, as restated	$121,192	$5,917	$108,018	$4,694	$ 84,870	$2,400

To reflect the pooling-of-interests discussed above, pro forma earnings per share has been restated to $0.67, $0.59 and $0.30 versus $0.67, $0.57 and $0.28 as previously reported for the years ended December 31, 1992, 1991 and 1990, respectively.

Acquisitions Accounted for as a Purchase

During 1992, the Company also acquired two providers of emergency and non-emergency pre-hospital transportation. On November 4, 1992, the Company acquired Mobile Medic Ambulance Service, Inc., located in Gulfport, Mississippi and on December 23, 1992, the Company acquired Ambulance Service Company, located in Denver, Colorado.

The total paid consisted of $3.2 million in cash, $1,780,000 in subordinated promissory notes and 611,268 shares of the Company's common stock.

The acquisitions have been accounted for as purchases and, accordingly, their results of operations have been included in the consolidated financial statements from their date of acquisition. The excess of the purchase price and expenses associated with the acquisition over the estimated fair value of the net assets acquired has been recorded as goodwill.

The following unaudited pro forma results of operations give effect to the acquisitions as if the transactions had occurred at the beginning of 1991. Such pro forma financial information reflects certain adjustments including amortization of goodwill, income tax effects, and the increase in the weighted average shares outstanding. This pro forma information does not necessarily reflect the results of operations which would have occurred had the acquisition taken place at the beginning of the respective years and is not necessarily indicative of results which may be obtained in the future (in thousands, except per share amounts):

	1992	1991
	(Unaudited)	
Total revenue	$139,490	$124,259
Earnings before income taxes	10,824	8,396
Net earnings	5,818	4,723
Pro forma net earnings	6,414	4,594
Pro forma earnings per share	0.69	0.53

(3) Property and Equipment

Property and Equipment

Property and equipment consist of the following at December 31 (in thousands):

	1992	1991
Vehicles	$13,676	$11,669
Land, buildings and leasehold improvements	1,305	1,255
Equipment	5,739	5,615
Furniture and fixtures	2,434	1,850
	23,154	20,389
Less accumulated depreciation	12,599	10,769
Net property and equipment	$10,555	$ 9,620

Operating Leases

The Company is obligated under a number of non-cancelable operating leases for premises and equipment expiring in various years through the year 2000. Total rent expense amounted to $2,611,000, $2,328,000 and $1,756,000 for the years ended December 31, 1992, 1991 and 1990, respectively.

Minimum future rentals under non-cancelable operating leases (including leases with related parties discussed in Note 8) as of December 31 are as follows (in thousands):

	Amount
1993	$ 2,355
1994	2,146
1995	1,864
1996	1,479
1997	987
Thereafter	1,664
Total minimum lease payments	$10,495

(4) Income Taxes

The components of the deferred tax assets and liabilities as of December 31 are as follows (in thousands):

	1992	1991
Deferred tax assets:		
Allowance for uncompensated care	$ 4,522	$ 1,663
Accrued expenses and other liabilities	2,150	23
Other	98	38
	6,770	1,724
Deferred tax liabilities:		
Cash to accrual accounting	—	3,045
Intangible assets	107	—
Property and equipment	841	635
Change in accounting method	5,552	82
Other	38	194
	(6,538)	(3,956)
Net deferred asset (liability)	$ 232	$(2,232)

At December 31, the net deferred tax asset (liability) consists of the following (in thousands):

	1992	1991
Deferred income tax asset (liability) — current	$ 4,472	$(1,321)
Deferred income tax asset (liability) — long term	(4,240)	(911)
Net deferred income tax asset (liability)	$ 232	$(2,232)

Included in the gross deferred tax assets and liabilities are deferred tax (benefits) and deferred tax expense of $(438,000) and $395,000, respectively, relating to allowances for uncompensated care and a change in accounting method, recorded as a result of the acquisitions of Mobile Medic and Ambulance Service Company.

The provisions for Federal and state income taxes for the years ended December 31 consists of the following (in thousands):

	1992	1991	1990
Current:			
Federal	$ 5,454	$1,939	$ 846
State	1,217	533	126
	6,671	2,472	972
Deferred:			
Federal	(1,859)	707	608
State	(562)	263	172
	(2,421)	970	780
Total	$ 4,250	$3,442	$1,752

For the year ended December 31, 1992, income tax benefits of $70,000 were allocated to additional paid-in capital for tax benefits associated with the exercise of non-qualified stock options.

The following table reconciles the Federal statutory income tax rate and the Company's effective income tax rate for the years ended December 31:

	1992	1991	1990
Provision for income taxes at Federal statutory rate	34.0%	34.0%	34.0%
State taxes, net of Federal benefit	5.7	6.7	6.5
Amortization of goodwill	.2	1.3	3.2
Subchapter S earnings	(.7)	(2.1)	(3.4)
Change in tax status	8.6	—	—
Other, net	(3.0)	1.6	.6
	44.8%	41.5%	40.9%

Change in Tax Accounting Method

In connection with the mergers discussed in note 2 to the consolidated financial statements, certain operating entities changed from the cash to the accrual method of accounting for tax purposes. The resulting difference in taxable income is being recognized for tax purposes over a four-year period beginning with the current year.

Change in Tax Status

Prior to the merger with the Company, one of the Predecessor Companies was taxed as an S corporation. As an S corporation, income taxes were not required to be provided in this subsidiary's financial statements. In August 1992, concurrent with the merger, this S corporation status terminated and the method of accounting for tax purposes changed from the cash to the accrual method. Deferred income tax expense for the year ended December 31, 1992, includes $780,000 attributable to this termination of S corporation status. Pro forma income tax expense for the years ended December 31, 1992, 1991 and 1990, are tax amounts which would have been recorded had this subsidiary been a C corporation during those years.

(5) Debt

Long-term debt and capital lease obligations consist of the following at December 31 (in thousands):

	1992	1991
Demand notes payable, unsecured, interest rates ranging from 6.75% to 7.5%	$ 228	$ 273
Demand notes payable, secured, bearing interest at 10%	—	236
Demand notes payable to principal stockholder, bearing interest at prime plus 2%	—	94
Notes payable, secured, interest rates ranging from 6% to 16.5%, payable in installments, maturing through 1998	6,771	8,625
Notes payable to former owners and individuals, interest rates ranging from 6% to 9%, payable in installments, maturing through 2007	3,529	2,583
Notes payable, unsecured, interest rates varying from 5.6% to 8%, payable in installments, maturing in 1993	683	—
Subordinated notes payable to stockholders and former owners, bearing interest at 7% and 7.5%, maturing through 1996	1,780	—
Capital lease obligations	1,449	1,357
	14,440	13,168
Less current maturities	5,465	5,137
Long-term debt, excluding current maturities	$ 8,975	$ 8,031

Annual maturities of long-term debt and future minimum lease payments under capital leases as of December 31, 1992 are as follows (in thousands):

	Long-term debt	Capital leases
1993	$ 4,729	$ 880
1994	3,885	616
1995	2,239	299
1996	652	107
1997	220	18
Thereafter	1,267	—
Total payments	$12,992	1,920
Less: amounts representing interest		471
Total obligations under capital leases		$ 1,449

(6) Capital Stock and Additional Paid-in Capital

Preferred Stock

The Company is authorized to issue up to 500,000 shares of preferred stock, $0.01 par value, of which no shares are issued or outstanding. The Company's board of directors is authorized to provide for the issuance of the preferred stock in series, to establish the number of shares to be included in each such series, and the qualifications, limitations or restrictions thereof. This includes any voting rights, preemptive rights, conversion privileges and liquidation rights which shall be superior to the common stock.

Common Stock

The Company is authorized to issue 25,000,000 shares of common stock, $0.01 par value, of which 10,683,828 shares were issued and outstanding at December 31, 1992.

The Company has an effective Shelf Registration Statement on file with the Securities and Exchange Commission covering 2,000,000 shares of common stock, of which 1,918,370 shares remain available at December 31, 1992 for issuance in connection with the acquisition of other businesses by the Company.

In August, 1992, the Company completed an initial public offering of common stock and issued 3,000,000 shares of such stock at a price of $8.50 per share. The proceeds, net of underwriting discounts and expenses of the offering, were approximately $21,465,000. Concurrent with the completion of the public offering, the Company paid $10,195,000 to the stockholders of Regional, AMR West, New Haven, and Professional and issued an aggregate 4,143,500 shares of common stock in connection with the acquisition by merger of those companies by American. On September 3, 1992, the Company sold an additional 300,000 shares of common stock pursuant to an overallotment option granted to the underwriters in connection with the initial public offering. The proceeds from this overallotment, net of underwriting discounts, were $2,371,500.

In connection with the initial public offering, the Company issued warrants to the underwriters to purchase an additional 300,000 shares of the Company's common stock at an exercise price of $10.20 per share for 150,000 shares and $12.00 per share for 150,000 shares. Such warrants expire on August 5, 1997.

During the period February 21, 1992 to May 22, 1992, the Company issued 2,703,001 shares of common stock to its founders at a price of $0.0273 per share. On July 17, 1992, the Company repurchased and retired 510,000 shares of founders common stock at the original purchase price of $0.0273 per share for a total of $13,923.

The Company was incorporated on February 21, 1992. On June 8, 1992, the Company was reorganized as a Delaware corporation. Pursuant to the reorganization, each of the outstanding shares of the Massachusetts corporation was converted into 2,928.71 shares of common stock, resulting in 2,730,001 shares outstanding on that date. All financial information and share and per share information with respect to the Company's stock have been restated to reflect the shares issued in the reorganization.

Common Stock — Predecessor Companies

All of the outstanding shares of common stock of the Predecessor Companies were acquired by American in connection with the merger and reorganization.

In January 1992, prior to the merger of Regional with American, Regional repurchased 1,600 shares of its common stock from two former employees for a total of $1,816,000. In addition, Regional entered into five year non-competition agreements with the former employees for $240,000.

During 1991, Regional repurchased 800 shares of its stock from former shareholders. A charge to retained earnings of $700,000 was recorded as a result of this transaction.

(7) Commitments and Contingencies

Third-Party Rate Adjustments and Revenue

A significant portion of the Company's net revenue is derived under Federal and state third-party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. In the opinion of management, retroactive adjustments if any, would not be material to the financial position or results of operations of the Company.

Legal Proceedings

The Company is party to various legal actions arising in the ordinary course of business. In management's opinion, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position.

Letters of Credit

The Company has outstanding letters of credit of $784,000 to secure payments of certain insurance policies. Such letters of credit expire in February 1993.

(8) Related Party Transactions

Indemnification Agreements

In connection with the merger and reorganization discussed in note 2, certain related parties have agreed to indemnify the Company up to a maximum of $1,750,000 for losses the Company may incur if one of its former insurors is unable to refund unearned premiums and pay pending claims.

Leasing Transactions

The Company leases various facilities from related parties. The leases on these properties expire at various times through the year 2000. Total rent expense paid to related parties amounted to $990,000, $1,020,000 and $661,000 for the years ended December 31, 1992, 1991 and 1990, respectively.

Loans and Cash Advances

Loans and advances outstanding to related parties amounted to $0 and $973,000 at December 31, 1992 and 1991, respectively.

Notes payable to related parties amounted to $0 and $94,000 at December 31, 1992 and 1991, respectively.

Guaranty

The Company has guaranteed a $2,500,000 loan owed by a related party to a bank. This loan is secured by one of the Company's operating facilities that it leases from a related party, bears interest at prime plus 1% and is callable by the bank on or after May 1994. The related party has agreed to indemnify the Company in the event the Company is required to pay any amounts under the guaranty.

Contractual Agreements

The Company purchases vehicles and repair parts from a related party. Vehicles purchased from related parties amounted to $143,000, $306,000 and $153,000 for the years ended December 31, 1992, 1991 and 1990, respectively. Repair parts purchased from related parties and included in expense amounted to $168,000, $159,000 and $175,000, respectively. Accounts payable included $20,000 and $82,000 at December 31, 1992 and 1991, respectively, due to these related parties.

(9) Stock Option Plans

1992 Equity Incentive Plan

The Company's 1992 Equity Incentive Plan (the "Equity Incentive Plan") was adopted on June 8, 1992 and provides for the grant of a variety of stock and stock-based awards and related benefits. The Equity

Incentive Plan permits the gran ing of options that qualify as incentive stock options and non-qualified options. The option exercise price of each option shall be determined by the Board of Directors, but in the case of incentive stock options shall not be less than 100% of the fair market value of the shares on the date of grant (110% in the case of incentive stock options granted to an individual with stockholdings in excess of certain limits.)

Subject to adjustment for stock splits and similar events, the total number of shares of Common Stock that can be issued under the Equity Incentive Plan is 800,000.

1992 Stock Option for Non-Employee Directors

The Company's 1992 Stock Option Plan for Non-Employee Directors (the "Director Option Plan") was adopted on June 8, 1992. Pursuant to the Director Option Plan, beginning on the date of the first annual meeting of stockholders after the date of the initial public offering, each director who is not an employee of the Company or one of its subsidiaries and neither is a holder of five percent or more of the Company's Common Stock nor was a stockholder of the Company prior to completion of the initial public offering will receive, on the date of his or her first election as director, an option to purchase 7,500 shares of Common Stock. Thereafter, each director will be granted, at each annual meeting at which such director is elected or reelected, so long as he or she remains an eligible director, an option to acquire an additional 7,500 shares of Common Stock.

The exercise price of such options will be the fair market value of the Common Stock on the date of grant. Each option will be non-transferable except upon death, will expire 10 years after the date of grant and will become exercisable on the first anniversary of the date of grant.

Stock Option Activity

A summary of stock option activity under the Company's stock option plans for the year ended December 31 follows:

	Number of Options	Option Price Range
Outstanding at December 31, 1991	—	$ —
Granted	303,100	5.00-12.375
Exercised	(17,600)	5.00- 8.500
Cancelled	—	—
Outstanding at December 31, 1992	285,500	$5.00-12.375
Exercisable at December 31, 1992	60,875	

(10) Employee Benefit Plans

1992 Employee Stock Purchase Plan

The 1992 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan") was adopted by the Board of Directors of the Company and approved by the stockholders on June 8, 1992. The Employee Stock Purchase Plan is designed to enable eligible employees to purchase shares of Common Stock at a discount on a periodic basis through payroll deductions. All employees with at least six months of continuous service, other than employees owning 5% or more of the combined voting power of all classes of stock of the Company, are eligible to participate. Purchases will occur at the end of option periods, each of six months' duration. The first such option period began January 1, 1993.

The purchase price of Common Stock under the Employee Stock Purchase Plan is 85% of the lesser of the value of the Common Stock at the beginning of an option period and the value of the Common Stock at the end of the option period. Participants may elect under the Employee Stock Purchase Plan, prior to each option period, to have from 2% to 10% of their pay withheld and applied to the purchase of shares at the end of the option period. However, the Employee Stock Purchase Plan imposes a maximum of $10,000 on the amount that may be withheld from any participant in any option period.

Subject to adjustment for stock splits and similar events, a total of 100,000 shares of Common Stock has been reserved for issuance under the Employee Stock Purchase Plan. None of these shares has been issued to date.

Retirement Plans

Two of the Company's subsidiaries have defined contribution 401(k) plans for the benefit of their employees. Full-time employees with one year of service and 1,000 hours are eligible to participate. The total plan expense for the years ended December 31, 1992, 1991 and 1990 was $450,000, $242,000 and $339,000, respectively.

Four the Company's subsidiaries have profit sharing plans which cover substantially all of their employees. Contributions into the trust funds of the plans are discretionary, and the companies have the right to amend, modify or terminate the plans, but in no event will any portion of the contributions paid revert to the companies. The total profit sharing plan expense for the years ended December 31, 1992, 1991 and 1990 was $115,000, $109,000 and $33,000, respectively.

(11) Quarterly Financial Data (Unaudited)

The Company's summary financial data for the years ended December 31, 1992 and 1991 by quarter is as follows (in thousands except per share amounts):

	Year ended December 31, 1992			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Total revenue	$31,664	$31,185	$29,558	$28,785
Total operating expenses	29,237	27,938	26,854	26,890
Earnings from operations	2,427	3,247	2,704	1,895
Earnings before income taxes	2,330	3,092	2,443	1,624
Net earnings	1,700	1,137	1,422	980
Pro forma net earnings	1,700	1,866	1,418	933
Pro forma earnings per common share	0.17	0.20	0.18	0.12
Weighted average common shares outstanding	10,279	9,161	7,968	7,968

	Year ended December 31, 1991			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Total revenue	$29,500	$28,243	$25,639	$24,636
Total operating expenses	27,028	25,716	23,500	22,273
Earnings from operations	2,472	2,527	2,139	2,363
Earnings before income taxes	2,132	2,215	1,834	2,054
Net earnings	1,273	1,284	1,092	1,194
Pro forma net earnings	1,200	1,257	1,074	1,163
Pro forma earnings per common share	0.15	0.16	0.13	0.15
Weighted average common shares outstanding	7,968	7,968	7,968	7,968

(12) Subsequent Events

Acquisition

On January 11, 1993, the Company acquired Buck Medical Services, Inc. located in Portland, Oregon. The purchase price consisted of $5,500,000 in cash and 125,085 shares of the Company's common stock. The acquisition has been accounted for as a purchase, and the excess of the purchase price and expenses associated with the acquisition over the estimated fair value of the net assets acquired has been recorded as goodwill.

The following unaudited pro forma summary gives effect to the acquisition as if it had occurred on December 31, 1992 with respect to the pro forma balance sheet and as if the transaction (along with the acquisition of Mobile Medic and Ambulance Service) occurred at the beginning of 1991. Such pro forma financial information reflects certain adjustments including amortization of goodwill, income tax effects, and the increase in the weighted average shares outstanding. This pro forma information does not necessarily reflect the results of operations which would have occurred had the acquisition taken place at the beginning of 1991 and is not necessarily indicative of results which may be obtained in the future (in thousands, except per share amounts):

	1992 (unaudited)
Balance Sheet	
Total assets	$ 76,954
Total liabilities	37,580
Total stockholders' equity	39,374
Total liabilities and stockholders equity	$ 76,954

	1992	1991
	(unaudited)	
Statements of Earnings:		
Net revenue	$157,829	$138,196
Earnings before income taxes	10,996	8,664
Net earnings	6,107	4,956
Pro forma net earnings	6,649	4,656
Pro forma earnings per share	0.70	0.53

Credit Facility

In February 1993, the Company received a commitment from a group of banks for a $30.0 million revolving credit facility to refinance existing indebtedness, for acquisitions and working capital purposes.

Introduction

During 1992, the Company acquired Mobile Medic Ambulance Service, Inc. ("Mobile") and Ambulance Service Company ("ASC") in acquisitions accounted for as purchases. During 1993, the Company acquired Buck Medical Services, Inc. ("Buck"), A-1 Ambulance Services ("A-1"), Inc. and Reed Ambulances, Inc. ("Reed") in transactions accounted for as purchases and also acquired Randle-Eastern Ambulance Service, Inc. ("Randle") in a transaction accounted for as a pooling-of-interests. The unaudited pro forma combined statements of earnings for the six months ended June 30, 1993 and for the year ended December 31, 1992 give effect to the above acquisitions accounted for as purchases as if the transactions were consummated as of January 1, 1992.

The pro forma financial data do not purport to represent what the Company's financial position or results of operations would actually have been if such transactions had in fact occurred on those dates or to project the Company's financial position or results of operations for any future period.

AMERICAN MEDICAL RESPONSE, INC. AND SUBSIDIARIES

Pro Forma Combined Statement of Earnings

For the Six Months Ended June 30, 1993
(In thousands)
(Unaudited)

	Historical	Pro forma Adjustments(1)	Pro forma Combined
Total revenue	$86,190	$8,317	$94,507
Expenses			
Salaries and benefits	42,279	4,001(2)	46,280
Uncompensated care	19,116	1,697	20,813
Other	16,453	1,986	18,439
Amortization of intangibles	659	207(3)	866
Total operating expenses	78,507	7,891	86,398
Earnings from operations	7,683	426	8,109
Interest expense, net	433	149(4)	582
Earnings before income taxes	7,250	277	7,527
Income tax expense	3,147	157(5)	3,304
Net earnings	$ 4,103	$ 120	$ 4,223
Historical net earnings	$ 4,103	$ 120	$ 4,223
Pro forma income tax expense (benefit)	—	108	108
Pro forma net earnings	$ 4,103	$ 12	$ 4,115
Pro forma net earnings per share	$ 0.38	—	$ 0.37
Weighted average shares outstanding	10,916	198(6)	11,114

See accompanying notes to unaudited pro forma combined statement of earnings.

AMERICAN MEDICAL RESPONSE, INC. AND SUBSIDIARIES

Pro Forma Combined Statement of Earnings

For the Year Ended December 31, 1992
(In thousands)
(Unaudited)

	Historical	Pro forma Adjustments(7)	Pro forma Combined
Total revenue	$121,192	$54,095	$175,287
Expenses			
Salaries and benefits	60,577	25,061(8)	85,638
Uncompensated care	28,008	11,203	39,211
Other	21,773	12,519(9)	34,292
Amortization of intangibles	561	1,153(10)	1,714
Total operating expenses	110,919	49,936	160,855
Earnings from operations	10,273	4,159	14,432
Interest expense, net	784	666(11)	1,450
Earnings before income taxes	9,489	3,493	12,982
Income tax expense	4,250	1,120(12)	5,370
Net earnings	$ 5,239	$ 2,373	$ 7,612
Historical net earnings	$ 5,239	$ 2,373	$ 7,612
Pro forma income tax expense (benefit)	(678)	559	(119)
Pro forma net earnings	$ 5,917	$ 1,814	$ 7,731
Pro forma net earnings per share	$ 0.67	—	$ 0.79
Weighted average shares outstanding	8,838	986(13)	9,824

See accompanying notes to unaudited pro forma combined statement of earnings.

AMERICAN MEDICAL RESPONSE, INC. AND SUBSIDIARIES

Notes to Unaudited Pro Forma Combined Financial Statements

Notes to Unaudited Pro Forma Combined Statement of Earnings for the Six Months Ended June 30, 1993

(1) To include the results of A-1 and Reed as if the acquisitions occurred at the beginning of 1993.

(2) To adjust salaries and benefits to reflect the difference between existing compensation agreements and those assumed to take effect after the acquisition.

(3) To record amortization of goodwill resulting from the acquisitions that were accounted for as purchases. Goodwill is assumed to be amortized by the straight line method over 25 years.

(4) To record interest expense related to the subordinated debt issued in connection with the acquisitions.

(5) To record income tax effect of the pro forma adjustments.

(6) To adjust the weighted average number of shares outstanding as if the shares issued in connection with the acquisitions had been outstanding since the beginning of 1993.

Notes to Unaudited Pro Forma Combined Statement of Earnings for the Year Ended December 31, 1992

(7) To include the results of Mobile, ASC, Buck, A-1 and Reed as if the acquisitions occurred at the beginning of 1992.

(8) To adjust salaries and benefits to reflect the difference between existing compensation agreements and those assumed to take effect after the acquisitions.

(9) To adjust rent expense as a result of the modification of certain leases.

(10) To record amortization of goodwill resulting from the acquisitions that were accounted for as purchases. Goodwill is assumed to be amortized by the straight line method over 25 years.

(11) To record interest expense related to the subordinated debt issued in connection with the acquisitions.

(12) To record income tax effect of pro forma adjustments.

(13) To adjust the weighted average number of shares outstanding as if the shares issued in connection with the acquisitions had been outstanding since the beginning of 1992.

No dealer, salesperson or any other person has been authorized to give any information or to make any representations not contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company, the Selling Stockholders or the U.S. Underwriters. This Prospectus does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

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2,750,000 Shares

AMERICAN MEDICAL RESPONSE INC.

Common Stock

PROSPECTUS

, 1993

LEHMAN BROTHERS

KIDDER, PEABODY & CO.
INCORPORATED

ADVEST, INC.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended June 30, 1993 **Commission File Number: 1-11196**

AMERICAN MEDICAL RESPONSE, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**04-3147881**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

67 Batterymarch Street, Boston, Massachusetts 02110
(Address of principal executive offices) (Zip Code)

(617) 261-1600
(Registrant's telephone number, including area code)

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.

_X_ YES ___ NO

The number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date is:

Common Stock, $0.01 par value, outstanding as of August 3, 1993: 11,206,903 shares.

Exhibit Index on Page 17

AMERICAN MEDICAL RESPONSE, INC.

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AMERICAN MEDICAL RESPONSE, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	June 30, 1993	December 31, 1992
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 5,909	$ 14,600
Short-term investments	—	260
Accounts receivable, less allowance for uncompensated care of $16,191 at June 30, 1993 and $11,655 at December 31, 1992	28,082	22,655
Inventories	1,152	867
Prepaid expenses and other receivables	2,888	3,515
Deferred income taxes	5,571	4,472
Total current assets	43,602	42,369
Property and equipment, net	15,125	10,555
Non-current assets:		
Cost in excess of net assets acquired, net	29,146	11,153
Covenants not to compete, net	544	735
Other	1,975	2,036
Total non-current assets	31,665	13,924
Total assets	$ 90,392	$ 70,848
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,264	$ 3,607
Accrued compensation, benefits and taxes	6,273	5,094
Accrued expenses	5,536	2,787
Income taxes payable	2,068	2,320
Current maturities of debt	911	5,465
Total current liabilities	19,052	19,273
Non-current liabilities:		
Long-term debt	18,014	7,875
Subordinated note payable to related party	1,100	1,100
Deferred income taxes	4,142	4,240
Other liabilities	676	1,144
Total non-current liabilities	23,932	14,359
Total liabilities	42,984	33,632
Stockholders' equity:		
Preferred stock, $.01 par value, 500,000 shares authorized, none issued	—	—
Common stock, $.01 par value, 25,000,000 shares authorized, 11,126,813 and 10,683,828 shares issued and outstanding	111	107
Additional paid-in capital	27,385	21,300
Retained earnings	19,912	15,809
Total stockholders' equity	47,408	37,216
Commitments and contingencies		
Total liabilities and stockholders' equity	$ 90,392	$ 70,848

See accompanying notes to interim consolidated financial statements.

AMERICAN MEDICAL RESPONSE, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
For The Three Months and Six Months Ended June 30, 1993 and 1992
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Month Ended June 30,	
	1993	1992	1993	1992
	(Unaudited)			
Total revenue	$ 44,778	$ 29,558	$ 86,190	$ 58,343
Operating Expenses:				
Salaries and benefits	21,630	14,387	42,279	29,114
Uncompensated care	9,852	7,083	19,116	13,659
Other	7,319	4,334	14,090	8,946
Depreciation	1,194	923	2,363	1,752
Amortization of intangibles	344	127	659	273
Total operating expenses	40,339	26,854	78,507	53,744
Earnings from operations	4,439	2,704	7,683	4,599
Interest expense, net	203	261	433	532
Earnings before income taxes	4,236	2,443	7,250	4,067
Income taxes	1,841	1,021	3,147	1,665
Net earnings	$ 2,395	$ 1,422	$ 4,103	$ 2,402
PRO FORMA DATA				
Historical net earnings	$ 2,395	$ 1,422	$ 4,103	$ 2,402
Income taxes	—	4	—	51
Net earnings	$ 2,395	$ 1,418	$ 4,103	$ 2,351
Net earnings per common share	$ 0.22	$ 0.18	$ 0.38	$ 0.30
Weighted average common shares outstanding	11,036	7,968	10,916	7,968

See accompanying notes to interim consolidated financial statements.

AMERICAN MEDICAL RESPONSE, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 1993
(In thousands)
(unaudited)

	Common Stock		Additional Paid-in	Retained	Total Stockholders'
	Shares	Amount	Capital	Earnings	Equity
Balance at December 31, 1992	10,683	$ 107	$ 21,300	$ 15,809	$ 37,216
Stock issued for acquisitions	432	4	5,939	—	5,943
Stock options exercised, including related tax benefit	12	—	146	—	146
Net earnings	—	—	—	4,103	4,103
Balance at June 30, 1993	11,127	$ 111	$ 27,385	$ 19,912	$ 47,408

See accompanying notes to interim consolidated financial statements.

AMERICAN MEDICAL RESPONSE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 1993 and 1992

(In thousands)

	Six Months Ended June 30, 1993	Six Months Ended June 30, 1992
	(unaudited)	
Cash flow from operating activities		
Net earnings	$ 4,103	$ 2,402
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	2,363	1,752
Amortization of intangible assets	659	273
Deferred income taxes	(785)	—
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(619)	144
Other current assets	755	(350)
Other assets	98	54
Accounts payable and accrued expenses	(134)	153
Accrued compensation, benefits and taxes	(298)	69
Income taxes payable	(378)	—
Other liabilities	(468)	—
Net cash provided by operating activities	5,296	4,731
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(11,282)	—
Purchases (sales) of short term investments, net	260	(85)
Capital expenditures, net	(2,980)	(1,247)
Advance to related parties	—	(62)
Net cash used for investing activities	(14,002)	(1,394)
Cash flows from financing activities:		
Proceeds from issuance of common stock	—	74
Proceeds from exercise of stock options	93	—
Net borrowings under credit facility	14,139	—
Repayment of borrowings	(14,217)	(915)
Net advances to stockholders	—	(474)
Net cash provided by (used for) financing activities	15	(1,315)
Increase (decrease) in cash and cash equivalents	(8,691)	2,022
Cash and cash equivalents at beginning of period	14,600	3,542
Cash and cash equivalents at end of period	$ 5,909	$ 5,564
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 567	$ 601
Income taxes	$ 4,276	$ 1,677
Supplemental schedule of non-cash transactions:		
Issuance of debt and equipment for repurchase of Predecessor common stock	$ —	$ 1,516
Issuance of debt for non-compete agreement	$ —	$ 240
Acquisitions:		
Assets acquired	$ 30,001	$ —
Liabilities assumed and issued	(11,794)	—
Common stock issued	(5,943)	—
Cash paid	12,264	—
Less cash acquired	(982)	—
Net cash paid for acquisitions	$ 11,282	$ —

See accompanying notes to interim consolidated financial statements.

AMERICAN MEDICAL RESPONSE, INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The consolidated financial statements include the accounts of American Medical Response, Inc. and its subsidiaries ("American" or the "Company").

The interim consolidated financial statements are unaudited, but in the opinion of management include all adjustments, which consist only of normal and recurring adjustments, necessary for a fair presentation of its financial position and results of operations. Results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. These statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 1992.

2. Acquisitions

Acquisition Accounted for as a Pooling-of-Interests

In June 1993, the Company acquired all of the outstanding common stock of Randle Eastern Ambulance, Inc. in exchange for 391,459 shares of the Company's common stock in a transaction accounted for as a pooling-of-interests.

Restated total revenue and pro forma net earnings of the Company are summarized below:

	Three Months Ended June 30, 1992		Six Months Ended June 30, 1992	
	Total Revenue	Pro Forma Net Earnings	Total Revenue	Pro Forma Net Earnings
The Company as previously reported	$ 26,277	$ 1,485	$ 51,504	$ 2,565
Randle	3,281	(67)	6,839	(214)
The Company, as restated	$ 29,558	$ 1,418	$ 58,343	$ 2,351

To reflect the pooling-of-interests discussed above, pro forma net earnings per share have been restated to $0.18 and $0.30 from $0.20 and $0.34 for the three months and six months ended June 30, 1992, respectively.

Acquisitions Accounted for as Purchases

During 1992, the Company acquired two ambulance service providers. In November 1992, the Company acquired Mobile Medic Ambulance Service, Inc., located in Gulfport, Mississippi and in December 1992, the Company acquired Ambulance Service Company, located in Denver, Colorado. The aggregate consideration paid for these acquisitions consisted of approximately $5.2 million in cash, $1.8 million in subordinated promissory notes and 611,268 shares of the Company's common stock.

During the first six months of 1993, the Company acquired three additional ambulance service providers. In January 1993, the Company acquired Buck Medical Services, Inc., located in Portland, Oregon. In April 1993 the Company acquired A-1 Ambulance Service located in Boulder, Colorado. In

June 1993, the Company acquired Reed Ambulance Service, Inc. located in Denver, Colorado. The aggregate consideration paid for these acquisitions consisted of approximately $12.3 million in cash, $2.5 million in subordinated promissory notes and 431,335 shares of the Company's common stock.

These acquisitions have been accounted for as purchases and, accordingly, the results of operations have been included in the consolidated financial statements from the date of acquisition. The excess of the purchase price and expenses associated with each acquisition over the estimated fair value of the net assets acquired has been recorded as cost in excess of net assets acquired.

The following unaudited pro forma results of operations give effect to the acquisitions as if the transactions had occurred at the beginning of 1992. Such pro forma financial information reflects certain adjustments, including amortization of goodwill, income tax effects, and the increase in the weighted average shares outstanding. This pro forma information does not necessarily reflect the results of operations that would have occurred had the acquisitions taken place at the beginning of 1992 and is not necessarily indicative of results that may be obtained in the future (in thousands, except per share amounts):

	Six Months Ended June 30, (unaudited)	
	1993	1992
Total revenue	$94,507	$83,915
Pro forma net earnings	$ 4,115	$ 3,473
Pro forma earnings per share	$ .37	$ .39

Subsequent Acquisitions and Recent Developments

In July 1993, the Company acquired substantially all of the assets of Bridgeport Ambulance Service, Inc. located in Bridgeport, Connecticut. The consideration paid for this acquisition consisted of approximately $1.4 million in cash, 58,589 shares of the Company's common stock, and $.5 million in a subordinated promissory note.

In June 1993, the Company also announced that it had reached a preliminary understanding relating to the possible acquisition of an ambulance service provider located in California. This complex transaction is subject to due diligence and the negotiation of definitive agreements.

3. Credit Facility

In April 1993, the Company entered into a three-year, $30 million unsecured revolving line of credit with a group of banks to refinance certain indebtedness, for acquisitions and for working capital purposes. Interest is determined at the time of borrowing at the Company's option at either prime or LIBOR plus 2.5%. Under the agreement, the Company is required to comply with certain financial and other covenants and borrowing availability is based on earnings.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

For all periods presented, the following financial information includes the combined results of the four ambulance service providers the Company acquired concurrent with its initial public offering in August 1992 and Randle Eastern Ambulance Service, Inc. which was acquired in a transaction accounted for as a pooling-of-interests. The five companies acquired by the Company from November 1992 through June 1993 accounted for as purchases are included from their dates of acquisition.

The Company's total revenue, which is comprised primarily of ambulance service fees charged to Medicare and Medicaid, to other third-party payors, including private insurance carriers and health maintenance organizations, and directly to patients, is presented net of contractual adjustments. Contractual adjustments represent the difference between gross billable charges and the portion of those charges allowable by the third-party payor. The Company's provision for uncompensated care represents the difference between net ambulance fee revenue and expected collections.

Three Months Ended June 30, 1993 Compared to the Three Months Ended June 30, 1992

Overview

The Company's net earnings amounted to $2.4 million or $.22 per share for the second quarter of 1993, as compared with pro forma net earnings of $1.4 million or $.18 per share for the corresponding period of 1992. The increase in net earnings results from incremental earnings provided from acquisitions and from the growth in business. The increase in pro forma earnings per share results from the increase in net earnings, which is partly offset by an increase in the weighted average number of shares outstanding resulting from the initial public offering and shares issued in connection with acquisitions.

Results of Operations

The Company's total revenue amounted to $44.8 million for the three months ended June 30, 1993, as compared with $29.6 million for the same period of 1992, an increase of $15.2 million or 51.5%. The largest single contributor to the increase in total revenue was the incremental revenue provided from acquisitions. Also contributing to the increase was revenue generated from the Company's contract to provide exclusive "911" emergency response service to Atlantic City, New Jersey awarded in late 1992 and an increase in the number of emergency and non-emergency transports. On June 1, 1993, the Company began providing exclusive "911" emergency response service to Aurora, Colorado, the third largest city in Colorado.

The Company is a party to three significant contracts to provide emergency "911" services. The Company derived approximately 37% and 58% of its total revenue from these contracts during the second quarter of 1993 and 1992, respectively.

Salaries and benefits expense as a percentage of total revenue decreased to 48.3% for the three months ended June 30, 1993, from 48.7% for the same period of 1992. This was a result of the favorable

impact of acquisitions, which in the aggregate have relatively lower labor costs, offset by the addition of corporate salaries and benefits which did not exist in the prior period and certain wage increases. It is anticipated that corporate salaries will increase in future periods as the Company continues to implement its acquisition program and centralize certain operating, financial and treasury management functions. However, it is also anticipated that corporate salaries will decrease as a percentage of total revenue as the Company continues to grow.

Uncompensated care expense as a percentage of total revenue was 22.0% and 24.0% for the three months ended June 30, 1993, and 1992, respectively. The percentage decrease is due to the favorable impact of acquisitions, which in the aggregate have experienced lower uncompensated care expense as a percentage of total revenue, and an improvement in the quality of the Company's receivables.

Other operating expenses were $7.3 million in the second quarter of 1993 as compared with $4.3 million in the same period of 1992, an increase of 68.9%. As a percentage of total revenue, other operating expenses increased to 16.4% in the second quarter of 1993 from 14.7% in the same period of 1992. The increase in other operating expenses was a result of the growth in business and the addition of corporate expenses that did not exist in the prior period.

Net interest expense decreased by $58,000 for the three months ended June 30, 1993, as compared to the same period of 1992. This decrease was the result of the decline in the Company's weighted average borrowing rate and the decline in the average amount of debt outstanding, resulting primarily from the implementation of the Company's new revolving credit facility.

Amortization of intangibles increased to $344,000 for the second quarter of 1993 from $127,000 for the same period of 1992, an increase of $217,000. This was a result of the cost in excess of net assets acquired recorded in connection with the Company's acquisitions. Amortization of intangibles will increase in the future as a result of the cost in excess of net assets acquired recorded in connection with the Company's acquisitions accounted for as purchases.

The effective tax rate for the second quarter of 1993 was 43.5% as compared with a pro forma effective tax rate of 42.0% for the same period in 1992. The increase in the effective tax rate results primarily from an increase in amounts that are not deductible for tax purposes. Pro forma income tax expense for the second quarter of 1992, are tax amounts that would have been recorded if one of the companies acquired at the time of the initial public offering had been a C corporation during this period. If the subsidiary had been subject to corporate income taxes on an ongoing basis, the Company's income tax expense would have been $1,025,000 for the second quarter of 1992.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Six Months Ended June 30, 1993 Compared to the Six Months Ended June 30, 1992

Overview

The Company's net earnings amounted to $4.1 million or $.38 per share for the six months ended June 30, 1993, as compared with pro forma net earnings of $2.4 million or $.30 per share for the corresponding period of 1992. The increase in net earnings results from incremental earnings provided from acquisitions and from the growth in business. The increase in pro forma earnings per share results from the increase in net earnings, which is partly offset by an increase in the weighted average number of shares outstanding resulting from the initial public offering and shares issued in connection with acquisitions.

Results of Operations

The Company's total revenue amounted to $86.2 million for the first six months of 1993 as compared with $58.3 million for the same period of 1992, an increase of $27.9 million or 47.7%. The largest single contributor to the increase in total revenue was the incremental revenue provided from acquisitions. Also contributing to the increase was revenue generated from the Company's contract to provide exclusive "911" emergency response service to Atlantic City, New Jersey awarded in late 1992 and an increase in the number of emergency and non-emergency transports. On June 1, 1993, the Company began providing exclusive "911" emergency response service to Aurora, Colorado, the third largest city in Colorado.

The Company is a party to three significant contracts to provide emergency "911" services. The Company derived approximately 37% and 57% of its total revenue from these contracts during the first six months of 1993 and 1992, respectively.

Salaries and benefits expense as a percentage of total revenue was 49.1% and 49.9% for the first six months of 1993 and 1992, respectively. This was a result of a favorable impact of acquisitions, which in the aggregate have relatively lower labor costs, offset by the addition of corporate salaries and benefits which did not exist in the prior period and certain wage increases. It is anticipated that corporate salaries will increase in future periods as the Company continues to implement its acquisition program and centralize certain operating, financial, and treasury management functions. However, it is also anticipated that corporate salaries will decrease as a percentage of total revenue as the Company continues to grow.

Uncompensated care expense as a percentage of total revenue was 22.2% and 23.4% for the six months ended June 30, 1993 and 1992, respectively. The percentage decrease is due to the favorable impact of acquisitions, which in the aggregate have experienced lower uncompensated care expense as a percentage of total revenue and an improvement in the quality of the Company's receivables

Other operating expenses were $14.1 million in the first six months of 1993 as compared with $8.9 million in the same period of 1992, an increase of 57.5%. As a percentage of total revenue, other operating expenses increased to 16.3% in the first six months of 1993 from 15.3% in the same period of 1992. The increase in other operating expenses was a result of the growth in business and the addition of corporate expenses that did not exist in the prior period.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net interest expense decreased by $99,000 for the first six months of 1993 as compared to the first six months of 1992. This decrease was the result of the decline in the Company's weighted average borrowing rate and the decline in the average amount of debt outstanding, resulting primarily from implementation of the Companies revolving credit facility.

Amortization of intangibles increased to $659,000 for the first six months of 1993 from $273,000 for the first six months of 1992, an increase of $386,000. This increase was the result of the cost in excess of net assets acquired recorded in connection with the Company's acquisitions. Amortization of intangibles will increase in the future as a result of the cost in excess of net assets acquired recorded in connection with the Company's acquisitions accounted for as purchases.

The effective tax rate for the first six months of 1993 was 43.4% as compared with a pro forma effective tax rate of 42.2% for the same period in 1992. The increase in the effective tax rate results primarily from an increase in amounts that are not deductible for tax purposes. Pro forma income tax expense for the six months ended June 30, 1992, are tax amounts that would have been recorded if one of the companies acquired at the time of the initial public offering had been a C corporation during this period. If the subsidiary had been subject to corporate income taxes on an ongoing basis, the Company's income tax expense would have been $1,716,000 for the first six months of 1992.

Liquidity and Capital Resources

The Company has financed its cash needs, including cash used for acquisitions, from the net proceeds of its initial public offering, borrowings under its revolving line of credit and cash from operations. Concurrent with its initial public offering in August 1992, the Company acquired four ambulance service providers for aggregate consideration consisting of $10.2 million in cash and 4,143,500 shares of Common Stock. Through June 30, 1993, the Company has made six additional acquisitions for aggregate consideration consisting of $15.5 million in cash, $4.3 million in subordinated promissory notes and 1,434,062 shares of Common Stock.

The Company currently has a $30 million unsecured revolving line of credit with a group of banks consisting of Fleet Bank of Massachusetts, N.A., Continental Bank, N.A. and Pacific Western Bank. Borrowings under the line of credit have been used to refinance certain indebtedness, for acquisitions and for working capital purposes. Under the agreement, the Company is required to comply with certain financial and other covenants and borrowing availability is based on earnings. Borrowings are limited to the lesser of $30 million or 200% of the Company's earnings before interest, income taxes, depreciation and amortization for the most recent twelve months. Interest is determined at the time of borrowing at the Company's option at either prime or LIBOR plus 2.5%. The line of credit matures in April 1996. As of August 4, 1993, the Company had approximately $13.0 million of borrowings and $3.5 million of letters of credit outstanding under the line and $13.5 million remained available for future borrowings.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

During the first six months of 1993, capital expenditures were made primarily for new ambulances and amounted to $3.0 million.

Cash generated from operations during the first six months of 1993 was $5.3 million. Working capital at June 30, 1993 amounted to $24.6 million as compared to $23.1 million at December 31, 1992. Current financial resources and anticipated funds generated by operations are expected to be adequate to meet the Company's operating cash requirements in the foreseeable future.

The Company expects to continue its acquisition program. Successful implementation of the Company's acquisition strategy depends upon its ability to acquire related businesses. The Company plans to continue to use a combination of cash, subordinated debt and the Company's common stock to finance its acquisition program.

Subsequent Acquisitions and Recent Developments

In July 1993, Company acquired substantially all of the assets of Bridgeport Ambulance Service, Inc. of Bridgeport, Connecticut. The consideration paid for this acquisition consisted of approximately $1.4 million in cash, 58,589 shares of the Company's common stock, and $.5 million in a subordinated promissory note.

In June 1993, the Company also announced that it had reached a preliminary understanding relating to the possible acquisition of an ambulance service provider located in California. This complex transaction is subject to due diligence and the negotiation of definitive agreements.

Part II. Other Information

Item 1. Legal Proceedings

Not applicable

Item 2. Changes in Securities

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

(a) The annual meeting of stockholders of the Company was held on May 13, 1993.
(b) All nine directors of the Company were re-elected at the meeting as described in paragraph (c) below.
(c) The voting for the directors was as follows:

Nominee	For	Withheld
Paul M. Verrochi	9,422,541	10,850
Dominic J. Puopolo	9,422,541	10,850
Joseph R. Paolella	9,422,741	10,650
William E. Riggs	9,422,641	10,750
Paul T. Shirley	9,422,741	10,650
James E. McGrath	9,422,641	10,750
Michael A. Baker	9,422,741	10,650
David B. Hammond	9,422,741	10,650
John Larkin Thompson	9,422,741	10,650

(d) Not Applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) **Exhibits**

(10.1) Agreement between the County of Santa Clara and Medevac, Inc. dated July 1, 1988, as amc ded.

(10.2) Contract Extension between the County of Santa Clara and Medevac, Inc. dated as of July 1, 1993.

(11) Statement regarding Computation of Earnings Per Share.

(b) **Reports on Form 8-K**

The Company filed a Form 8-K dated June 29, 1993, relative to the acquisition of Randle Eastern Ambulance Service, Inc. and the A-1 Ambulance Service Companies. The following is a list of the financial statements filed with this report:

Financial statements of Randle Eastern Ambulance Service, Inc.:

- Independent Auditors' Report
- Balance Sheets at March 31, 1993 (unaudited), December 31, 1992 and December 31, 1991

Part II. Other Information-(continued)

- Statements of Income and Retained Earnings for the Years Ended December 31, 1992 and 1991
- Statements of Income and Retained Earnings for the Three Months Ended March 31, 1993 and 1992 (unaudited)
- Statements of Cash Flows for the Years Ended December 31, 1992 and 1991
- Statements of Cash Flows for the Three Months Ended March 31, 1993 and 1992 (unaudited)
- Notes to Financial Statements-December 31, 1992 and 1991

Pro Forma Combined Financial Statements:

- Pro Forma Combined Financial Statements (unaudited)
- Pro Forma Combined Balance Sheet at December 31, 1992 (unaudited)
- Pro Forma Combined Balance Sheet at March 31, 1993 (unaudited)
- Pro Forma Combined Statement of Earnings for the Year Ended December 31, 1992 (unaudited)
- Pro Forma Combined Statement of Earnings for the Three Months Ended March 31, 1993 (unaudited)
- Notes to Unaudited Pro Forma Combined Financial Statements

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN MEDICAL RESPONSE, INC.
(Registrant)

August 4, 1993
(Date)

/s/ Ronald M. Levenson
Ronald M. Levenson
Senior Vice President and
Chief Accounting Officer

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN MEDICAL RESPONSE, INC.
(Registrant)

August 4, 1993
(Date)

Ronald M. Levenson
Senior Vice President and
Chief Accounting Officer

AMERICAN MEDICAL RESPONSE, INC.

EXHIBIT INDEX

The following designated exhibits have previously been filed with the Securities and Exchange Commission under the Securities Act of 1933 as part of the Registrant's Registration Statement on Form S-1, as amended (No. 33-52702) and are incorporate herein by reference to such filing.

		SEC Exhibit	Page
10.1	Agreement between the County of Santa Clara and Medevac, Inc. dated July 1, 1988, as amended	10.28	
10.2	Contract Extension between the County of Santa Clara and Medevac, Inc. dated as of July 1, 1993	10.29	
11	Statement regarding computation of per share earnings	Filed herewith	18

EXHIBIT 11

AMERICAN MEDICAL RESPONSE, INC.

STATEMENT REGARDING COMPUTATION OF EARNINGS PER SHARE

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Month Ended June 30,	
	1993	1992	1993	1992
Pro Forma net earnings available to common shareholders	$ 2,395	$ 1,418	$ 4,102	$ 2,351
Weighted average shares of common stock outstanding	11,036	7,955	10,916	7,955
Common stock equivalents assumed to be outstanding for all periods	—	32	—	32
Less reduction for treasury stock method calculation	—	(19)	—	(19)
Pro forma weighted average common stock and common stock equivalents deemed outstanding	11,036	7,968	10,916	7,968
Pro forma net earnings per common share and equivalents	$ 0.22	$ 0.18	$ 0.38	$ 0.30

CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Ambulance Company Merger Report

MEETING DATE: October 20, 1993

PREPARED BY: City Manager

RECOMMENDED ACTION: None required. Information only.

BACKGROUND INFORMATION: The ambulance company serving the City of Lodi and surrounding areas (Life Medical Industries, Inc.) has been acquired by a nationwide company, American Medical Response, Inc. Mr. Mike Nilssen, Chief Operations Officer of Life Medical Industries, Inc., will be in attendance at Wednesday night's meeting to briefly review with the City Council the particulars of this action.

FUNDING: None required

Respectfully submitted,

Thos. A. Peterson

Thomas A. Peterson
City Manager

TAP:br

CCCOM856/TXTA.07A

APPROVED _____

THOMAS A. PETERSON
City Manager

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