

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

LIDLAW INTERNATIONAL INC

CIK: **737874** | IRS No.: **980390488** | State of Incorporation: **DE** | Fiscal Year End: **0831**
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SIC: **4100** Local & suburban transit & interurban hwy passenger trans

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended November 30, 2003
Commission file number 000-13109

LIDLAW INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or
organization)

98-0390488
(I.R.S. Employer
Identification No.)

55 Shuman Boulevard, Suite 400
Naperville, Illinois, 60563
(Address of principal executive offices)

Registrant' s telephone number, including area code (630) 848-3000

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES NO

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. YES NO

As of January 7, 2004, there were 103,806,110 shares of common stock, par value \$0.01 per share, outstanding.

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PART I. - FINANCIAL INFORMATION**Item 1. Financial Statements****LIDLAW INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(\$ in millions)**

	November 30, 2003	August 31, 2003
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 75.1	\$ 100.3
Restricted cash and cash equivalents	67.7	39.4
Short-term deposits and marketable securities	17.7	42.0
Trade accounts receivable	685.6	502.2
Other receivables	53.4	49.6
Income taxes recoverable	16.0	18.0
Parts and supplies	49.9	50.2
Deferred income tax assets	69.2	86.2
Other current assets	59.0	60.1
Total current assets	1,093.6	948.0
Long-term investments	552.5	553.5
Property and equipment		
Land	187.1	184.3
Buildings	156.2	151.1
Vehicles	1,275.7	1,228.4
Other	157.7	153.6
	1,776.7	1,717.4
Less: Accumulated depreciation	124.3	47.6
	1,652.4	1,669.8
Other assets		
Goodwill	183.1	183.1
Contracts and customer relationships	212.3	216.9

Deferred income tax assets	209.8	203.2
Deferred charges and other assets	75.8	78.2
	<u>681.0</u>	<u>681.4</u>
Total assets	\$ 3,979.5	\$ 3,852.7

The accompanying notes are an integral part of these statements.

LIDLAW INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(\$ in millions except par value per share)

	November 30, 2003	August 31, 2003
	(unaudited)	
LIABILITIES		
Current liabilities		
Accounts payable	\$ 127.0	\$ 119.4
Accrued liabilities	477.1	506.0
Current portion of long-term debt	76.0	69.4
Total current liabilities	680.1	694.8
Long-term debt	1,208.8	1,145.1
Pension liability	226.0	225.7
Other long-term liabilities	526.6	496.8
Total liabilities	2,641.5	2,562.4
SHAREHOLDERS' EQUITY		
Common Shares; \$0.01 par value per share; issued and outstanding 103,806,110 (August 31, 2003 - 103,777,422)	1.0	1.0
Share premium	1,358.3	1,358.3
Common shares held in trust; 3,777,419 issued	(50.0)	(50.0)
Accumulated other comprehensive income (loss)	16.0	(9.1)
Retained earnings (deficit)	12.7	(9.9)
Total shareholders' equity	1,338.0	1,290.3
Total liabilities and shareholders' equity	\$ 3,979.5	\$ 3,852.7

The accompanying notes are an integral part of these statements.

LIDLAW INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(\$ in millions except per share amounts)
(unaudited)

	Three Months Ended November 30, 2003	Predecessor Company Three Months Ended November 30, 2002
Revenue	\$ 1,210.3	\$ 1,162.2
Compensation expense	685.0	658.1
Accident claims and professional liability expenses	89.6	96.6
Vehicle related costs	69.9	66.5
Occupancy costs	49.9	48.6
Fuel	44.4	43.5
Depreciation	76.1	76.2
Amortization	4.6	0.2
Other operating expenses	121.3	116.8
Income from operating segments	69.5	55.7
Interest expense	(32.7)	(6.5)
Other financing related expenses	-	(8.2)
Other income	0.9	1.5
Income before income taxes and cumulative effect of a change in accounting principle	37.7	42.5
Income tax expense	(15.1)	(1.5)
Income before cumulative effect of a change in accounting principle	22.6	41.0
Cumulative effect of a change in accounting principle	-	(2,205.4)
Net income (loss)	\$ 22.6	(\$2,164.4)
Basic earnings (loss) per share		
Income before cumulative effect of a change in accounting principle	\$ 0.23	\$ 0.13
Cumulative effect of a change in accounting principle	-	(6.77)
Net income (loss)	\$ 0.23	(\$6.64)
Diluted earnings (loss) per share		
Income before cumulative effect of a change in accounting principle	\$ 0.22	\$ 0.13
Cumulative effect of a change in accounting principle	-	(6.77)

Net income (loss)

\$ **0.22**

(\$6.64)

The accompanying notes are an integral part of these statements.

LIDLAW INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(\$ in millions)
(unaudited)

	Three Months Ended November 30, 2003	Predecessor Company Three Months Ended November 30, 2002
Net income (loss)	\$ 22.6	(\$2,164.4)
Unrealized gains on securities net of reclassification adjustments for losses included in net income (net of \$1.2 million of taxes; 2002 -NIL)	2.0	1.5
Foreign currency translation adjustments arising during the period (net of NIL taxes)	23.1	(1.4)
Comprehensive income (loss)	\$ 47.7	(\$2,164.3)

The accompanying notes are an integral part of these statements.

LIDLAW INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(\$ in millions)
(unaudited)

	Three Months Ended November 30, 2003	Predecessor Company Three Months Ended November 30, 2002
Operating activities		
Net income (loss) for the period	\$ 22.6	(\$2,164.4)
Items not affecting cash:		
Cumulative effect of a change in accounting principle	-	2,205.4
Depreciation and amortization	80.7	76.4
Other financing related expenses	-	8.2
Deferred income taxes	14.1	-
Other items	4.1	(1.7)
Increase in claims liability and professional liability insurance accruals	5.8	28.7
Cash used in financing working capital items	(174.4)	(140.0)
Cash portion of other financing related expenses	(5.7)	(9.6)
Decrease (increase) in restricted cash and cash equivalents	1.2	(11.1)
Net cash used in operating activities	(\$51.6)	(\$8.1)
Investing activities		
Purchase of property, equipment and other assets, net of proceeds from sale	(\$39.3)	(\$67.6)
Expended on acquisitions	-	(3.2)
Net increase in investments	(7.7)	(9.0)
Net cash used in investing activities	(\$47.0)	(\$79.8)
Financing activities		
Net increase in long-term debt and other long-term liabilities	\$ 73.4	\$ 2.6
Net cash provided by financing activities	\$ 73.4	\$ 2.6
Net decrease in cash and cash equivalents	(\$25.2)	(\$85.3)
Cash and cash equivalents - beginning of period*	100.3	343.5
Cash and cash equivalents - end of period*	\$ 75.1	\$ 258.2

* *These amounts represent the unrestricted cash and cash equivalents*

The accompanying notes are an integral part of these statements.

LIDLAW INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2003

Note 1 - Basis of presentation

The accompanying interim consolidated financial statements of Laidlaw International, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim reporting, which conform, in all material respects (except as indicated in Note 11), with accounting principles generally accepted in Canada ("Canadian GAAP"). Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included. All such adjustments are of a normal, recurring nature. Operating results for the three months ended November 30, 2003 are not necessarily indicative of the results that may be expected for the full year ending August 31, 2004. For further information, see the Company's consolidated financial statements, including the accounting policies and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2003.

On June 1, 2003, the Company adopted fresh start accounting pursuant to the guidance provided by the American Institute of Certified Public Accountant's Statement of Position 90-7 "Financial Reporting by Entities in Reorganization under the Bankruptcy Code". In accordance with the principles of fresh start accounting, the Company adjusted its assets and liabilities to their estimated fair values as of June 1, 2003. Due to the changes in the financial structure of the Company following its emergence from bankruptcy in June 2003, and the application of fresh start accounting, the consolidated financial statements of the Company issued subsequent to May 31, 2003 are not comparable with the consolidated financial statements issued by the predecessor company (the "Predecessor Company") prior to June 1, 2003. A black line has been drawn on the accompanying Consolidated Financial Statements to separate and distinguish between the Company and the Predecessor Company.

The basic earnings (loss) per share figures are calculated using the weighted average number of shares outstanding during the respective periods (100.0 million for the three months ended November 30, 2003 and 325.9 million for the Predecessor Company in the three months ended November 30, 2002). The diluted earnings per share for the three months ended November 30, 2003 assumes the sale on the open market of the Company's common shares held in trust.

Note 2 - Accounts receivable and revenue

Trade accounts receivable as of November 30, 2003 are net of \$552.5 million (August 31, 2003 - \$527.9 million) of allowances for uncompensated care and contractual allowances in the Company's Healthcare Transportation and Emergency Management business segments (the "Healthcare Businesses") and net of an allowance for doubtful accounts of \$6.2 million (August 31, 2003 - \$5.6 million) in the Company's other three reportable segments.

Note 3 - Intangible assets

The contracts and customer relationships are net of \$9.0 million of accumulated amortization at November 30, 2003 (August 31, 2003 - \$4.5 million).

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Included in deferred charges and other assets are radio frequency licenses totalling \$12.0 million at November 30, 2003 (August 31, 2003 – \$12.0 million). The licenses are considered to be assets with indefinite lives and as such, are not amortized.

Note 4 - Long-term debt and interest rate swap

In December 2003, the Company modified the terms of its \$625.0 million loan maturing in June 2009 (the “Term B Facility”). The interest rate charged on the loan has been reduced by 1.25%, to LIBOR plus 3.75% from LIBOR plus 5.0%. Additionally, the LIBOR floor or minimum LIBOR rate has been reduced 0.25% to 1.75% from the previous floor of 2.0%. Additionally, the Company entered into an interest rate swap agreement (“Swap”) that effectively converted \$110 million of Term B Facility floating rate debt to fixed rate debt with an interest rate of 6.8%. The Swap was entered into because the Company is required under the Term B Facility to have a fixed interest rate on a portion of the underlying debt. The Swap is considered a cash flow hedge and expires in September 2006.

Note 5 - Stock awards and options

Pursuant to the Company’s 2003 Equity and Performance Incentive Plan, in the first quarter of fiscal 2004 the Company issued stock based compensation to various employees and non-employee directors. These grants to employees represent the long-term incentive portion of the Company’s overall compensation plan for management. Due to the size and timing of the issuances, the impact on the Company’s consolidated financial statements is immaterial in the first quarter. A summary of stock based compensation issued in the quarter is as follows:

Stock options - On September 10, 2003, the Company issued 57,375 non-qualified stock options to non-employee directors with a strike price of \$10.33 per share, which was equal to the fair market value of the Company’s stock at the date of grant. The stock options have a ten-year life and vest ratably over three years.

Stock options and tandem stock appreciation rights - On November 24, 2003, the Company issued 352,000 non-qualified stock options to key management employees with a strike price of \$13.00 per share, which was equal to the fair market value of the Company’s stock at the date of grant. The stock options have a ten-year life and vest ratably over three years. In tandem with the stock option grant each participant received a stock appreciation right which allows the participant to receive, upon exercise of the right, the difference between the option strike price and fair market value of the Company’s stock on the exercise date. The Company can choose whether to deliver Company common stock or cash to the participant upon exercise of the stock appreciation right. Any exercise of a tandem stock appreciation right will automatically cancel the underlying stock option and any exercise of the stock option will automatically cancel the tandem stock appreciation right.

Restricted Shares - On September 10, 2003, the Company issued 28,688 shares of restricted common stock to non-employee directors which vest at the end of a three-year period. During the vesting period the participant has the rights of a shareholder in terms of voting and dividend rights but is restricted from transferring the shares.

Deferred Shares - On November 24, 2003, the Company issued 672,000 deferred shares to key management employees that vest ratably over a four-year period. On each vesting date the employee will receive common stock of the Company equal in number to the deferred shares that have vested. Upon delivery of the Company common stock an equal number of deferred shares are terminated. The participant has no voting rights with the deferred shares.

Note 6 - Material contingencies

Ability of Greyhound Lines to continue as a going concern

Based upon the current financial forecast for Greyhound Lines, Inc. (“Greyhound Lines”) management is unable to predict with reasonable assurance whether Greyhound Lines will remain in compliance with the terms of its revolving credit facility (the “Greyhound Facility”). Management is closely monitoring this situation and intends on requesting covenant amendments should it appear likely such amendments will be necessary to remain in compliance with the covenants. In addition, Greyhound Lines will be seeking an extension of this facility prior to its current maturity of October 24, 2004. As of November 30, 2003, Greyhound Lines had \$15.0 million of cash borrowings under the Greyhound Facility, issued letters of credit of \$56.8 million and had availability of \$44.1 million. Additionally, Greyhound Lines was in compliance with all covenants.

Although Greyhound Lines has been successful in obtaining necessary amendments and extensions to the Greyhound Facility in the past, there can be no assurances that they will obtain additional modifications in the future if needed, or that the cost of any future modifications or other changes in the terms of the Greyhound Facility would not have a material effect on Greyhound Lines or the Company. If unsuccessful, this may impact Greyhound Lines’ ability to continue as a going concern. If the “going concern” basis on which Greyhound Lines’ consolidated financial statements were prepared was not appropriate for those consolidated financial statements, then significant adjustments would need to be made to the carrying value of the assets and liabilities, the reported revenue and expenses and balance sheet classifications used by Greyhound Lines. Accordingly, if such changes were made to Greyhound Lines’ consolidated financial statements, significant adjustments would be required to the Company’ s consolidated financial statements.

Compliance by the Company with the financial and other covenants in its senior secured credit facility is generally not dependent on the financial results or financial condition of Greyhound Lines, as Greyhound Lines’ performance has been excluded for purposes of determining compliance with such provisions. Moreover, consistent with the intent to exclude events solely related to Greyhound Lines, the Company’ s senior secured credit facility specifies that a default by Greyhound Lines under the Greyhound Facility or a bankruptcy filing by Greyhound Lines would not be an event of default under the Company’ s senior secured credit facility. However, it is not clear whether and under what circumstances certain events related to the Company’ s controlled group liabilities under ERISA with respect to Greyhound Lines’ pension plans would lead to an event of default under the Company’ s senior secured credit facility in the context of a Greyhound Lines bankruptcy filing. The Company currently is working with the agents for the lenders under its senior secured credit facility to clarify that an event of default is not to be triggered under such controlled group provisions in the context of a Greyhound Lines bankruptcy filing in light of the parties’ intent to exclude events solely related to Greyhound Lines.

Should Greyhound Lines be unable to continue as a going concern, the Company may be required to honor certain of Greyhound Lines’ lease commitments and pension obligations. The Company’ s management believes that any required expenditures with respect to such liabilities would not materially impact the Company’ s financial condition. In addition, management believes that the Company will be successful in either obtaining a clarification of the Company’ s senior secured credit facility to confirm the Company’ s understanding that an event of default under the facility would not be triggered in the context of a Greyhound Lines bankruptcy filing or, if such clarification is not obtained, refinancing the credit facility on terms that would not have a material effect on the Company’ s financial condition.

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Organized strikes and work stoppages by unionized employees

The Company is party to collective bargaining agreements that cover the majority of its employees. The Company's largest collective bargaining agreement is between Greyhound Lines and the Amalgamated Transit Union, or the ATU, and expires on January 31, 2004. If the Company's unionized employees were to engage in a strike or other work stoppage prior to such expiration, or if the Company is unable to negotiate acceptable extensions of the agreement resulting in a strike or other work stoppage by the affected workers, the Company could experience a significant disruption of operations and increased operating costs as a result of higher wages or benefits paid to union members, which could have a material adverse effect on our business, financial condition and results of operations.

Contingent bonuses

The Company and two of its subsidiaries, American Medical Response, Inc. ("AMR") and EmCare Holdings, Inc. ("EmCare") are parties to an employment agreement effective October 1, 2002 with William A. Sanger under which Mr. Sanger serves as President and Chief Executive Officer of AMR and Chief Executive Officer of EmCare. Pursuant to the agreement, Mr. Sanger is entitled to a bonus payment upon a sale, or an initial public offering, of the stock of AMR and/or EmCare. This bonus is also payable if Mr. Sanger remains employed on October 1, 2007 and neither a sale nor initial public offering has occurred. With respect to AMR, the bonus is equal to 5% of the enterprise value of AMR in excess of \$410 million at the time of the event that entitles Mr. Sanger to the payment. With respect to EmCare, the bonus is equal to 5% of the enterprise value of EmCare in excess of \$125 million at the time of the event that entitles Mr. Sanger to the payment.

EmCare is party to an employment agreement effective April 1, 2003 with Don S. Harvey under which Mr. Harvey serves as President and Chief Operating Officer of EmCare. Pursuant to the agreement, Mr. Harvey is entitled to a bonus payment upon a sale, or an initial public offering, of the stock of EmCare provided Mr. Harvey remains employed under the agreement upon the occurrence of such event. The bonus is equal to 2% of the enterprise value of EmCare in excess of \$125 million at the time of the event that entitles Mr. Harvey to the payment.

No amounts were required to be accrued under these agreements as of November 30, 2003.

Environmental matters

The Company's operations are subject to numerous environmental laws, regulations and guidelines adopted by various governmental authorities in the jurisdictions in which the Company operates. Liabilities are recorded when environmental liabilities are either known or considered probable and can be reasonably estimated. On an ongoing basis, management assesses and evaluates environmental risk and, when necessary, conducts appropriate corrective measures. The Company provides for environmental liabilities using its best estimates. Actual environmental liabilities could differ significantly from these estimates.

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Income tax matters

The respective tax authorities, in the normal course, audit previous tax filings. It is not possible at this time to predict the final outcome of these audits or to establish a reasonable estimate of possible additional taxes owing, if any.

Legal proceedings

The Company is a defendant in various lawsuits arising in the ordinary course of business, primarily cases involving personal injury and property damage claims and employment related claims. Based on the Company's assessment of known claims and the Predecessor Company's claims payout pattern and discussion with internal and outside legal counsel and risk management personnel, management believes that there is no proceeding either threatened or pending against the Company relating to such claims arising out of the ordinary course of business that, if resolved against the Company, would have a materially adverse effect upon the Company's consolidated financial position or results of operations.

Healthcare Businesses Issues

The Company is currently undergoing investigations by certain government agencies regarding compliance with Medicare fraud and abuse statutes. The Company is cooperating with the government agencies conducting these investigations and is providing requested information to the governmental agencies. Management believes that the outcome of any of these investigations would not have a materially adverse effect upon the Company.

Note 7 - Cumulative effect of a change in accounting principle

Effective September 1, 2002, the Predecessor Company adopted SFAS 142 and, as a result, the Predecessor Company ceased to amortize goodwill. SFAS 142 requires that goodwill be reviewed for impairment upon adoption of SFAS 142 and at least annually thereafter. Under SFAS 142, goodwill impairment is deemed to exist if the carrying amount of a reporting unit exceeds its estimated fair value and the carrying amount of the goodwill exceeds its estimated fair value. To determine estimated fair value of the reporting units the Predecessor Company utilized independent valuations of the underlying businesses.

During the three months ended November 30, 2002, the Predecessor Company completed the impairment assessment as required by SFAS 142 and determined that a significant portion of its goodwill was impaired as of September 1, 2002. As a result, the Predecessor Company recorded a non-cash charge of \$2,205.4 million as a cumulative effect of a change in accounting principle.

Note 8 - Segmented information

The Company has five reportable segments: Education services, Public Transit services, Greyhound, Healthcare Transportation services and Emergency Management services. Revenues and income from operations before depreciation and amortization of the segments for the three months ended November 30, 2003 and 2002 are as follows:

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(\$ in millions)	2003	Predecessor Company 2002
Education services		
Revenue	\$ 455.7	\$ 456.2
Income from operations before depreciation and amortization	<u>109.5</u>	<u>106.6</u>
Public Transit services		
Revenue	\$ 72.1	\$ 70.6
Income (loss) from operations before depreciation and amortization	<u>0.5</u>	<u>(0.1)</u>
Greyhound		
Revenue	\$ 287.1	\$ 274.4
Income (loss) from operations before depreciation and amortization	<u>10.6</u>	<u>(1.5)</u>
Healthcare Transportation services		
Revenue	\$ 262.0	\$ 247.5
Income from operations before depreciation and amortization	<u>19.0</u>	<u>19.1</u>
Emergency Management services		
Revenue	\$ 133.4	\$ 113.5
Income from operations before depreciation and amortization	<u>10.6</u>	<u>8.0</u>

The Company' s goodwill balance of \$183.1 million (August 31, 2003 – \$183.1 million) is composed of goodwill from the Education services segment.

Total identifiable assets for each of the reportable segments has not changed materially since August 31, 2003 with the exception of the Education services segment where total identifiable assets at November 30, 2003 were \$1,442.3 million compared to \$1,309.6 million at August 31, 2003. The increase is due primarily to seasonal accounts receivable changes.

Consolidated

(\$ in millions)	2003	Predecessor Company 2002
Revenue	\$ 1,210.3	\$ 1,162.2
Income from operations before depreciation and amortization	<u>150.2</u>	<u>132.1</u>
Depreciation and amortization expense	<u>80.7</u>	<u>76.4</u>
Income from operating segments	69.5	55.7
Interest expense	(32.7)	(6.5)
Other financing related expenses	–	(8.2)
Other income	<u>0.9</u>	<u>1.5</u>

Income tax expense	(15.1)	(1.5)
	<u> </u>	<u> </u>
Income for the period before cumulative effect of a change in accounting principle	\$ 22.6	\$ 41.0
	<u> </u>	<u> </u>

Note 9 - Condensed financial statements of restricted subsidiaries

Pursuant to the terms of the Company' s \$406.0 million Senior Notes, the Company is required to segregate the consolidated results of operations between the subsidiaries of the Company that are not a party to the agreement, which are comprised of the U.S. based businesses in the Greyhound segment (the "Unrestricted Subsidiaries"), and the Company and its remaining subsidiaries (the "Restricted Subsidiaries").

Condensed Consolidated Statement of Operations
Three Months Ended November 30, 2003

(\$ millions)	Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated Totals
Revenue	\$ 980.1	\$ 230.2	\$ 1,210.3
Compensation expense	583.8	101.2	685.0
Accident claims and professional liability expenses	73.0	16.6	89.6
Vehicle related costs	35.5	34.4	69.9
Occupancy costs	30.1	19.8	49.9
Fuel	30.9	13.5	44.4
Depreciation	65.6	10.5	76.1
Amortization	4.6	-	4.6
Other operating expenses	85.4	35.9	121.3
Income (loss) from operations	71.2	(1.7)	69.5
Interest expense	(25.9)	(6.8)	(32.7)
Other income (loss)	1.1	(0.2)	0.9
Income (loss) from operations before income taxes	46.4	(8.7)	37.7
Income tax recovery (expense)	(18.6)	3.5	(15.1)
Net income (loss)	\$ 27.8	(\$5.2)	\$ 22.6

Condensed Consolidated Balance Sheet
November 30, 2003

(\$ millions)	Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated Totals
Current assets			
Cash and cash equivalents	\$ 55.5	\$ 19.6	\$ 75.1
Restricted cash and cash equivalents	67.7	–	67.7
Short-term deposits and marketable securities	17.7	–	17.7
Trade accounts receivable	659.6	26.0	685.6
Other receivables	38.7	14.7	53.4
Income taxes recoverable	15.5	0.5	16.0
Parts and supplies	38.6	11.3	49.9
Deferred income tax assets	60.0	9.2	69.2
Other current assets	45.5	13.5	59.0
Total current assets	998.8	94.8	1,093.6
Long-term investments	511.5	41.0	552.5
Property and equipment	1,280.7	371.7	1,652.4
Goodwill	183.1	–	183.1
Contracts and customer relationships	212.3	–	212.3
Deferred income tax assets	93.6	116.2	209.8
Deferred charges and other assets	65.4	10.4	75.8
Total assets	\$ 3,345.4	\$ 634.1	\$ 3,979.5
Current liabilities			
Accounts payable	\$ 102.2	\$ 24.8	\$ 127.0
Accrued liabilities	370.7	106.4	477.1
Current portion of long-term debt	57.2	18.8	76.0
Total current liabilities	530.1	150.0	680.1
Long-term debt	1,075.9	132.9	1,208.8
Pension liability	4.4	221.6	226.0
Other long-term liabilities	435.6	91.0	526.6
Total liabilities	2,046.0	595.5	2,641.5
Shareholders' equity	1,299.4	38.6	1,338.0
Total liabilities and shareholders' equity	\$ 3,345.4	\$ 634.1	\$ 3,979.5

Condensed Consolidated Statement of Cash Flows
Three Months Ended November 30, 2003

(\$ millions)	Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated Totals
Net cash used in operating activities	(\$49.8)	(\$1.8)	(\$51.6)
Cash flows from investing activities:			
Purchase of property, equipment and other assets, net of proceeds from sale	(\$32.8)	(\$6.5)	(\$39.3)
Net increase in investments	(6.0)	(1.7)	(7.7)
Net cash used in investing activities	(\$38.8)	(\$8.2)	(\$47.0)
Cash flows from financing activities:			
Net increase (decrease) in long-term debt and other long-term liabilities	\$ 89.0	(\$15.6)	\$ 73.4
Net cash provided by (used in) financing activities	\$ 89.0	(\$15.6)	\$ 73.4
Net increase (decrease) in cash and cash equivalents	\$ 0.4	(\$25.6)	(\$25.2)
Cash and cash equivalents at:			
Beginning of period	55.1	45.2	100.3
End of period	\$ 55.5	\$ 19.6	\$ 75.1

Predecessor Company
Condensed Consolidated Statement of Operations
Three Months Ended November 30, 2002

(\$ millions)	Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated Totals
Revenue	\$ 935.9	\$ 226.3	\$ 1,162.2
Compensation expense	550.2	107.9	658.1
Accident claims and professional liability expenses	80.6	16.0	96.6
Vehicle related costs	35.0	31.5	66.5
Occupancy costs	29.5	19.1	48.6
Fuel	29.3	14.2	43.5
Depreciation	64.0	12.2	76.2
Amortization	0.2	-	0.2
Other operating expenses	80.0	36.8	116.8
Income (loss) from operating segments	67.1	(11.4)	55.7
Interest expense	(1.4)	(5.1)	(6.5)
Other financing related expenses	(8.2)	-	(8.2)
Other income	1.5	-	1.5

Income (loss) before income taxes and cumulative effect of a change in accounting principle	59.0	(16.5)	42.5
Income tax expense	(1.1)	(0.4)	(1.5)
Income (loss) from operations before cumulative effect of a change in accounting principle	57.9	(16.9)	41.0
Cumulative effect of a change in accounting principle	(1,775.9)	(429.5)	(2,205.4)
Net loss	(\$1,718.0)	(\$446.4)	(\$2,164.4)

Predecessor Company
Condensed Consolidated Statement of Cash Flows
Three Months Ended November 30, 2002

(\$ millions)	Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated Totals
Net cash provided by (used in) operating activities	(\$33.7)	\$ 25.6	(\$8.1)
Cash flows from investing activities:			
Purchase of property, equipment and other assets, net of proceeds from sale	(\$35.0)	(\$32.6)	(\$67.6)
Expended on acquisitions	(3.2)	-	(3.2)
Net decrease in investments	(8.0)	(1.0)	(9.0)
Net cash used in investing activities	(\$46.2)	(\$33.6)	(\$79.8)
Cash flows from financing activities:			
Net increase (decrease) in long-term debt and other non-current liabilities	(\$3.3)	\$ 5.9	\$ 2.6
Net cash provided by (used in) financing activities	(\$3.3)	\$ 5.9	\$ 2.6
Net decrease in cash and cash equivalents	(\$83.2)	(\$2.1)	(\$85.3)
Cash and cash equivalents at:			
Beginning of period	323.8	19.7	343.5
End of period	\$ 240.6	\$ 17.6	\$ 258.2

Condensed Consolidated Balance Sheet
As of August 31, 2003

(\$ millions)	Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated Totals
Current assets			
Cash and cash equivalents	\$ 55.1	\$ 45.2	\$ 100.3
Restricted cash and cash equivalents	39.4	-	39.4
Short-term deposits and marketable securities	42.0	-	42.0
Trade accounts receivable	478.8	23.4	502.2
Other receivables	31.7	17.9	49.6
Income taxes recoverable	18.3	(0.3)	18.0
Parts and supplies	38.2	12.0	50.2
Deferred income tax assets	76.1	10.1	86.2
Other current assets	50.1	10.0	60.1
Total current assets	829.7	118.3	948.0
Long-term investments	514.1	39.4	553.5
Property and equipment	1,291.2	378.6	1,669.8
Goodwill	183.1	-	183.1
Contracts and customer relationships	216.9	-	216.9
Deferred income tax assets	88.3	114.9	203.2
Deferred charges and other assets	66.9	11.3	78.2
Total assets	\$ 3,190.2	\$ 662.5	\$ 3,852.7
Current liabilities			
Accounts payable	\$ 87.7	\$ 31.7	\$ 119.4
Accrued liabilities	397.3	108.7	506.0
Current portion of long-term debt	35.7	33.7	69.4
Total current liabilities	520.7	174.1	694.8
Long-term debt	1,012.5	132.6	1,145.1
Pension liability	4.9	220.8	225.7
Other long-term liabilities	408.2	88.6	496.8
Total liabilities	1,946.3	616.1	2,562.4
Shareholders' equity	1,243.9	46.4	1,290.3
Total liabilities and shareholders' equity	\$ 3,190.2	\$ 662.5	\$ 3,852.7

Note 10 - Guarantors of Senior Notes

The Company's \$406.0 million Senior Notes are guaranteed by the Company's subsidiaries, other than the Unrestricted Subsidiaries, the Canadian subsidiaries and any of the Company's subsidiaries that are in the business of insurance. The condensed consolidated financial statements for the guarantors, the non-guarantors and the parent company (reported as the Company and as the Predecessor Company for historical purposes) are as follows:

Condensed Consolidated Statement of Operations
Three months ended November 30, 2003

(\$ millions)	Parent Company	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
Revenue	\$ –	\$ 872.5	\$ 337.8	\$ –	\$ 1,210.3
Operating, selling, general and administrative expenses	–	743.3	316.8	–	1,060.1
Depreciation and amortization expense	–	60.2	20.5	–	80.7
Intercompany management fees (income)	–	(0.8)	0.8	–	–
Income (loss) from operating segments	–	69.8	(0.3)	–	69.5
Interest expense, net of other income	(25.1)	(0.1)	(6.6)	–	(31.8)
Intercompany interest income (expense)	(0.5)	1.1	(0.6)	–	–
Equity in earnings (loss) of intercompany investments	38.0	(5.9)	–	(32.1)	–
Income (loss) before income taxes	12.4	64.9	(7.5)	(32.1)	37.7
Income tax recovery (expense)	10.2	(28.3)	3.0	–	(15.1)
Net income (loss)	\$ 22.6	\$ 36.6	(\$4.5)	(\$32.1)	\$ 22.6

Condensed Consolidated Balance Sheet
As of November 30, 2003

(\$ millions)	Parent Company	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
Current assets	\$ 22.7	\$ 832.2	\$ 238.7	\$ –	\$ 1,093.6
Long-term deferred income tax assets	59.3	–	187.7	(37.2)	209.8
Intercompany receivables (payables) and investments	2,231.1	(100.0)	53.3	(2,184.4)	–
Long-term investments	108.7	114.8	329.0	–	552.5
Property and equipment	–	976.9	675.5	–	1,652.4
Goodwill	–	183.1	–	–	183.1
Contracts and customer relationships	–	212.3	–	–	212.3
Deferred charges and other assets	44.4	20.9	10.5	–	75.8

	\$ 2,466.2	\$ 2,240.2	\$ 1,494.7	(\$2,221.6)	\$ 3,979.5
Current liabilities	\$ 69.5	\$ 271.6	\$ 339.0	\$ -	\$ 680.1
Non-current liabilities	1,058.7	182.1	757.8	(37.2)	1,961.4
Shareholders' equity	1,338.0	1,786.5	397.9	(2,184.4)	1,338.0
	\$ 2,466.2	\$ 2,240.2	\$ 1,494.7	(\$2,221.6)	\$ 3,979.5

Condensed Consolidated Statement of Cash Flows
Three months ended November 30, 2003

(\$ millions)	Parent Company	Guarantors	Non-Guarantors	Consolidated Totals
Net cash provided by (used in) operating activities	(\$18.9)	(\$81.8)	\$ 49.1	(\$51.6)
Cash flows from investing activities:				
Purchases of property, equipment and other assets net of proceeds from sale	\$ -	(\$13.7)	(\$25.6)	(\$39.3)
Net decrease (increase) in investments	1.6	1.2	(10.5)	(7.7)
Net cash provided by (used in) investing activities	\$ 1.6	(\$12.5)	(\$36.1)	(\$47.0)
Cash flows from financing activities:				
Net increase (decrease) in long-term debt and other long-term liabilities	\$ 83.8	(\$3.6)	(\$6.8)	\$ 73.4
Increase (decrease) in intercompany advances	(88.4)	121.8	(33.4)	-
Net cash provided by (used in) financing activities	(\$4.6)	\$ 118.2	(\$40.2)	\$ 73.4
Net increase (decrease) in cash and cash equivalents	(\$21.9)	\$ 23.9	(\$27.2)	(\$25.2)
Cash and cash equivalents at:				
Beginning of period	40.8	3.8	55.7	100.3
End of period	\$ 18.9	\$ 27.7	\$ 28.5	\$ 75.1

Predecessor Company
Condensed Consolidated Statement of Operations
Three months ended November 30, 2002

(\$ millions)	Parent Company	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
Revenue	\$ –	\$ 845.9	\$ 316.3	\$ –	\$ 1,162.2
Operating, selling, general and administrative expenses	3.0	709.3	317.8	–	1,030.1
Depreciation and amortization expense	0.1	55.1	21.2	–	76.4
Intercompany management fees (income)	(19.2)	15.5	3.7	–	–
Income (loss) from operating segments	16.1	66.0	(26.4)	–	55.7
Interest expense, net of other income	(0.1)	(0.4)	(4.5)	–	(5.0)
Intercompany interest income (expense)	–	0.6	(0.6)	–	–
Other financing related expenses	(5.2)	(3.0)	–	–	(8.2)
Equity in earnings (loss) of intercompany investments	30.4	(16.9)	–	(13.5)	–
Income (loss) before income taxes and cumulative effect of a change in accounting principle	41.2	46.3	(31.5)	(13.5)	42.5
Income tax expense	(0.2)	(0.7)	(0.6)	–	(1.5)
Income (loss) before cumulative effect of a change in accounting principle	41.0	45.6	(32.1)	(13.5)	41.0
Cumulative effect of a change in accounting principle	–	(1,668.0)	(537.4)	–	(2,205.4)
Equity in loss from cumulative effect of a change in accounting principle of intercompany investments	(2,205.4)	(429.5)	–	2,634.9	–
Net income (loss)	(\$2,164.4)	(\$2,051.9)	(\$569.5)	\$ 2,621.4	(\$2,164.4)

Predecessor Company
Condensed Consolidated Statement of Cash Flows
For the three months ended November 30, 2002

(\$ millions)	Parent Company	Guarantors	Non-Guarantors	Consolidated Totals
Net cash provided by (used in) operating activities	\$ 5.4	(\$42.1)	\$ 28.6	(\$8.1)
Cash flows from investing activities:				
Purchases of property, equipment and other assets net of proceeds from sale	\$ -	(\$24.4)	(\$43.2)	(\$67.6)
Expended on acquisitions	-	(3.2)	-	(3.2)
Net decrease (increase) in investments	0.4	(9.5)	0.1	(9.0)
Net cash provided by (used in) investing activities	\$ 0.4	(\$37.1)	(\$43.1)	(\$79.8)
Cash flows from financing activities:				
Net increase (decrease) in long-term debt and other long-term liabilities	\$ -	(\$1.5)	\$ 4.1	\$ 2.6
Net cash provided by (used in) financing activities	\$ -	(\$1.5)	\$ 4.1	\$ 2.6
Net increase (decrease) in cash and cash equivalents	\$ 5.8	(\$80.7)	(\$10.4)	(\$85.3)
Cash and cash equivalents at:				
Beginning of period	12.0	291.3	40.2	343.5
End of period	\$ 17.8	\$ 210.6	\$ 29.8	\$ 258.2

Condensed Consolidated Balance Sheet
As of August 31, 2003

(\$ millions)	Parent Company	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
Current assets	\$ 44.0	\$ 662.7	\$ 241.3	\$ -	\$ 948.0
Long-term deferred income tax assets	49.1	-	183.9	(29.8)	203.2
Intercompany receivables and investments	2,083.4	25.9	18.8	(2,128.1)	-
Long-term investments	110.3	129.0	314.2	-	553.5
Property and equipment	-	1,015.7	654.1	-	1,669.8
Goodwill	-	183.1	-	-	183.1
Contracts and customer relationships	-	216.8	0.1	-	216.9

Deferred charges and other assets	46.5	20.2	11.5	-	78.2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 2,333.3	\$ 2,253.4	\$ 1,423.9	(\$2,157.9)	\$ 3,852.7
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current liabilities	\$ 44.1	\$ 296.7	\$ 354.0	\$ -	\$ 694.8
Non-current liabilities	998.9	180.6	717.9	(29.8)	1,867.6
Shareholders' equity	1,290.3	1,776.1	352.0	(2,128.1)	1,290.3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 2,333.3	\$ 2,253.4	\$ 1,423.9	(\$2,157.9)	\$ 3,852.7
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note 11 – United States and Canadian Accounting Principles

These consolidated financial statements have been prepared in accordance with U.S. GAAP and conform in all material respects with Canadian GAAP, except as follows:

Three months ended November 30, (\$ millions)	2003	Predecessor Company 2002
Net income (loss) in accordance with U.S. GAAP	\$22.6	(\$2,164.4)
Effects of differences in accounting for:		
Costs of start-up activities (a)	–	(3.3)
Impairment charges under U.S. GAAP (b)	–	2,205.4
Net income in accordance with Canadian GAAP	\$22.6	\$ 37.7
Basic net income per share	\$0.23	\$ 0.12

The amounts in the consolidated balance sheets that materially differ from those reported under U.S. GAAP are as follows: (\$ in millions)

	November 30, 2003		August 31, 2003*	
	U.S. GAAP	Canadian GAAP	U.S. GAAP	Canadian GAAP
Assets:				
Long-term investments (c)	\$ 552.5	\$ 559.3	\$ 553.5	\$ 563.5
Goodwill (d)	183.1	–	183.1	–
Deferred income tax assets (c)	279.0	276.7	289.4	285.9
Liabilities and Shareholders' Equity				
Cumulative foreign currency translation adjustments (c)	–	20.5	–	(2.6)
Share premium (d)	1,358.3	1,175.2	1,358.3	1,175.2
Accumulated other comprehensive income (loss) (c)	16.0	–	(9.1)	–

* Refer to Note 26 of the Notes to the Consolidated Financial Statements as of August 31, 2003.

(a) Reporting on the costs of start-up activities

During fiscal 2000, the Predecessor Company applied SOP 98-5. As a result, during fiscal 2000, the Predecessor Company expensed \$27.3 million in unamortized costs of start-up activities as a cumulative effect of a change in accounting principle under U.S. GAAP. Under Canadian GAAP, SOP 98-5 is not applicable. As a result, under Canadian GAAP, the Predecessor Company did not record the \$27.3 million change in accounting principle amount and continued with the policy of deferring start-up costs and amortizing the deferrals over a reasonable period representing an overall adjustment to conform to Canadian GAAP of \$3.3 million expense during the three months ended

November 30, 2002. Fresh Start accounting eliminated this GAAP difference for periods subsequent to June 1, 2003, because the unamortized deferred start-up costs remaining under Canadian GAAP were written off on Fresh Start.

(b) Goodwill impairment

Prior to September 2002, the Predecessor Company had different accounting policies for determining goodwill impairment for Canadian and U.S. GAAP reporting. This difference in accounting policy resulted in additional goodwill impairment losses under Canadian GAAP for periods prior to September 2002.

As of September 1, 2002, the Predecessor Company followed the guidelines of SFAS No. 142, "Goodwill and Other Intangible Assets" and similar guidance under Canadian GAAP. The guidance in both countries discontinued the amortization of intangible assets with indefinite useful lives. In addition, the Predecessor Company was required to test goodwill and intangible assets with an indefinite life for impairment in accordance with the provisions of SFAS 142 and Canadian GAAP. Pursuant to the guidance, any impairment loss is to be recorded directly through the deficit account for Canadian GAAP and recorded as a cumulative effect of change in accounting principle on the consolidated statement of operations for U.S. GAAP. On September 1, 2002, under Canadian GAAP, this resulted in an impairment charge totalling \$16.0 million. Under U.S. GAAP, this resulted in an impairment loss totalling \$2,205.4 million, recorded as a cumulative effect of a change in accounting principle.

(c) Comprehensive income

U.S. GAAP requires that a comprehensive income statement be prepared. Under U.S. GAAP, available-for-sale securities are to be reported at their fair values, with unrealized gains or losses reported in a separate component of shareholders' equity along with the cumulative foreign currency translation adjustments. These amounts are tax affected and reported under the balance sheet caption "Accumulated other comprehensive income (loss)".

Canadian GAAP does not have the concept of comprehensive income (loss). The cumulative foreign currency translation adjustment is reported in a separate component of shareholders' equity. In addition, the adjustment of the available-for-sale securities to their fair values, net of tax, (November 30, 2003 – \$4.5 million, August 31, 2003 – \$6.5 million) is not recorded under Canadian GAAP.

(d) Fresh Start accounting adjustments

As of June 1, 2003, the Company followed the guidance of SOP 90-7 and similar guidance under Canadian GAAP. The guidance in both countries required the Company to adjust its assets and liabilities to their estimated fair values as of June 1, 2003. However, under Canadian GAAP, when the fair value of the enterprise as a whole exceeds the revalued net asset value, the difference (allocated to goodwill under U.S. GAAP) is not recorded. As a result, the \$183.1 million of goodwill recorded under U.S. GAAP is not recorded for Canadian GAAP.

ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Corporate overview

The following discussion and analysis presents factors which affected the Company' s consolidated results of operations for the three months ended November 30, 2003 as compared to the same period in 2002 and the Company' s consolidated financial position at November 30, 2003. The following information should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in this Form 10-Q and in the Company' s Form 10-K for the year ended August 31, 2003.

We are primarily a bus and healthcare transportation provider in the United States and Canada. We operate in five reportable segments: Education services, Public Transit services, Greyhound, Healthcare Transportation services and Emergency Management services. See Note 8 – “Segmented Information” of Notes to Consolidated Financial Statements in this Report.

Pursuant to the terms of the Company' s \$406.0 million Senior Notes, the Company is required to segregate the consolidated results of operations between the subsidiaries of the Company that are not a party to the agreement, which are comprised of the U.S. based businesses in the Greyhound segment (the “Unrestricted Subsidiaries”), and the Company and its remaining subsidiaries (the “Restricted Subsidiaries”).

Results of Operations

As discussed in Note 1 – “Basis of Presentation” of the Notes to the Consolidated Financial Statements included in this Report, we adopted fresh start accounting effective June 1, 2003 and our results of operations and cash flows have been separated as pre-June 1 and post-May 31, 2003 due to a change in basis of accounting in the underlying assets and liabilities. For purposes of the following discussion, we refer to our results prior to June 1, 2003 as results for the Predecessor Company and we refer to our results after May 31, 2003 as results for the Company. However, for the reasons described in Note 1 and due to other non-recurring adjustments, the Predecessor Company' s financial statements for the periods prior to our emergence from bankruptcy may not be comparable to the Company' s financial statements. Readers should, therefore, review this material with caution and not rely on the information concerning the Predecessor Company as being indicative of our future results or providing an accurate comparison of financial performance.

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Three months ended November 30, 2003 compared with the Predecessor Company three months ended November 30, 2002 results of operations

	Percentage of Revenue		Percentage Increase (Decrease)
	Three Months ended		
	November 30, 2003	November 30, 2002	
Revenue	100.0%	100.0 %	4.1 %
Compensation expense	56.6	56.6	4.1
Accident claims and professional liability expenses	7.4	8.3	(7.2)
Vehicle related costs	5.8	5.7	5.1
Occupancy costs	4.1	4.2	2.7
Fuel	3.7	3.7	2.1
Depreciation	6.3	6.6	(0.1)
Amortization	0.4	–	NM
Other operating expenses	10.0	10.1	3.9
Income from operating segments	5.7	4.8	24.8
Interest expense	(2.7)	(0.6)	
Other financing related expenses	–	(0.7)	
Other income	0.1	0.1	
Income before income taxes and cumulative effect of a change in accounting principle	3.1	3.6	
Income tax expense	(1.2)	(0.1)	
Income before cumulative effect of a change in accounting principle	1.9	3.5	
Cumulative effect of a change in accounting principle	–	(189.7)	
Net income (loss)	1.9 %	(186.2%)	

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Revenue

The sources of revenue by business segment and by Restricted Subsidiaries and Unrestricted Subsidiaries are as follows (\$ in millions):

	Revenue				Percentage Increase (Decrease)
	For the Three Months ended				
	November 30, 2003		November 30, 2002		
Education services	\$ 455.7	37.7 %	\$ 456.2	39.2 %	(0.1 %)
Public transit services	72.1	6.0	70.6	6.1	2.1
Greyhound	287.1	23.7	274.4	23.6	4.6
Healthcare transportation services	262.0	21.6	247.5	21.3	5.9
Emergency management services	133.4	11.0	113.5	9.8	17.5
Total	\$ 1,210.3	100.0%	\$ 1,162.2	100.0%	4.1
Restricted Subsidiaries	\$ 980.1	81.0 %	\$ 935.9	80.5 %	4.7 %
Unrestricted Subsidiaries	230.2	19.0	226.3	19.5	1.7
Total	\$ 1,210.3	100.0%	\$ 1,162.2	100.0%	4.1

Revenue in the Education services segment was flat as the effect of lost business (\$29.0 million of which the City of Boston contract comprised \$14.2 million) was offset by new contracts (\$8.4 million), price increases (\$12.8 million), the strengthening of the Canadian currency relative to the U.S. dollar and some internal growth on existing contracts.

The 2.1% increase in the Public Transit services revenue was primarily attributable to additional routes and services and, to a lesser extent, price increases.

The 4.6% increase in revenue in Greyhound segment is primarily attributable to an increase in Canadian-based revenue due to the strengthening of the Canadian currency relative to the U.S. dollar and, to a lesser extent, an increase in tour and charter revenue in Greyhound Lines, Inc. ("Greyhound Lines") due to new contracts.

The 5.9% increase in revenue in the Healthcare Transportation services segment is due to fee increases and improved collections resulting in an increase in revenue per transport.

The 17.5% increase in the Emergency Management services segment was primarily due to new contracts that resulted in an increased number of visits, as well as an increase in the revenue per visit recorded through improved collections.

The 4.7% increase in the Restricted Subsidiaries revenue was primarily a result of the increase in revenue in the Healthcare Transportation services and Emergency Management services segments discussed above.

The 1.7% increase in the Unrestricted Subsidiaries revenue was primarily a result of an increase in tour and charter revenue at Greyhound Lines due to new contracts.

EBITDA

EBITDA is presented solely as a supplemental disclosure with respect to liquidity because management believes it provides useful information regarding our ability to service or incur debt. EBITDA is not calculated the same way by all companies. We define EBITDA as income from continuing operations before interest, income taxes, depreciation, amortization, other income, other financing related expenses and cumulative effect of a change in accounting principles. EBITDA is not intended to represent cash flow for the period, is not presented as an alternative to operating income as an indicator of operating performance, should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles (“GAAP”) and is not indicative of operating income or cash flow from operations as determined under GAAP.

The following is a reconciliation of our EBITDA to the net income (loss) and net cash used in operating activities, the GAAP measures management believes to be most directly comparable to EBITDA:

	The Three Months ended	
	November 30, 2003	November 30, 2002
EBITDA	\$ 150.2	\$ 132.1
Depreciation and amortization	(80.7)	(76.4)
Interest expense	(32.7)	(6.5)
Other income	0.9	1.5
Other financing related expenses	–	(8.2)
Income tax expense	(15.1)	(1.5)
Income from continuing operations before cumulative effect of a change in accounting principle	22.6	41.0
Cumulative effect of a change in accounting principle	–	(2,205.4)
Net income (loss)	\$ 22.6	(\$2,164.4)

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	The Three Months ended	
	November 30, 2003	November 30, 2002
EBITDA	\$ 150.2	\$ 132.1
Cash paid for interest	(20.2)	(11.3)
Cash paid for other financing related expenses	(5.7)	(9.6)
Other income	0.9	1.5
Cash received (paid) for income taxes	1.1	(1.0)
Increase in claims liabilities and professional liability reserves	5.8	28.7
Cash used in financing other working capital items	(184.8)	(135.7)
Decrease (increase) in restricted cash and cash equivalents	1.2	(11.1)
Other	(0.1)	(1.7)
Net cash used in operating activities	(\$51.6)	(\$8.1)

EBITDA by segment and by Restricted Subsidiaries and Unrestricted Subsidiaries is as follows (\$ in millions):

	EBITDA				Percentage Increase (Decrease)
	November 30, 2003		November 30, 2002		
	For the Three Months ended				
Education services	\$ 109.5	72.9 %	\$ 106.6	80.7 %	2.7 %
Public Transit services	0.5	0.3	(0.1)	(0.1)	NM
Greyhound	10.6	7.1	(1.5)	(1.1)	NM
Healthcare Transportation services	19.0	12.6	19.1	14.4	(0.5)
Emergency Management services	10.6	7.1	8.0	6.1	32.5
Total	\$ 150.2	100.0%	\$ 132.1	100.0%	13.7
Restricted Subsidiaries	\$ 141.4	94.1 %	131.3	99.4 %	7.7 %
Unrestricted Subsidiaries	8.8	5.9	0.8	0.6	NM
Total	\$ 150.2	100.0%	\$ 132.1	100.0%	13.7

Income from operations before depreciation and amortization

The following is a discussion of factors affecting the income from operations before depreciation and amortization, of the Company's business segments for the reported periods.

In the three months ended November 30, 2003, the income from operations before depreciation and amortization in the Education services segment was \$2.9 million higher than the three months ended November 30, 2002. Reduced accident claims costs and a strengthening of the Canadian currency relative to the U.S. dollar were the primary factors.

In the three months ended November 30, 2003, the income from operations before depreciation and amortization in the Public Transit services segment was \$0.6 million higher than 2002. The contribution associated with increased revenue and lower accident claims costs were the primary reasons for the increase.

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In the three months ended November 30, 2003, the income from operations before depreciation and amortization in the Greyhound segment was \$12.1 million higher than the three months ended November 30, 2002. The increase is principally the result of significant cost reductions at Greyhound Lines due to reduced miles operated and head count reductions as well as contributions from revenue increases.

In the three months ended November 30, 2003, the income from operations before depreciation and amortization in the Healthcare Transportation services segment was \$0.1 million lower than 2002, as the increase in revenue was offset by increased compensation expenses.

In the three months ended November 30, 2003, the income from operations before depreciation and amortization in the Emergency Management services segment increased \$2.6 million from 2002. The increase was primarily due to the contribution from the increased revenue.

In the three months ended November 30, 2003, the income from operations before depreciation and amortization in the Restricted Subsidiaries was \$10.1 million higher than the three months ended November 30, 2002 due to improvements in all segments as discussed above.

In the three months ended November 30, 2003, the income from operations before depreciation and amortization in the Unrestricted Subsidiaries was \$8.0 million higher than the three months ended November 30, 2002 due to cost reduction initiatives taken at Greyhound Lines.

Depreciation expense

Depreciation expense for the three months ended November 30, 2003 was basically unchanged from the three months ended November 30, 2002, reflecting a \$1.6 million increase in depreciation for the Restricted Subsidiaries and a \$1.7 million decrease in depreciation for the Unrestricted Subsidiaries.

Amortization expense

Amortization expense for the three months ended November 30, 2003 increased \$4.4 million to \$4.6 million from \$0.2 million due to the amortization of contract values and customer relationships that were established at fresh start. No amortization related to the Unrestricted Subsidiaries.

Interest expense

In the three months ended November 30, 2003, interest expense increased to \$32.7 million from \$6.5 million in the three months ended November 30, 2002. The increase is primarily due to interest incurred on long-term debt associated with our senior secured credit facility and the senior notes. No interest expense was incurred on prepetition debt for the three months ended November 30, 2002. Interest expense for the Unrestricted Subsidiaries increased \$1.7 million, reflecting a higher effective interest rate on borrowings as a result of discounts on long-term debt recorded as fair value adjustments at fresh start.

Other financing related expenses

For the three months ended November 30, 2003 there were no other financing related expenses as all expenses were incurred prior to the reorganization.

Other financing related expenses for the Predecessor Company for the three months ended November 30, 2002 were \$8.2 million (of which none was attributable to the Unrestricted Subsidiaries). Other financing related expenses principally represent professional fees and

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other costs incurred by the Predecessor Company. The professional fees and other costs include financing, accounting, legal and consulting services incurred during the reorganization process.

Other income

Other income was \$0.9 million in the three months ended November 30, 2003, relatively unchanged from the \$1.5 million in the three months ended November 30, 2002 .

Cumulative effect of a change in accounting principle

Effective September 1, 2002, we adopted SFAS 142 and, as a result, we recorded a non-cash charge of \$2,205.4 million on September 1, 2002 as a cumulative effect of a change in accounting principle.

Income tax expense

Income tax expense for the three months ended November 30, 2003 was \$15.1 million compared to \$1.5 million in the three months ended November 30, 2002. Tax expense in the prior period only represented estimated cash taxes as the Predecessor Company had established a full valuation allowance against its net deferred tax assets. Of the \$15.1 million provided in the three months ended November 30, 2003, \$1.0 million represents cash taxes payable and the balance reflects the utilization of deferred tax assets.

Net income (loss) and earnings (loss) per share

For the three months ended November 30, 2003, the net income was \$22.6 million or \$0.23 per share. The weighted average number of common shares was 100.0 million.

The net loss of the Predecessor Company was \$(2,164.4) million or \$(6.64) per share for the three months ended November 30, 2002. The weighted average number of common shares of the Predecessor Company for the period was 325.9 million.

Liquidity and capital resources

For the three months ended November 30, 2003 cash used in operating activities was \$51.6 million (of which \$1.8 million was attributable to the Unrestricted Subsidiaries) compared to \$8.1 million in the three months ended November 30, 2002. The increase in cash used in operating activities of \$43.5 million is primarily a result of the increase in cash used to finance working capital of \$34.4 million, principally associated with increased accounts receivable in both the Healthcare Transportation and Emergency Management services segments as a result of revenue growth.

Net expenditures for the purchase of capital assets for normal replacement requirements and increases in service were decreased to \$39.3 million in the three months ended November 30, 2003 from \$67.6 million for the three months ended November 30, 2002. This decrease is primarily a result of curtailed capital spending. No portion of the purchases of capital assets for the reported periods were financed by notes payable, operating leases and/or capital leases.

The Company requires significant cash flows to finance capital expenditures and to meet its debt service and other continuing obligations. Although we will continue to be substantially leveraged, we believe that borrowings under the revolving credit facility, together with existing cash and cash flow from operations, will be sufficient to fund our anticipated capital expenditures and

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working capital requirements for the foreseeable future, including payment obligations under our debt agreements and other commitments.

In June 2003, the Company established a \$200.0 million senior secured revolving credit facility (the “Revolver”) due June 2008. As at November 30, 2003, \$93.1 million was drawn on the revolver for cash borrowing, \$20.7 million for the issuance of letters of credit and \$73.2 million was reserved for guarantee obligations on Greyhound Lines’ vehicle leases, leaving availability of \$13.0 million.

Under the terms of the Company’ s various debt agreements the Company is required to meet certain financial covenants including a fixed charge coverage ratio, leverage ratio, interest coverage ratio, net tangible asset ratio and maximum senior secured leverage ratio as well as certain non-financial covenants. As of November 30, 2003, the Company was in compliance with all such covenants.

Critical Accounting Policies

Reference is made to the Consolidated Financial Statements and Notes to Consolidated Financial Statements included in this Form 10-Q and in the Company’ s Form 10-K for the year ended August 31, 2003. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Changes to these assumptions and estimates could have a material effect on the Company’ s consolidated financial statements. Reference is made to “Critical Accounting Policies” in Item 7 of the Company’ s Form 10-K for the year ended August 31, 2003 for a description of the Company’ s most critical accounting policies.

Commitments and Contingencies

Reference is made to Note 22 – “Commitments and Contingencies” of Notes to Consolidated Financial Statements in the Company’ s Form 10-K for the year ended August 31, 2003 for a description of the Company’ s material commitments. Reference is made to Note 6 – “Material Contingencies” of Notes to Consolidated Financial Statements in this Report for a description of the Company’ s material contingencies.

Forward looking statements

Certain statements contained in this report, including statements regarding the status of future operating results and market opportunities, possible asset dispositions and other statements that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve certain risks, uncertainties and assumptions that include, but are not limited to; Greyhound Lines’ ability to continue as a going concern; market factors, including competitive pressures and changes in pricing policies; changes in interpretations of existing legislation or the adoption of new legislation; loss of major customers; the significant restrictive covenants in the senior secured credit facility; the ability to continue to satisfy bonding requirements for existing or new customers; volatility in energy costs; the costs and risks associated with litigation; costs related to accident and other claims; potential pension plan funding requirements; and general economic conditions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. For further risks, uncertainties and contingencies relating to the Company, see “Note Regarding Forward-Looking Statements” and “Item 7 Management’ s Discussion and Analysis of Financial Condition and

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Results of Operations – Risk Factors” in the Company’ s Form 10-K for the year ended August 31, 2003 and in the Company’ s other filings from time to time with the Securities and Exchange Commission.

LIDLAW INTERNATIONAL, INC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in market risk from the disclosures provided in “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” as set forth in the Company’ s 2003 Form 10-K except as follows:

In December 2003, the Company modified the terms of its \$625.0 million loan maturing in June 2009 (the “Term B Facility”). The interest rate charged on the loan has been reduced by 1.25%, to LIBOR plus 3.75% from LIBOR plus 5.0%. Additionally, the LIBOR floor or minimum LIBOR rate has been reduced 0.25% to 1.75% from the previous floor of 2.0%. Additionally, the Company entered into an interest rate swap agreement (“Swap”) that effectively converted \$110 million of Term B Facility floating rate debt to fixed rate debt with an interest rate of 6.8%. The Swap was entered into because the Company is required under the Term B Facility to have a fixed interest rate on a portion of the underlying debt. The Swap is considered a cash flow hedge and expires in September 2006.

Item 4. Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. As of the end of the period covered by this quarterly report, an evaluation was carried out under the supervision and with the participation of the Company’ s management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures. Based on that evaluation, the Company’ s Chief Executive Officer and Chief Financial Officer have concluded that the Company’ s disclosure controls and procedures are effective.

During the most recent fiscal quarter, there have not been any changes in the Company’ s internal controls over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, the Company’ s internal controls over financial reporting.

LIDLAW INTERNATIONAL, INC.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to Part I, Item 3 of the Company' s Form 10-K for the year ended August 31, 2003 for a description of certain legal proceedings presently pending. There are no material new cases to report against the Company or its subsidiaries and there have been no material changes in the previously reported proceedings, except as set forth below:

General Litigation and Other Disputes

During the first quarter of fiscal 2004, AMR was advised by the United States Department of Justice ("DOJ"), that it continues to investigate certain business practices at AMR. The specific practices at issue were primarily the focus of a January 4, 2002 subpoena served on AMR by the Office of the Inspector General of the United States Department of Health and Human Services. Specifically, DOJ is investigating (1) whether ambulance transports involving Medicare eligible patients complied with the "medically necessary" requirement imposed by Medicare regulations, (2) whether patient signatures, when required, were properly obtained from Medicare eligible patients; and (3) whether discounts in violation of the Federal Anti-Kickback Act were provided by AMR in exchange for referrals involving Medicare eligible patients. At this juncture, it is not possible to predict the ultimate conclusion of this investigation, nor is it possible to calculate any possible financial exposure to the Company.

As previously reported, the Company is subject to certain environmental liabilities. Specifically, Greyhound Lines may be liable for certain environmental liabilities and clean-up costs at the various facilities presently or formerly owned or leased by Greyhound Lines. Based upon surveys conducted solely by Greyhound Lines' s personnel or its experts, 36 active and seven inactive locations have been identified as sites requiring potential clean-up and/or remediation as of November 30, 2003. Additionally, Greyhound Lines is potentially liable with respect to six active and seven inactive locations which the EPA has designated as Superfund sites. Greyhound Lines, as well as other parties designated by the EPA as potentially responsible parties, face exposure for costs related to the clean-up of those sites. Based on the EPA' s enforcement activities to date, Greyhound Lines believes its liability at these sites will not be material because its involvement was as a de minimis generator of wastes disposed of at the sites. In light of its minimal involvement, Greyhound Lines has been negotiating to be released from liability in return for the payment of nominal settlement amounts.

Greyhound Lines has recorded a total environmental liability of \$5.6 million at November 30, 2003, of which approximately \$1.0 million is indemnifiable by the predecessor owner of Greyhound Line' s domestic bus operations, Viad Corp. The environmental liability relates to sites identified for potential clean-up and/or remediation and the majority of this environmental liability is expected to be paid over the next five to ten years. As of the date of this report, the Company is not aware of any additional sites to be identified, and management believes that adequate accruals have been made related to all known environmental matters.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1 Amendment No. 2 to Credit Agreement, dated as of December 17, 2003, among Laidlaw International, Inc., certain of its subsidiaries and the financial institutions named herein.

31.1 Principal Executive Officer' s Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Principal Financial Officer' s Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification Pursuant to 18 U.S.C. § 1350 (Section 906 of Sarbanes-Oxley Act of 2002)

(b) Reports on Form 8-K during the quarter ended November 30, 2003

Current Report on Form 8-K, dated November 18, 2003, furnished to the Securities and Exchange Commission and relating to the Company' s press release announcing its financial results for the fiscal year ended August 31, 2003.

SIGNATURES

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.

LAIDLAW INTERNATIONAL, INC.

Date: January 13, 2004

By: /s/ Douglas A. Carty _____

Douglas A. Carty

Senior Vice President and Chief Financial Officer

Duly Authorized Officer and Principal Financial
Officer

LAIDLAW INTERNATIONAL, INC.
\$825,000,000 CREDIT AGREEMENT

SECOND AMENDMENT
Dated as of December 17, 2003

THIS SECOND AMENDMENT TO CREDIT AGREEMENT, dated as of December 17, 2003 (this "*Amendment*"), is among LAIDLAW INTERNATIONAL, INC. (f/k/a Laidlaw Investments Ltd., an Ontario corporation), a Delaware corporation ("*LIF*" or the "*US Borrower*"), LAIDLAW TRANSIT LTD., an Ontario corporation ("*LTT*") and GREYHOUND CANADA TRANSPORTATION CORP., an Ontario corporation (together with LII and LTI, collectively, the "*Borrowers*"), the Lenders (as defined below) signatories hereto, CITICORP NORTH AMERICA, INC., as administrative agent for the Lenders (in such capacity, the "*Administrative Agent*"), CREDIT SUISSE FIRST BOSTON, acting through its Cayman Islands Branch, as syndication agent (in such capacity, the "*Syndication Agent*"), and GENERAL ELECTRIC CAPITAL CORPORATION, as co-documentation agent (in such capacity, the "*Co-Documentation Agent*").

WITNESSETH:

WHEREAS, the Borrowers, certain financial institutions and other persons from time to time parties thereto (collectively, the "*Lenders*"), Citicorp North America, Inc., as Collateral Agent, the Administrative Agent, the Syndication Agent and the Co-Documentation Agent, have entered into that certain Credit Agreement dated as of June 19, 2003, as amended by the Amendment to the Credit Agreement, dated as of June 26, 2003 (as so amended, the "*Credit Agreement*"; capitalized terms used herein but not defined shall be used herein as defined in the Credit Agreement);

WHEREAS, the Borrowers desire to refinance outstanding Term B Advances under the Credit Agreement with a new class of Term B1 Advances under the Credit Agreement (the "*Term B1 Advances*") having identical terms with, having the same rights and obligations under the Loan Documents as and in the same aggregate principal amounts as the Term B Advances, as set forth in the Loan Documents, except as such terms are amended hereby;

WHEREAS, each Term B Lender who executes and delivers this Amendment shall be deemed, upon the effectiveness of this Amendment, to have exchanged its Term B Commitment and Term B Advances (which Term B Commitment and Term B Advances shall thereafter be deemed terminated and refinanced in full) for a Term B1 Commitment (a "*Term B1 Commitment*") and Term B1 Advances in the same aggregate principal amount as such Lender's outstanding Term B Advances as set forth in Schedule I to the Credit Agreement, as amended as of the Second Amendment Effective Date (as defined below), and such Lender shall thereafter become a Term B1 Lender (each, a "*Term B1 Lender*");

WHEREAS, each Person who executes and delivers this Amendment as an Additional Term B1 Lender (each, an “**Additional Term B1 Lender**”), will make Term B1 Advances on the Second Amendment Effective Date (as defined herein) (each, an “**Additional Term B1 Advance**”) to the US Borrower in an aggregate principal amount equal to the amount set forth opposite its name on Schedule I to the Credit Agreement, as amended as of the Second Amendment Effective Date (as defined below), the proceeds of which will be used by the US Borrower to refinance in full the outstanding principal amount of Term B Advances of Term B Lenders, if any, who do not execute and deliver this Amendment, it being understood that an Additional Term B1 Lender may be a Term B Lender prior to the Second Amendment Effective Date;

WHEREAS, the US Borrower shall pay to each Term B Lender all accrued and unpaid interest on its Term B Advances to the Second Amendment Effective Date on such Second Amendment Effective Date;

WHEREAS, the Borrowers have requested that the Lenders amend the Credit Agreement (i) to effect the changes described above and (ii) to make other amendments as described below; and

WHEREAS, the Lenders have agreed, subject to the terms and conditions hereinafter set forth, to amend the Credit Agreement in certain respects as set forth below;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto hereby agree as follows:

SECTION 1. Amendment of Credit Agreement. The Credit Agreement is hereby amended as follows:

(a) Section 1.01 of the Credit Agreement is hereby amended as follows:

(i) By amending and restating clause (c)(1) of the definition of “**Applicable Margin**” in its entirety to read as follows:

“(c)(1) with respect to the Term B1 Facility, 2.75% per annum for Base Rate Advances and 3.75% per annum for Eurodollar Rate Advances or”

(ii) By deleting, in the definition of “**Eurodollar Rate**”, the last proviso therein in its entirety and inserting the following proviso in its place:

“*provided, further, however*, that in no event shall (i) the Eurodollar Rate for any Interest Period for any Eurodollar Rate Advance that constitutes a Revolving Credit Advance be less than 2.00% per annum, and (ii) the Eurodollar Rate for any Interest Period for any Eurodollar Rate Advance that constitutes a Term B1 Advance be less than 1.75% per annum.”

(iii) By deleting the definition of “**Commitment**” in its entirety and inserting the following definition in its place:

""**Commitment**"" means a Term B1 Commitment, an Additional Term B1 Commitment, a Revolving Credit Commitment, a Letter of Credit Commitment, a Canadian Revolving Credit Commitment or an Incremental Term Commitment.”

(iv) By deleting the definition of “**Lenders**” in its entirety and inserting the following definition in its place:

""**Lenders**"" means the Initial Lenders, the Additional Term B1 Lenders and each Person that shall become a Lender hereunder pursuant to Section 8.07 for so long as such Initial Lender, Additional Term B1 Lender or Person, as the case may be, shall be a party to this Agreement.”

(v) By deleting the definition of “**Term B Advance**” in its entirety and inserting the following definition in its place:

""**Term B1 Advance**"" means a term loan or term loans in US Dollars made pursuant to Sections 2.01(a)(i) or 2.01(a)(iv) or deemed made pursuant to Section 2.01(a)(iii). Unless the context shall otherwise require, the term “**Term B1 Advance**” shall also include Incremental Term Advances.”

(vi) By deleting the definition of “**Term B Commitment**” in its entirety and inserting the following definition in its place:

""**Term B1 Commitment**"" means, with respect to any Term B1 Lender at any time, the amount set forth opposite such Lender’ s name on Schedule I hereto under the caption “**Total Term B1 Commitment**” or, if such Lender has entered into one or more Assignment and Acceptances, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(d) as such Lender’ s “**Total Term B1 Commitment**”, as such amount may be reduced at or prior to such time pursuant to Section 2.06. Unless the context shall otherwise require, after the effectiveness of any Incremental Term Commitment, the term “**Term B1 Commitment**” shall include such Incremental Term Commitment.”

(vii) By deleting the definition of “**Term B Facility**” in its entirety and inserting the following definition in its place:

""**Term B1 Facility**"" means, at any time, the aggregate amount of the Term B1 Lenders’ Term B1 Commitments at such time.”

(viii) By deleting the definition of “Term B Lender” in its entirety and inserting the following definition in its place:

""**Term B1 Lender**"" means, collectively, (a) each Term B Lender that executes and delivers the Second Amendment on or prior to the Second Amendment Effective Date and (b) each Additional Term B1 Lender.”

(ix) By deleting the definition of “**Term B Note**” in its entirety and inserting the following definition in its place:

""**Term B1 Note**"" means a promissory note of the US Borrower payable to the order of any Term B1 Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of the US Borrower to such Lender resulting from the Term B1 Advance made or deemed made by such Lender, as amended."

(x) By inserting the following new definitions therein in the appropriate alphabetical order:

""**Additional Term B1 Advance**"" means a term loan or term loans in US Dollars made pursuant to Section 2.01(a)(iii) of this Agreement on the Second Amendment Effective Date.

""**Additional Term B1 Borrowing**"" means a borrowing consisting of simultaneous Additional Term B1 Advances of the same Type made by the Additional Term B1 Lenders.

""**Additional Term B1 Commitment**"" means, with respect to an Additional Term B1 Lender, the commitment of such Additional Term B1 Lender to make Additional Term B1 Advances on the Second Amendment Effective Date, in an amount in US Dollars set forth next to the name of such Additional Term B1 Lender on Schedule I thereto under the caption ""**Additional Term B1 Commitment**"". The aggregate amount of the Additional Term B1 Commitments shall equal the outstanding principal amount of Term B Advances of Term B Lenders that do not execute and deliver the Second Amendment on or prior to the Second Amendment Effective Date.

""**Additional Term B1 Lender**"" means a Person with an Additional Term B1 Commitment to make Additional Term B1 Advances to the Borrower on the Second Amendment Effective Date, it being understood that an Additional Term B1 Lender may be a Term B Lender.

""**Second Amendment**"" means the Second Amendment, dated as of December 17, 2003, to this Agreement among the Borrowers, the Administrative Agent and the Lender party thereto.

""**Second Amendment Effective Date**"" is defined in Section 3 of the Second Amendment.

""**Term B Advance**"" has the meaning specified in Section 1.01 of this Credit Agreement, as in effect prior to the Second Amendment Effective Date.

""**Term B Lender**"" has the meaning specified in Section 1.01 of this Credit Agreement, as in effect prior to the Second Amendment Effective Date."

(b) Article II of the Credit Agreement is hereby amended by adding the following new subsections (iii) through (vi) at the end of Section 2.01(a)(ii):

"(iii) Exchange. Subject to the terms and conditions hereof, each Term B Lender with a Term B1 Commitment severally agrees to exchange its Term B Advance for a like principal amount in US Dollars of Term B1 Advances on the Second Amendment Effective Date, and from and after the Second Amendment Effective date such Term B Advance shall be deemed refinanced in full and such Term B1 Advances shall be deemed made hereunder.

(iv) The Additional Term B1 Advances. Subject to the terms and conditions hereof, each Additional Term B1 Lender severally agrees to make Additional Term B1 Advances in US Dollars to the Borrower on the Second Amendment Effective Date in a principal amount not to exceed its Additional Term B1 Commitment on the Second Amendment Effective Date. The Borrower shall refinance all Term B Advances of Term B Lenders that do not execute and deliver the Second Amendment on the Second Amendment Effective Date with the gross proceeds of the Additional Term B1 Advances.

(v) Interest. On the Second Amendment Effective Date the Borrower shall pay all accrued and unpaid interest on the Term B Advances to the Term B Lenders; *provided, however*, it is understood that the existing Interest Periods of the Term B Advances prior to the Second Amendment Effective Date shall continue on and after the Second Amendment Effective Date and shall accrue interest at the Applicable Margin in effect on and after the Second Amendment Effective Date."

(c) Upon the Second Amendment Effective Date, the Term B1 Advances shall have the same terms, rights and obligations as the Term B Advances as set forth in the Loan Documents, except as modified by Section 1 of this Amendment, and all references to "Term B Advances", "Term B Commitment", "Term B Facility", "Term B Note", "Term B Lenders" and "Term B Borrowings" in the Loan Documents shall be deemed to be references to "Term B1 Advances", "Term B1 Commitment", "Term B1 Facility", "Term B1 Note", "Term B1 Lenders" and "Term B1 Borrowings", respectively.

SECTION 2. Other Amendments. The Credit Agreement is hereby further amended as follows:

(a) Section 2.01(f)(ii) of the Credit Agreement is hereby amended by deleting, in the 13th line after the word "of", the word "US\$15,000,000" and inserting in its place the word, "US\$20,000,000".

(b) Article II of the Credit Agreement is hereby amended by adding the following new Section 2.01(f)(v):

"(v) Conversions of US Revolving Letters of Credit and Additional Letters of Credit. The US Borrower may on any Business Day, upon written notice given to the Administrative Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed conversion and subject to the approval of the Administrative Agent (which approval shall not be unreasonably withheld) convert (i) a Letter of Credit issued under the US Revolving Letter of

Credit Facility into a Letter of Credit issued under the Additional Letter of Credit Facility or (ii) a Letter of Credit issued under the Additional Letter of Credit Facility into a Letter of Credit issued under the US Revolving Letter of Credit Facility; *provided, however*, no Letter of Credit may be converted pursuant to this Section 2.01(f)(v) if the Available Amount of such Letter of Credit is greater than, in the case of a proposed conversion of a US Revolving Letter of Credit into an Additional Letter of Credit, the unused Additional Letter of Credit Commitment and, in the case of a proposed conversion of an Additional Letter of Credit into a US Revolving Letter of Credit, the unused US Revolving Letter of Credit Commitment.”

(c) Section 2.07(a) of the Credit Agreement is hereby amended by adding the following proviso at the end of the first sentence thereof:

"provided, further, that if any prepayment of Term B1 Advances is made prior to December 17, 2004 with the proceeds of any Debt financing or issuance of Equity Interests, unless 100% of the Term B1 Lenders otherwise agree, the US Borrower shall pay to the Administrative Agent for the ratable account of each Term B1 Lender a prepayment premium in an amount equal to 1.00% of the aggregate principal amount of Term B1 Advances being so prepaid, such prepayment premium to be due and payable on the date of any such prepayment.”

(d) Section 2.09(b) of the Credit Agreement is hereby amended by adding, in the 5th line after the comma after the word “expiration”, the following: “conversion pursuant to Section 2.01(f)(v),”.

(e) Article V of the Credit Agreement is hereby amended by adding the following new Section 5.02(a)(viii):

(viii) Liens on real property securing debt and other obligations not to exceed in the aggregate \$1,500,000 at any time outstanding and described on Schedule 5.02(a)(viii) hereto.”

(f) Section 8.02 of the Credit Agreement is hereby amended by deleting paragraph (b) in its entirety and inserting the following new paragraph (b) in its place:

(b) So long as CNAI is the Administrative Agent, materials required to be delivered pursuant to Section 5.03(a), (b), (c), (d) and (g) shall be delivered to the Administrative Agent in an electronic medium in a format acceptable to the Administrative Agent and the Lenders by e-mail at oploanswebadmin@citigroup.com. The Borrowers agree that the Administrative Agent may make such materials, as well as any other written information, documents, instruments and other material relating to any Borrower, any of its Subsidiaries or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the “**Communications**”) available to the Lenders by posting such notices on Intralinks, “e-Disclosure”, the Administrative Agent’s internet delivery system

that is part of Fixed Income Direct, Global Fixed Income' s primary web portal or a substantially similar electronic system (the "**Platform**"). Each Borrower acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Administrative Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Administrative Agent or any of its Affiliates in connection with the Platform."

(g) The Credit Agreement is hereby further amended by adding a new Schedule 5.02(a)(viii) attached hereto.

(h) Upon and after the effectiveness of this Amendment, Schedule I to the Credit Agreement shall be amended to reflect the allocations of the Lender Parties as of the Second Amendment Effective Date (as defined below).

SECTION 3. Conditions to Effectiveness. This Amendment and the amendments contained herein shall become effective on the date (the "**Second Amendment Effective Date**") when each of the conditions set forth in this Section 3 to this Amendment shall have been fulfilled to the satisfaction of the Administrative Agent.

(i) Execution of Counterparts. The Administrative Agent shall have received counterparts of this Amendment, duly executed and delivered on behalf of each of the (a) Borrowers, (b) the Administrative Agent, (c) the Required Lenders and (d) each Term B Lender, or in lieu of one or more Term B Lenders, one or more Additional Term B1 Lenders providing Additional Term B1 Commitments in an amount sufficient to refinance all of the principal of the Term B Advances owed to such non-consenting Term B Lenders or as to any of the foregoing parties, advice reasonably satisfactory to the Administrative Agent that each of the foregoing parties has executed a counterpart of this Amendment.

(ii) Notice of Borrowing. The US Borrower shall have provided the Administrative Agent with a Notice of Borrowing in accordance with the requirements of Section 2.02(a) of the Credit Agreement prior to the Second Amendment Effective Date with respect to the borrowing of the Additional Term B1 Advances on the Second Amendment Effective Date except that the three Business Day notice requirement is hereby waived.

(iii) Payment of Fees and Expenses. The Borrower shall have paid all expenses (including the fees and expenses of Shearman & Sterling) incurred in connection with the preparation, negotiation and execution of this Amendment and other matters relating to the Credit Agreement from and after the last invoice to the extent invoiced.

(iv) Evidence of Debt. Each Term B1 Lender shall have received, if requested, one or more Notes payable to the order of such Lender duly executed by the US Borrower in substantially the form of Exhibit A-2 to the Credit Agreement, as modified by this Amendment, evidencing the Term B1 Advances.

(v) Interest, Etc. Simultaneously with the making of the Term B1 Advances, the Borrower shall have paid to all the Term B Lenders all accrued and unpaid interest on the Term B Advances to the Second Amendment Effective Date plus any loss or expense pursuant to Section 8.04(c) of the Credit Agreement.

(vi) Execution of Consent. The Administrative Agent shall have received counterparts of a Consent substantially in the form of Exhibit A to this Amendment, duly executed by each of the entities listed therein.

(vii) Resolutions. The Administrative Agent shall have received certified copies of (A) the resolutions of the Board of Directors of each of the Borrowers evidencing approval for this Amendment and all matters contemplated hereby and (B) all documents evidencing other necessary corporate action and governmental and other third party approvals and consents if any, with respect to this Amendment and the matters contemplated hereby.

(viii) Certificates. The Administrative Agent shall have received a certificate of the Secretary or an Assistant Secretary of each of the Borrowers certifying (A) the names and true signatures of the officers of each Borrower authorized to sign this Amendment and the other documents to be delivered hereunder, (B) that no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body, or any third party to any agreements and instruments is required for the due execution, delivery or performance by each Borrower of this Amendment, (C) the representations and warranties contained in Section 5 of this Amendment are true and correct and (D) no event has occurred and is continuing that constitutes a Default.

(ix) Legal Details, Etc. All documents executed or submitted pursuant hereto shall be satisfactory in form and substance to the Administrative Agent and Shearman & Sterling as counsel. The Administrative Agent and its counsel shall have received all information and such counterpart originals or such certified or other copies or such materials as the Administrative Agent or its counsel may reasonably request, and all legal matters incident to the transactions contemplated by this Amendment shall be satisfactory to the Administrative Agent and its counsel.

(x) No Default. No Default shall have occurred and be continuing, or would occur as a result of the transactions contemplated by this Agreement.

SECTION 4. Confirmation of Representations and Warranties. Each of the Borrowers hereby represents and warrants, on and as of the date hereof, that the representations and warranties contained in the Credit Agreement are correct and true in all material respects on

and as of the date hereof, before and after giving effect to this Amendment, as though made on and as of the date hereof, other than any such representations or warranties that, by their terms, refer to a specific date.

SECTION 5. Reference to and Effect on the Transaction Documents. (a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to “hereunder”, “hereof” or words of like import referring to the Credit Agreement, and each reference in the other transaction documents to the “Credit Agreement”, “thereunder”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified by this Amendment.

(b) The Credit Agreement, the Notes and each of the other Loan Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. Without limiting the generality of the foregoing, the Collateral Documents and all of the Collateral described therein do and shall continue to secure the payment of all Obligations of the Loan Parties under the Loan Documents, in each case as amended by this Amendment.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or any Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York, and shall be subject to the jurisdictional and service provisions of the Credit Agreement, as if this were a part of the Credit Agreement.

SECTION 8. Entire Agreement; Modification. This Amendment constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, there being no other agreements or understandings, oral, written or otherwise, respecting such subject matter, any such agreement or understanding being superseded hereby, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, and may not be amended, extended or otherwise modified, except in a writing executed in whole or in counterparts by each party hereto.

[Signatures follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their respective authorized officers as of the day and year first above written.

Borrowers:

LAIDLAW INTERNATIONAL, INC

By: /s/ Ivan Cairns

Name: Ivan Cairns
Title: Senior Vice President

By: /s/ Geoff Mann

Name: Geoff Mann
Title: Vice President, Treasurer

LAIDLAW TRANSIT LTD

By: /s/ Ivan Cairns

Name: Ivan Cairns
Title: Secretary

GREYHOUND CANADA TRANSPORTATION CORP

By: /s/ Ivan Cairns

Name: Ivan Cairns
Title: Secretary

Administrative Agent:

CITICORP NORTH AMERICA, INC

By: /s/ Asghar Ali

Name: Asghar Ali
Title: Vice President

Lenders:

[_____]

By: _____

Name:
Title:

[Etc.]

**PRINCIPAL EXECUTIVE OFFICER' S CERTIFICATIONS PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin E. Benson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Laidlaw International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and
5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: January 13, 2004

/s/ Kevin E. Benson

Kevin E. Benson
President and Chief Executive Officer

**PRINCIPAL FINANCIAL OFFICER' S CERTIFICATIONS PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Douglas A. Carty, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Laidlaw International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and
5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: January 13, 2004

/s/ Douglas A. Carty

Douglas A. Carty

Senior Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Laidlaw International, Inc. (the "Company") on Form 10-Q for the quarter ended November 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: January 13, 2004

/s/ Kevin E. Benson

Name: Kevin E. Benson

Title: President and Chief Executive Officer

/s/ Douglas A. Carty

Name: Douglas A. Carty

Title: Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.