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ORIGINAL

December 14, 2004

VIA HAND DELIVERY - RETURN COPY

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW (7th fl.)
Washington, DC 20423-0001



Dear Secretary Williams:

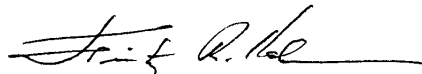
This refers to STB Docket No. MC-F-20940, Laidlaw Inc. and Laidlaw Transit Acquisition Corporation--Merger--Greyhound Lines, Inc., and to the decision of the Board, served December 6, 2000.

Enclosed are eleven copies of the Form 10-K of Laidlaw International, Inc., for the fiscal year ended August 31, 2004.

An additional copy of this letter and its attachment are enclosed for you to stamp to acknowledge your receipt of them and to return to me via the messenger.

If you have any question concerning the foregoing which you believe I may be able to answer or if I otherwise can be of assistance, please let me know.

Sincerely yours,


Fritz R. Kahn

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enc.

cc: Rosalind A. Knapp, Esq.
Stephen E. Barber, Esq.
Roger W. Fones, Esq.
Theodore C. Knappen, Esq.
Mark E. Southerst, Esq.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended August 31, 2004
Commission File Number 000-13109

LAIDLAW 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, including zip code)

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

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	New York Stock Exchange

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

Preferred Stock Purchase Rights

10 3/4% Senior Notes due 2011

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes ☒ No ☐

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at February 29, 2004 was \$1,504.7 million. At November 1, 2004 there were 103,806,110 shares of the registrant's Common Stock issued and outstanding.

APPLICABLE ONLY TO REGISTRANTS 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 Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution under a plan confirmed by a court.

Yes ☒ No ☐

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2005 annual meeting of stockholders are incorporated by reference into Part III of this report on Form 10-K.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual report on Form 10-K, including statements regarding the status of future operating results and market opportunities and other statements that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by the use of terminology such as "believe," "hope," "may," "anticipate," "should," "intend," "plan," "will," "expect," "estimate," "continue," "project," "positioned," "strategy" and similar expressions. Such statements involve certain risks, uncertainties and assumptions that include, but are not limited to,

- Economic and other market factors, including competitive pressures and changes in pricing policies;
- The ability to implement initiatives designed to increase operating efficiencies or improve results;
- Greyhound Lines' ability to continue operating as a going concern;
- Control of costs related to accident and other risk management claims;
- Costs and risks associated with litigation;
- Changes in interpretations of existing, or the adoption of new, legislation, regulations or other laws;
- Changes in homeland security or terrorist activity;
- Significant restrictive covenants in the Company's and its subsidiaries' various credit facilities;
- Matters relating to the company's amendments to its Quarterly Reports on Form 10-Q for the quarterly periods ended February 29, 2004 and May 31, 2004;
- Potential changes in the mix of businesses we operate; and
- Increases in prices of fuel and shortages.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. In the light of these risks and uncertainties you are cautioned not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures the Company makes on related subjects as may be detailed in the Company's other filings made from time to time with the Securities and Exchange Commission.

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PART I

ITEM 1. BUSINESS

Laidlaw International, Inc. is a holding company with operations conducted by its subsidiaries. Unless the context otherwise requires, references to the "Company," "Laidlaw International," "we," "our" or "us" mean Laidlaw International, Inc. and our subsidiaries. We participate in five reportable business segments that provide transportation and healthcare services in the United States (91% of revenue) and Canada (9% of revenue):

- Our education services segment is the largest provider of school bus transportation throughout the United States and Canada (32% of revenue);
- Our public transit services segment is a leading operator of out-sourced municipal and paratransit bus transportation within the United States (6% of revenue);
- Our Greyhound segment is the largest provider of intercity bus transportation in the United States and Canada. Greyhound also provides charter bus services and package delivery services (27% of revenue);
- Our healthcare transportation services segment is the largest provider of ambulance and other healthcare related transportation services in the United States (23% of revenue); and
- Our emergency management services segment is the largest provider of emergency department physician services throughout the United States (12% of revenue).

Financial information concerning the Company's geographical and business segments is provided in Note 22 of the Notes to Consolidated Financial Statements included in this report.

BACKGROUND AND PARENT COMPANY RESTRUCTURING

On June 28, 2001, we, along with Laidlaw Inc., an Ontario corporation and our predecessor (the "Predecessor Company"), and four of our direct and indirect subsidiaries, filed voluntary petitions for relief under chapter 11 of the U.S. Bankruptcy Code. In addition, we and Laidlaw Inc. commenced Canadian insolvency proceedings under the Canadian Companies' Creditors Arrangement Act in the Ontario Superior Court of Justice ("Canadian Court"), in Toronto, Ontario. On February 27, 2003, the U.S. Bankruptcy Court for the Western District of New York (the "U.S. Bankruptcy Court"), entered an order confirming our Third Amended Joint Plan of Reorganization (the "Plan"). On February 28, 2003, the Canadian Court issued an order recognizing the U.S. Bankruptcy Court's confirmation order and implementing the Plan in Canada with respect to our Canadian insolvency proceedings.

We completed our restructuring when the Plan became effective on June 23, 2003. Pursuant to the Plan, more than \$3.2 billion of unsecured debt, \$370 million of accrued and unpaid interest and \$400 million of various other liabilities were compromised. The creditor groups received a combination of \$1,185 million in cash and 100 million shares of newly issued common stock in Laidlaw International in exchange for the extinguishment of all claims, liabilities and debt against the Predecessor Company. In addition, we issued approximately 3.8 million shares of common stock to a trust in connection with a settlement agreement with the United States Pension Benefit Guaranty Corporation relating to the funding level of certain subsidiary pension funds. The equity ownership of the Predecessor Company was cancelled for no consideration.

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In connection with our reorganization, we filed a certificate of domestication with the Secretary of State of the State of Delaware and became a Delaware corporation and, as part of our domestication, we changed our name to "Laidlaw International, Inc." from "Laidlaw Investments Ltd." We were originally incorporated under the laws of Ontario, Canada under the name "Laidlaw Investments Ltd." on September 25, 1985.

None of Laidlaw International's operating subsidiaries were a party to the chapter 11 proceedings. Our subsidiaries were able to meet their obligations with their own cash flow and credit facilities, and accordingly, continued to operate normally and without interruption during the chapter 11 proceedings.

EDUCATION SERVICES SEGMENT

Services Provided

Our education services business offers the following transportation related services in the United States and Canada:

- (i) *Home-to-school*: Regularly scheduled transportation of students to and from school, based on the negotiated terms of contracts with school districts.
- (ii) *Extra-curricular*: Non-regularly scheduled transportation of students on field trips, to athletic events or for other extra-curricular activities.
- (iii) *Charter & transit*: Transportation service provided to non-school customers.
- (iv) *Other*: Leasing or sale of transportation equipment, logistical support, maintenance agreements and other support services.

The approximate percentage of education services revenue generated by type of service provided for the year ended August 31, 2004 is as follows:

Home-to-school	88%
Extra-curricular	5%
Charter & transit	4%
Other	3%
	100%

Competitive Environment

There are an estimated 500,000 school buses in the United States and Canada, serving a market of approximately 17,000 school districts and transporting over 25 million students to and from school.

Competition comes from both the school districts themselves and from other private carriers like ourselves. Approximately 67% of all school bus transportation is provided by the school districts. The remaining 33% is out-sourced to a handful of private carriers that operate on a national or regional level and to thousands of locally owned and operated small bus companies.

We are the largest school bus operator in the United States and Canada, providing student transportation services to more than a thousand school districts with a fleet of over 40,000 buses. We transport approximately two million students each weekday to and from school. The next largest provider of student transportation operates a fleet of approximately 17,000 buses. We compete based on price, service capabilities and our safety record. We believe the Laidlaw brand is recognized as the leader in the industry.

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Operations

Our education services business operates from 484 branch locations within 37 states and the District of Columbia in the United States and five provinces in Canada. In aggregate, more than 90% of our education services' revenue is generated from contracts, generally with terms of three to five years in length and options for extensions. Our school bus contracts are typically with school districts, boards of education or municipalities. Contracts are customized to suit the individual needs of each district and may include managing the entire transportation system or specific components such as fleet acquisition or maintenance services. Pricing is generally on a revenue per bus, per day basis with annual increases typically specified in the agreement. The size of these contracts varies from those covering very small operations to those covering up to 400 buses. In addition to our contracted regular routes, we transport students to extra-curricular events, field trips and athletic events and provide charter services to outside groups.

Our education services business has begun to implement a business strategy designed to enhance its financial performance, maintain its leadership position and develop alternative growth opportunities.

We have identified a number of key areas of opportunity that should enable us to improve the operating performance of our business and lower our costs.

- Centralize administrative services – We are developing a shared service center to centralize certain back office functions, including payroll and accounts payable, that are currently performed at the local or regional level.
- Consolidate operating support functions – We are evaluating the consolidation of operating support functions in market areas where we have a large presence.
- Deploy technology to improve safety and reduce costs – We have a number of tests underway using various technologies to monitor vehicle movement that we believe may reduce vehicle operating costs.
- Improve contract mix – We are taking steps to improve the financial performance of underperforming contracts as they come up for renewal.

We are also developing value-added service offerings which leverage our core competencies, such as vehicle maintenance, in an effort to create alternative revenue growth opportunities.

While we believe the initiatives identified above will help us realize improved profitability, implementing these changes and achieving the desired results will be challenging and could take considerable time.

Seasonality

Our education services business is seasonal with operations following the typical school year schedule from September to June. As a result, our education services business historically experiences a significant decline in revenue and operating income in the fourth fiscal quarter due to school summer vacations. Cash flows from operations generally are significantly lower during the first quarter and are significantly higher during the fourth quarter due to the lag between the expenses incurred from providing services at the beginning of the school year and the collection of receivables related to those services.

Employees

As of August 31, 2004, our education services segment had approximately 45,000 employees, with 95% of these employees involved directly in operations, primarily as drivers, mechanics and bus monitors. Part-time employees comprise approximately 80% of all employees.

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Approximately 43% of our employees are represented by over 170 collective bargaining agreements. We believe that our relations with our employees and their collective bargaining organizations are good. The existence of many local union contracts limits the impact of any individual labor disruption on our operations.

Safety

We are committed to ensuring the safety of the school children we transport every day. Our drivers operate under very stringent safety standards. In addition to thorough background checks and testing at the time of hire, we require mandatory training both in the classroom and behind the wheel for our drivers. In addition to extensive on-going driver training and preventative maintenance programs, we have developed and implemented a comprehensive system of safety precautions and procedures that includes:

- Child awareness training consisting of programs and activities to increase the awareness of school bus safety;
- Daily pre-trip equipment inspection by our drivers; and
- Deployment of equipment on certain of our vehicles that reinforces and monitors behavior en route and at the completion of each run.

These efforts have enabled us to reduce the frequency of accidents over the past decade to a level that we believe is one of the lowest in the industry.

Vehicle Fleet

Our education services business owns in excess of 38,000 buses and support vehicles and operates approximately 2,000 customer-owned buses. The average age of our current bus fleet is approximately 6.5 years. Fleet replacements are based on contract requirements, age and useful life of the vehicle. During fiscal 2004, we purchased over 2,500 units at an average cost of \$49,000. The size and similarity of our fleet provides us with flexibility to redeploy buses to different locations to fulfill the requirements of new or existing contracts.

Fuel

Our operating costs historically have been only marginally affected by the fluctuations in the price of fuel. During fiscal 2004, we consumed 70 million gallons of fuel in the operation of our education services business. We purchased 56 million gallons with the cost of the fuel representing 4% of education services' revenues. The remaining 14 million gallons used in operations were supplied by the school districts themselves. In order to mitigate the effect of price fluctuations we have incorporated two-way fuel cost adjustments or escalation provisions in contracts representing approximately 28% of the fuel we purchased last year. We may further manage the impact of price increases by entering into forward purchase contracts for fuel whereby we agree to take delivery of a set amount of fuel at a fixed price on a future specified date.

Regulation

Companies operating in the school busing industry are not subject to market-area licensing requirements in the United States. In Canada, licenses to carry passengers are granted by provincial boards upon proof of public convenience and necessity. The provincial boards exercise control over the issuance, extension and transfer of licenses and regulate the general conduct of a licensee's business.

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Within the United States there are federal and state and in Canada there are provincial regulations and licensing requirements that set standards for fleet and safety equipment, driver qualification and insurance with which we must comply.

PUBLIC TRANSIT SERVICES SEGMENT

Services Provided

Our public transit services business is a leading provider of the following municipal transportation services in the United States:

- (i) *Paratransit*: We provide transportation for the mobility challenged which complies with the Americans with Disabilities Act ("ADA"). The ADA guarantees persons with disabilities full and equal access to the same services and accommodations that are available to people without disabilities. Public transit operators provide paratransit services to persons with disabilities that are comparable to the level of fixed-route service provided. Our service offerings include curb-to-curb and door-to-door group and individual dial-a-ride services.
- (ii) *Fixed-route*: This service is comprised of public municipal transit bus systems providing scheduled fixed-route transportation. We operate municipal transit bus systems, including the recruitment, training and management of drivers, mechanics and support staff needed to provide such services.
- (iii) *Other*: We provide other transportation services such as shuttle services for corporate campuses.

The percentage of public transit services revenue by type for the year ended August 31, 2004 was as follows:

Paratransit	67%
Fixed-route	29%
Other	4%
	100%

Competitive Environment

The public transit market is estimated to be approximately \$13.4 billion based on annual revenue. The total municipal bus fleet in the United States is estimated at roughly 73,000 buses of which 73% are fixed-route vehicles and 27% are paratransit vehicles.

Nearly 90% of transit services are operated in-house by municipal transit authorities with the remainder out-sourced to private sector providers like ourselves. Most of the out-sourced transit services are for paratransit transportation. Typically, transit authorities provide the vehicles and facilities, but rely on private contractors to manage the operation. Transit authorities are able to receive up to 80% of the capital costs associated with the fleet and the facilities from the Federal Transit Administration. The barriers to entry for out-sourced transit services are low as a result of the minimal capital required.

There are four large private operators, including Laidlaw, all similar in scale, which we believe provide an estimated 69% of the out-sourced transit services. Two of these other transit providers are subsidiaries of large foreign-owned transportation companies. The fourth large operator is a privately held transportation company based in the United States.

Bidding for contracts has been very competitive as private contractors are seeking to increase market share. We believe the competitive environment coupled with the tightening of state and local transit authorities' budgets have contributed to a general reduction in industry profitability.

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Operations

Our public transit business operates dispatch centers, brokerage operations, management contracts and total turnkey operations for both paratransit and fixed-route services from over 70 locations in 25 states across the United States. We transport more than 52 million passengers per year under nearly 150 different contracts.

Public transit's operations are largely conducted on a decentralized basis although our support functions are more centralized and include marketing, information systems, and safety functions.

We have developed proprietary software that assists with dispatching our fleet and provides route modification of vehicles in service. This software matches reservations and new trip requests with existing routes to maximize shared trips, improve vehicle productivity and enhance customer service.

All of public transit's revenues are generated under contracts, generally with three-year maturities and two-year extension options. The largest contract represented 11% of the public transit segment's revenue in fiscal year 2004.

Employees

As of August 31, 2004, our public transit business had approximately 6,300 employees, 48% of whom are unionized under 34 collective bargaining contracts. Approximately 35% of the collective bargaining agreements, representing approximately 1,000 employees, are subject to renegotiation in fiscal year 2005. Approximately 15% of our workforce consists of part-time employees.

Driver compensation is market-driven and may be specified by the local Transit Authority during the competitive bidding process. We believe that our relations with our employees in our public transit business are good.

Safety

Public transit operates under very stringent safety standards. In addition to thorough background checks and testing at the time of hire, we require a minimum of 70 hours of training both in the classroom and behind the wheel for new drivers. Additionally, we require an average of 12 hours of training annually for existing drivers.

Vehicle Fleet

As of August 31, 2004, public transit operated approximately 3,800 revenue-generating vehicles, of which we own approximately 1,700, most of which are paratransit vehicles. The remaining units were owned and provided by customers. Our fleet consists of vans, sedans, body-on-chassis small buses and transit style buses configured to the individual requirements of each contract. Vehicle life is usually tied to the contract for which the vehicle is providing services.

Fuel

Fuel price increases, whenever possible, are passed through to our customers or are subject to escalation clauses. We further mitigate price increases by incorporating language in our contracts requiring customers to provide the fuel. Of the approximately 11 million gallons of fuel purchased annually, around 62% is subject to escalation clauses or passed through to our customers. In 2004, fuel expense represented 5% of public transit's revenues.

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Regulation

Public transit is heavily regulated by federal, state and local agencies and undergoes both internal and external compliance audits. These regulations set standards for fleet and safety equipment, driver qualification and insurance with which we must comply.

GREYHOUND SEGMENT

Services Provided

Greyhound is the only national provider of scheduled inter-city bus transportation services in the United States and Canada. Greyhound offers the following services:

- (i) *Passenger service*: Greyhound provides inter-city bus transportation to cities and towns in urban and rural areas throughout the U.S. and Canada. Additionally, we have interline agreements and alliances with other bus carriers. These alliances allow us to provide cross-border transportation to and from Mexico and access to smaller towns in the U.S. and Canada that are complementary to our existing service schedules.
- (ii) *Package express*: Our package express service targets commercial shippers and delivery companies that require rapid delivery of small parcels, typically to locations within 100 to 500 miles. Our services include standard delivery, which is a value priced terminal-to-terminal delivery service, as well as priority and same day delivery, which is a premium priced product where parcels are typically delivered door-to-door.
- (iii) *Tour and charter*: We offer charter services whereby a group of individuals can reserve a bus and driver in certain cities for transportation to and from specific events, such as concerts, sporting events, casinos and conventions. Additionally we operate "meet and greet" services for cruise lines at four ports in the United States. The "meet and greet" service consists of meeting cruise line passengers (usually at airports) and transferring these passengers and their baggage to and from cruise ships.
- (iv) *Food service and other*: We offer food service and gift items for purchase in many of our terminal locations.

The percentage of Greyhound's revenue by type for the year ended August 31, 2004 was as follows:

Passenger service	76%
Package express	9%
Tour & charter	7%
Food service and other	8%
	100%

Trademarks

We own the Greyhound name and trademarks and the "image of the running dog" trademarks worldwide. The duration of these trademarks are indefinite as long as we continue to use them. We believe that the Greyhound name and our trademarks have substantial consumer awareness.

Competitive Environment

The intercity transportation industry is highly competitive. Greyhound's primary sources of competition for passengers are automobile travel, low cost air travel from both regional and national airlines and, in some markets, regional bus companies and trains. Price, choice of destination and convenient schedules are the ways in which we meet this competitive challenge.

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In general, travel by automobile is the dominant mode of transportation in the United States, accounting for 90% of total trips. Bus travel accounts for only 2% across all modes of transportation while trains are less than 1%. Travel by automobile is the principal choice for trips of less than 1,000 miles, while air travel is used 75% of the time for trips greater than 2,000 miles.

The typical Greyhound passenger travels to visit friends and relatives and generally has an annual income of less than \$35,000. Greyhound's core customers, short-haul travelers traveling 450 miles or less, comprise approximately 80% of our total passengers.

Lower income households travel by bus at more than twice the national average and by air at less than half. Low-fare airlines impact Greyhound's revenue particularly in the higher end income demographics and for trips less than 600 miles. Based on customer surveys, approximately 20% of our customers considered air before selecting Greyhound.

Greyhound's marketing and advertising philosophy is geared toward stimulating additional travel through price awareness, improving the awareness and image of Greyhound among potential customers and inducing first-time and repeat travel. We use various means to advertise the passenger travel business, including radio, television and print media (primarily yellow pages). Additionally, we offer around-the-clock fare and schedule quotations as well as advance discount ticket purchasing via a toll-free telephone number through our telephone information centers and through our Internet website: www.greyhound.com.

We face competition in our package delivery service from local courier services, the U.S. Postal Service and overnight express and ground carriers. We continue to develop programs to meet this competition and further develop our package delivery business. These programs focus on system upgrades to improve service, billing and tracking for our customers, localized marketing strategies, and local, regional or national alliances with pick-up and delivery carriers.

A few regional carriers and several thousand local operators compete with us for the tour and charter services. Principal factors in obtaining new business and retaining existing customers include competitive pricing, type of equipment and consistency in service.

Due to the captive nature of the food service operations in Greyhound's terminals, competition is limited. In some locations, however, fast food restaurants and convenience stores located in close proximity to Greyhound's terminals can pose a competitive factor.

Operations

Greyhound offers passenger service of more than 19,000 daily departures to approximately 3,400 locations. Travelers can purchase tickets at approximately 200 company-operated bus terminals and approximately 1,900 agency-operated terminals and sales agencies. Discounts usually are offered on tickets purchased in advance of travel. However, most tickets are purchased and used within three days of departure.

Information technology is an integral component of Greyhound's operations and supports, among other things, Greyhound's website, scheduling and pricing, dispatch, operations planning, bus maintenance, telephone information center, customer service, point of sale, payroll and finance functions. Greyhound also uses a proprietary system called TRIPS to provide automated fare and schedule quotations and to handle the ticketing process.

Greyhound provides, through agreements with Mexican bus carriers, connecting service at most major gateways between the United States and Mexico. Additionally, in some of our terminals, Greyhound sells tickets for travel in Mexico on Mexican-based bus carriers, and a number of Mexican bus carriers sell tickets for travel in the U.S. on Greyhound.

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Beginning in the summer of 2001, Greyhound passenger travel declined from peak levels along with revenues. The terrorist attacks of September 11, 2001, accelerated the passenger and revenue decline and created additional burdens in the form of unprecedented cost increases for insurance and security. Future terrorist attacks or other potential disruptions in Greyhound's service could adversely affect the demand for bus travel.

The reduction of travel on Greyhound resulted in Greyhound's inability to generate a sufficient level of profitability to fund its operating and capital investment requirements to be a viable company. In response, beginning in the summer of 2003, Greyhound changed its pricing strategy, particularly for long-haul service, and began eliminating unprofitable and marginally profitable routes. Greyhound also took actions to reduce staffing levels, overhead costs, and capital expenditures. We believe that streamlining the network coupled with continued spending constraints will make Greyhound a financially viable business in the long term, increase profitability and improve return on assets. The network should become more efficient, serving areas where customer demand is greatest through a smaller, simpler network of routes that is short and medium-haul focused. Customers should experience greater convenience, faster service, fewer stops and improved on-time departures and arrivals. However, there are no assurances that our actions will be successful and result in increased profitability and return on our investment. The network transformation will be carried out in phases over the next two to three years.

Seasonality

Our Greyhound business is seasonal in nature and generally follows the pattern of the travel industry as a whole, with peaks during the summer months and the Christmas holiday season. As a result, Greyhound's cash flows are also seasonal, with a disproportionate amount of annual cash flows being generated during the peak travel periods.

Employees

As of August 31, 2004, Greyhound employed approximately 14,200 workers, consisting primarily of 5,600 drivers, 5,200 terminal employees and information agents, 1,000 mechanics, and 2,400 management and administrative staff. Of the total workforce, approximately 83% are full-time employees and approximately 17% are part-time employees.

At August 31, 2004, approximately 50% of our Greyhound employees were represented by collective bargaining agreements. Greyhound has agreements with a number of unions, however, the largest agreement is with the Amalgamated Transit Union Local 1700. This agreement covers approximately 4,400 of Greyhound's U.S. employees, mostly drivers and maintenance employees, and expires on January 31, 2007. We believe that our relations with employees at Greyhound are good.

Safety

According to the U.S. Department of Transportation, Bureau of Transportation Statistics, intercity bus travel, like Greyhound, is the safest mode of transportation as compared to cars, trucks, trains, planes and other commercial vehicles.

Greyhound has made substantive changes to its procedures to increase safety and lower risk as a result of the September 11 terrorist attacks. Our terminal employees and drivers have a heightened alertness of suspicious behaviors and prohibited items and are trained to notify local law enforcement authorities if any suspicious activities or unaccompanied packages are observed. We have increased our spending for safety and security in the bus terminals by approximately \$5 million annually.

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On August 20, 2003, Greyhound received a grant of approximately \$10 million from the Transportation Safety Administration ("TSA"), to provide reimbursement for additional spending on safety and security related initiatives such as: increased passenger screening in the bus terminals, bomb detection devices, installation of protective shields in the driver compartment of buses and installation of "on-board" communication devices. Although Greyhound received this grant from the TSA, there can be no assurances that additional grants will be received in the future. Additionally, it is possible that the TSA could mandate security procedures that exceed the level currently provided by Greyhound further increasing costs.

Vehicle Fleet

During the twelve months ended August 31, 2004, Greyhound took delivery of 46 new buses and retired 194 buses, resulting in a fleet of approximately 3,600 buses, of which approximately 2,000 buses were owned and 1,600 were leased. The average age of Greyhound's bus fleet was 8.0 years at August 31, 2004. The majority of the buses added to the Greyhound fleet in fiscal 2004 were acquired through operating leases rather than direct purchase.

We have a long-term supply agreement with Motor Coach Industries, Inc. ("MCI") that extends through 2007, but may be canceled by either party at the end of any year upon six months notice. If Greyhound acquires new buses, we must purchase at least 80% of the new bus requirements from MCI pursuant to the agreement.

Fuel

During fiscal 2004, Greyhound purchased 56 million gallons of fuel and their fuel expense represented over 6% of Greyhound's revenue. Greyhound may mitigate some of the impact of fuel cost increases by entering into forward purchase contracts, although currently Greyhound has no such contracts outstanding. Additionally, rising fuel costs have at times allowed Greyhound to increase average ticket prices and declining fuel costs have at times required Greyhound to lower ticket costs, thus providing some further hedge against fuel price fluctuations. Due to the effect general economic conditions may have on the discretionary spending levels of Greyhound's customers and the competitive nature of the transportation industry, Greyhound is not always able to pass on increased fuel prices to its customers by increasing its fares. Likewise, increased price competition and lower demand because of a decline in out-of-pocket costs for automobile use may offset any potential benefit of lower fuel prices.

Regulation

As a motor carrier engaged in interstate as well as intrastate transportation of passengers and express shipments, Greyhound is registered with the Department of Transportation ("DOT"), and is also regulated by its Surface Transportation Board. Greyhound is also subject to state regulations that are consistent with federal requirements.

Greyhound is subject to regulation under the ADA pursuant to regulations adopted by the DOT. The regulations require that all new buses acquired by us for our fixed route operations must be equipped with wheelchair lifts. Additionally, by October 2006, one-half of our U.S. fleet involved in fixed route operations will be required to be lift-equipped and, by October 2012, the fleet must be entirely lift-equipped. Carriers are permitted to retrofit their existing buses or purchase wheelchair accessible new or used buses to meet the 50% and 100% mandates. At August 31, 2004, approximately 18% of our U.S. fleet deployed in fixed route operations were wheelchair lift-equipped. To meet the 50% requirement by October 2006, and assuming no change in current fleet size, Greyhound must replace or retrofit 818 of our non-lift-equipped buses over the next two years. Should Greyhound reduce the size of the fleet over the next two years, they would likely dispose of non-lift equipped buses which would reduce the aggregate number of buses which would need to be replaced or retrofitted. Currently, the added cost of a built-in lift

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device in a new bus is approximately \$35,000 plus additional maintenance and employee training costs.

In Canada, Greyhound operates under the Canada Transportation Act ("CTA"). The CTA allows each province to regulate provincial scheduled service. Greyhound generally is required to file tariffs with schedule and rate information for its passenger services. The CTA does not cover package express or tour and charter operations; these segments are unregulated in some provinces.

HEALTHCARE TRANSPORTATION SERVICES SEGMENT

Services Provided

Our healthcare transportation business, American Medical Response ("AMR"), provides the following services in the United States:

- (i) *Emergency 911 response:* Emergency response services ("911") are provided primarily under long-term contracts with communities, municipalities, and other local government agencies. AMR typically must respond to 911 calls in the designated area within a specified response time determined by the communities.
- (ii) *Non-emergency transports:* Non-emergency transports involve providing transportation to patients requiring varying degrees of medical care between healthcare facilities or between healthcare facilities and their homes. Non-emergency transports include wheelchair and stretcher van transports and critical care transports.
- (iii) *Other:* AMR provides call center and dispatch services, event medical services, managed transportation services and other services to public safety agencies, hospitals, communities, fire departments, and other healthcare providers. These other services include paramedic and EMT training, system status management and deployment consulting and clinical data collection and reporting.

The percentage of AMR's revenue by type for the year ended August 31, 2004 was as follows:

Emergency 911 response	57%
Non-emergency transports	32%
Other	11%
	100%

Competitive Environment

The U.S. emergency and non-emergency ambulance services industry generates an estimated \$12 billion of annual revenues. Nationally, emergency response services generate 65% of transports and 79% of revenues and non-emergency response services generate 35% of transports and 21% of revenues.

The market is highly fragmented with over 14,000 ambulance services providers. Of the overall market participants, 35% are fire departments, 21% are non-profits, 12% are private providers, such as ourselves, 9% are hospital-based and 23% are government owned. AMR's predominant competitors are fire departments. Firefighters have traditionally acted as the first response providers during emergencies, and at times have been able to expand their scope of services to include emergency medical care and transport.

AMR is the largest private provider of emergency and non-emergency ambulance services in the U.S. with an estimated 8% share of the outsourced market. AMR operates in 34 states and

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has over 260 operating locations across the country. AMR treated and transported approximately 3.7 million patients during the year ended August 31, 2004. The second largest private ambulance provider generated less than one-half of the revenue of AMR in fiscal 2004.

Local operators also pose a challenge to us as they tend to be single-client focused. Compared to these small, local operators, AMR has a scale advantage with the ability to bid for local, regional and national contracts.

We believe the size and diversity of AMR's fleet gives us a competitive edge. Ownership of the local emergency response contract can be advantageous when bidding for non-emergency business because the existing fleet of ambulances and the dispatching center maintained for emergency response can also be used for non-emergency business. For the same reason, the ownership of a successful non-emergency business can be advantageous to an operator trying to unseat an incumbent emergency response operator or to obtain a contract in a newly privatized market.

We also market our non-emergency ambulance services to hospitals, health maintenance organizations, convalescent homes and other health care facilities that require a stable and reliable source of medical transportation for their patients. A significant portion of AMR's non-emergency transports is provided to such facilities and organizations in competitive markets without specific contracts.

Operations

Contracts

AMR provides most of its emergency ambulance response services pursuant to contracts with counties, fire districts and municipalities. These contracts typically appoint AMR as the exclusive provider of emergency ambulance services in a designated service area and require AMR to respond to every emergency medical call within that area. Contracts are typically three to five years in length and are generally obtained through a competitive bidding process. In some instances where AMR is the existing provider, communities elect to renegotiate existing contracts rather than initiate new bidding processes. Contracts with hospitals and other facilities and organizations for non-emergency services are typically two years in length.

Revenue from AMR's contracts with communities and healthcare providers is typically collected from invoices generated by AMR for each patient transport. In some cases, revenue is based on negotiated fees paid periodically by the community, and patients are then billed directly by the community.

Most emergency or 911 contracts are granted exclusive supplier status through the issuance of a certificate of need or a public service agreement. Some municipalities divide requirements into service zones. Exclusive supplier status agreements are linked to service level measurements regarding response times and performance. Some municipalities also govern or set rates that may be charged for the ambulance services.

As of the end of fiscal year 2004, AMR had nearly 150 agreements with municipal or county public safety agencies to provide contracts for emergency 911 response and more than 3,000 client relationships to provide non-emergency, critical care and wheelchair transports. Our largest contract with a community represents less than 4% of AMR's total net revenue.

Revenue Composition

AMR derives a significant percentage of its revenue from reimbursement by third-party payors, including payments under Medicare, Medicaid, private insurance and managed care plans/contracts. AMR also collects payments directly from patients, including payments under deductible and co-insurance provisions.

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The table below provides detail of the payor mix:

Medicare/Medicaid	39%
Private insurance/contract	44%
Private pay	17%
	100%

Dispatch and Communications

Generally, ambulance units are not stationed at fixed sites, but are constantly repositioned through 'flexible deployment' systems. Communication centers control the deployment and dispatch of ambulances in response to emergency calls. We use location and detailed system status plans to position our ambulances and medical crews within a designated service area in an effort to reduce response time.

Requests for non-emergency transports are usually made by physicians, nurses, case managers and discharge coordinators who are interested in a quick transfer of requested information and prompt ambulance arrival at the requested pick-up time. AMR uses proprietary software to determine the patient's true medical transportation needs and to assist with the dispatching of ambulances. AMR also offers on-line, web-enabled transportation ordering to certain facilities.

Billing and Collections

The collection process varies by payor. We have a collection staff specially trained in third-party coverage and reimbursement procedures. An account may move among several payor sources before final collection or resolution is reached. We may also engage collection agencies to collect delinquent accounts, primarily from private payors.

AMR, from time to time, establishes usual and customary rates for the services it provides. In certain cases, however, AMR is required to reduce these rates due to local ordinances or regulatory restrictions. In locations where we face rate restrictions and in the case of Medicare and Medicaid billing, AMR has negotiated reduced rates with payors to reflect the restrictions. In addition, AMR has established reserves to allow for services provided for which they cannot collect fees. As a result, AMR's reported revenues are equal to its gross billings based on our usual and customary rates, net of contractual allowances for restricted rates and allowances for uncompensated care.

Employees

Approximately 72% of AMR's 17,800 employees have daily contact with patients and include approximately 5,000 paramedics, 7,400 emergency medical technicians and 300 nurses. The remaining 5,100 employees perform support functions such as field administration, dispatch, billing and other administrative duties. Approximately 74% of AMR's work force is full-time and 26% is part-time.

Approximately 48% of AMR's employees are represented by 46 collective bargaining agreements with 21 different unions. Nine of the existing collective bargaining agreements, representing approximately 1,200 employees, are subject to renegotiation during fiscal year 2005. We believe that our relations with our ambulance services employees are good.

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Safety

AMR is committed to the safety of its employees, patients and the communities it serves. AMR's World Class Safety program has been recognized by the National Safety Council for outstanding performance and is built upon five important components:

- Selecting highly qualified employees;
- Providing exemplary safety policies and programs to control losses;
- Effective training and education programs;
- Accountability of management and employees for safety of the operation; and
- Continuous review of new opportunities and existing programs for improvement.

AMR's safety program includes driver qualification standards, physical agility testing, injury and illness prevention policies and procedures, a monthly safety awareness campaign, road safety monitoring devices, frequent vehicle inspections, driver and safety training, management safety incentives and review of statistics on safety activities.

Vehicle Fleet

As of August 31, 2004, AMR operated over 4,400 vehicles, of which approximately 3,300 are ambulances, 600 are wheelchair vans, and the remainder are support vehicles. Ambulances are generally replaced every eight years, or as provided in specific contracts. In fiscal 2004, we purchased 354 vehicles at an average cost of approximately \$57,000. The average age of our active fleet is approximately four years.

Regulation

The operations and activities of both AMR and our emergency management services segment, EmCare (described in detail in the next section, entitled "EMERGENCY MANAGEMENT SERVICES SEGMENT") are governed by numerous and complex federal and state laws, rules and regulations. Changes in health care legislation or government regulation may restrict our existing operations, limit the expansion of our business or impose additional compliance requirements and costs on us. Any such violation, restriction, limitation or imposition of additional requirements and costs could have a material adverse effect on our business, financial condition or results of operations.

Government Reimbursement: Both AMR and EmCare derive a significant portion of their revenue from services rendered to beneficiaries of Medicare, Medicaid and other government-sponsored health care programs. To participate in these programs, AMR and EmCare must comply with stringent and often complex enrollment and reimbursement requirements from the federal government and states. AMR and EmCare are subject to governmental reviews and audits of their bills and claims for reimbursement. Retroactive adjustments to amounts previously reimbursed from these programs can and do occur on a regular basis as a result of these reviews and audits. In addition, these programs are subject to statutory and regulatory changes, administrative rulings, interpretations and determinations, all of which may materially increase or decrease the payments we receive for our services as well as affect the cost of providing services.

Federal and State Anti-Kickback Laws: Federal anti-kickback law prohibits certain offers, payments or receipts of remuneration in return for either referring Medicare, Medicaid or other government-sponsored health care program business, or purchasing, leasing, ordering, or arranging for or recommending any service or item for which payment may be made by a government-sponsored health care program. The federal anti-kickback law is broadly worded and potentially subjects many of AMR's and EmCare's business arrangements with hospitals, physicians and other health care entities, to government investigation and prosecution. Many states in which AMR and EmCare operate have similar laws. Violations of these laws are punishable by substantial penalties, including monetary fines, civil penalties, criminal sanctions

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(including imprisonment), exclusion from participation in government-sponsored health care programs, and forfeiture of amounts unlawfully collected.

Billing Fraud and Abuse Laws: There are a variety of federal and state laws applicable to the submission of bills and claims for services rendered to beneficiaries of government-sponsored health care programs, including the Federal False Claims Act ("FCA"). The FCA prohibits the filing of "false claims" for reimbursement under federal health care programs, including Medicare and Medicaid. "Whistleblower" provisions permit private citizens to sue a claimant on behalf of the government and thereby share in any fines imposed under the law, and other federal and state laws, including so-called "civil money penalty laws", authorize substantial administrative fines and exclusion from government programs in certain cases. Although we intend and endeavor to conduct our business in compliance with all applicable federal and state fraud and abuse laws, many of them are broadly worded and may be interpreted or applied in ways that we cannot predict, so we cannot assure you that our arrangements or business practices will not be subject to government scrutiny or be found to violate applicable fraud and abuse laws.

Medical Records Privacy Laws: Federal and state laws and regulations govern AMR's and EmCare's collection, dissemination, use and confidentiality of patient health information, including the federal Health Insurance Portability and Accountability Act of 1996 and related rules ("HIPAA"), violations of which are punishable by monetary fines, civil penalties and criminal sanctions. The Department of Health and Human Services adopted so-called "privacy regulations" in December 2000 and "security regulations" in February 2003. AMR and EmCare have implemented privacy policies and procedures, including training programs, designed to ensure compliance with the privacy regulations. In addition, both AMR and EmCare are taking measures that we believe to be appropriate to comply with the security regulations, which are effective April 21, 2005.

Licensure, Certification and Accreditation: AMR and its operations are subject to various federal, states and local licensing and certification laws and regulations and accreditation standards relating to, among other things, the adequacy of medical care, equipment, personnel and operating policies and procedures. AMR's operations are also subject to periodic inspection by governmental and other authorities to assure continued compliance with the various standards necessary for licensing and accreditation..

EMERGENCY MANAGEMENT SERVICES SEGMENT

Services Provided

Our emergency management services segment, EmCare, offers the following services:

- (i) ***Emergency staffing and management services:*** EmCare's principal activity is providing staffing and management services to hospital emergency departments. Generally, EmCare is responsible for recruiting, evaluating credentials and scheduling qualified physicians to staff the emergency departments of contracting hospitals.
- (ii) ***Hospitalist services:*** EmCare recruits and schedules physicians to provide medical care and treatment of patients in hospital inpatient settings.
- (iii) ***Other:*** EmCare also provides unbundled services such as billing, scheduling, recruitment and risk management.

Approximately 93% of EmCare's revenue is derived from emergency management services with the remainder derived from hospitalist and other services.

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Competitive Environment

There are approximately 4,700 hospitals in the U.S. with emergency departments that receive over 110 million visits, generating approximately \$10 billion in billings annually. Approximately 67% of these hospitals currently outsource physician services.

The emergency department market can be categorized into two major segments: medium to high volume emergency departments, with 15,000 or more annual visits, and low volume emergency departments, typically seeing less than 15,000 annual patient visits. Medium to high volume emergency departments represent 54% of the U.S. market and 76% of these hospitals outsource the management and staffing of their emergency departments. The hospitals with low volume represent 46% of the market and 56% currently outsource the management and staffing of their emergency departments.

EmCare is the largest provider of outsourced emergency management services in the United States providing services to over 300 client hospitals. Annually, physicians affiliated with EmCare treat approximately 5 million patients at emergency departments in 38 states. EmCare faces competition from a number of national and regional providers. Competition for services is generally based upon cost and the ability to make available physicians capable of providing high quality care. Competition is also based upon the proper utilization of the emergency department, as well as the ability to integrate the emergency department with other hospital departments and to provide value added services.

Operations

Emergency department staffing

We recruit and schedule physicians and emergency support staff for the management of emergency departments. We are the nation's leading recruiter of board-certified emergency medicine physicians. Our physician recruiters are trained to identify and pre-screen all candidates and recommend the right physician for each position. MedLink, our proprietary mapping software, allows us to pinpoint all American Medical Association members by geographic location so that recruiting efforts can be focused on the immediate region. Additionally, we recruit nationally through trade advertising, the Internet and our senior level residents' education programs.

Contracts

We have contracts to provide emergency management services with over 300 hospitals. Our standard hospital agreement is usually three years in length and is awarded on a competitive basis. Depending on contractual agreements with clients, EmCare may bill the hospitals, the third party payors, including patients, or a combination of both for services provided. In all cases, the hospitals are directly responsible for billing and collecting for all non-physician-related services.

Revenue Composition

Commercial insurers are billed based on specific fee schedules and are generally discounted based on negotiated rates with the payors. We do not accept "capitation" fees for professional emergency services. Governmental revenue mostly comes from the federal Medicare program and state-based Medicaid programs. Government reimbursement is based on specific "allowed" fees for each professional procedure. Patients visiting an emergency department must be assessed and provided with necessary treatment, regardless of the patient's ability to pay. In locations with high rates of uninsured patients, EmCare receives subsidies from the hospitals.

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The table below provides detail of the payor mix:

Private insurance/contract	50%
Medicare/Medicaid	30%
Private pay	20%
	100%

Employees

EmCare retains its medical professionals as employees or as independent contractors. Currently, EmCare employs approximately 4,100 people, which include approximately 3,000 medical professionals under contract. Approximately 2,600 physicians, 200 physician assistants and 200 nurse practitioners are affiliated with EmCare as employees or independent contractors. Approximately 95% of EmCare affiliated physicians are Board certified.

Regulation

In addition to the laws and regulations governing EmCare described in the preceding "Regulation" section under the "HEALTHCARE TRANSPORTATION SERVICES SEGMENT", EmCare and its operations and activities are subject to various state laws that prohibit or restrict business corporations such as EmCare from practicing medicine, employing physicians to practice medicine, exercising control over medical decisions by physicians, or engaging in certain arrangements, such as fee-splitting, with physicians. In such states, EmCare maintains long-term management contracts with its affiliated medical groups, which employ or contract with physicians to provide physician services. We believe that we are in material compliance with applicable state laws relating to the corporate practice of medicine and fee-splitting. However, regulatory authorities or other parties, including EmCare's affiliated physicians, may assert that, despite these arrangements, we are engaged in the corporate practice of medicine or that our contractual arrangements between EmCare and its affiliated medical groups constitute unlawful fee-splitting, in which case we could be subject to civil or criminal penalties, our contracts could be found legally invalid and unenforceable or EmCare could be required to restructure its contractual arrangements with its affiliated medical groups.

AVAILABLE INFORMATION

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other information with the Securities and Exchange Commission. The public can obtain copies of these materials by visiting the Commission's Public Reference Room at 450 Fifth Street, NW, Washington DC 20549, by calling the Commission at 1-800-SEC-0330, or by accessing the SEC's website at <http://www.sec.gov>. In addition, as soon as reasonably practicable after such materials are filed with or furnished to the Commission, we make copies available to the public free of charge on or through our website at www.laidlaw.com. Copies of our Code of Ethics, as defined under Item 406 of Regulation S-K, Corporate Governance Guidelines, Director Independence Criteria and Board Committee Charters can also be accessed on our website. We will provide, at no cost, a copy of our Code of Ethics upon request by phone or in writing to our corporate address at 55 Shuman Boulevard, Naperville, Illinois 60563 (telephone number: (630) 848-3000), attention: Investor Relations. The information on our website is not incorporated into, and is not part of, this report.

ITEM 2. PROPERTIES

Our education services business operates school buses and special education vehicles from 428 facilities in the United States and 56 in Canada, of which 160 are owned and 324 are leased or operated under contract. To provide these services, we operate approximately 40,000 school buses and special education vehicles. Approximately 38,000 of these vehicles are owned by us while the balance are owned by the city or municipality.

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Our public transit business operates from over 70 locations in the United States, of which five are owned and the rest are leased. To provide these services, we operate approximately 3,800 revenue-generating vehicles, including 2,300 paratransit vehicles, of which approximately 1,700 are owned by us while the remaining units are owned and provided by our customers.

Our Greyhound business provides services from approximately 2,100 locations throughout the United States and Canada. The majority of our locations are owned and operated by independent agents of Greyhound. Greyhound owns or leases 534 properties in the United States and 118 properties in Canada. Greyhound has a fleet of approximately 3,600 buses, of which approximately 2,000 buses are owned and 1,600 are leased.

American Medical Response operates out of 510 locations in the United States, of which 14 are owned and the balance are leased. We utilize nearly 3,900 ambulances and wheelchair vans and over 500 support vehicles.

EmCare leases 21 facilities to house administrative, billing and other support functions. We believe our facilities and equipment are adequate to service our present business needs.

ITEM 3. LEGAL PROCEEDINGS

General Litigation and Other Disputes

Health Care

Our healthcare businesses are subject to the Medicare and Medicaid fraud and abuse laws, which prohibit, among other things, any false claims, or any bribe, kick-back or rebate in return for the referral of Medicare and Medicaid patients. Violation of these prohibitions may result in civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. We have implemented policies and procedures that management believes will assure that we are in substantial compliance with these laws. Laidlaw or its subsidiaries continually undergo investigations by certain government agencies regarding compliance with Medicare fraud and abuse statutes. We are cooperating with the government agencies conducting these investigations and are providing requested information to the government agencies. Other than the investigations described in the following two paragraphs, management believes that the outcome of any of these investigations would not have a material adverse effect on us.

On May 9, 2002, AMR received a subpoena duces tecum from the Office of Inspector General for the United States Department of Health and Human Services ("HHS"). The subpoena requested copies of documents for the period from January 1993 through May 2002. The subpoena required AMR to produce a broad range of documents relating to Huguley Hospital and Regional Emergency Services contracts in Texas, Georgia and Colorado. The claims in Texas have been resolved pursuant to the \$20 million settlement agreement described below. The government investigations in Georgia and Colorado are continuing.

During the first quarter of fiscal 2004, AMR was advised by the U.S. Department of Justice ("DOJ"), that it was investigating certain business practices at AMR. The specific practices at issue were (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 the investigations described in this and the preceding paragraph, nor is it possible to calculate any possible financial exposure to the Company.

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From August 1998 until August 2000, American Medical Response West ("AMR West"), a subsidiary of AMR, received six subpoenas duces tecum from the United States Attorney's Office. These subpoenas related to billing matters for emergency transports and specialized services. AMR West has entered into a settlement agreement with the United States Attorney's Office pursuant to which it has paid \$3.5 million and agreed to enter into a five year Corporate Integrity Agreement with the HHS in settlement of these matters.

In June 1999, the DOJ began an investigation of the billing processes of Regional Emergency Services, a subsidiary of AMR, and of Florida Hospital Waterman. Regional Emergency Services managed the ambulance services for Florida Hospital Waterman. The DOJ reviewed the billing processes of the companies from October 1992 to May 2002. The DOJ alleged violations by the companies of the False Claims Act based on the absence of certificates of medical necessity and other non-compliant billing practices. The parties have entered into a settlement agreement for an aggregate of \$20 million, of which AMR has contributed a total of \$5 million.

Greyhound Default Judgment

On September 20, 2004, Greyhound responded to proceedings brought in Georgia state court in August 2004 ("August Proceedings") seeking to enforce a default garnishment judgment on funds in a Greyhound bank account. While this action has since been dismissed, it stemmed from an October 1995 default judgment in the amount of approximately \$7 million ("1995 Judgment") against Gary Jones, a former consultant to Greyhound. More than four years later, in October 2000, the plaintiff who obtained the 1995 Judgment ("Plaintiff") began garnishment proceedings against Greyhound in Georgia state court seeking to recover amounts owed to Gary Jones, who then allegedly owed the Plaintiff the amount of approximately \$11 million based on the 1995 Judgment plus post-judgment interest. On May 2, 2001, a default judgment for \$11 million ("Default Judgment") was entered by the Georgia state court against Greyhound. Greyhound first learned of the Default Judgment through the August Proceedings and, therefore, was unaware of the garnishment and the Default Judgment and inadvertently failed to contest it. Had the garnishment been timely answered, Greyhound believes that the amount due in response to the garnishment summons would not have exceeded \$1,500.

It is now alleged that Greyhound is liable to the Plaintiff in the amount of \$15 million, based on the \$11 million Default Judgment plus post-judgment interest. Greyhound has filed a Motion to Vacate the Default Judgment in the Court where such judgment was rendered. Based on several legal grounds, Greyhound believes that the Default Judgment is null and void and not enforceable. Greyhound intends to vigorously defend its interests in the litigation. Also refer to the discussion of the potential impact of this litigation on the Greyhound Facility included in Item 7 - "Liquidity and Capital Resources".

Other

We are also a defendant in various lawsuits arising in the ordinary course of business, primarily cases involving personal injury, property damage or employment related claims. Some of these actions are covered to varying degrees by our insurance policies. Based on our assessment of known claims and our historical claims payout pattern, management believes that there is no proceeding either threatened or pending against us relating to personal injury and/or property damage claims and/or employment related claims that would have a material adverse effect on the Company.

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Environmental

Our operations are subject to various federal, state, local and foreign laws and regulations relating to environmental matters, including those concerning emissions to the air; waste water discharges; storage, treatment and disposal of waste and remediation of soil and ground water contamination. We have incurred, and expect to incur, costs for our operations to comply with these legal requirements, and these costs could increase in the future. In particular, we have been named as a "potentially responsible party" under the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, at various third-party sites at which our waste was allegedly disposed. In addition, we are investigating or engaged in remediation of past contamination at other sites used in our businesses. We record liabilities 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. As of the date of this report, management believes that adequate accruals have been made related to all known environmental matters, however actual environmental liabilities could differ significantly from these estimates.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of Laidlaw International as of November 1, 2004 are as follows.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Kevin E. Benson	57	Director, President and Chief Executive Officer
Douglas A. Carty	48	Senior Vice President and Chief Financial Officer
Beth Byster Corvino	47	Senior Vice President, General Counsel and Corporate Secretary
Jeffrey W. Sanders	42	Vice President, Corporate Development and Controller
Jeffery A. McDougle	48	Vice President, Treasurer

Biographical information relating to each of our officers is set forth below.

Kevin E. Benson has been President and Chief Executive Officer and a director of Laidlaw International since June 23, 2003. From September 2002 to June 23, 2003, Mr. Benson was President and Chief Executive Officer of Laidlaw Inc., the Company's predecessor. Prior to that, Mr. Benson served as President and Chief Executive Officer of the Insurance Corporation of British Columbia from December 2001 until September 2002 and as President of The Pattison Group, a privately owned company and a conglomerate that owns interests in numerous businesses across a range of industries, in 2000 and 2001. He previously served as President and Chief Executive Officer of Canadian Airlines from 1996 until 2000. Mr. Benson also serves as a director of Manulife Financial.

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Douglas A. Carty has been Senior Vice President and Chief Financial Officer of Laidlaw International since June 23, 2003. From January 2003 to June 23, 2003, Mr. Carty was Senior Vice President and Chief Financial Officer of Laidlaw Inc. Prior to that, Mr. Carty served as Senior Vice President and Chief Financial Officer of Atlas Air Worldwide Holdings, an aviation transportation company, from July 2001 until December 2002. From 1990 until July 2000, Mr. Carty was employed with Canadian Airlines, where he served in a variety of positions, including Senior Vice President and Chief Financial Officer from 1996 until July 2000. Mr. Carty also serves as a non-executive Chairman of the Board of Points International Ltd.

Beth Byster Corvino has been Senior Vice President, General Counsel and Corporate Secretary of Laidlaw International since April 12, 2004. From April 1998 to April 2004, she served as Vice President, General Counsel and Corporate Secretary, and then as a consultant to Chas. Levy Company LLC, where she was responsible for all legal affairs and strategic planning, and served as Chief Operating Officer of its trucking subsidiary.

Jeffrey W. Sanders has been Vice President, Corporate Development of Laidlaw International since August 2003 and has been Controller since January 2004. From May 1999 until July 2003, he served as Senior Vice President and Chief Financial Officer of Greyhound Lines, Inc. Mr. Sanders joined Greyhound Lines, Inc. in June 1997 as Vice President, Corporate Development and from September 1997 through May 1999 served as Vice President Finance.

Jeffery A. McDougle has been Vice President and Treasurer of Laidlaw International since February 2, 2004. From July 2003 until January 2004, he served as Vice President, Fleet at US Airways Inc. From April 2002 until July 2003, Mr. McDougle served as Vice President, Finance and Treasurer for US Airways Group, where in addition to his treasury functions, he was responsible for corporate finance, corporate insurance and purchasing. In addition, he served as Vice President, Purchasing of US Airways, Inc. from November 2001 to April 2002 and Vice President, Treasurer of US Airways Group from May 1999 to November 2001.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "LI". The initial holders of our common stock were the creditors of the former company, Laidlaw Inc. Under the Plan, the common stock of our Predecessor Company, Laidlaw Inc., was cancelled for no consideration.

The following table details the high and low sale prices for the common stock traded on the NYSE and on the over the counter markets in the United States.

	<u>HIGH</u>	<u>LOW</u>
Year ended August 31, 2004:		
First Quarter	\$13.38	\$ 9.45
Second Quarter	15.30	12.68
Third Quarter	15.14	12.00
Fourth Quarter	15.74	11.96
Year ended August 31, 2003:		
First Quarter	NA	NA
Second Quarter	NA	NA
Third Quarter	NA	NA
Fourth Quarter (from June 23, 2003)	\$10.52	\$ 7.45

On November 1, 2004, the last sale price of the common stock as reported by the NYSE was \$16.75 per share and there were 49 holders of record of our common stock.

We have never paid any cash dividends on our common stock and our Board of Directors currently intends, for the foreseeable future, to retain all earnings for use in our business. Any future payment of dividends will depend upon our results of operations, financial condition, cash requirements, restrictions contained in credit and other agreements and other factors deemed relevant by the Board of Directors. Covenants in the indenture governing our senior notes and our senior secured credit facility restrict our ability to pay dividends and may prohibit the payment of dividends and certain other payments.

Summary of Equity Compensation Plans

The Company's 2003 Equity and Performance Incentive Plan ("2003 Incentive Plan") was approved by the U.S. Bankruptcy Court on February 27, 2003. The 2003 Incentive Plan provides for the grant of stock options, stock appreciation rights, restricted shares, deferred shares, performance shares, and performance units to officers and employees of the Company and its subsidiaries. The 2003 Incentive Plan also provides for the grant of option rights and restricted stock to non-employee directors. There are 5,000,000 shares of common stock available under the 2003 Incentive Plan. In any calendar year, no participant may be granted more than 500,000 option rights, appreciation rights, deferred shares, or restricted shares, or more than \$1,000,000 worth of performance shares or performance units determined on the date of the grant.

The 2003 Incentive Plan is administered by the Board of Directors unless it delegates such authority to a committee. The administrator of the Incentive Plan has the authority to select plan participants, grant awards, and determine the terms and conditions of such awards. Generally,

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with respect to awards granted under the 2003 Incentive Plan, (i) option rights, and corresponding appreciation rights, vest ratably over not less than a three-year period, (ii) restricted stock grants are subject to a risk of forfeiture for a period of not less than three years, (iii) deferred shares are subject to a deferral period of not less than one year, and (iv) performance shares and performance units are paid to a plan participant upon the achievement of management objectives specified in the grant measured over a period specified in the grant of not less than one year. If stated in the award, the exercise of option rights, appreciation rights, and restricted stock may also be subject to the achievement of management objectives, as defined in the 2003 Incentive Plan.

Securities authorized for issuance under compensation plans as of August 31, 2004 are summarized below:

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Available for future issuance under equity compensation plans (excluding shares reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by shareholders	None	None	None
Equity compensation plans not approved by shareholders *	<u>1,323,925</u>	<u>\$ 12.96</u>	<u>3,647,387</u>
Total	<u>1,323,925</u>	<u>\$ 12.96</u>	<u>3,647,387</u>

* The 2003 Incentive Plan was approved by the U.S. Bankruptcy Court as part of our emergence process, but was not approved by our shareholders. We will be submitting the 2003 Incentive Plan for shareholder approval at our 2005 annual meeting of shareholders.

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ITEM 6. SELECTED FINANCIAL DATA

The following information should be read in conjunction with our consolidated financial statements, "Management Discussion and Analysis of Financial Condition and Result of Operations" and "Business" included elsewhere in this filing.

(\$ in millions except per share amounts)	Year Ended August 31, 2004	Three Months Ended August 31, 2003	Nine Months Ended May 31, 2003	Predecessor Company		
				Year Ended August 31,		
				2002	2001	2000
Statements of Operations Data						
Revenue	\$4,631.4	\$ 997.1	\$ 3,485.7	\$4,432.1	\$4,418.3	\$ 4,273.1
Depreciation and amortization	283.5	52.1	229.3	358.8	350.3	347.1
Operating income	221.2	11.5	163.5	62.2	33.1	38.8
Income (loss) from continuing operations	61.7	(9.9)	(1,212.8)*	14.9	(246.5)	(637.6)
Net income (loss)	61.7	(9.9)	(1,212.8)*	14.9	1,425.9**	(2,253.1)**
Earnings (loss) per share from continuing operations						
Basic	0.62	(0.10)	(3.72)	0.05	(0.76)	(1.95)
Diluted	0.59	(0.10)	(3.72)	0.05	(0.76)	(1.95)
Earnings (loss) per share						
Basic	0.62	(0.10)	(3.72)	0.05	4.37	(6.89)
Diluted	0.59	(0.10)	(3.72)	0.05	4.37	(6.89)
Dividends per Common Share	—	—	—	—	—	0.095
Balance Sheet Data *** (at period end)						
Working capital (deficiency)	345.3	253.2	289.0	482.5	480.6	(3,169.3)
Total assets	3,905.2	3,911.3	3,953.9	6,275.9	6,219.8	6,108.6
Total debt	1,150.6	1,214.5	1,239.1	224.7	280.2	3,627.7
Liabilities subject to compromise	—	—	—	3,977.1	3,978.5	—
Shareholders' equity (deficiency)	1,376.5	1,290.3	1,309.3	954.1	1,029.5	(398.0)

* Includes net gain on extinguishment of debt of \$1,482.8 million, charges to income of \$609.6 for fresh start accounting adjustments and a goodwill impairment charge of \$2,205.4.

** The healthcare businesses were classified as discontinued operations in 2000 resulting in a charge to discontinued operations. The health care businesses were reinstated as continuing businesses in 2001 and remaining loss provision was brought back into income.

*** All balance sheet data on May 31, 2003 has been adjusted for fresh start accounting adjustments.

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

CORPORATE OVERVIEW

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.

Education services. Through our education services segment, we provide school bus transportation in the United States and Canada. We operate school buses and special education vehicles and transport approximately two million students each school day. We also use our school bus fleet for charter purposes.

Public Transit services. Through our public transit services segment, we provide municipal transit and paratransit bus transportation within the United States. There are two main businesses within this market: fixed-route municipal bus services and paratransit bus services for riders with disabilities or who are unable to use scheduled services.

Greyhound. Greyhound provides scheduled intercity bus transportation services in the United States and Canada and is the only national provider of this service in those areas. Greyhound also provides package delivery service, charter bus service and, in certain terminals, food service. In addition, Greyhound provides package tours to major tourist regions in the United States and Canada.

Healthcare Transportation services. We provide healthcare transportation services in the United States under the name American Medical Response ("AMR"). We offer critical care transportation services, non-emergency ambulance and transfer services and emergency response services. We provide joint training, shared staffing and stationing arrangements and contracted dispatching. We also provide comprehensive onsite medical care and transport services for special events.

Emergency Management services. We provide emergency management services in the United States to hospital-based emergency departments, operating primarily under the EmCare name.

YEAR IN REVIEW

Fiscal 2004 was Laidlaw International's first full year of operations after we emerged as the successor company from the reorganization of Laidlaw Inc. We began the year with a newly constituted board of directors, an energized management team and a business plan that was directed towards enhancing the operational performance of each of our business segments.

Our first step was a strategic review to assess the performance of each of the businesses. This included a determination of each business units' position within its industry — its relative strengths and weaknesses, and the potential to optimize its performance. We established with each of the business unit management teams a framework for detailed operational reviews, set financial targets for the fiscal year, and held monthly meetings to monitor progress and make changes where necessary or prudent.

Our focus for education services was on improving operating margins and more effectively managing the capital employed across its nearly 500 branches and 40,000 school buses. A detailed review of operations identified a number of areas where we believe costs could be reduced or revenue could be enhanced through the centralization of administrative and financial services and the utilization of technology. Operational changes flowing from the review will take a number of years to fully implement, but should enable the Company to continue to deliver the same quality product for which it is known, while addressing the price constraints set by our

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customers. In addition contracts that failed to meet acceptable returns were identified and placed on a watch list. As these contracts expire, a pricing committee will establish the minimum rates required, taking into account the capital employed in each contract.

Greyhound has been under severe financial pressure for the past several years. As a result, Laidlaw's exit financing included restrictions on Laidlaw from funding Greyhound, and necessitated that Greyhound take immediate steps to stabilize its financial condition. A number of actions were taken by management to contain costs and enhance revenue. These included a downsizing of the operations that led to reductions in overheads, the network and fleet, as well as the implementation of a more flexible pricing strategy. At the same time, Greyhound negotiated an extension in its bank financing and a three-year, no cost increase, labor contract with its drivers. While these moves began to stabilize Greyhound financially, a more elaborate network overhaul is still required. A number of changes are now being implemented to bring about this overhaul and will continue for the next two years. These changes address the reality that Greyhound, as the operator of expensive intercity coaches, cannot afford to deviate from its core competency of safe, reliable intercity transit, especially when considering the realities of a weakened travel market post the 9/11 terrorist attacks.

Laidlaw's healthcare operations were placed under new management during its predecessor's reorganization and were already showing good improvements in all areas of their operations. The focus for this past year has been the development of technology that should enable the ongoing reduction in unit costs, as well as the enhancement of all aspects of services. Core processes, such as billing, were further centralized and streamlined and AMR began the rollout of Electronic Patient Record technology to capture and retain vital patient and treatment information. At EmCare a focus on customer retention and on offering unique contracts designed to meet specific customer needs, resulted in significant top-line revenue expansion and bottom line growth, adding new contracts for hospital emergency department services and expanding contracts to include "hospitalist" services.

Revenue at public transit grew as it was no longer hindered by municipal contract eligibility requirements tied to the former parent company's restructuring. An enhanced driver training program and revised safety education resulted in a much improved safety record and saw the company regain its status as one of its industry's leading suppliers of municipal and community transport.

As a holding company of five distinct businesses, we initiated a process to evaluate the role of each of the businesses within the portfolio of Laidlaw International. The strategic review of our holdings was undertaken to identify potential opportunities to deliver value to our shareholders. As a result of the evaluation process, there may be changes, from time to time, to the portfolio of businesses we operate.

During the year, we revised the management reward programs within the business segments to more closely align management and shareholder interests. As a result employee incentive programs now incorporate the relevant costs of capital, ensuring that business unit management is focused on pursuing those new business opportunities or renewal of existing business relationships where an appropriate return on capital is provided.

The performance of each of the business units improved during 2004 resulting in the improved performance of the Company as a whole.

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RESULTS OF OPERATIONS

Basis of Presentation

As is more fully discussed in Note 2 – “Fresh Start Accounting” of the Notes to the Consolidated Financial Statements, we 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” (“SOP 90-7”). For financial reporting purposes, the effective date of the reorganization was 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.

We have made no comparisons for the Company’s results for the three months ended August 31, 2003 or for the Predecessor Company’s results for the nine months ended May 31, 2003. As the length of these periods is significantly different than the length of any corresponding comparative periods these results are not comparable in absolute dollar terms. Additionally, due to the seasonality of our largest and most profitable segment, the education services segment, meaningful comparisons cannot be made on a percentage of sales basis either.

However, in order to facilitate the identification of certain business trends, our discussion of the Company’s financial results for the year ended August 31, 2004 has been compared to the combined financial results for the year ended August 31, 2003, which represents the financial results for the Company for the three months ended August 31, 2003 and the financial results for the Predecessor Company for the nine months ended May 31, 2003, and are also compared with the Predecessor Company’s results for the year ended August 31, 2002. The combined year ended August 31, 2003 presented below does not comply with SOP 90-7, which calls for separate reporting for the Company and the Predecessor Company. Additionally, for the reasons described in Note 2 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 and results of operations after emergence from bankruptcy. Readers should, therefore, review this material with caution and not solely rely on the information concerning the Predecessor Company or the combined year ended August 31, 2003 as being indicative of our future results or providing an accurate comparison of financial performance.

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

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Non-GAAP Measures

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. All companies do not calculate EBITDA the same way. We define EBITDA as operating income plus depreciation and amortization. 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 net income (loss) and net cash provided by operating activities, the GAAP measures management believes to be most directly comparable to EBITDA:

	Year Ended		
	2004	2003	2002
EBITDA	\$ 504.7	\$ 456.4	\$ 421.0
Depreciation and amortization	(283.5)	(281.4)	(358.8)
Interest expense	(129.6)	(51.1)	(27.7)
Other income (expense), net	2.4	(19.9)	(29.4)
Income tax benefit (expense)	(32.3)	5.5	9.8
Fresh start accounting adjustments	—	(609.6)	—
Gain on discharge of debt	—	1,482.8	—
Income from operations before cumulative effect of change in accounting principle	61.7	982.7	14.9
Cumulative effect of change in accounting principle	—	(2,205.4)	—
Net income (loss)	<u>\$ 61.7</u>	<u>\$ (1,222.7)</u>	<u>\$ 14.9</u>

	Year Ended		
	2004	2003	2002
EBITDA	\$ 504.7	\$ 456.4	\$ 421.0
Cash paid for interest	(117.0)	(37.3)	(31.9)
Cash received for income taxes	9.7	12.7	10.4
Increase in claims liabilities and professional liability reserves	38.0	60.8	61.6
Pension contribution per the PBGC Agreement	(50.0)	(50.0)	—
Increase in pension liability	12.6	1.3	—
Cash provided by (used in financing) other working capital items	(15.1)	(25.7)	7.5
Decrease (increase) in restricted cash and cash equivalents	(10.1)	0.2	(38.6)
Other	17.2	(22.9)	3.8
Net cash provided by operating activities	<u>\$ 390.0</u>	<u>\$ 395.5</u>	<u>\$ 433.8</u>
Net cash used in investing activities	<u>\$ (242.7)</u>	<u>\$ (440.6)</u>	<u>\$ (275.7)</u>
Net cash used in financing activities	<u>\$ (89.6)</u>	<u>\$ (198.1)</u>	<u>\$ (95.8)</u>

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Year ended August 31, 2004, 2003 and 2002 results of operations

(\$ in millions)	Year Ended		
	2004	2003	2002
Revenue	\$4,631.4	\$ 4,482.8	\$4,432.1
Compensation expenses	2,678.0	2,582.8	2,523.0
Accident claims expense and professional liability expenses	288.3	304.3	325.8
Vehicle related costs	279.3	277.2	272.5
Occupancy costs	203.4	201.8	202.2
Fuel expense	182.1	170.1	163.0
Other operating expense	495.6	490.2	524.6
EBITDA	504.7	456.4	421.0
Depreciation	265.1	276.1	270.6
Amortization	18.4	5.3	88.2
Operating income	221.2	175.0	62.2
Interest expense	(129.6)	(51.1)	(27.7)
Gain on discharge of debt	—	1,482.8	—
Fresh start accounting adjustments	—	(609.6)	—
Other income (expenses), net	2.4	(19.9)	(29.4)
Income before income taxes and effect of a cumulative change in accounting principle	94.0	977.2	5.1
Income tax benefit (expense)	(32.3)	5.5	9.8
Income before effect of a cumulative change in accounting principle	61.7	982.7	14.9
Cumulative effect of change in accounting principles	—	(2,205.4)	—
Net income (loss)	\$ 61.7	\$(1,222.7)	\$ 14.9
Results as a Percentage of Revenue			
Revenue	100.0%	100.0%	100.0%
Compensation expenses	57.8	57.6	56.9
Accident claims expense and professional liability expenses	6.2	6.8	7.4
Vehicle related costs	6.0	6.2	6.1
Occupancy costs	4.4	4.5	4.6
Fuel expense	3.9	3.8	3.7
Other operating expense	10.8	10.9	11.8
EBITDA	10.9	10.2	9.5
Depreciation	5.7	6.2	6.1
Amortization	0.4	0.1	2.0
Operating income	4.8%	3.9%	1.4%

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Revenue by business segment and by Restricted Subsidiaries and Unrestricted Subsidiaries are as follows (\$ in millions):

	Revenue			Percentage Increase (Decrease)	
	Year Ended				
	2004	2003	2002	Year 2004 Over 2003	Year 2003 Over 2002
Education services	\$1,495.8	\$1,499.7	\$1,479.7	(0.3)%	1.4%
Public transit services	300.5	283.1	309.5	6.1	(8.5)
Greyhound	1,230.5	1,204.2	1,223.7	2.2	(1.6)
Healthcare transportation services	1,054.8	1,015.2	987.9	3.9	2.8
Emergency management services	549.8	480.6	431.3	14.4	11.4
Total	<u>\$4,631.4</u>	<u>\$4,482.8</u>	<u>\$4,432.1</u>	3.3%	1.1%
Restricted Subsidiaries	\$3,648.1	\$3,491.0	\$3,412.2	4.5%	2.3%
Unrestricted Subsidiaries	<u>983.3</u>	<u>991.8</u>	<u>1,019.9</u>	(0.9)	(2.8)
Total	<u>\$4,631.4</u>	<u>\$4,482.8</u>	<u>\$4,432.1</u>	3.3%	1.1%

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

	EBITDA			Percentage Increase (Decrease)	
	Year Ended				
	2004	2003	2002	Year 2004 Over 2003	Year 2003 Over 2002
Education services	\$286.7	\$280.3	\$272.7	2.3%	2.8%
Public transit services	8.0	16.5	(1.7)	(51.5)	NM
Greyhound	87.4	67.0	53.6	30.4	25.0
Healthcare transportation services	86.6	63.4	76.0	36.6	(16.6)
Emergency management services	<u>36.0</u>	<u>29.2</u>	<u>20.4</u>	23.3	43.1
Total	<u>\$504.7</u>	<u>\$456.4</u>	<u>\$421.0</u>	10.6%	8.4%
Restricted Subsidiaries	\$439.0	\$406.4	\$354.2	8.0%	14.7%
Unrestricted Subsidiaries	<u>65.7</u>	<u>50.0</u>	<u>66.8</u>	31.4	(25.1)
Total	<u>\$504.7</u>	<u>\$456.4</u>	<u>\$421.0</u>	10.6%	8.4%

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Results by business segment

Education services

Revenue in the education services segment was down slightly in fiscal 2004 compared to the year ended 2003. The effect of \$101 million of lost business, approximately half of which was due to the loss of the City of Boston contract, was largely offset by new contracts, price increases and the strengthening of the Canadian currency relative to the U.S. dollar. The effect of the increase in the Canadian currency increased revenues 1.1% over 2003.

Revenue increased 1.4% from fiscal 2002 to 2003 as price increases, new contracts and additional routes more than offset the decline in revenue due to contracts that were not retained. Additionally, a strengthening of the Canadian dollar against the U.S. dollar increased revenue approximately 0.5%.

In fiscal 2004, EBITDA was \$6.4 million higher than the year ended August 31, 2003. The improvement in EBITDA was due to lower accident claims costs, and a favorable Canadian exchange rate, offset somewhat by an increase in fuel prices. All of these changes had the impact of improving education services EBITDA margin to 19.2% from 18.7%.

The increase of \$7.6 million in EBITDA for the year ended August 31, 2003 over the year ended August 31, 2002 was principally due to lower recruiting and training expenses, lower legal and other administrative expenses, and other reduced operating expenses, including the absence of one-time charges incurred in fiscal 2002 relating to the exit of certain contracts in Alaska.

Public Transit services

During the year ended August 31, 2004, revenue in the public transit services segment increased 6.1% principally due to the addition of routes and services. The 8.5% decrease in revenue in fiscal 2003 compared to 2002 was principally due to the loss of contracts in fiscal 2003.

In fiscal 2004, EBITDA was \$8.5 million lower than the year ended 2003 due to increased accident claims costs as compared to the unusually low level experienced in 2003. Additionally, the segment incurred higher compensation expense, primarily due to driver shortages, and higher fuel costs compared to prior year. All of these items reduced the segment's EBITDA margins to 2.7% from 5.8%.

For the year ended August 31, 2003, EBITDA increased \$18.2 million over the year ended August 31, 2002. This increase was the result of a significant decline in accident claims costs of approximately \$22.5 million. The segment also experienced an increase in health and welfare benefit costs, primarily driven by increased cost of medical coverage for employees.

Greyhound

Revenue increased 2.2% during the year ended August 31, 2004 in the Greyhound segment almost entirely due to a favorable Canadian currency exchange rate. Excluding the effect of foreign currency, revenue was basically flat in fiscal 2004 compared to the year ended August 31, 2003 as an increase in tour and charter revenue from new contracts was mostly offset by lower passenger revenue as we reduced miles driven. The reduction in miles driven in fiscal 2004 is due to management's focus on improving profitability by reducing lower yielding long-distance trips, mainly through pricing actions.

The 1.6% decrease in revenue in fiscal 2003 compared to 2002 in the Greyhound segment was primarily due to the slow recovery of the travel services market and the discontinuation of the Golden State Transportation ("Golden State") operations. Revenues from Golden State were \$27.6 million in 2002.

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During the year ended August 31, 2004, EBITDA in the Greyhound segment was \$20.4 million better than the year ended August 31, 2003. The improvement in Greyhound's EBITDA is primarily due to management's continued focus on improving revenue per mile and reducing operating costs. We continued to take actions to improve revenue per bus mile by increasing ticket prices, particularly for long haul travel, shifting the mix of passengers toward higher yielding short and medium haul travel and reducing bus miles. Since over 70% of our wages are variable with bus and passenger miles, the improvement in revenue per bus mile has resulted in a reduction in compensation costs as a percent of revenue. Some of the reduction in compensation cost was offset by increases in fuel costs and accident claims costs. Overall, the initiatives taken by management have improved EBITDA margins to 7.1% in fiscal 2004 compared to 5.6% in fiscal 2003.

In the year ended August 31, 2003, EBITDA increased \$13.4 million over the year ended August 31, 2002. The increase was primarily due to unusually high accident claims costs in fiscal 2002. This was partially offset by increased vehicle maintenance costs and fuel prices in 2003.

Healthcare Transportation

The 3.9% increase in revenue during the year ended August 31, 2004 in the healthcare transportation services segment is primarily due to an increase in ambulance transports which more than offset a decline in wheelchair transports. The 2.8% increase in revenue in fiscal 2003 compared to 2002 in the healthcare transportation services segment is primarily due to rate increases and improved collection and fee increases resulting in an increase in the revenue per transport recorded.

In fiscal 2004, EBITDA in the healthcare transportation services segment was \$23.2 million higher than 2003 principally due to improved accident and insurance claims costs from unusually high levels in 2003. The benefit from increased revenues was offset by increases in compensation costs caused by higher wage rates and healthcare costs. Most of the wage rate increases were driven by shortages of paramedics and scheduled union wage increases. Overall, EBITDA margins have improved to 8.2% in fiscal 2004 from 6.2% in fiscal 2003.

In the year ended August 31, 2003, EBITDA decreased \$12.6 million from the year ended August 31, 2002. The decrease is primarily due to an increase in accident claims costs of \$31.1 million due in part to an increase of approximately \$17.1 million in the actuarial estimate of the costs required to settle prior years' accident claims, partially offset by the margin associated with the increase in revenue per transport.

Emergency Management

The 14.4% increase in revenue in the emergency management services segment during the year ended August 31, 2004 is primarily attributable to an increase in the number of patient visits from new contracts.

The 11.4% increase in revenue in fiscal 2003 compared to 2002 in the emergency management services segment is primarily due to an increase in the revenue per visit. The segment also experienced an increase in the volume of visits during 2003 because of new contracts.

The emergency management services segment EBITDA increased \$6.8 million during the year ended August 31, 2004 compared to the year ended August 31, 2003. The additional contribution from increased sales more than offset an increase in compensation costs, due to the higher number of physicians needed to serve the new contract base and an increase in long-term incentive plan costs. Overall, EBITDA margins improved to 6.5% in fiscal 2004 from 6.1% in fiscal 2003.

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In the year ended August 31, 2003, EBITDA was \$8.8 million higher than the year ended August 31, 2002 due primarily to an increase in revenue per visit. The increase in revenue per visit is offset by an increase in physician wages and malpractice claims costs.

Restricted Subsidiaries

The 4.5% increase in the Restricted Subsidiaries' revenue in fiscal 2004 over fiscal 2003 is due to revenue increases in public transit, healthcare transportation services, emergency management services and our Greyhound operations in Canada ("Greyhound Canada") partially offset by a decrease in the education services segment. The 2.3% increase in the Restricted Subsidiaries' revenue in fiscal 2003 over fiscal 2002 is due to revenue increases in education services, healthcare transportation services, emergency management services and Greyhound Canada partially offset by a decrease in the public transit segment.

The 8.0% increase in the Restricted Subsidiaries' EBITDA in fiscal 2004 over fiscal 2003 is due to increases in education services, healthcare transportation services, emergency management services and Greyhound Canada partially offset by a decrease in the public transit segment. The 14.7% increase in the Restricted Subsidiaries' EBITDA in fiscal 2003 over fiscal 2002 is due to education services, healthcare transportation services, emergency management services and Greyhound Canada partially offset by a decrease in the public transit segment.

Unrestricted Subsidiaries

The Unrestricted Subsidiaries' revenue was down slightly in fiscal 2004 compared to fiscal 2003. A decline in passengers and passenger miles was partially offset by an increase in prices. The declines were principally in the low yielding long-haul trip distances. Revenue for the Unrestricted Subsidiaries declined 2.8% in fiscal 2003 compared to fiscal 2002 primarily due to the slow recovery of the travel services market and the discontinuation of the Golden State operations.

Fiscal 2004 EBITDA for the Unrestricted Subsidiaries was \$15.7 million higher than fiscal 2003 due to improved revenue per mile and reduced operating costs. Efforts to reduce bus miles resulted in a decrease in expenses. EBITDA declined \$16.8 million in fiscal 2003 compared to fiscal 2002 primarily due to lower revenues combined with increased vehicle operating costs.

Depreciation expense

Depreciation expense during fiscal 2004 decreased \$11.0 million over fiscal 2003, reflecting an \$8.3 million decrease in depreciation for the Restricted Subsidiaries and a \$2.7 million decrease in depreciation for the Unrestricted Subsidiaries. The decline in the Restricted Subsidiaries depreciation is principally due to a slight increase in the estimated useful lives of certain model school buses, which was partially offset by increased depreciation due to the write up, in fresh start accounting, of the school bus fleet. The decline in the Unrestricted Subsidiaries is principally due to the revaluation of property and equipment that occurred under fresh start accounting.

Depreciation expense for the year ended August 31, 2003 was \$276.1 million, \$5.5 million higher than the year ended August 31, 2002 due to equipment purchases (mostly vehicles) during the year that were more expensive than the original cost of the equipment being replaced.

Amortization expense

Amortization expense for fiscal 2004, increased \$13.1 million compared to fiscal 2003. Amortization is primarily related to customer contracts capitalized under fresh start accounting with principally all of the amortization expense being recorded by the Restricted Subsidiaries.

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Amortization expense in fiscal 2002 primarily related to amortization of goodwill prior to the change in accounting for goodwill discussed below in "Cumulative effect of change in accounting principle."

Interest expense

Interest expense increased \$78.5 million in fiscal 2004 compared to fiscal 2003. The increase is primarily due to interest incurred on long-term debt associated with our senior secured credit facility and the senior notes, both of which were only outstanding for approximately three months of fiscal 2003. Interest expense for the Unrestricted Subsidiaries increased \$8.2 million due to a higher effective interest rate on debt that was adjusted to fair value under fresh start accounting.

In the combined year ended August 31, 2003, interest expense increased to \$51.1 million from \$27.7 million in the year ended August 31, 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 pre-petition debt of the Debtors for the nine months ended May 31, 2003 and for the year ended August 31, 2002. The total interest on pre-petition debt that was not incurred during fiscal 2003 was approximately \$214.1 million, compared to \$274.2 million for fiscal 2002.

Gain on discharge of debt

As is more fully discussed in Note 1 of the Notes to the Consolidated Financial Statements, as part of the reorganization and emergence from chapter 11, liabilities subject to compromise of the Predecessor Company in the amount of \$3,977.1 million were discharged. As satisfaction of the liabilities subject to compromise, the Predecessor Company's creditors received \$1,185 million in cash and 100 million common shares of Laidlaw International common stock with a value of \$1,309.3 million. The resulting \$1,482.8 million gain on discharge of debt has been recorded in the Consolidated Statement of Operations for the period from September 1, 2002 through May 31, 2003.

Fresh Start accounting adjustments

We applied fresh start accounting as of June 1, 2003 pursuant to the guidance provided by SOP 90-7. In accordance with the principles of fresh start accounting, we have adjusted our assets and liabilities to their estimated fair values as of June 1, 2003 with the excess of our reorganization value over the fair value of our tangible and identifiable intangible assets reported as goodwill in the Consolidated Balance Sheets. The net effect of all fresh start accounting adjustments resulted in a loss of \$609.6 million, which is reflected in the Predecessor Company's results for the period from September 1, 2002 through May 31, 2003.

Other income (expenses), net

Other income net was \$2.4 million for the year ended August 31, 2004 and was primarily related to reimbursements of legal fees expensed in previous periods to defend former directors and officers of the Predecessor Company.

Other expenses, net of \$19.9 million in fiscal 2003 was mostly due to financing, accounting, legal and consulting services incurred by the Predecessor Company during the reorganization process partially offset by \$12.5 million of income related to the settlement of certain bondholder actions. Other expenses, net of \$29.4 million in fiscal 2002 were mostly due to financing, accounting, legal and consulting services incurred by the Predecessor Company during the reorganization process.

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Cumulative effect of change in accounting principle

Effective September 1, 2002, we adopted SFAS 142 and, as a result, we ceased to amortize goodwill. On adoption, the Company completed the transitional impairment assessment as required by SFAS 142 and determined that the carrying value of certain of its operations exceeded their fair value. As a result, we recorded a non-cash charge of \$2,205.4 million on September 1, 2002 as a cumulative effect of change in accounting principle.

Income taxes

Income tax expense for the year ended August 31, 2004 was \$32.3 million or 34% of income before taxes. The 2004 tax provision includes a one-time benefit of \$6.6 million due to a change in the Canadian tax rate; otherwise, income tax expense would have been \$38.9 million or 41% of income before taxes. The income tax benefit for the year ended August 31, 2003 was \$5.5 million compared to \$9.8 million in the year ended August 31, 2002. The Company recognized a \$10.0 million tax benefit on the loss incurred during the three months ended August 31, 2003, while tax expense for the first nine months of 2003 and all of 2002 principally represented estimated cash taxes as the Predecessor Company had established a full valuation allowance against its net deferred tax assets. Additionally, the Predecessor Company reduced reserves in 2002 that were previously set up regarding U.S. Internal Revenue Services ("IRS") audits because the IRS filed an amended claim in the Predecessor Company's restructuring proceedings that was less than the previous claim filed.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by \$57.7 million to \$158.0 million on August 31, 2004. The cash build up at August 31, 2004 anticipates a cash outflow during the first quarter of fiscal 2005 due to the cyclical nature of cash flows from our education services segment. Significant cash outflows occur at the start of the school year creating a lag between the cash expended to provide services and the collection of receivables related to those services. Likewise, collection of cash in the fourth quarter exceeds the outlay of cash due to the school vacation season.

Cash provided by operating activities was \$390.0 million for the year ended August 31, 2004. Working capital, excluding the current portion of long-term debt, increased from \$322.6 million on August 31, 2003 to \$381.7 million on August 31, 2004. Accounts receivable increased \$18.2 million primarily driven by increased revenues in our healthcare businesses. Other current assets decreased by \$12.7 million to \$47.4 million at August 31, 2004 primarily due to the timing of payments for insurance premiums. Accrued expenses were up \$29.2 million from August 31, 2003, primarily due to an increase in the current portion of insurance claims and increases in payroll and benefits accruals.

Of the \$224.9 million expended on property and equipment in fiscal 2004, 73% was spent on vehicles (primarily school buses), while the remaining 27% was spent on facilities, information technology and other equipment.

The \$28.9 million net increase in investments (which consist of restricted cash and cash equivalents, short-term deposits and marketable securities and long-term investments) was due to a \$93 million increase in insurance investments partially offset by a reduction in performance bond collateral. The increase in the insurance related investments was principally to support the increase in claims liabilities and professional liability reserves. The amount of performance bond collateral was reduced as a result of the Company's improved financial condition upon emerging from bankruptcy.

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Net debt payments of \$71.2 million consist of the \$25.0 million principal payment on the Term B Facility, a \$30.1 million payment under the Greyhound Facility and a \$16.1 million net reduction in other notes and capital leases.

We believe that borrowings under the revolving credit facility of the senior secured credit facility, together with existing cash and cash flow from operations, will be sufficient to fund our anticipated capital expenditures and working capital requirements.

Senior Secured Credit Facility; Senior Notes

Upon emergence from chapter 11, in June 2003, we established a new \$825.0 million senior secured credit facility (the "Exit Facility"). The Exit Facility consists of a \$625.0 million Term B facility (the "Term B Facility") due June 2009 (\$100.0 million of the proceeds from the Term B Facility is cash collateral for a \$100.0 million letters of credit facility) and a \$200.0 million senior secured revolving credit facility (the "Revolver") due June 2008. The Term B Facility, as amended, provides for mandatory \$6.25 million quarterly principal repayments through March 2008 followed by four \$125.0 million quarterly installments. Interest paid on the Term B Facility is charged at either Base Rate + 2.75% or LIBOR + 3.75%. A 1% prepayment premium may be payable should the Company prepay the Term B Facility prior to December 17, 2004. The Term B Facility and the Revolver are guaranteed, for the U.S. dollar borrowings, by us and all of our U.S. subsidiaries, except Greyhound Lines, Inc. ("Greyhound Lines") and any of our subsidiaries that are in the business of insurance and for the Canadian dollar borrowings, by the guarantors of the U.S. dollar borrowings and the Canadian subsidiaries (except subsidiaries incorporated under the laws of British Columbia). The Exit Facility is secured, on a senior secured basis, by our assets and the assets of all of our subsidiaries, except Greyhound Lines and any of our subsidiaries that are in the business of insurance.

In fiscal 2004 we 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 we are 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.

The Revolver, with a \$35.0 million letter of credit sub-facility, a \$35.0 million sub-limit for Canadian dollar borrowings and a \$20 million sub-limit for Canadian dollar letters of credit for use by the Canadian subsidiaries of the Company, was established to fund the Company's working capital and letter of credit needs. Interest is determined by reference to a leverage ratio, as defined in the senior credit facility agreement. Interest rates are available at a range of rates as follows: Base Rate + 3.25% to 3.75%; LIBOR Rate + 4.25% to 4.75%; Bankers Acceptance Rate + 4.25% to 4.75%. The LIBOR rate is subject to a 2.00% floor. Under the revolver, as of August 31, 2004, there were no cash borrowings, issued letters of credit of \$43.2 million and \$66.0 million was reserved for guarantee obligations on Greyhound vehicle leases, leaving availability of \$90.8 million.

Under the terms of the Exit Facility 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 August 31, 2004, the Company was in compliance with all such covenants.

In addition, in June 2003 the Company issued \$406.0 million aggregate principal amount of 10.75% Senior Notes due 2011 at a discount for net proceeds of approximately \$400.6 million. The notes bear interest at a rate of 10.75% payable semi-annually each December 15 and June 15. The Company may redeem all of the notes at any time after June 15, 2007 at redemption prices of 105.375% until June 15, 2008 and 102.688% until June 15, 2009 at which time they are redeemable at 100%. The notes are guaranteed by all Restricted Subsidiaries, other than the Canadian subsidiaries and any subsidiaries that are in the business of insurance.

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The Greyhound 11½% Senior Notes

The Greyhound 11½% Senior Notes due 2007 (the "11½% Senior Notes") bear interest at the rate of 11½% per annum, payable each April 15 and October 15. On June 1, 2003, the 11½% Senior Notes were recorded at the notes' estimated fair value of \$113.4 million, resulting in a 20.8% effective interest rate. The 11½% Senior Notes are redeemable at the option of Greyhound in whole or in part, at a redemption price of 101.917% until April 15, 2005 at which time they are redeemable at their \$150 million par value, plus any accrued but unpaid interest. The 11½% Senior Note indenture contains certain covenants that, among other things, limit the ability of Greyhound to incur additional indebtedness, pay dividends or make other distributions, repurchase equity interests or subordinated indebtedness, create certain liens, sell assets or enter into certain mergers or consolidations. As of August 31, 2004, Greyhound was in compliance with all such covenants.

Greyhound Facility

Greyhound Lines is party to a revolving credit facility to fund working capital needs and for general corporate purposes (the "Greyhound Facility") that expires on October 24, 2006. Greyhound Lines has the option to elect to extend the maturity date an additional year to October 24, 2007 provided that certain terms and conditions are met. Letters of credit or borrowings are available under the Greyhound Facility based upon the total of 80% of the appraised wholesale value of bus collateral, plus 65% of the quick sale value of certain real property collateral, minus \$20 million, (which at August 31, 2004, aggregated to \$107.1 million), subject to a maximum of \$125.0 million, inclusive of a \$70.0 million letter of credit sub-facility. As of August 31, 2004, Greyhound Lines had no cash borrowings under the Greyhound Facility, issued letters of \$61.6 million and had availability of \$45.5 million.

Borrowings under the Greyhound Facility are available at a rate, determined by reference to a leverage ratio calculated quarterly, equal to Wells Fargo Bank's prime rate plus 0.375% to 2.25% or LIBOR plus 2.375% to 4.25%. Letter of credit fees are 3.5% per annum. A 1% prepayment premium is payable should Greyhound Lines terminate the facility before October 25, 2005; if terminated between October 25, 2005 and October 23, 2006 the premium is 0.5%, and if after October 23, 2006 there is no premium.

The Greyhound Facility is secured by liens on substantially all of the assets of Greyhound Lines and the stock and assets of certain of its subsidiaries. The Greyhound Facility is subject to certain affirmative and negative operating and financial covenants, including maximum total debt to cash flow ratio; minimum cash flow to interest expense ratio; minimum cash flow; limitation on non-bus capital expenditures; limitations on additional liens, indebtedness, guarantees, asset disposals, advances, investments and loans; and restrictions on the redemption or retirement of certain subordinated indebtedness or equity interests, payment of dividends and transactions with affiliates, including Laidlaw International, Inc. Although Greyhound Lines' most recent financial forecast indicates they will remain in compliance with the financial covenants under the Greyhound Facility, further increases in fuel prices, continued softness in discretionary travel or other unforeseen events or changes in assumptions may occur and result in material differences between Greyhound Lines' future results and the current financial forecast. Those differences could result in management concluding in the future that Greyhound Lines may not be able to remain in compliance with the financial covenants under the Greyhound Facility.

As described in Item 3 "Legal Proceedings", in August 2004, Greyhound Lines became aware of proceedings brought in Georgia state court seeking to enforce a default garnishment judgment. The garnishment alleges that Greyhound Lines is liable in an underlying Default Judgment in

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the amount of over \$15 million. Greyhound Lines intends to vigorously defend its interests in the litigation. Although Greyhound Lines is seeking to overturn the Default Judgment, unless and until it is declared void, stayed, bonded or paid, the Default Judgment could be deemed to be an event of default under the Greyhound Facility. To date, Greyhound Lines' lenders have indicated they do not wish to give notice of default or accelerate the repayment of Greyhound Lines' outstanding obligations under the Greyhound Facility. Any accelerated repayment of Greyhound Lines' indebtedness could cause defaults under Greyhound Lines' other debt agreements and force Greyhound Lines to refinance and/or renegotiate all or a significant portion of its outstanding indebtedness. Should the Greyhound Facility be accelerated and Greyhound Lines is unable to renegotiate or refinance its outstanding indebtedness, then Greyhound Lines may not be able to satisfy its obligations as they become due and may not be able 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, 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.

OFF-BALANCE SHEET ARRANGEMENTS

As described in Note 21 "Commitments and contingencies" of the Notes to the Consolidated Financial Statements, we have entered into vehicle operating leases that contain residual value guarantees. The residual value guarantees were included as part of these operating leases in order to reduce the leasing costs for these leases. Of those leases that contain these residual value guarantees, the aggregate residual value at lease expiration is \$134.3 million of which we have guaranteed \$84.6 million. At August 31, 2004, management estimates that the residual value on certain leases will exceed the projected fair market value of the underlying buses by \$3.9 million and has established appropriate reserves for this estimated liability.

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Contractual obligations

We have entered into certain contractual obligations that will require various payments over future periods as follows (\$ in millions):

	Total	Scheduled payments in fiscal years			
		2005	2006–2007	2008–2009	Thereafter
Long-term debt*	\$1,166.4	\$ 28.9	\$206.8	\$520.4	\$410.3
Interest on long-term debt**	471.0	94.7	177.2	120.9	78.2
Capital lease obligation	17.8	7.5	10.0	0.2	0.1
Operating lease obligation	418.7	132.3	152.0	69.5	64.9
Purchase orders	18.3	18.3	—	—	—
Pension Obligation	13.7	13.7	—	—	—
Director and Officer trust fund	3.0	3.0	—	—	—
Total	\$2,108.9	\$298.4	\$546.0	\$711.0	\$553.5

* Excluding capital lease obligations. Timing of Greyhound's debt obligations could be accelerated – Refer to the discussion of the Greyhound Facility in the "Liquidity and Capital Resources" section.

** For variable rate debt we used the interest rate in effect at August 31, 2004 for all periods presented.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements requires management to make estimates and assumptions relating to the reporting of results of operations, financial condition and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates under different assumptions or conditions. The following are our most critical accounting policies, which are those that require management's most difficult, subjective and complex judgments, requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

Claims Liability and Professional Liability Reserves

We are self-insured up to certain limits for costs associated with workers' compensation claims, vehicle accidents, professional liability claims and general business liabilities. Reserves are established for estimates of the loss that we will ultimately incur on claims that have been reported but not paid and claims that have been incurred but not reported. These reserves are based upon actuarial valuations that are prepared by our outside actuaries. The actuarial valuations consider a number of factors, including historical claim payment patterns and changes in case reserves, the assumed rate of increase in healthcare costs and property damage repairs and ultimate court awards. Historical experience and recent trends in the historical experience are the most significant factors in the determination of these reserves. We believe the use of actuarial methods to account for these reserves provides a consistent and effective way to measure these subjective accruals. However, given the magnitude of the claims involved and the length of time until the ultimate cost is known, the use of any estimation technique in this area is inherently sensitive. Accordingly, our recorded reserves could differ from our ultimate costs related to these claims due to changes in our accident reporting, claims payment and settlement practices or claims reserve practices, as well as differences between assumed and future cost increases.

Revenue Recognition in the Healthcare Services Businesses

A significant portion of the revenue in our healthcare services businesses is derived from Medicare, Medicaid and private insurance payors that receive discounts from our standard charges (referred to as contractual allowances). Additionally, we are also subject to collection risk for services provided to uninsured patients or for the deductible or co-pay portion of

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services for insured patients (referred to as uncompensated care). We record our healthcare services revenue net of an estimated provision for the contractual allowances and uncompensated care.

Healthcare reimbursement is complex and may involve lengthy delays. Third-party payors are continuing their efforts to control expenditures for healthcare and may disallow, in whole or in part, claims for reimbursement based on determinations that certain amounts are not reimbursable under plan coverage, were for services provided that were not determined medically necessary, or insufficient supporting information was provided. In addition, multiple payors with different requirements can be involved with each claim.

Management utilizes sophisticated information systems and financial models to estimate the provisions for contractual allowances and uncompensated care. The estimate for contractual allowances is determined on a payor-specific basis and is predominantly based on prior collection experience, adjusted as needed for known changes in reimbursement rates and recent changes in payor mix and patient acuity factors. The estimate for uncompensated care is principally based on historical collection rates, write-off percentages and accounts receivable agings. These estimates are continually analyzed and updated by management by monitoring reimbursement rate trends from governmental and private insurance payors, recent trends in collections from self-pay patients, the ultimate cash collection patterns from all payors, accounts receivable aging trends, operating statistics and ratios, and the overall trends in accounts receivable write-offs.

The evaluation of these factors, as well as the interpretation of governmental regulations and private insurance contract provisions, involves complex, subjective judgments. As a result of the inherent complexity of these calculations, our actual revenues and net income, and our accounts receivable, could vary from the amounts reported.

Income Tax Valuation Allowance

We have significant net deferred tax assets resulting from net operating losses ("NOL"), and interest deduction carry forwards and other deductible temporary differences that will reduce taxable income in future periods. Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" requires that a valuation allowance be established when it is "more likely than not" that all or a portion of net deferred tax assets will not be realized. A review of all available positive and negative evidence needs to be considered, including expected reversals of significant deductible temporary differences, a company's recent financial performance, the market environment in which a company operates, tax planning strategies and the length of NOL and interest deduction carryforward periods. Furthermore, the weight given to the potential effect of negative and positive evidence should be commensurate with the extent to which it can be objectively verified. At August 31, 2004, management concluded that it was more likely than not that \$305.1 million of deferred tax assets would not be realized and, as a result, has recorded a valuation allowance for that amount. Certain future events may result in a reduction of the valuation allowance. Any reduction would reduce goodwill and other intangibles in existence at fresh start and, thereafter, would be reported as an addition to additional paid in capital.

Pension

Our obligation and expense for pension benefits are determined using actuarial methods that are dependent on the selection of certain assumptions and factors. These include assumptions about the discount rate, the expected return on plan assets and the rate of future compensation increases as determined by management. We determine the discount rate based upon yields available on quality long-term corporate bonds (generally by reference to the Moody's Aa bond index and similar U.S. and Canadian bond indices). For the year ended August 31, 2004, we assumed a 6.25% discount rate. A 25 basis point increase or decrease in last year's discount

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rate would have increased or decreased our annual pension expense by approximately \$2.4 million.

The expected return on plan assets is based on plan-specific historical long-term portfolio performance, asset allocations and investment strategies and the views of the plans' investment advisors. The assumptions and factors we use may differ materially from actual return on our plan assets. For the year ended August 31, 2004, we assumed a 7.45% long-term rate of return on our plan assets. A 25 basis point increase or decrease in the long-term rate of return would have increased or decreased our annual pension expense by approximately \$1.8 million.

Our rate of increase in future compensation levels is based primarily on labor contracts currently in effect with our employees under collective bargaining agreements and expected future pay rate increases for other employees. In addition, our actuarial consultants also use factors to estimate such items as retirement age and mortality tables, which are primarily based upon historical plan experience. These assumptions may differ materially from actual results due to changing market conditions, earlier or later retirement ages or longer or shorter life spans of participants. These differences may significantly impact the amount of our pension obligation and expense.

Contingencies

As discussed in Note 20 – Legal proceedings and Note 21 — Commitments and contingencies of the Notes to Consolidated Financial Statements, management may not be able to make a reasonable estimate of liabilities that result from the final resolution of certain contingencies disclosed. Further assessments of the potential liability will be made as additional information becomes available. Management currently does not believe that these matters will have a material adverse affect on our consolidated financial position. It is possible, however, that results of operations could be materially affected by changes in management's assumptions relating to these matters or the actual final resolution of these proceedings.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about our market risk includes "forward-looking statements" that involve risk and uncertainties. Actual results could differ materially from these projections. We are currently exposed to market risk from changes in commodity prices for fuel, investment prices, foreign exchange and interest rates. We do not use derivative instruments for speculative or trading purposes.

Commodity Prices. We currently have exposure to commodity risk from our fuel inventory and advance purchase commitments for fuel. At August 31, 2004, we had an inventory of fuel of 2.8 million gallons and advance purchase commitments to purchase an additional 11.8 million gallons of fuel. A 10% increase or decrease in fuel costs would not have a material effect on this commitment.

In fiscal 2005 we anticipate that approximately 33% of our fuel usage will be protected from price fluctuations through contract escalation clauses and the forward fuel purchase contracts presently entered into. In fiscal 2004 we purchased 150.8 million gallons of fuel at a cost of \$182.1 million. A 10% increase or decrease in the cost of fuel on our 2004 fuel usage, assuming 67% was unprotected, would have had a \$12.2 million effect on our fuel costs.

Investment Prices. We currently have exposure in the market price of our equity investments. At August 31, 2004, we had \$46.3 million of equity investments. A 10% decrease in the market price of our equity security investment would have a \$4.6 million effect on the total fair value of our investment.

Foreign Exchange. We currently conduct approximately 9% of our business in Canada and have exposure to changes in the Canadian dollar relative to the U.S dollar. A 10% change in

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the Canadian foreign currency exchange rate would affect our operating revenue by approximately \$41 million, our operating income by approximately \$3 million and our total assets by approximately \$37 million.

Interest Rate Sensitivity. We currently have exposure to interest rates from our long-term debt and debt securities held in our investment portfolio.

At August 31, 2004, we had \$593.8 million of floating rate debt, of which \$483.8 million was subject to a 1.75% LIBOR floor. A 10% increase in variable interest rates would increase our future interest expense and decrease our future cash flows by \$0.8 million. Due to the Libor floor, a 10% decrease in variable interest rates would not materially affect our future interest expense.

The market risk of our fixed-rate long-term debt is estimated to be approximately \$2.5 million due to a potential increase in fair value resulting from a hypothetical 10% decrease in interest rates.

At August 31, 2004, we had \$306.9 million of investments in debt securities. A 50 basis point increase or decrease in interest rates would have a \$5 million effect on the total fair value of our investments in debt securities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Financial Information on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

On November 10, 2004 we announced the need to restate deferred tax expense for our second fiscal quarter of 2004. As part of our year-end processes and procedures to determine the Company's annual tax provision, management identified a \$6.6 million increase in our Canadian deferred tax assets and a corresponding tax benefit to reflect a change in the Ontario, Canada provincial tax rates. As the rate changes became effective in our second fiscal quarter, the \$6.6 million tax benefit should have been reflected as a reduction of our second quarter tax expense. However, the adjustment was not reflected in our originally reported second quarter results because our internal control over financial reporting did not include quarterly procedures to verify enacted tax rates and adjust the rate used to value our deferred tax assets for any changes that might have occurred.

Management determined that the internal control deficiency that resulted in this restatement represents a material weakness, as defined by the Public Company Accounting Oversight Board's Auditing Standard No.2. The Public Company Accounting Oversight Board has defined material weakness as "a significant deficiency or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected." Management's conclusion is that the noted control deficiency surrounding the calculation of the quarterly tax provision constitutes a material weakness, since, if not corrected, would more than likely result in a material misstatement in future quarterly financial statements if further tax rate changes are passed by a taxing authority in a jurisdiction in which we conduct business. Management has also concluded that this material weakness only relates to the controls and procedures for our

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quarterly control process, and that internal control over financial reporting for annual periods provide for the verification and adjustment, if needed, of the effective tax rates used by us and therefore operate at a reasonable assurance level.

Going forward, management's quarterly controls and procedures have been strengthened to require verification of applicable tax rates and adjust, if needed, our effective tax rate for tax changes enacted during such period by taxing authorities in the jurisdictions in which we conduct business.

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended, management carried out an evaluation under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures that were in effect as of the end of the period covered by this report. The material weakness described above that existed during our quarterly financial closing process has been remediated and our year-end financial closing process detected the existence of the weakness, therefore, our Chief Executive Officer and Chief Financial Officer each concluded that our disclosure controls and procedures are effective at a reasonable assurance level as of August 31, 2004, the end of the period covered by this report. In addition, in light of the implementation of the new corrective measures described above, our Chief Executive Officer and Chief Financial Officer believe, as of the date of this report, management has taken appropriate action to strengthen our internal controls over financial reporting relating to the quarterly tax calculation process and has remediated this material weakness.

Except as stated above, there have been no other changes in our internal controls over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors of the Company will be set forth under the caption "Election of Directors" in the Company's proxy statement for the Company's 2005 annual meeting of stockholders (the "Proxy Statement") and is incorporated herein by reference. Information regarding executive officers of the Company is included in Item 4A of Part I of this Form 10-K. Information required by Item 405 of Regulation S-K will be set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement and is incorporated herein by reference.

The information required by this item regarding our audit committee members and our audit committee financial expert is incorporated herein by reference from the information provided under the heading "Committees of the Board — Audit Committee and Independent Auditors" in our Proxy Statement.

The information required by this item with respect to our code of business ethics is incorporated herein by reference from the information provided under the heading "Statement Code of Business Conduct and Ethics and Supplemental Code of Ethics" in our Proxy Statement.

The information required by this item regarding material changes to the procedures by which our stockholders may recommend nominees to our Board of Directors is incorporated herein by reference from the information provided under the heading "Committees of the Board — Nominating and Corporate Governance Committee" in our Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item will be set forth under the caption "Executive Compensation" in the Proxy Statement and, except for the information under the captions "Compensation Committee Report on Executive Compensation" and "Performance Graph," is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this item will be set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding any disclosable relationships and related transactions of directors and officers will be set forth under the caption "Certain Relationships and Related Transactions" in the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item will be set forth under the captions "Audit Fees," "Audit-Related Fees," "Tax Fees" and "All Other Fees" in the Proxy Statement and is incorporated herein by reference. The information required by this item with respect to our audit committee's pre-approval policies and procedures is incorporated by reference herein by reference from the information provided under the heading "Audit Committee and Independent Auditors — Pre-Approval Policies and Procedures" of our Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) See Index to Financial Statements on page F-1 and (c) below.

(b) Reports on Form 8-K

None

(c) Exhibits

- 2.1 Third Amended Joint Plan of Reorganization of Laidlaw USA, Inc. and its Debtor Affiliates dated January 23, 2003 (filed as Exhibit 2.1 to the Form 8-K filed on July 7, 2003 and incorporated herein by reference).
- 2.2 Modifications to the Third Amended Joint Plan of Reorganization (filed as Exhibit 2.2 to the Form 8-K filed on July 7, 2003 and incorporated herein by reference).
- 2.3 Second modifications to the Third Amended Joint Plan of Reorganization (filed as Exhibit 2.3 to the Form 8-K filed on July 7, 2003 and incorporated herein by reference).
- 3.1 Certificate of Incorporation of Laidlaw International, Inc. (filed as Exhibit 4.1 to the Form 8-K filed on July 9, 2003 and incorporated herein by reference).
- 3.2 By-laws of Laidlaw International, Inc. (filed as Exhibit 4.2 to the Form 8-K filed on July 9, 2003 and incorporated herein by reference).
- 4.1 Rights agreement, dated as of June 23, 2003, by and between Laidlaw International, Inc. and Wells Fargo Bank Minnesota, National Association, as rights agent (filed as Exhibit 4.3 to the Form 8-K filed on July 9, 2003 and incorporated herein by reference).
- 4.2 Indenture dated as of June 3, 2003 between Laidlaw International, Inc. and Deutsche Bank Trust Company Americas, relating to the 10 3/4% Senior Notes due 2011 (filed as Exhibit 4.1 to the Form 10-Q for the quarter ended May 31, 2003 and incorporated herein by reference).
- 4.3 First Supplemental Indenture, dated as of June 18, 2003 between Laidlaw International, Inc. and Deutsche Bank Trust Company Americas (filed as Exhibit 4.2 to the Form 10-Q for the quarter ended May 31, 2003 and incorporated herein by reference).
- 4.4 Indenture, dated April 16, 1997, by and among Greyhound Lines, Inc., the Guarantors and PNC Bank, N.A., as Trustee (filed as an exhibit to Greyhound Lines, Inc. Registration Statement on Form S-4 regarding the Greyhound 11 1/2% Series B Senior Notes and incorporated herein by reference).

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- 4.5 First Supplemental Indenture dated as of July 9, 1997 between Greyhound Lines, Inc. and PNC Bank, N.A. as Trustee (filed as an exhibit to Greyhound Lines, Inc. Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 4.6 Second Supplemental Indenture dated as of August 25, 1997 between Greyhound Lines, Inc. and PNC Bank, N.A. as Trustee (filed as an exhibit to Greyhound Lines, Inc. Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 4.7 Third Supplemental Indenture dated as of February 1, 1999 between Greyhound Lines, Inc. and Chase Manhattan Trust Company as Trustee (filed as an exhibit to Greyhound Lines, Inc. Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- 4.8 Fourth Supplemental Indenture dated as of May 14, 1999, between Greyhound Lines, Inc. and Chase Manhattan Trust Company as Trustee (filed as an exhibit to Greyhound Lines, Inc. Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- 10.1 Laidlaw International, Inc. Equity Incentive Plan (filed as Exhibit 10.1 to the Form 10-Q for the quarter ended May 31, 2003 and incorporated herein by reference).*
- 10.2 Laidlaw International, Inc. Supplemental Executive Retirement Plans (filed as Exhibit 10.2 to the Form 10-K for the year ended August 31, 2003 and incorporated herein by reference).*
- 10.3 Credit Agreement dated as of June 19, 2003 among Laidlaw International, Inc., and others, as Borrowers and the financial institutions named therein (filed as Exhibit 10.3 to the Form 10-Q for the quarter ended May 31, 2003 and incorporated herein by reference).
- 10.4 Amendment dated as of June 26, 2003 to the credit agreement dated as of June 19, 2003 (filed as Exhibit 10.4 to the Form 10-Q for the quarter ended May 31, 2003 and incorporated herein by reference).
- 10.5 Agreement made as of June 18, 2003 between Laidlaw Inc. and others and the Pension Benefit Guaranty Corporation (filed as Exhibit 10.5 to the Form 10-Q for the quarter ended May 31, 2003 and incorporated herein by reference).
- 10.6 Tax sharing agreement among Laidlaw International, Inc. and its U.S. subsidiaries entered into as of June 23, 2003 (filed as Exhibit 10.6 to the Form 10-K for the year ended August 31, 2003 and incorporated herein by reference).
- 10.7 Employment agreement between Kevin E. Benson and Laidlaw Inc. effective the 16th day of September, 2002 (filed as Exhibit 10.7 to the Form 10-K for the year ended August 31, 2003 and incorporated herein by reference).*
- 10.8 Amendment to Employment Agreement between Kevin E. Benson and Laidlaw International, Inc. effective as of August 20, 2004.*
- 10.9 Change in Control Severance Agreement between Kevin E. Benson and Laidlaw Inc (filed as Exhibit 10.8 to the Form 10-K for the year ended August 31, 2003 and incorporated herein by reference).*

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- 10.10 Employment agreement between Douglas A. Carty and Laidlaw Inc. effective the 9th day of December, 2002 (filed as Exhibit 10.9 to the Form 10-K for the year ended August 31, 2003 and incorporated herein by reference).*
- 10.11 Amendment to Employment Agreement between Douglas A. Carty and Laidlaw International, Inc. effective August 20, 2004.*
- 10.12 Change in Control Severance Agreement between Douglas A. Carty and Laidlaw Inc. (filed as Exhibit 10.10 to the Form 10-K for the year ended August 31, 2003 and incorporated herein by reference).*
- 10.13 Employment Agreement between Beth Byster Corvino and Laidlaw International, Inc. effective August 20, 2004.*
- 10.14 Change in Control Severance Agreement between Beth Byster Corvino and Laidlaw International, Inc. dated March 11, 2004.*
- 10.15 Employment Agreement between Jeffrey W. Sanders and Laidlaw International, Inc. effective August 20, 2004.*
- 10.16 Change of Control Severance Agreement between Jeffrey W. Sanders and Laidlaw International, Inc. effective August 20, 2004.*
- 10.17 Employment Agreement between Jeffery A. McDougale and Laidlaw International, Inc. effective August 20, 2004.*
- 10.18 Change of Control Severance Agreement between Jeffery A. McDougale and Laidlaw International, Inc. effective August 20, 2004.*
- 10.19 Employment agreement among Laidlaw Inc., American Medical Response, Inc. and EmCare Holdings, Inc. and William A. Sanger effective October 1, 2002 (filed as Exhibit 10.11 to the Form 10-K for the year ended August 31, 2003 and incorporated herein by reference).*
- 10.20 Employment agreement between EmCare Holdings, Inc. and Don S. Harvey effective April 1, 2003 (filed as Exhibit 10.12 to the Form 10-K for the year ended August 31, 2003 and incorporated herein by reference).*
- 10.21 Amended and Restated Loan and Security Agreement among Greyhound Lines, Inc., as Borrower, the financial institutions named as lenders, and Foothill Capital Corporation as Agent, dated as of May 14, 2003 (filed by Greyhound Lines, Inc. as a current report on Form 8-K dated May 21, 2003 and incorporated herein by reference).
- 10.22 Amendment No. 1 to Amended and Restated Loan and Security Agreement among Greyhound Lines, Inc. as borrower, the Financial Institutions named as lenders, and Wells Fargo Foothill, Inc. as Agent dated as of July 6, 2004 (filed as Exhibit 10.2 to the Form 10-Q for the quarter ended May 31, 2004 and incorporated herein by reference).
- 10.23 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 (filed as Exhibit 10.1 to the Form 10-Q for the quarter ended November 30, 2003 and incorporated herein by reference).

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- 10.24 Amendment No. 3 to Credit Agreement, dated as of January 28, 2004, among Laidlaw International, Inc., certain of its subsidiaries and the financial institutions named herein (filed as Exhibit 10.18 to the Company's Registration Statement on Form S-4 (Reg. No. 333-112309) and incorporated herein by reference).
- 10.25 Indemnification agreement between Laidlaw International, Inc. and its Directors and Officers (filed as Exhibit 10.1 to the Form 10-Q for the quarter ended May 31, 2004 and incorporated herein by reference).
- 21.1 Subsidiaries of the registrant.
- 23.1 Consent of Pricewaterhouse Coopers LLP
- 23.2 Consent of Pricewaterhouse Coopers LLP
- 23.3 Consent of Pricewaterhouse Coopers LLP
- 24.1 Powers of Attorney.
- 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).

* Management contract or compensatory plan.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on November 15, 2004.

LIDLAW INTERNATIONAL, INC.

By: /s/ Kevin E. Benson

Kevin E. Benson
President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act, this report has been signed below on November 15, 2004 by the following persons on behalf of the registrant in the capacities below.

<u>Signature</u>	<u>Title</u>
/s/ Kevin E. Benson	President, Chief Executive Officer and Director
Kevin E. Benson	(Principal Executive Officer)
/s/ Douglas A. Carty	Senior Vice President and Chief Financial
Douglas A. Carty	Officer (Principal Financial Officer)
/s/ Jeffrey W. Sanders	Vice President, Corporate Development and
Jeffrey W. Sanders	Controller (Principal Accounting Officer)
John F. Chlebowski*	Director
James H. Dickerson, Jr. *	Director
Lawrence M. Nagin*	Director
Richard R. Randazzo*	Director
Maria A. Sastre*	Director
Peter E. Stangl*	Director
Carroll R. Wetzel, Jr.*	Director
*By /s/ D.A. Carty	
Douglas A. Carty	
As Attorney-in-Fact	