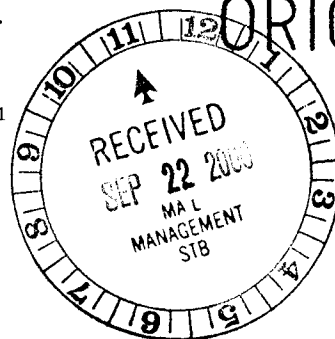


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September 22, 2000

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 the Decision of the Board in STB Docket No. MC-F-20940, Laidlaw Inc. and Laidlaw Transit Acquisition Corp.--Merger--Greyhound Lines, and the responsive Comments of Laidlaw Inc. and Greyhound Lines, Inc., served September 1, 2000.

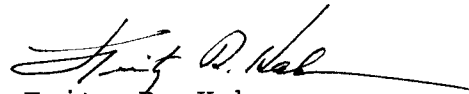
Supplementing their filing, Laidlaw Inc. and Greyhound Lines, Inc., hereby submit eleven copies of a press release of Laidlaw Inc., released late Wednesday afternoon, September 20, 2000, and eleven copies of a letter to Mr. Stephen E. Barber, Acting Director of FMCSA's Office of Enforcement from Greyhound Lines, Inc., Washington representative, Theodore C. Knappen, Esq., dated September 11, 2000.

The former relates to a \$200 million facility which Laidlaw Inc. is in the process of obtaining, \$125 million of which would be earmarked for Greyhound Lines, Inc.

The latter details the terms of the financial covenants applicable Laidlaw Inc. and Greyhound Lines, Inc.

It is anticipated that an 8-K filing shortly will be made with the SEC, and copies, of course, will be provided the Board.

Sincerely yours,


Fritz R. Kahn

enc.



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Laidlaw Negotiates New Bank Financing

Existing Syndicate Offers \$200 Million Facility Burlington, Ontario, Sept. 20, 2000

Laidlaw Inc. (NYSE:LDW; TSE:LDM) said today that, as a result of ongoing discussions with its banks and debenture holders, the company anticipates that it will obtain secured financing facilities, which will be sufficient to satisfy its projected seasonal and ongoing working capital needs, as well as its near-term capital expenditure needs.

Laidlaw has been discussing financing arrangements, which would provide one or more of the following, each of which is subject to negotiations and execution of definitive documentation:

- Up to a \$200 million revolving credit facility and a \$50 million sub-facility for letters of credit (LOCs) for Laidlaw Inc. from a group of financial institutions led by Canadian Imperial Bank of Commerce.
- Up to a \$125 million revolving facility with a \$25 million LOC sub-facility for Greyhound Lines, Inc. from Foothill Capital Corporation.
- An accounts receivable securitization transaction, which will provide up to \$150 million.

Laidlaw is soliciting the consent of holders of the company's debentures to waive compliance with certain provisions of the indentures relating to the incurrence of secured indebtedness, thus allowing these new financing facilities to be put in place. "We believe this is in the best long-term interest of Laidlaw and its operating companies," said John R. Grainger, Laidlaw's president and chief executive officer.

Should Greyhound close the Foothill facility or otherwise elect not to enter into the banking-syndicate facility, the bank facility would be reduced by an amount to be agreed upon. In addition, Greyhound Lines, Inc. has entered into a commitment for an alternate short-term facility that does not require the consent of holders of the company's debentures.

"Each fall, during our first fiscal quarter, it is common for Laidlaw's seasonal working capital requirements to exceed its cash flow. This is a consequence of operating and capital costs primarily associated with the start up of our school bus operations. This seasonal pattern historically ends in December. Because our operations continue to meet our expectations, with the new

financings in place, the company's management and employees will be able to focus on the task at hand -- providing the highest level of quality service to their customers and interacting effectively with our supply vendors and capital goods providers. We appreciate the cooperation of our lenders and are requesting the support of our debenture holders," said Mr. Grainger.

Stephen Cooper, Laidlaw's vice chairman and chief restructuring officer and the managing partner of Zolfo Cooper, LLC, a New York based consulting firm specializing in restructurings and reorganizations, said,

"The availability of these financings is a tremendous step forward in assuring that the company will have adequate financing for its expected needs. With these financings, the company believes that it will be able to meet its day-to-day obligations and fund its anticipated capital expenditure requirements.

"This will allow us to turn our attention to the task of restructuring the company's existing bank and indenture obligations. The previously announced interest payment moratorium will continue and will be resolved when the company's global restructuring is finalized. In the meantime, we anticipate that the company's current liquidity and capital structure issues will not impact our operations.

"We believe that the terms and conditions of these facilities are substantially preferable to other financing alternatives. The facilities will also provide us with the time to further strengthen operations and enable us to attain a viable long-term capital structure through a consensual process. As is common in these processes, the company cannot predict the ultimate outcome from a consensual resolution. However, we expect that the banks, bondholders and certain other creditors affected by the negotiated restructuring would obtain a significant ownership interest in the company."

All dollar amounts are in U.S. dollars. Laidlaw Inc. is a holding company for North America's largest providers of school and intercity bus transportation, municipal transit, patient transportation and emergency department management services. Investors interested in contacting the company should call 1-888-588-9790.

This news release contains forward-looking statements that involve a number of risks and uncertainties. Among the

important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are competitive pressures, changes in pricing policies, business conditions in the marketplace, general economic conditions, cooperation of lenders and debt security holders, negotiation and execution of definitive documentation for the financing facilities and the risk factors detailed from time to time in the company's periodic reports and registration statements filed with the Securities and Exchange Commission.

For further information:

Laidlaw Inc.
T.A.G. Watson,
Vice President,
Communications
800-563-6072 ext. 309

TOP

September 11, 2000

Stephen E. Barber
Acting Director, Office of Enforcement
Federal Motor Carrier Safety Administration
Department of Transportation
Room 3103
400 Seventh Street, S.W.
Washington, D.C. 20590

Dear Mr. Barber:

This responds to your August 30, 2000 letter to Craig Lentzsch requesting certain information to assist FMCSA in its assessment of Greyhound's continuing ability to pay self-insurance claims. We are pleased to supply the following information, which responds fully to your request. In addition, we have supplied explanatory material where we believe it would help your analysis. The attachments are organized by tabs with numbers that correspond to the question number.

1. Attached is a copy of Greyhound's Form 10-Q for the period ending March 31, 2000.
2. Attached is the Quarterly Claims Report showing Greyhound's claims exposure related to the self-insurance authorization at the end of the first and second quarters, 2000.
3. None of Greyhound's assets and none of the stock of Greyhound have been pledged or mortgaged under any bank or debt indentures of Laidlaw. Greyhound is not a party to, nor an obligor under any of Laidlaw's borrowing or debt agreements, nor does Greyhound guarantee any of Laidlaw's obligations thereunder. Attached are the bank agreement and debt indentures to which Laidlaw is a party, as follows:
 - Amended and Restated Credit Agreement dated February 24, 1999 between Laidlaw Inc. and Laidlaw Transportation, Inc., as borrowers, The Canadian Imperial Bank of Commerce, as agent for a syndicate of lenders.
 - Trust Indenture dated as of April 16, 1991 between Scott's Hospitality Inc. (now Laidlaw Inc.) and Montreal Trust Company, as amended.
 - Indenture dated as of July 22, 1992 between Laidlaw and Citibank, N.A., as amended.

- Indenture dated as of November 28, 1995 between Laidlaw as guarantor, Laidlaw One, Inc. as issuer and Citibank, N.A.
- Indenture dated as of September 11, 1997 between Laidlaw and Citibank.

The credit agreement between Laidlaw and its bank syndicate and the debt agreements are unsecured borrowing arrangements. The Laidlaw indentures and bank agreement contain covenants and restrictions that govern Laidlaw and prohibit Laidlaw from permitting certain of its subsidiaries, including Greyhound from doing certain things. These covenants place limitations on certain types of indebtedness, or funded debt, and the ability to place liens on certain types of assets.

Prior to the Laidlaw acquisition, Greyhound was party to a \$150 million revolving credit facility with Foothill Capital Corporation and BankBoston, N.A. as lenders and agents for a syndicate of other lenders. This credit agreement was a secured borrowing arrangement with the lenders having a first priority security interest in substantially all of the owned assets, including buses and real estate, of Greyhound. Following the Laidlaw merger, utilizing funds from Laidlaw, Greyhound's revolving credit facility was paid off and retired. All of the security interests held by the lenders were released, and the assets became Greyhound's free and clear of any liens. Since August, Greyhound has been working with several financial institutions with which it had prior relationships to secure a revolving line of credit and other financings to meet its needs that cash flow from operations alone can not fulfill. With the payoff of Greyhound's former secured revolving credit facility in 1999, Greyhound has assets that are available to secure such financings.

Greyhound is party to a debt indenture relating to \$150 million in 11½% Senior Notes, due 2007, which is attached.¹ The indenture governing these notes contains various covenants and restrictions, 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. Greyhound has been at all times and is currently in compliance with all of these covenants.

The Senior Note indenture (Section 4.09) specifically permits Greyhound to incur, without any limitations, indebtedness pursuant to a revolving credit facility, purchase money financings and capitalized leases up to \$125 million. Additional indebtedness can be incurred, but is subject to Greyhound meeting an interest coverage test. Liens in connection with permitted indebtedness are allowed.

The indenture (Section 4.07) places limitations on dividends payable by Greyhound to Laidlaw, as well as return of capital to Laidlaw and payments on subordinated indebtedness. These so-called "Restricted Payments" can be made only

¹ Greyhound is also party to an indenture for 8-1/2% Convertible Subordinated Debentures, due 2007, under which approximately \$6 million in indebtedness is outstanding. A copy of this document is also attached in Tab 3. The governing indenture contains few restrictive covenants.

from a "basket" of funds based on 50% of Greyhound's cumulative net income since July 1, 1997 and cash raised by Greyhound through the issuances of equity interests.

The Senior Note indenture (Section 4.10) limits the ability of Greyhound to sell large blocks of its assets, by requiring the proceeds of such sales to either be reinvested in productive assets of the company or used to pay down the senior debt.

The Greyhound indenture (Section 4.11) also places restrictions on so-called "affiliate transactions." Transactions between Greyhound and Laidlaw are required to be at arm's length and, if of a large nature, a third party fairness opinion must be obtained. Indeed, the insurance program and loss portfolio transfer discussed below required Greyhound and Laidlaw to obtain such a third party fairness opinion. These provisions are designed to prevent asset stripping or the forced upstreaming of cash and assets.

It is because of Greyhound's covenant restrictions that Laidlaw's advancement of funds to Greyhound is in the form of equity contributions, and Greyhound's return of funds is in the form of repurchases of equity. For the first six months of 2000, as shown in the August 14, 2000, SEC filing, Laidlaw has made equity contributions, net of Greyhound's return repurchases, of about \$20 million, and, since the March 1999 acquisition, Laidlaw has made a total net equity contribution to Greyhound of \$111 million. Consequently, as of June 30, 2000, Greyhound has \$213 million in long-term debt and fixed-term obligations, compared with \$314 million as of December 31, 1998 and \$352 million in March 1999 at the time of Laidlaw's acquisition.

Finally, it should be noted that the Senior Notes, when issued, contained restrictions against early redemption by Greyhound and are not callable until April 2002 at the earliest (Section 3.07). The foregoing covenants remain in effect until the Senior Notes are retired and the covenants can only be modified with the consent of the holders of the Senior Notes.

4. Following the merger, Greyhound and Laidlaw entered into an Affiliated Companies Demand Loan Agreement, which is attached, to govern any intercompany borrowing transactions. However, as stated above, all funds advanced by Laidlaw to Greyhound have been in the form of equity contributions, and Greyhound's return of funds to Laidlaw are in the form of repurchases of equity.

Since the merger, Greyhound has purchased its risk management services through Laidlaw, with appreciable benefits derived from large-scale insurance purchases. In response to question 5 below, Greyhound is furnishing copies of its insurance policies and filings that evidence the liability coverage currently in place. In 1999, Laidlaw agreed to assume Greyhound's liability for all known and unknown claims arising before the date of Laidlaw's acquisition of Greyhound.

The amount of \$50.3 million shown in Greyhound's August 14, 2000, SEC filing as due to Laidlaw is a non-interest bearing payable, with no specific due date, largely comprised of the arms-length transactions between the companies relating to the transfer

of the loss claims portfolio from Greyhound's books to Laidlaw's and to the insurance premiums that Laidlaw has incurred on Greyhound's behalf. The amount payable by Greyhound to Laidlaw in connection with the transfer of the loss portfolio was based on a third-party actuarial valuation of the loss exposure. The risk management services payments are based in part on the cost of insurance coverage obtained by Laidlaw from third-party insurers and compares favorably with the risk management costs incurred by Greyhound prior to the merger. As indicated above, consistent with the limitations in Greyhound's Senior Note indenture, these transaction were effected only after Greyhound and Laidlaw obtained third party fairness opinions validating the arm's length nature of the arrangements.

5. Attached is Greyhound's Certificate of Insurance evidencing coverage up to \$100 million, along with the applicable MCS-90 endorsement. Greyhound just renewed its coverage on September 1, 2000 so the new policies are not yet available. However, the insurance companies and policies for the layers up to \$5 million and between \$25 and \$100 million are the same as for 1999 so those 2 policies are attached. The company and policy between \$5 million and \$25 million are new. Copies of the new policies will be forwarded as soon as they are received. Also attached is the certification of the insurance companies' agent that all premiums are paid up to date.

6. The majority of funds for the preferred stock conversions occurring during 2000 were from Greyhound's operating cash flow, supplemented by funds obtained from Laidlaw. The bulk of the stock conversions coincided with Greyhound's peak summer season and were paid by Greyhound from the significant cash flow it generated during this time period. At present, Greyhound has approximately 217,000 shares of preferred stock outstanding, which is convertible into \$7.2 million in cash.

7. Attached is the proposal of Claims Strategies and Solutions to conduct an operational audit of Greyhound's claims reserves. This is a company that has extensive corporate audit experience as demonstrated by Mr. Evans' resume. Although your letter does not specify what type of audit is required, Greyhound assumed that you would want an operational audit that would not only provide an opinion on reserve adequacy, but also would provide an analysis of claims management practices. Please let me know if this audit proposal is acceptable to FMCSA.

Also attached is a copy of an audit report done in April, 2000 by AIG, the corporate parent of American Home Assurance, which has the primary layer of Greyhound coverage. This audit report is confidential and proprietary because it contains reference to specific reserve files. Thus, Greyhound and Laidlaw request that it not be released to the public in response to a Freedom of Information Act request, or otherwise.

The audit covered "technical proficiency, reserve adequacy and compliance with the claim handling, reporting and consulting guidelines of AIG". The conclusion on reserves was, "Reserving was strong with no stairstepping involved and accurate initial reserves". The overall conclusion was, "The 1999 audit was good, but the 2000 results were better. The following areas scored from one percentage point to four percentage

points higher in 2000: timeliness, coverage, investigation, file evaluation, negotiation, supervision and reserving". This is a very strong statement from the insurance company responsible for the primary coverage.

This information provides a complete picture of Greyhound's strong operating position and its relationship with Laidlaw. We believe that it demonstrates that Greyhound is fully able to continue to pay self-insurance claims pursuant to the terms of its current authorization in Docket No. MC-1515 and that nothing in its relationship with Laidlaw will prevent it from doing so.

Please let me know if you have any questions about this material or require any additional information.

Sincerely yours,

Theodore Knappen

Cc: Clyde J. Hart, Jr.
Julie Anna Cirillo
Judith A. Rutledge