LAIDLAW INTERNATIONAL INC
Form PREM14A
March 02, 2007

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SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

þ Preliminary Proxy Statement
o Confidential, For Use of the Commission Only (as permitted by Rule 14a6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Under Rule 14a-12

LAIDLAW INTERNATIONAL, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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SUBJECT TO COMPLETION, DATED MARCH 2, 2007

Laidlaw International, Inc.
55 Shuman Blvd., Suite 400
Naperville, Illinois 60563
Telephone: (630) 848-3000

[ ], 2007

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of Laidlaw International, Inc. to be held on [ ], 2007 at [ ] a.m., Chicago time, at the Hilton Lisle/Naperville, 3003 Corporate West Drive, Lisle, Illinois 60532. At the special meeting, you will be asked to consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated as of February 8, 2007, by and among FirstGroup plc, Fern Acquisition Vehicle Corporation, a wholly owned subsidiary of FirstGroup, and Laidlaw International, Inc. Pursuant to the merger agreement, Fern Acquisition Vehicle Corporation will merge with and into Laidlaw and Laidlaw will become a wholly owned subsidiary of FirstGroup.

If the merger is completed, Laidlaw stockholders will receive $35.25 in cash, without interest and less any applicable withholding tax, for each share of Laidlaw common stock owned by them as of the date of the merger.

After careful consideration, our board of directors determined that the merger agreement and the merger are in the best interests of Laidlaw and its stockholders. Our board of directors has approved the merger agreement. **Our board of directors unanimously recommends that you vote FOR approval of the merger agreement at the special meeting.**

Our board of directors considered a number of factors in evaluating the transaction and consulted with its legal and financial advisors in so doing. The enclosed proxy statement also provides detailed information about the merger agreement and the merger. We encourage you to read the proxy statement carefully.

Your vote is very important, regardless of the number of shares you own. The merger must be approved by the holders of a majority of shares of our outstanding common stock entitled to vote at the special meeting. Therefore, if you do not return your proxy card, do not vote via the Internet or telephone or do not attend the special meeting and vote in person, it will have the same effect as if you voted AGAINST approval of the merger agreement. Only stockholders who owned shares of Laidlaw common stock at the close of business on [ ], 2007, the record date for the special meeting, will be entitled to vote at the special meeting. **On behalf of the board of directors, we urge you to sign, date and return the enclosed proxy card, or vote via the Internet or telephone as soon as possible, even if you currently plan to attend the special meeting.**

Thank you for your support of our company. We look forward to seeing you at the special meeting.

Sincerely,

Kevin E. Benson
President and Chief Executive Officer

Peter E. Stangl
Chairman of the Board of Directors

This proxy statement is dated [ ], 2007 and is being mailed to stockholders of Laidlaw on or about [ ], 2007.

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Laidlaw International, Inc.
55 Shuman Blvd., Suite 400
Naperville, Illinois 60563
Telephone: (630) 848-3000

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

Notice is hereby given that a special meeting of stockholders of Laidlaw International, Inc., a Delaware corporation, will be held on [ ], 2007, at [ ] a.m., Chicago time, at the Hilton Lisle/Naperville, 3003 Corporate West Drive, Lisle, Illinois 60532, for the following purposes:

1. To consider and vote upon the approval of the Agreement and Plan of Merger, dated as of February 8, 2007, by and among FirstGroup plc, a public limited company incorporated under the laws of Scotland, Fern Acquisition Vehicle Corporation, a Delaware corporation and wholly owned subsidiary of FirstGroup, and Laidlaw International, Inc., as more fully described in the enclosed proxy statement;

2. To consider and vote on any proposal to adjourn or postpone the special meeting, including, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the foregoing proposal; and

3. To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

You are entitled to vote at the special meeting if you were a stockholder of record at the close of business on [ ], 2007. **Your vote is important. The affirmative vote of the holders of a majority of Laidlaw s common stock entitled to vote at the special meeting is required to approve the merger agreement.** Holders of Laidlaw common stock are entitled to appraisal rights under Delaware law in connection with the merger if they meet certain conditions. See The Merger Appraisal Rights beginning on page 32 of the proxy statement.

All stockholders are cordially invited to attend the special meeting in person. Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy or vote via the Internet or telephone and thus ensure that your shares will be represented at the special meeting if you are unable to attend. If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of approval of the merger agreement and in favor of any proposed adjournment or postponement of the special meeting, including, if necessary or appropriate, to permit solicitations of additional proxies. If you fail to return your proxy card and do not vote via the Internet or by telephone, your shares will effectively be counted as a vote against approval of the merger agreement and will not be counted for purposes of determining whether a quorum is present at the special meeting or for purposes of the vote to adjourn or postpone the special meeting, including, if necessary or appropriate, to permit solicitations of additional proxies. If you do attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person.

The board of directors unanimously recommends that you vote FOR approval of the merger agreement at the special meeting.

By Order of the Board of Directors,

Kevin E. Benson
President and Chief Executive Officer

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LAIDLAW INTERNATIONAL, INC.
SPECIAL MEETING OF STOCKHOLDERS

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Annexes

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The following Q&A is intended to address some commonly asked questions regarding the merger. These questions and answers may not address all questions that may be important to you as a Laidlaw stockholder. We urge you to read carefully the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement, and the documents we refer to in this proxy statement.

Except as otherwise specifically noted in this proxy statement, the Company, we, our, us and similar words in this proxy statement refer to Laidlaw International, Inc. In addition, throughout this proxy statement, we refer to Laidlaw International, Inc. as Laidlaw and to FirstGroup plc as FirstGroup.

Q: Why am I receiving this proxy statement?

A: Our board of directors is furnishing this proxy statement in connection with the solicitation of proxies to be voted at a special meeting of stockholders, or at any adjournments or postponements of the special meeting.

Q: What am I being asked to vote on?

A: You are being asked to vote to approve a merger agreement that provides for the acquisition of Laidlaw by FirstGroup. The proposed acquisition would be accomplished through a merger of Fern Acquisition Vehicle Corporation, a wholly owned subsidiary of FirstGroup (which we refer to in this proxy statement as merger sub or Fern Acquisition), with and into Laidlaw. As a result of the merger, Laidlaw will become a wholly-owned subsidiary of FirstGroup and Laidlaw common stock will cease to be listed on the New York Stock Exchange, will not be publicly traded and will be deregistered under the Securities Exchange Act of 1934, as amended (which we refer to in this proxy statement as the Exchange Act).

In addition, you are being asked to grant Laidlaw management discretionary authority to adjourn or postpone the special meeting. If, for example, we do not receive proxies from stockholders holding a sufficient number of shares to approve the proposed transaction, we could use the additional time to solicit additional proxies in favor of approval of the merger agreement.

Q: What will I receive in the merger?

A: As a result of the merger, our stockholders will receive $35.25 in cash, without interest and less any applicable withholding tax, for each share of Laidlaw common stock they own at the effective time of the merger. For example, if you own 100 shares of Laidlaw common stock, you will receive $3,525.00 in cash, less any applicable withholding tax, in exchange for your 100 shares.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully and consider how the merger affects you. Then mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible, or vote via the Internet or telephone, so that your shares can be voted at the special meeting of our stockholders. **Please do not send your stock certificates with your proxy card.**

Q: How does Laidlaw s board recommend that I vote?

A: At a meeting held on February 8, 2007, Laidlaw s board of directors approved the merger agreement and determined that the merger agreement and the merger are in the best interests of Laidlaw and its stockholders. **Our board of directors unanimously recommends that you vote FOR approval of the merger agreement and FOR the proposal to adjourn or postpone the special meeting, including, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of the approving the merger agreement at the time of the special meeting.**

Q: Do any of Laidlaw s directors or officers have interests in the merger that may differ from those of Laidlaw stockholders?

A: Yes. When considering the recommendation of Laidlaw s board of directors, you should be aware that members of Laidlaw s board of directors and Laidlaw s executive officers have interests in the merger other than their interests as Laidlaw stockholders generally. These interests may be different from, or in conflict with, your interests as Laidlaw stockholders. The members of our board of directors were aware of these additional interests, and considered them, when they approved the merger agreement. See The Merger

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Interests of Laidlaw s Directors and Executive Officers in the Merger beginning on page 27 for a description of the rights of our directors and executive officers that come into effect in connection with the merger.

Q: What factors did the Laidlaw board of directors consider in making its recommendation?

A: In making its recommendation, our board of directors took into account, among other things, the $35.25 per share cash consideration to be received by holders of our common stock in the merger, not only in relation to the current market price of our common stock but also in relation to the current value of Laidlaw and our board of directors estimate of the future value of Laidlaw as an independent entity, other strategic alternatives for the Company s business, the business, competitive position, strategy and prospects of Laidlaw, the written opinion of our financial advisor, and the terms and conditions of the merger agreement.

Q: What vote is required to approve the merger agreement?

A: Approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting.

As of [ ], 2007, the record date for determining who is entitled to vote at the special meeting, there were [ ] shares of Laidlaw common stock issued and outstanding.

Q: Where and when is the special meeting of stockholders?

A: The Laidlaw special meeting will be held on [ ] at [ ] a.m., Chicago time, at the Hilton Lisle/Naperville, 3003 Corporate West Drive, Lisle, Illinois 60532. You may attend the special meeting and vote your shares in person.

Q: Who is entitled to vote at the special meeting?

A: Only stockholders of record as of the close of business on [ ], 2007 are entitled to receive notice of the special meeting and to vote the shares of our common stock that they held at that time at the special meeting, or at any adjournments or postponements of the special meeting.

Q: May I vote in person?

A: Yes. If your shares are not held in street name through a broker or bank you may attend the special meeting and vote your shares in person, rather than signing and returning your proxy card or voting via the Internet or telephone. If your shares are held in street name, you must get a proxy from your broker or bank in order to attend the special meeting and vote in person. Even if you plan to attend the special meeting in person, we urge you to complete, sign, date and return the enclosed proxy or vote via the Internet or telephone to ensure that your shares will be represented at the special meeting.

Q: May I vote via the Internet or telephone?

A: If your shares are registered in your name, you may vote by returning a signed proxy card or voting in person at the special meeting. Additionally, you may submit a proxy authorizing the voting of your shares over the Internet by accessing *www.proxyvote.com* and following the on-screen instructions or telephonically by calling 1-800-690-6903 and following the telephone voting instructions. Proxies submitted over the Internet or by telephone must be received by 11:59 p.m., Eastern Time, on [ ], 2007.

You must have the enclosed proxy card available, and follow the instructions on the proxy card, in order to submit a proxy over the Internet or telephone. Based on your Internet and telephone voting, the proxy holders will vote your shares according to your directions.

If your shares are held in street name through a broker or bank, you may vote by completing and returning the voting form provided by your broker or bank, or by the Internet or telephone through your broker or bank if such a service is provided. To vote via the Internet or telephone through your broker or bank, you should follow the instructions on the voting form provided by your broker or bank.

Q: What happens if I do not return my proxy card, do not vote via the Internet or telephone or do not attend the special meeting and vote in person?

A: The approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. Therefore, if you do not return your proxy card, do not vote via the Internet or telephone or do not attend the special meeting and vote in

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person, it will have the same effect as if you voted AGAINST approval of the merger agreement. For the proposal to adjourn or postpone the special meeting, including, if necessary or appropriate, to solicit additional proxies, abstentions will have no effect on the outcome, assuming a quorum is present.

Q: May I change my vote after I have mailed my signed proxy card?

A: Yes. You may change your vote at any time before your proxy card is voted at the special meeting. You can do this in one of three ways.

First, you can deliver to the Corporate Secretary of Laidlaw a written notice bearing a date later than the proxy you delivered to Laidlaw stating that you would like to revoke your proxy.

Second, you can complete, execute and deliver to the Corporate Secretary of Laidlaw a new, later-dated proxy card for the same shares. If you submitted the proxy you are seeking to revoke via the Internet or telephone, you may submit this later-dated new proxy using the same method of transmission (Internet or telephone) as the proxy being revoked, provided the new proxy is received by 11:59 p.m., Eastern Time, on [ ], 2007.

Third, you can attend the meeting and vote in person. Your attendance at the special meeting alone will not revoke your proxy.

Any written notice of revocation or subsequent proxy should be delivered to Laidlaw at 55 Shuman Blvd., Suite 400, Naperville, Illinois 60563, Attention: Corporate Secretary, or hand-delivered to our Corporate Secretary at or before the taking of the vote at the special meeting.

If you have instructed a broker to vote your shares, you must follow directions received from your broker to change those instructions.

Q: If my broker holds my shares in street name, will my broker vote my shares for me?

A: Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares following the procedure provided by your broker. Without instructions, your shares will not be voted, which will have the same effect as if you voted against approval of the merger agreement.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return (or vote via the Internet or telephone with respect to) each proxy card and voting instruction card that you receive.

Q: What happens if I sell my shares of Laidlaw common stock before the special meeting?

A: The record date for the special meeting is earlier than the date of the special meeting and the date the merger is expected to be completed. If you transfer your shares of Laidlaw common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will transfer the right to receive the merger consideration. Even if you transfer your shares of Laidlaw common stock after the record date, we urge you to complete, sign, date and return the enclosed proxy or vote via the Internet or telephone.

Q: Will the merger be taxable to me?

A: The receipt of cash in exchange for your shares of Laidlaw common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes, and may also be a taxable transaction under applicable state, local or foreign income or other tax laws. Generally, for U.S. federal income tax purposes, a U.S. stockholder will recognize gain or loss equal to the difference between the amount of cash received by that stockholder in the merger and that stockholder s adjusted tax basis in the shares of Laidlaw common stock exchanged for cash in the merger. Because individual circumstances may differ, we recommend that you consult your own tax advisor to determine the particular tax effects to you. See The Merger Material United States Federal Income Tax Consequences of the Merger.

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Q: What will the holders of Laidlaw stock options receive in the merger?

A: At the effective time of the merger, each outstanding option to purchase shares of Laidlaw common stock, whether or not vested or exercisable, will be canceled and converted into the right to receive an amount in cash equal to the product of (i) the excess, if any, of $35.25 over the applicable exercise price of such option multiplied by (ii) the total number of shares of Laidlaw common stock subject to such option. See The Merger Effects on Awards Outstanding Under Laidlaw s Employee Plans beginning on page 35.

Q: What regulatory approvals and filings are needed to complete the merger?

A: The merger is subject to compliance with the applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the HSR Act, and the *Competition Act* (Canada), as amended, or the Competition Act. In addition, the merger is subject to the approval of certain other governmental and regulatory agencies. See The Merger Regulatory Matters beginning on page 38.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible and currently expect to consummate the merger later this year. In addition to obtaining stockholder approval, all other closing conditions, including the receipt of regulatory approvals, must be satisfied or, to the extent permitted, waived prior to the consummation of the merger.

Q: What rights do I have if I oppose the merger?

A: Laidlaw s stockholders are entitled to exercise appraisal rights in connection with the merger. If you do not vote in favor of the merger and it is completed, you may seek payment of the fair value of your shares under Delaware law. To do so, however, you must strictly comply with all of the required procedures under Delaware law. See The Merger Appraisal Rights beginning on page 32.

Q: Should I send in my stock certificates now?

A: No. After the merger is completed, you will receive written instructions for exchanging your shares of our common stock for the merger consideration of $35.25 in cash, without interest and less any applicable withholding tax, for each share of our common stock you hold.

Q: Who can help answer my questions?

A: If you would like additional copies, without charge, of this proxy statement or if you have questions about the merger, including the procedures for voting your shares, you should contact:

Laidlaw International, Inc.
Attn: Investor Relations
55 Shuman Blvd., Suite 400
Naperville, Illinois 60563

Telephone: (630) 848-3000

or

D.F. King & Co., Inc.
48 Wall Street
New York, New York 10005

Telephone: (800) 290-6427 (Toll-Free)

Neither the Securities and Exchange Commission (which we refer to in this proxy statement as the SEC), nor any Canadian securities regulatory authority or state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosures in this proxy statement. Any representation to the contrary is a criminal offense.

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SUMMARY TERM SHEET

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should read carefully this entire proxy statement, the annexes to this proxy statement and the documents we refer to in this proxy statement. See Where You Can Find More Information on page 51. The merger agreement is attached as Annex A to this proxy statement. We encourage you to read the merger agreement, the legal document that governs the merger.

The Companies (page 14)

Laidlaw International, Inc.
55 Shuman Boulevard, Suite 400
Naperville, Illinois 60563
Telephone: (630) 848-3000

Laidlaw International, Inc. is a holding company for North America s largest providers of school and inter-city bus transport services and a leading supplier of public transit services. The Company s businesses operate under the brands: Laidlaw Education Services, Greyhound Lines, Greyhound Canada and Laidlaw Transit Services. The Company s shares trade on the New York Stock Exchange (NYSE: LI).

FirstGroup plc
395 King Street
Aberdeen, Scotland AB24 5RP
Telephone: 44 1224 650 100

FirstGroup is the UK s largest surface transportation company with annual revenues of over £3 billion, an operating profit of £229.7 million for the fiscal year ended March 31, 2006 and approximately 74,000 employees across the UK and North America. FirstGroup operates passenger and freight rail services in the UK. Its passenger operations include regional, intercity and commuter services. FirstGroup is also the largest bus operator in the UK running more than 1 in 5 of all local bus services and carrying over 2.8 million passengers per day. In North America, FirstGroup has three operating divisions: yellow school buses (First Student), transit contracting and management services (First Transit) and vehicle maintenance and ancillary services (First Services). FirstGroup s shares trade on the London Stock Exchange (LSE: FGP).

Fern Acquisition Vehicle Corporation
395 King Street
Aberdeen, Scotland AB24 5RP
Telephone: 44 1224 650 100

Incorporated on February 7, 2007, Fern Acquisition, a Delaware corporation and a wholly owned subsidiary of FirstGroup, was organized solely for the purpose of entering into the merger agreement with Laidlaw and completing the merger. Fern Acquisition has not conducted any business operations.

Merger Consideration (page 35)

If the merger is completed, you will receive $35.25 in cash, without interest and less any applicable withholding tax, in exchange for each share of Laidlaw common stock that you own and for which you have not properly exercised appraisal rights.

After the merger is completed, you will have the right to receive the merger consideration, but you will no longer have any rights as a Laidlaw stockholder and will have no rights as a FirstGroup stockholder as a result of the merger. Laidlaw stockholders will receive the merger consideration in exchange for their Laidlaw stock certificates in accordance with the instructions contained in the letter of transmittal to be sent to our stockholders shortly after closing of the merger.

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Treatment of Options and Other Equity-Based Awards Outstanding Under Our Employee Plans (page 35)

As of the record date, there were approximately [ ] shares of our common stock subject to stock options with an exercise price of less than $35.25 granted under our equity incentive plans. At the effective time of the merger, each outstanding option, whether or not vested or exercisable, to acquire our common stock will be canceled, and the former holder of each stock option will be entitled to receive an amount in cash, without interest and less any applicable withholding tax, equal to the product of:

- the excess of $35.25, if any, over the exercise price per share of common stock subject to such option and
- the number of shares of common stock subject to such option.

At the effective time of the merger, each outstanding restricted stock award and deferred stock award granted under our Amended and Restated Equity and Performance Incentive Plan will fully vest and such awards will be canceled and converted into the right to receive $35.25 in the same manner as shares of our common stock.

Market Prices and Dividend Data (page 11)

Our common stock is quoted on The New York Stock Exchange under the symbol LI. On February 8, 2007, the last full trading day before the public announcement of the merger, the closing price for our common stock was $31.72 per share and on [ ], 2007 the latest practicable trading day before the printing of this proxy statement, the closing price for our common stock was $[ ] per share.

Material U.S. Federal Income Tax Consequences of the Merger (page 37)

The exchange of shares of our common stock for the $35.25 per share cash merger consideration will be a taxable transaction to our stockholders for U.S. federal income tax purposes.

Tax matters can be complicated, and the tax consequences of the merger to you will depend on the facts of your own situation. We strongly recommend that you consult your own tax advisor to fully understand the tax consequences of the merger to you.

Recommendation of Laidlaw s Board of Directors and Reasons for the Merger (page 20)

Our board of directors unanimously recommends that you vote FOR approval of the merger agreement and FOR the proposal to adjourn the special meeting, including, if necessary or appropriate, to solicit additional proxies. At a special meeting of our board of directors on February 8, 2007, after careful consideration, including consultation with financial and legal advisors, our board of directors determined that the merger agreement and the merger are advisable and in the best interests of Laidlaw stockholders and adopted the merger agreement. In the course of reaching its decision over several board meetings, our board of directors consulted with our senior management, financial advisor and legal counsel, reviewed a significant amount of information and considered a number of factors, including, among others, the following:

- the business, competitive position, strategy and prospects of Laidlaw, the position of current and likely competitors, and current industry, economic and market conditions;

the fact that we will no longer exist as an independent public company and our stockholders will forgo any future increase in our value that might result from our earnings or possible growth as an independent company;

the possible alternatives to the merger, the range of potential benefits to our stockholders of the possible alternatives and the timing and the likelihood of accomplishing the goals of such alternatives;

the likelihood that, in our board of directors view, conducting an extensive public auction process before approving the merger would be detrimental to Laidlaw by posing significant risks to our existing operations, including risks relating to our customer base and employee retention;

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the $35.25 per share in cash to be paid as merger consideration in relation to the current market price of Laidlaw shares and also in relation to the current value of Laidlaw and our board of directors estimate of the future value of Laidlaw as an independent entity and, specifically, the fact that the $35.25 per share in cash to be paid as merger consideration represents (1) a 20.3% premium over the average closing price of our common stock in the 30 days prior to February 2, 2007, the date the Teamsters union issued a press release speculating on a potential sale of the Company and (2) a 11.1% premium over the closing price of our common stock on February 8, 2007, the last full trading day before the public announcement of the merger;

the opinion of Morgan Stanley & Co. Incorporated, or Morgan Stanley, to the effect that, as of February 8, 2007, and based upon and subject to the various factors, assumptions and limitations set forth in the opinion, the $35.25 per share in cash consideration to be received by the holders of shares of Laidlaw common stock pursuant to the merger agreement was fair, from a financial point of view, to such stockholders;

the value of the consideration to be received by Laidlaw stockholders and the fact that the consideration would be paid in cash, which provides certainty and immediate value to our stockholders;

the terms of the financing arrangements entered into by FirstGroup in connection with the merger and the fact that such financing was committed prior to the execution of the merger agreement;

the fact that the merger is not subject to any financing condition;

the conditions to FirstGroup s obligation to complete the merger, FirstGroup s right to terminate the merger agreement in certain circumstances and the termination fee which FirstGroup may be required to pay us if we or they terminate the merger agreement in certain circumstances;

the conditions to our obligation to complete the merger, our right to terminate the merger agreement in certain circumstances and the termination fee which we may be required to pay FirstGroup if we or they terminate the merger agreement in certain circumstances;

the fact that under and subject to the terms of the merger agreement, we cannot solicit a third party acquisition proposal, but we can furnish information to and negotiate with a third party in response to an unsolicited bona fide acquisition proposal that our board of directors reasonably determines is or will lead to a superior proposal;

the likelihood that the proposed acquisition would be completed, in light of the financial capabilities and reputation of FirstGroup;

the risk that we might not receive necessary regulatory approvals and clearances, or do not receive such approvals and clearances on terms that would require FirstGroup to complete the merger; and

the interests that our directors and executive officers may have with respect to the merger, in addition to their interests as stockholders of Laidlaw generally, as described in The Merger Interests of Laidlaw s Directors and Executive Officers in the Merger.

Our board of directors did not assign any particular weight or rank to any of the positive or potentially negative factors or risks discussed in this section, and our board of directors carefully considered all of these factors as a whole in reaching its determination and recommendation.

Opinion of Our Financial Advisor (page 21)

In connection with the merger, Morgan Stanley delivered a written opinion to Laidlaw s board of directors to the effect that, as of February 8, 2007, and based upon and subject to the various factors, assumptions and limitations set forth in the opinion, the consideration to be received by the holders of shares of Laidlaw common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders.

The full text of the written opinion of Morgan Stanley, dated February 8, 2007, which sets forth the assumptions made, procedures followed, matters considered, and limitations on the review undertaken in connection with the opinion, is attached hereto as Annex B. We encourage you to read this opinion carefully in its entirety. Morgan Stanley provided its opinion for the information and assistance of Laidlaw s board of directors in

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connection with its consideration of the merger. Morgan Stanley s opinion is directed to the Laidlaw board of directors and does not constitute a recommendation as to how any holder of Laidlaw common stock should vote with respect to the merger.

The Special Meeting of Laidlaw s Stockholders (page 12)

Date, Time and Place. A special meeting of our stockholders will be held on [ ], [ ], 2007 at the Hilton Lisle/Naperville, 3003 Corporate West Drive, Lisle, Illinois 60532, at [ ] a.m., Chicago time, to:

consider and vote upon the approval of the merger agreement;

adjourn or postpone the special meeting, including, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of approval of the merger agreement at the time of the special meeting; and

transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Record Date and Voting Power. You are entitled to vote at the special meeting if you owned shares of our common stock at the close of business on [ ], 2007, the record date for the special meeting. You will have one vote at the special meeting for each share of our common stock you owned at the close of business on the record date. There are [ ] shares of our common stock entitled to be voted at the special meeting.

Required Vote. The approval of the merger agreement requires the affirmative vote of a majority of the shares of our common stock outstanding at the close of business on the record date. Approval of any proposal to adjourn or postpone the special meeting, including, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of at least a majority of the votes cast by holders of our common stock present, in person or represented by proxy, at the special meeting, provided a quorum is present in person or represented by proxy at the special meeting.

Interests of Laidlaw s Directors and Executive Officers in the Merger (page 27)

When considering the recommendation of Laidlaw s board of directors, you should be aware that members of Laidlaw s board of directors and Laidlaw s executive officers have interests in the merger other than their interests as Laidlaw stockholders generally, including those described below. These interests may be different from, or in conflict with, your interests as Laidlaw stockholders. The members of our board of directors were aware of these additional interests, and considered them, when they approved the merger agreement.

Our directors and executive officers will have their vested and unvested stock options canceled and cashed out in connection with the merger, meaning that they will receive cash payments, without interest and less any applicable withholding tax, equal to the product of the excess of $35.25, if any, over the exercise price per share of common stock subject to such option and the number of shares of our common stock subject to such option. As of March 1, 2007, our directors and executive officers held, in the aggregate, vested in-the-money stock options to acquire 696,250 shares of our common stock and unvested in-the-money stock options to acquire 666,250 shares of our common stock.

Our directors and executive officers will have their unvested restricted shares and deferred shares canceled and converted into the right to receive $35.25 in the same manner as shares of our common stock in connection with the merger. As of March 1, 2007, our directors and executive officers held, in the aggregate, 75,939

unvested shares of restricted stock and 429,375 unvested deferred shares.

Our current executive officers have entered into agreements with us that provide certain severance payments and benefits in the event of his/her termination of employment under certain circumstances. In addition, the agreements provide that in the event any benefit received by the executive officer gives rise to an excise tax for the executive officer, the executive officer is also entitled to a gross-up payment in an amount that would place the executive officer in the same after-tax position that he would have been in if no excise tax had applied.

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The merger agreement provides for indemnification arrangements for each of our current and former directors and officers that will continue for six years following the effective time of the merger, as well as for insurance coverage covering his or her service to Laidlaw as a director or officer.

Conditions to the Closing of the Merger (page 45)

Each party s obligation to effect the merger is subject to the satisfaction or, to the extent permitted, waiver of various conditions, which include the following:

the merger agreement is approved by our stockholders at the special meeting;

at the extraordinary general meeting of FirstGroup s shareholders, FirstGroup s shareholders approve ordinary resolutions to (i) approve the merger, (ii) increase FirstGroup s authorized share capital, (iii) authorize FirstGroup s board of directors to allot share capital of FirstGroup and (iv) authorize FirstGroup s board of directors to incur borrowings to effect the financing of the merger;

no applicable law is in effect which prohibits the consummation of the merger;

the waiting periods required under the HSR Act relating to the merger have expired or been terminated or waived and we have received approval under the Competition Act;

the U.S. government has completed its national security review under the Exon-Florio Statute of the Defense Production Act of 1950, as amended, and concluded that no adverse action with respect to the merger is necessary; and

all actions by, or filings with, the U.S. Surface Transportation Board necessary to permit the consummation of the merger have been taken, made or obtained.

FirstGroup and Fern Acquisition will not be obligated to effect the merger unless the following conditions are satisfied or waived:

we have performed in all material respects all of our obligations required under the merger agreement at or prior to the effective time;

our representations and warranties in the merger agreement and any writing delivered pursuant thereto (disregarding all materiality and company material adverse effect, as defined in the merger agreement, qualifications contained therein) are true and correct at and as of the effective time (other than representations and warranties that by their terms address matters only as of another specified time, which shall be true and correct only as of such time), with only exceptions as, individually or in the aggregate, have not had and are not reasonably expected to have a company material adverse effect;

FirstGroup has received a certificate signed by an executive officer of Laidlaw certifying that the conditions described in the preceding two bullets have been satisfied by Laidlaw;

there is no pending action or proceeding by any governmental authority or any applicable law (i) seeking to restrain or prohibit consummation of the merger or seeking material damages in connection with the merger, (ii) seeking to restrain or prohibit FirstGroup s or Fern Acquisition s ownership or operation of any material portion of the business or assets of Laidlaw and its subsidiaries, taken as a whole, (iii) seeking to compel

FirstGroup or its subsidiaries to take certain actions which the merger agreement does not require FirstGroup to take or (iv) that is otherwise reasonably likely to have a company material adverse effect;

there has not occurred and is not continuing any event or facts that, individually or in the aggregate, have had or would reasonably be expected to have a company material adverse effect; and

holders of fewer than 10% of the shares of our common stock have demanded (and not withdrawn) appraisal of their shares in accordance with Delaware law.

We will not be obligated to effect the merger unless the following conditions are satisfied or waived:

each of FirstGroup and Fern Acquisition has performed in all material respects its obligations required under the merger agreement at or prior to the effective time;

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the representations and warranties of FirstGroup and Fern Acquisition in the merger agreement and any writing delivered pursuant thereto (disregarding all materiality and parent material adverse effect, as defined in the merger agreement, qualifications contained therein) are true and correct at and as of the effective time (other than representations and warranties that by their terms address matters only as of another specified time, which shall be true and correct only as of such time), with only exceptions as, individually or in the aggregate, have not had and are not reasonably expected to have a parent material adverse effect; and

we have received a certificate signed by an executive officer of FirstGroup certifying that the conditions described in the preceding two bullets have been satisfied by FirstGroup.

Limitation on Considering Other Acquisition Proposals (page 44)

Laidlaw and FirstGroup have agreed that neither they nor their respective subsidiaries will, nor will they permit their respective officers, directors, employees, investment bankers, attorneys, accountants, consultants or other agents or advisors to, directly or indirectly:

solicit, initiate or take any action to knowingly facilitate or encourage the submission of any acquisition proposal;

enter into or participate in any discussions or negotiations with, furnish any information relating to it or its respective subsidiaries or afford access to its business, properties, assets, books or records or otherwise cooperate in any way with any third party that is seeking to make, or has made, an acquisition proposal;

grant any waiver or release under any standstill or similar agreement with respect to any class of equity securities;

fail to make, withdraw or modify in a manner adverse to the other party the approval or recommendation of its board of directors (or recommend an acquisition proposal or take any action or make any statement inconsistent with the approval or recommendation of the merger); or

enter into any agreement in principle, letter of intent, term sheet or other similar instrument relating to an acquisition proposal.

Nevertheless, the boards of directors of each of Laidlaw and FirstGroup may engage in negotiations with any third party that, subject to compliance with the foregoing, has made a bona fide acquisition proposal that the applicable board of directors reasonably determines is or will lead to a superior proposal and may thereafter furnish to such third party nonpublic information pursuant to a confidentiality agreement with terms not less restrictive to such third party than those contained in the confidentiality agreement between Laidlaw and FirstGroup.

Notwithstanding anything to the contrary in the merger agreement, each of Laidlaw s and FirstGroup s board of directors may make a change in its recommendation to stockholders, if solely based on events or developments unknown to such board of directors as of the date of the merger agreement, that occur, or become known to such board after the date of the merger agreement but prior to the stockholder meeting of the applicable party, and it determines in good faith, after consultation with outside legal counsel, that the failure to take such action would reasonably be expected to result in a breach of its fiduciary duties under applicable law.

Pursuant to the terms of the merger agreement, the board of directors of each of Laidlaw and FirstGroup will not make a change in recommendation in response to an acquisition proposal unless:

such acquisition proposal constitutes a superior proposal;

the party in receipt of such superior proposal promptly notifies the other party, in writing, at least three business days before taking such action; and

the other party, after receipt of notification, does not make an offer within three business days that is at least as favorable to the stockholders of the party in receipt of such superior proposal as the superior proposal.

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Termination of the Merger Agreement (page 46)

We and FirstGroup can terminate the merger agreement under certain circumstances, including:

by mutual written consent;

by either us or FirstGroup if:

the merger has not been consummated on or before August 8, 2007, provided that, in the event that as of such date all applicable conditions to closing have been satisfied or waived (other than the expiration of the waiting period under the HSR Act and the receipt of Competition Act approval), such date may be extended by us or FirstGroup up to an aggregate of three months, subject to certain exceptions;

applicable law makes consummation of the merger illegal or prohibited; or

if our stockholders or FirstGroup s shareholders do not approve the merger transaction at the applicable stockholder meeting (including any adjournment or postponement thereof), subject to certain exceptions.

FirstGroup can terminate the merger agreement under certain circumstances, including if:

our board of directors modifies its recommendation to stockholders to approve the merger agreement;

a breach of any representation or warranty or failure to perform any covenant or agreement on our part has occurred that would cause us to fail to satisfy a condition to completion of the merger agreement and such condition cannot be satisfied within three months of August 8, 2007;

we have willfully and materially breached our obligations in connection with our stockholder meeting, the preparation and filing of this proxy statement, the recommendation to our stockholders to approve the merger transaction and related matters or our obligations in connection with the provisions governing non-solicitation described above; or

prior to FirstGroup s shareholder meeting, its board of directors has made a change in its recommendation to shareholders to approve the merger transaction in compliance with the terms of the merger agreement in order to enter into a definitive written agreement concerning a superior proposal.

We can terminate the merger agreement under certain circumstances, including if:

FirstGroup s board of directors modifies its recommendation to FirstGroup s shareholders to approve the merger agreement;

a breach of any representation or warranty or failure to perform any covenant or agreement on the part of FirstGroup or Fern Acquisition has occurred that would cause them to fail to satisfy a condition to completion of the merger agreement and such condition cannot be satisfied within three months of August 8, 2007;

FirstGroup has willfully and materially breached its obligations in connection with its shareholder meeting, the preparation and filing of its shareholder circular, the recommendation to its shareholders to approve the merger transaction and related matters or its obligations in connection with the provisions governing non-solicitation

described above; and

prior to our stockholder meeting, our board of directors has made a change in its recommendation to stockholders to approve the merger agreement in compliance with the terms thereof in order to enter into a definitive written agreement concerning a superior proposal.

Termination Fees and Expenses (page 47)

Except as otherwise provided for below, all fees and expenses incurred by the parties in connection with the merger will be borne by the party incurring such fees and expenses.

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The merger agreement requires, however, that we pay FirstGroup a fee of $78 million if:

- FirstGroup terminates the merger agreement due to a change in the recommendation by our board of directors that our stockholders approve the merger agreement;
- FirstGroup terminates the merger agreement due to our willful and material breach of our obligations in connection with our stockholder meeting, the preparation and filing of this proxy statement, or the recommendation to our stockholders to approve the merger agreement or our obligations in connection with the provisions governing non-solicitation; or
- we terminate the merger agreement in order to enter into a definitive written agreement concerning a superior proposal.

We must pay a termination fee of $43.35 million to FirstGroup if the merger agreement is terminated by either party as a result of our failure to obtain our stockholder approval at the special meeting, and the Company must pay an additional termination fee of $34.65 million to FirstGroup if, (i) prior to the special meeting, an acquisition proposal is made and (ii) within 12 months of termination, we enter into or consummate certain alternative transactions (provided, that, for the purposes of determining if this termination fee must be paid, the definition of acquisition proposal means an offer or proposal relating to an acquisition, merger or similar transaction involving more than 50% of the assets or voting securities of the Company, rather than the 25% threshold that generally applies throughout the merger agreement, and allows transactions relating to the Greyhound business to be considered together with all other relevant transactions in determining whether an acquisition proposal has been made).

We also must pay a termination fee of $43.35 million to FirstGroup if the merger agreement is terminated by either party due to the passing of the termination date and an acquisition proposal was made to us prior to such termination, and

- within 12 months of termination, we enter into or consummate an alternative transaction with the party who made the acquisition proposal prior to termination; or
- within 6 months of termination, we enter into or consummate an alternative transaction with a party other than the party who made the acquisition proposal prior to termination, pursuant to which the total of (i) the net debt to be assumed by such party and (ii) the aggregate consideration received by the Company and our stockholders in connection with the acquisition proposal exceeds $3.601 billion; provided, that, in this case, the amount of the termination fee will be the lesser of $43.35 million and the excess of the total consideration paid over $3.601 billion;
- provided, that, for the purposes of determining if this termination fee must be paid, the definition of acquisition proposal means an offer or proposal relating to an acquisition, merger or similar transaction involving more than 50% of the assets or voting securities of the Company, rather than the 25% threshold that generally applies throughout the merger agreement, and allows transactions relating to the Greyhound business to be considered together with all other relevant transactions in determining whether an acquisition proposal has been made.

The merger agreement requires that FirstGroup pay us £22 million if:

- either party terminates the merger agreement as a result of FirstGroup s failure to obtain its shareholder approval;

we terminate the merger agreement due to a change in recommendation by FirstGroup s board of directors that its shareholders approve the merger;

we terminate the merger agreement due to FirstGroup s willful and material breach of its obligations in connection with its shareholder meeting, the preparation and filing of its shareholder circular, or the recommendation to its shareholders to approve the merger or its obligations in connection with the provisions governing non-solicitation; or

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FirstGroup terminates the merger agreement in order to enter into a definitive written agreement concerning a superior proposal.

Regulatory Matters (page 38)

The HSR Act prohibits us from completing the merger until we have furnished certain information and materials to the Antitrust Division of the Department of Justice and the Federal Trade Commission and the required waiting period has expired or been terminated. The merger is also subject to review by the Commissioner of Competition in Canada pursuant to the Competition Act. We have filed or will file the appropriate notifications in each such jurisdiction and are pursuing the approval of the transaction.

We are also subject to, and are seeking approvals in connection with, various other federal, state and provincial regulatory requirements as a result of the merger.

Appraisal Rights (page 32)

Under Delaware law, you are entitled to exercise appraisal rights in connection with the merger.

If you do not vote in favor of adoption of the merger agreement and approval of the merger and perfect your appraisal rights under Delaware law, you will have the right to a judicial appraisal of the fair value of your shares in connection with the merger. This value could be more than, less than, or the same as the merger consideration for shares of our common stock.

In order to preserve your appraisal rights, you must take all the steps provided under Delaware law within the appropriate time periods. Failure to follow exactly the procedures specified under Delaware law will result in the loss of appraisal rights. The relevant section of Delaware law regarding appraisal rights is reproduced and attached as Annex C to this proxy statement. We encourage you to read these provisions carefully and in their entirety.

ANY LAIDLAW STOCKHOLDER WHO WISHES TO EXERCISE APPRAISAL RIGHTS OR WHO WISHES TO PRESERVE HIS OR HER RIGHT TO DO SO SHOULD REVIEW ANNEX C CAREFULLY AND SHOULD CONSULT HIS OR HER LEGAL ADVISOR, SINCE FAILURE TO TIMELY COMPLY WITH THE PROCEDURES SET FORTH THEREIN WILL RESULT IN THE LOSS OF SUCH RIGHTS.

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FORWARD-LOOKING INFORMATION

Certain statements contained in this proxy statement, including statements regarding the benefits of the transaction with FirstGroup, 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,

- The ability to successfully integrate Laidlaw and FirstGroup into a combined company and execute its business strategy;
- Economic and other market factors, including competitive pressures in the transportation industry and changes in pricing policies;
- The ability to implement initiatives designed to realize synergies, increase operating efficiencies or improve results;
- Continued increases in prices of fuel and potential shortages;
- Control of costs related to accident and other risk management claims;
- The potential for rising labor costs and actions taken by organized labor unions;
- Terrorism and other acts of violence;
- Other risks and uncertainties related to the proposed transaction, including but not limited to the satisfaction of the conditions to closing; including receipt of stockholder, regulatory, and other approvals; and
- Other risks and uncertainties described in Laidlaw s filings with the SEC.

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 light of these risks and uncertainties you are cautioned not to place undue reliance on these forward-looking statements. Laidlaw 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 Laidlaw makes on related subjects as may be detailed in Laidlaw s other filings made from time to time with the SEC.

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MARKET PRICE AND DIVIDEND DATA

Our common stock is listed on the New York Stock Exchange under the symbol LI. This table shows, for the periods indicated, the range of intraday high and low per share sales prices for our common stock as reported on the New York Stock Exchange.

	Fiscal Quarters			
	First	**Second**	**Third**	**Fourth**
Fiscal Year 2007 (through February 28, 2007)				
High	$ 29.42	$ 34.80		
Low	$ 26.47	$ 28.49		
Fiscal Year ended August 31, 2006				
High	$ 25.68	$ 28.34	$ 29.40	$ 27.35
Low	$ 21.09	$ 21.42	$ 24.30	$ 24.10
Fiscal Year ended August 31, 2005				
High	$ 19.00	$ 23.00	$ 23.43	$ 26.50
Low	$ 14.46	$ 18.85	$ 20.41	$ 22.47

The following table sets forth the closing price per share of our common stock, as reported on the New York Stock Exchange on February 8, 2007, the last full trading day before the public announcement of the merger, and on **[ ]**, 2007 the latest practicable trading day before the printing of this proxy statement:

	Common Stock Closing Price
February 8, 2007	$ 31.72
[ ], 2007	$ **[ ]**

Following the merger, there will be no further market for our common stock and our stock will be delisted from the New York Stock Exchange and deregistered under the Exchange Act.

In 2005, Laidlaw commenced payment of quarterly cash dividends. To date during fiscal year 2007, Laidlaw has paid a quarterly dividend of $0.17 for each share of its common stock, and for the five quarters preceding fiscal year 2007 paid a dividend of $0.15 for each share of its common stock. We currently expect to continue to pay regular quarterly dividends subject to approval of our board of directors and the terms of the merger agreement.

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THE SPECIAL MEETING

The enclosed proxy is solicited on behalf of the board of directors of Laidlaw for use at the special meeting of stockholders or at any adjournment or postponement thereof.

Date, Time and Place

We will hold the special meeting at The Hilton Lisle/Naperville, 3003 Corporate West Drive, Lisle, Illinois 60532 at [ ] a.m., Chicago time, on [ ], [ ], 2007.

Purpose of the Special Meeting

At the special meeting, we will ask the stockholders of our common stock to approve the merger agreement, and, if there are not sufficient votes in favor of the approval of the merger agreement, to adjourn or postpone the special meeting to a later date to solicit additional proxies.

Record Date; Shares Entitled to Vote; Quorum

Only holders of record of our common stock at the close of business on [ ], 2007, the record date, are entitled to notice of, and to vote at, the special meeting. On the record date, [ ] shares of our common stock were issued and outstanding and held by approximately [ ] holders of record. Holders of record of our common stock on the record date are entitled to one vote per share at the special meeting on the proposal to approve the merger agreement and the proposal to adjourn or postpone the special meeting, including, if necessary or appropriate, to solicit additional proxies.

A quorum of stockholders is necessary to hold a valid special meeting. Under our by-laws, a quorum is present at the special meeting if a majority of the shares of our common stock entitled to vote on the record date are present, in person or represented by proxy. In the event that a quorum is not present at the special meeting, it is expected that the meeting will be adjourned or postponed to solicit additional proxies. For purposes of determining the presence or absence of a quorum, votes withheld, abstentions and broker non-votes (where a broker or nominee does not exercise discretionary authority to vote on a matter) will be counted as present.

Vote Required

The approval of the merger agreement requires the affirmative vote of the holders of at least a majority of the shares of our common stock entitled to vote at the special meeting. Approval of the merger agreement is a condition to the closing of the merger. If a Laidlaw stockholder abstains from voting or does not vote, either in person or represented by proxy, it will count as a vote against the approval of the merger agreement. Each broker non-vote will also count as a vote against the approval of the merger agreement.

Approval of any proposal to adjourn or postpone the special meeting, including, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of at least a majority of the votes cast by holders of our common stock present, in person or by proxy, at the special meeting provided a quorum is present in person or by proxy at the special meeting.

Shares Held by Laidlaw s Directors and Executive Officers

At the close of business on February 15, 2007, our directors and executive officers and their affiliates beneficially owned and were entitled to vote 406,245 shares of our common stock, which represented approximately .5% of the shares of our outstanding common stock on that date.

Voting of Proxies

If your shares are registered in your name, you may vote by returning a signed proxy card or voting in person at the meeting. Additionally, you may submit a proxy authorizing the voting of your shares via the Internet by accessing *www.proxyvote.com* and following the on-screen instructions or by telephone by calling 1-800-690-6903 and following the telephone voting instructions. Authorizations for voting submitted via the Internet or telephone

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must be received by 11:59 p.m., Eastern Time, on [ ], 2007. You must have the enclosed proxy card available, and follow the instructions on the proxy card, in order to submit a proxy via the Internet or telephone. Based on your Internet and telephone voting, the proxy holders will vote your shares according to your directions.

If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the meeting. If your shares are registered in your name, you are encouraged to vote by proxy even if you plan to attend the special meeting in person.

Voting instructions are included on your proxy card. All shares represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in accordance with the instructions of the stockholder. Properly executed proxies that do not contain voting instructions will be voted FOR the approval of the merger agreement and FOR the proposal to adjourn or postpone the special meeting, including, if necessary or appropriate, to solicit additional proxies.

If your shares are held in street name through a broker or bank, you may vote by completing and returning the voting form provided by your broker or bank or via the Internet or by telephone through your broker or bank if such a service is provided. To vote via the Internet or telephone, you should follow the instructions on the voting form provided by your broker or bank. If you plan to attend the special meeting, you will need a proxy from your broker or bank in order to be given a ballot to vote the shares. If you do not return your bank s or broker s voting form, do not vote via the Internet or telephone through your broker or bank, if possible, or do not attend the special and vote in person with a proxy from your broker or bank, it will have the same effect as if you voted AGAINST approval of the merger agreement.

Revocability of Proxies

Any proxy you give pursuant to this solicitation may be revoked by you at any time before it is voted. Proxies may be revoked by one of three ways:

First, you can deliver to the Corporate Secretary of Laidlaw a written notice bearing a date later than the proxy stating that you would like to revoke your proxy.

Second, you can complete, execute and deliver to the Corporate Secretary of Laidlaw a new, later-dated proxy card for the same shares. If you submitted the proxy you are seeking to revoke via the Internet or telephone, you may submit this later-dated new proxy using the same method of transmission (Internet or telephone) as the proxy being revoked, provided the new proxy is received by 11:59 p.m., Eastern Time, on [ ], 2007.

Third, you can attend the special meeting and vote in person. Your attendance at the special meeting alone will not revoke your proxy.

Any written notice of revocation or subsequent proxy should be delivered to Laidlaw International, Inc., 55 Shuman Blvd., Suite 400, Naperville, Illinois 60563, Attention: Corporate Secretary, or hand-delivered to our Corporate Secretary at or before the taking of the vote at the special meeting.

If you have instructed a broker or bank to vote your shares, you must follow directions received from your broker or bank to change those instructions.

Board of Directors Recommendation

After careful consideration, our board of directors has adopted the merger agreement and determined that the merger agreement and the merger are in the best interests of Laidlaw and its stockholders. **Our board of directors unanimously recommends that Laidlaw stockholders vote FOR the proposal to approve the merger agreement and also unanimously recommends that stockholders vote FOR the proposal to adjourn or postpone the special meeting, including, if necessary or appropriate, to permit the solicitation of additional proxies.**

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Abstentions and Broker Non-Votes

Stockholders that abstain from voting on a particular matter and shares held in street name by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter will not be counted as votes in favor of such matter, but will be counted to determine whether a quorum is present at the special meeting and will be counted as voting power present at the meeting. Abstentions and broker non-votes will have the effect of a negative vote with respect to the proposal to adopt the merger agreement because approval of this proposal requires the affirmative vote of a majority of all outstanding shares of our common stock. For the proposal to adjourn or postpone the special meeting, including, if necessary or appropriate, to solicit additional proxies, abstentions and broker non-votes will have no effect on the outcome, assuming a quorum is present.

Solicitation of Proxies

The expense of soliciting proxies in the enclosed form will be borne by Laidlaw. We have retained D.F. King & Co., Inc., a proxy solicitation firm, to solicit proxies in connection with the special meeting at a cost of approximately $12,000 plus expenses. In addition, we may reimburse brokers, banks and other custodians, nominees and fiduciaries representing beneficial owners of shares for their expenses in forwarding soliciting materials to such beneficial owners. Proxies may also be solicited by certain of our directors, officers and employees, personally or by telephone, facsimile or other means of communication. No additional compensation will be paid for such services.

Householding of Special Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of our proxy statement may have been sent to multiple stockholders in each household. We will promptly deliver a separate copy of either document to any stockholder upon written or oral request to Investor Relations, Laidlaw International, Inc., 55 Shuman Blvd., Suite 400, Naperville, Illinois 60563, Telephone: 630-848-3000.

Stockholder List

A list of our stockholders entitled to vote at the special meeting will be available for examination by any Laidlaw stockholder at the special meeting. For ten days prior to the special meeting, this stockholder list will be available for inspection during ordinary business hours at our corporate offices located at 55 Shuman Blvd., Suite 400, Naperville, Illinois 60563.

THE COMPANIES

Laidlaw International, Inc.

Laidlaw International, Inc. is a holding company for North America s largest providers of school and inter-city bus transport services and a leading supplier of public transit services. Our businesses operate under the following brands: Laidlaw Education Services, Greyhound Lines, Greyhound Canada and Laidlaw Transit Services.

We are incorporated under the laws of the State of Delaware. Our principal executive offices are located at 55 Shuman Boulevard, Suite 400, Naperville, Illinois 60563. Our telephone number is (630) 848-3000. Our website is located at www.laidlaw.com. Additional information regarding Laidlaw is contained in our filings with the SEC. See Where You Can Find More Information.

FirstGroup plc

FirstGroup is the UK s largest surface transportation company with annual revenues of over £3 billion, an operating profit of £229.7 million for the fiscal year ended March 31, 2006 and approximately 74,000 employees across the UK and North America. FirstGroup operates passenger and freight rail services in the UK. Its passenger operations include regional, intercity and commuter services. FirstGroup is also the largest bus operator in the UK

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running more than 1 in 5 of all local bus services and carrying over 2.8 million passengers per day. In North America, FirstGroup has three operating divisions: yellow school buses (First Student), transit contracting and management services (First Transit) and vehicle maintenance and ancillary services (First Services). FirstGroup s shares trade on the London Stock Exchange (LSE: FGP).

FirstGroup was incorporated in Scotland in 1995, and its principal executive offices are located at 395 King Street, Aberdeen, Scotland AB24 5RP. Its telephone number is 44 1224 650 100. FirstGroup s website is located at www.firstgroup.com.

Fern Acquisition Vehicle Corporation

Incorporated on February 7, 2007, Fern Acquisition, a Delaware corporation and a wholly owned subsidiary of FirstGroup, was organized solely for the purpose of entering into the merger agreement with Laidlaw and completing the merger. Fern Acquisition has not conducted any business operations.

THE MERGER

The following discussion summarizes the material terms of the merger. We urge you to read carefully the merger agreement, which is attached as Annex A to this proxy statement.

Background to the Merger

During 2005, following the sale of the Company s healthcare businesses, the Company s board of directors, in consultation with the Company s senior management and Morgan Stanley, had discussions regarding a variety of strategic alternatives for the Company s business, including: continuing to focus on improving performance at the operating companies; expanding into new, but related, areas of business; leveraging the Company s balance sheet to increase potential returns on equity; expanding existing areas of business through acquisitions; realizing value with a sale of an operating company in order to distribute proceeds to the Company s stockholders; and taking the Company private.

During 2006, the board of directors, in consultation with the Company s senior management and Morgan Stanley, continued to discuss and analyze certain strategic alternatives for the Company, including: maintenance of the status quo with an ongoing return of capital to stockholders; divestiture of certain assets; a transaction with another participant in the Education Services business; a transaction with another participant in the public transit business; and the sale of the Company to a financial or strategic buyer. Within each alternative, several approaches were examined. The specific strengths, weaknesses, opportunities and risks for each strategic alternative were discussed in detail by the board of directors.

During February 2006, the Company was contacted by FirstGroup regarding FirstGroup s interest in acquiring part or all of the Company. The Company then conducted several telephone conversations between its management and management of FirstGroup and FirstGroup s financial and legal advisors and executed a confidentiality agreement with FirstGroup on March 15, 2006. The Company provided certain limited confidential information to FirstGroup and its advisors so that FirstGroup could evaluate potential deal structures. After reviewing the information, FirstGroup indicated that it wanted to discuss acquiring the Company in an all cash merger transaction in the price range of $31 to $32 per share.

On April 26, 2006, the board of directors met to discuss the contacts between the Company and FirstGroup. The board of directors meeting was attended by representatives of Latham & Watkins LLP, who advised the board of directors with respect to its fiduciary duties in this context, and representatives of Morgan Stanley, who reviewed the board of

directors prior analyses of the Company s strategic alternatives. Following discussion, the board of directors authorized management to have exploratory discussions with FirstGroup regarding its proposal.

On May 3, 2006, representatives of the Company s management and Morgan Stanley met with representatives of FirstGroup and its financial advisor in London to have a preliminary discussion concerning the price range, structure, timetable and financing of a potential transaction, as well as to share preliminary information on possible synergies and Greyhound, in order to provide a basis for FirstGroup to increase its indicated price range. In response to indications from the Company s representatives that FirstGroup would need to increase its purchase price,

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representatives of FirstGroup indicated that they did not believe that FirstGroup would be able to increase its price range. During the same time period, the Company sought to negotiate a new confidentiality agreement with a standstill restriction and FirstGroup indicated that it would be prepared to agree to that restriction, but only in the context of the Company s willingness to move forward exclusively with FirstGroup.

On May 4, 2006, the board of directors met to receive a report regarding the meeting with FirstGroup and, following discussion among outside directors, determined to retain Skadden, Arps, Slate, Meagher & Flom LLP, or Skadden, Arps, to advise the directors with respect to their duties in connection with a possible transaction.

On May 8, 9 and 10, Mr. Kevin Benson, Chief Executive Officer of the Company, and Mr. Moir Lockhead, Chief Executive of FirstGroup, had telephone conversations to discuss the price range in connection with a possible transaction and the prospect that FirstGroup might be interested in purchasing only part of the Company.

On May 10, 2006, the board of directors, along with representatives of the Company s management and its legal and financial advisors, met to further discuss the ongoing discussions with FirstGroup. Management of the Company reported that while FirstGroup continued to be interested in a possible transaction, FirstGroup had raised the prospect that FirstGroup might be interested in purchasing only part of the Company. The board of directors, management and the Company s legal and financial advisors then discussed the financial consequences of a sale of part of, but not the entire, Company; the status of the negotiations with FirstGroup; the dynamics and tenor of the negotiations with FirstGroup; and the next steps management and the board of directors should take with respect to FirstGroup.

On May 16, 2006, the board of directors again reviewed various strategic alternatives available for the Company s businesses. These alternatives included: maintenance of the status quo with an ongoing return of capital to stockholders; maintenance of the status quo with increased leverage for an initial accelerated return of capital; portfolio realignment and further return of capital, with a separation of the Company s business units through various means; the sale of the Company to a financial or strategic buyer; and a significant acquisition by the Company. The directors also discussed with representatives of Morgan Stanley and management a variety of other matters including the Company s stock performance, the Company s current valuation, its stockholders expectations, the forecast for both the Greyhound and the Education Services business, and management s view of the execution risk inherent in the forecasts. The specific advantages, potential concerns and valuation considerations for each strategic alternative were then discussed in detail. During the meeting, the Company received a letter by email from FirstGroup containing a preliminary indication of interest to acquire the Company for $30 per share or to acquire only the Education Services and public transit businesses for $2 billion. Following further discussion, the board of directors instructed management to respond in writing to FirstGroup that the indication of interest was inadequate and to terminate discussions with FirstGroup.

On June 7, 2006, the board of directors met and discussed possible recapitalization opportunities that existed for the Company. Representatives of Morgan Stanley advised the board of directors that the investment community viewed the Company as underleveraged and described the terms of a possible financing and self-tender transaction.

On July 6, 2006, the board of directors met to receive management s recommendation that the Company undertake a $500 million recapitalization, whereby the Company would use $500 million of debt to repurchase approximately $400 million of the Company s common stock by way of a modified dutch auction tender offer and to repurchase approximately $100 million of the Company s common stock by way of open market purchases. Following discussion, the board of directors approved the recapitalization transaction and approved the launch of the tender offer. On July 31, 2006, the Company amended its existing credit facility to add an additional $500 million credit facility. In August 2006, the Company repurchased approximately 15.5 million shares of its common stock for $26.90 per share through the tender offer. Following consummation of the tender offer, the Company repurchased approximately 3 million additional shares of its common stock through open market purchases.

On August 24, 2006, the board of directors met and discussed the Company s strategic alternatives with respect to its public transit business. Following discussion, the board of directors authorized management to contact FirstGroup to discuss their interest in (i) buying the Company s public transit business; (ii) selling FirstGroup s transit services business to the Company or (iii) a joint venture transaction involving the Company s and FirstGroup s respective public transit operations.

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On September 13, 2006, representatives of the Company met with representatives of FirstGroup in Chicago, Illinois. The meeting participants discussed possible transactions involving their respective public transit operations. FirstGroup also expressed a desire to again explore the possibility of acquiring the entire Company. Representatives of the Company responded that they were not authorized to discuss such a transaction, but that they would discuss FirstGroup s interest with the Company s board of directors and respond to FirstGroup.

On September 14, 2006, the board of directors met to discuss the meeting between the Company and FirstGroup. Representatives of Morgan Stanley provided the board of directors with various financial analyses. Following this presentation and discussion, the board of directors authorized management to continue exploring the potential for sale of the entire Company to FirstGroup or a transaction involving the public transit businesses.

On September 22 and 25, 2006, Mr. Benson and Mr. Lockhead had telephone conversations to discuss possible transactions between the Company and FirstGroup. In the call on September 25, Mr. Lockhead indicated that FirstGroup was prepared to offer $32 per share for the Company. Mr. Benson indicated that the share repurchases conducted by the Company had increased the value of the Company over the levels applicable at the time of the earlier discussions. The parties agreed to a call on September 26, 2006 with the principals and investment bankers to further explore FirstGroup s interest in the Company.

On September 26, 2006, a call took place between management of the Company and representatives of Morgan Stanley, and management of FirstGroup and representatives of Merrill Lynch & Co., or Merrill Lynch, one of FirstGroup s financial advisors. During the call, representatives of Merrill Lynch described FirstGroup s proposal, stating that FirstGroup was prepared to offer $33 per share in an all cash merger transaction for the entire Company, subject to due diligence. The representatives of Merrill Lynch further explained that the proposal was conditioned on no material contingent liabilities being discovered during due diligence, that the transaction would require the approval of FirstGroup s shareholders and that FirstGroup anticipated due diligence taking four to six weeks. The FirstGroup representatives also described a financing structure that would consist of bank and bond debt and a rights offering, and stated that the transaction would be conditioned upon the rights offering. Representatives of Morgan Stanley responded that Merrill Lynch should be prepared to provide bridge financing, and that no financing contingencies of any kind would be acceptable in the transaction. FirstGroup requested a short period of exclusivity and emphasized that FirstGroup would terminate discussions if the Company undertook an auction process. Mr. Benson indicated that he would discuss exclusivity with the Company s board of directors.

On September 28, 2006, the board of directors discussed the proposal from FirstGroup and, while the board of directors made no decisions regarding the price or terms and conditions of the proposal, agreed that there was enough interest in the possibility of a transaction with FirstGroup that it directed management to assemble a data room and provide access to FirstGroup under an acceptable non-disclosure agreement.

Following direction from the board of directors at its meeting on September 28, management of the Company and the Company s advisors continued discussions with FirstGroup in two meetings, as well as through a number of telephone calls, on the terms of a confidentiality agreement, the general terms of the transaction, the development of a data room and the potential transaction timetable. During these discussions, the Company s representatives emphasized to FirstGroup and its representatives that the basis of the transaction that they were prepared to recommend was a transaction with no significant contingencies, including no financing contingency, and with a short due diligence period. However, during these conversations and meetings, it was disclosed to the Company s representatives that FirstGroup wanted to explore the sale of certain assets of the Company by providing access to relevant parts of the data room, that the Company was in the process of assembling, to additional parties, with a plan to execute agreements and possibly announce simultaneously that FirstGroup was acquiring the Company and that FirstGroup had entered into an agreement to sell certain assets of the Company. The representatives of the Company stated that

this request was unacceptable and that, if this was FirstGroup s final position, they would recommend to the Company s board of directors that the Company discontinue all discussions regarding any acquisition of the Company by FirstGroup.

On October 11, 2006, at a meeting attended by representatives of the Company s management and representatives of Morgan Stanley, and representatives of FirstGroup and representatives of Merrill Lynch, FirstGroup stated that they were unable to change the position they previously communicated regarding a possible sale of certain assets of the Company and proposed that potential third party purchasers be allowed access to

relevant parts of the data room, that the Company was in the process of assembling, to fully analyze and value certain assets of the Company, as a pre-condition to executing a merger agreement. In response, representatives of the Company reiterated their belief that a simultaneous sale of certain assets to a third party was not acceptable and stated that they would recommend to the Company s board of directors that the Company discontinue acquisition discussions with FirstGroup.

On October 12, 2006, the board of directors met and, after receiving a full report on the discussions with FirstGroup from management and Morgan Stanley and discussing the risks of the transaction as now proposed, directed management to terminate all discussions with respect to the transaction with FirstGroup involving the sale of the entire Company. At this point, neither FirstGroup nor any of its advisors had been given access to the Company s data room.

On November 28, 2006, a representative of JPMorgan Cazenove Ltd., or JPMorgan Cazenove, one of FirstGroup s financial advisors, contacted a representative of Morgan Stanley and indicated that the Chairman of FirstGroup would like to meet with the Chairman and the Chief Executive Officer of the Company. After discussion with the Company, representatives of Morgan Stanley confirmed that the Company would be willing to meet with the representatives of FirstGroup, but that, given the reduced capital structure and the passage of time, the Company was not interested in any potential transaction to acquire the Company at $33 per share, the price level previously discussed.

On December 10, 2006, the Chairman and the Chief Executive Officer of the Company and a representative of Morgan Stanley met with the Chairman and the Chief Executive Officer of FirstGroup and a representative of JPMorgan Cazenove, to discuss FirstGroup s continued interest in a possible transaction with Laidlaw. FirstGroup indicated that it was now interested in purchasing the entire Company.

At that meeting, FirstGroup presented a term sheet which described a transaction with few conditions: approval of the Company s and FirstGroup s stockholders, approval of the Company s board of directors and regulatory approvals. FirstGroup stated that JPMorgan Cazenove would be prepared to bridge the financing possibly with an equity rights issue approximately six to nine months post-closing, and that there would be no condition regarding maintenance of investment grade ratings by the rating agencies. FirstGroup stated that it was interested in moving quickly, with a view towards signing an agreement and announcing a transaction in early February. FirstGroup indicated that its board of directors had approved approaching the Company with an indication of interest at $34 per share, conditioned on the Company s willingness to proceed exclusively with FirstGroup to the announcement of a definitive agreement.

On December 12, 2006, the board of directors met to consider the latest proposal from FirstGroup. After receiving a report from management and Morgan Stanley on the discussions and advice from Skadden, Arps concerning the board of directors duties and obligations in light of this indication of interest, the board of directors instructed management to communicate to FirstGroup that the $34 per share price was not acceptable, that the Company was very cautious about continuing discussions based on the prior two terminated discussions, and that exclusivity and the amount of the termination fee proposed by FirstGroup in the term sheet were unacceptable. However, the board of directors further determined that, if the Company s management conveyed the board s position on the foregoing and the parties could reach agreement on an acceptable confidentiality agreement, management could begin the process of non-binding discussions and due diligence with FirstGroup.

On December 19, 2006, the board of directors received telephonically a status report from management regarding the discussions with FirstGroup.

On December 22, 2006, the Company and FirstGroup entered into a new confidentiality agreement, effective December 18, 2006, pursuant to which FirstGroup obtained the right to be notified under certain circumstances if the Company became aware of an acquisition proposal or indication of interest from a third party or if the Company

engages in strategic discussions with any third party and both FirstGroup and the Company agreed to a standstill provision which restricts each party from acquiring a certain percentage of the other party s stock for a defined period of time as well as certain provisions restricting the solicitation of the other party s employees. At the same time, FirstGroup informed the Company that it wished to pursue a transaction with the Company on an expedited basis and emphasized that FirstGroup did not wish to participate in an auction process for the Company.

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On December 26, 2006, the Company informed FirstGroup that it and its financial and legal advisors could have access to an electronic datasite which the Company had prepared to facilitate FirstGroup s diligence. Also on December 26, the board of directors received telephonically a status report from management regarding the discussions with FirstGroup.

On December 30, 2006, the Company and Morgan Stanley executed an engagement letter relating to Morgan Stanley s role as the Company s financial advisor in connection with the possible sale of the Company.

On January 2, 2007, the board of directors received telephonically a status report from management regarding the due diligence process undertaken by FirstGroup.

Throughout the month of January and continuing into February, 2007, numerous representatives of FirstGroup and their legal and financial advisors conducted extensive due diligence on the Company s business, legal and financial records and met, in person and by telephone, with the Company s management to discuss the Company s business.

On January 9, 2007, the board of directors received telephonically a status report from management regarding the due diligence process undertaken by FirstGroup and discussed the protocol to be followed in the event of rumor, speculation or a leak regarding the potential transaction.

On January 17, 2007, the board of directors met and received a status report on the potential transaction with FirstGroup. The board of directors also received advice from Skadden, Arps regarding the various regulatory approvals required for a transaction with FirstGroup, the U.K. regulatory approval process for FirstGroup in connection with its shareholder approval and the SEC regulatory approval process for the Company.

On January 18 and 19, 2007, representatives of the Company s management and its legal and financial advisors met with representatives of FirstGroup s management and its legal and financial advisors in Chicago, Illinois, to discuss the Company s business.

On January 22, 2007, Davis Polk & Wardwell, or Davis Polk, U.S. counsel to FirstGroup, delivered an initial draft of the merger agreement to Skadden, Arps.

On January 23, 2007, the board of directors received telephonically a status report from management regarding the due diligence meetings on January 18 and 19 and the initial observations regarding the draft merger agreement from FirstGroup.

On January 26, 2007, Skadden, Arps sent comments to the initial draft of the merger agreement to Davis Polk.

On January 30, 2007, the board of directors received telephonically a status report from management regarding the due diligence process, the board process to be followed by FirstGroup, the timing of a proposal regarding price, FirstGroup s financing structure and FirstGroup s shareholder approval process.

On January 31, 2007, Davis Polk delivered a revised draft of the merger agreement to Skadden, Arps.

On February 2, 2007, representatives of the Company, FirstGroup, Skadden, Arps and Davis Polk negotiated regarding the terms of the merger agreement.

On February 5, 2007, a representative of JPMorgan Cazenove called a representative of Morgan Stanley and conveyed that FirstGroup was prepared to offer $35 per share for the Company s common stock.

On February 6, 2007, the Company s board of directors met to consider the proposed acquisition of Laidlaw by FirstGroup. During the meeting, management updated the board of directors on the status of the merger agreement negotiations with FirstGroup, including the price per share of $35. Representatives of Skadden, Arps outlined the key terms and conditions of the merger agreement and the legal duties and responsibilities of the board of directors in the context of a sale of the Company. It was noted that certain issues, including the amount of, and triggering events for, payment of a termination fee by either the Company or FirstGroup were still under negotiation. Representatives of Morgan Stanley reviewed its financial analysis of the proposed transaction. A copy of the draft merger agreement was provided to each member of the board of directors. After extensive discussion and deliberation on the proposed transaction, the board of directors determined that negotiations with FirstGroup should continue and set a meeting for February 8, 2007 to receive a further update. The board of directors instructed

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Mr. Benson to convey to Mr. Lockhead that the price per share indication was not adequate and that the board of directors would approve a transaction at a price of $36 per share. Following the meeting, a representative of Morgan Stanley called a representative of JPMorgan Cazenove and indicated that the Company s board of directors would approve a transaction at a price of $36 per share. Mr. Lockhead then called Mr. Benson and informed him that FirstGroup would not accept a price of $36 per share and indicated that the two parties should discontinue negotiations if the Company insisted on a price of $36 per share.

On February 7, 2007, after discussions between Mr. Benson and Mr. Lockhead and representatives of Morgan Stanley and JPMorgan Cazenove, FirstGroup indicated that it was prepared to increase its price to $35.25 per share.

On February 6, 2007 and continuing through February 8, 2007, the parties and their respective legal advisors conducted further negotiations with regards to the terms and conditions of the merger agreement. These negotiations focused on the representations, warranties, covenants and closing conditions to be included in the merger agreement, as well as the limitations to be included in the agreement on each party s ability to contact or engage in discussions with other potential acquirors. The negotiations also addressed the circumstances under which the parties could terminate the merger agreement and the circumstances under which a termination fee would be payable by either the Company or FirstGroup.

On the morning of February 8, 2007, the board of directors met telephonically and discussed the status of the negotiations with FirstGroup. In the evening of February 8, 2007, the board of directors met to receive a report from management and the Company s legal and financial advisors on the proposed transaction and the resolution of the issues discussed in the meeting on February 6, 2007. Representatives of Morgan Stanley delivered its oral opinion, later confirmed by its written opinion, that, as of February 8, 2007 and subject to the various factors, assumptions and limitations set forth in its opinion, the $35.25 per share in cash consideration to be received by the holders of shares of Laidlaw common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders. See The Merger Opinion of our Financial Advisor, beginning on page 21. After further discussion, the Company s board of directors determined that the merger agreement and the merger are in the best interests of the Company and its stockholders, adopted the merger agreement and approved its execution and resolved to recommend that the Company s stockholders approve the merger agreement. After the board meeting, the Company s management and legal advisors finalized the documentation of the transaction with FirstGroup and its legal advisors.

On February 8, 2007, the Company and FirstGroup executed the merger agreement. The Company and FirstGroup publicly announced the transaction through the issuance by each party of a press release prior to the opening of the London Stock Exchange on February 9, 2007.

Reasons for the Merger and Recommendation of the Laidlaw Board of Directors

Our board of directors unanimously recommends that you vote FOR approval of the merger agreement and FOR the proposal to adjourn or postpone the special meeting, including, if necessary or appropriate, to solicit additional proxies. At a special meeting of our board of directors on February 8, 2007, after careful consideration, including consultation with financial and legal advisors, our board of directors determined that the merger agreement and the merger are advisable and in the best interests of Laidlaw stockholders and adopted the merger agreement. In the course of reaching its decision over several board meetings, our board of directors consulted with our senior management, financial advisor and legal counsel, reviewed a significant amount of information and considered a number of factors, including, among others, the following:

- the business, competitive position, strategy and prospects of Laidlaw, the position of current and likely competitors, and current industry, economic and market conditions;

the fact that we will no longer exist as an independent public company and our stockholders will forgo any future increase in our value that might result from our earnings or possible growth as an independent company;

the possible alternatives to the merger, the range of potential benefits to our stockholders of the possible alternatives and the timing and the likelihood of accomplishing the goals of such alternatives;

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the likelihood that, in our board of directors view, conducting an extensive public auction process before approving the merger would be detrimental to Laidlaw by posing significant risks to our existing operations, including risks relating to our customer base and employee retention;

the $35.25 per share in cash to be paid as merger consideration in relation to the current market price of Laidlaw shares and also in relation to the current value of Laidlaw and our board of directors estimate of the future value of Laidlaw as an independent entity and, specifically, the fact that the $35.25 per share in cash to be paid as merger consideration represents (1) a 20.3% premium over the average closing price of our common stock in the 30 days prior to February 2, 2007, the date the Teamsters union issued a press release speculating on a potential sale of the Company and (2) a 11.1% premium over the closing price of our common stock on February 8, 2007, the last full trading day before the public announcement of the merger;

the opinion of Morgan Stanley to the effect that, as of February 8, 2007, and based upon and subject to the various factors, assumptions and limitations set forth in the opinion, the $35.25 per share in cash consideration to be received by the holders of our common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders;

the value of the consideration to be received by Laidlaw stockholders and the fact that the consideration would be paid in cash, which provides certainty and immediate value to our stockholders;

the terms of the financing arrangements entered into by FirstGroup in connection with the merger and the fact that such financing was committed prior to the execution of the merger agreement;

the fact that the merger is not subject to any financing condition;

the conditions to FirstGroup s obligation to complete the merger, FirstGroup s right to terminate the merger agreement in certain circumstances and the termination fee which FirstGroup may be required to pay us if we or they terminate the merger agreement in certain circumstances;

the conditions to our obligation to complete the merger, our right to terminate the merger agreement in certain circumstances and the termination fee which we may be required to pay FirstGroup if we or they terminate the merger agreement in certain circumstances;

the fact that under and subject to the terms of the merger agreement, we cannot solicit a third party acquisition proposal, but we can furnish information to and negotiate with a third party in response to an unsolicited bona fide acquisition proposal that our board of directors reasonably determines is or will lead to a superior proposal;

the likelihood that the proposed acquisition would be completed, in light of the financial capabilities and reputation of FirstGroup;

the risk that we might not receive necessary regulatory approvals and clearances, or do not receive such approvals and clearances on terms that would require FirstGroup to complete the merger; and

the interests that our directors and executive officers may have with respect to the merger, in addition to their interests as stockholders of Laidlaw generally, as described in The Merger Interests of Laidlaw s Directors and Executive Officers in the Merger.

Our board of directors did not assign any particular weight or rank to any of the positive or potentially negative factors or risks discussed in this section, and our board of directors carefully considered all of these factors as a whole in reaching its determination and recommendation.

Opinion of our Financial Advisor

The Company retained Morgan Stanley as financial advisor to the board of directors of Laidlaw in connection with the merger. The board of directors selected Morgan Stanley to act as its financial advisor based on Morgan Stanley s qualifications, expertise, reputation and its knowledge of the business of Laidlaw. At the meeting of the board of directors on February 8, 2007, Morgan Stanley rendered its oral opinion, which was subsequently confirmed in writing that, as of such date and based upon and subject to the various considerations set forth in the

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opinion, the consideration to be received by the holders of shares of Laidlaw common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of Morgan Stanley s opinion, dated February 8, 2007, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken in rendering its opinion, is attached as Annex B to this proxy statement. The summary of Morgan Stanley s fairness opinion set forth in this proxy statement is qualified in its entirety by reference to the full text of the opinion. Shareholders should read this opinion carefully and in its entirety. Morgan Stanley s opinion is directed to the board of directors of Laidlaw, addresses only the fairness from a financial point of view of the consideration to be received by holders of Laidlaw common stock pursuant to the merger agreement, and does not address any other aspect of the merger. Morgan Stanley s opinion does not constitute a recommendation to any shareholders of Laidlaw as to how such shareholder should vote with respect to the proposed transaction.

In connection with rendering its opinion, Morgan Stanley, among other things:

i) reviewed certain publicly available financial statements and other business and financial information of Laidlaw;

ii) reviewed certain internal financial statements and other financial and operating data concerning Laidlaw prepared by the management of Laidlaw and made available to Morgan Stanley by Laidlaw;

iii) reviewed certain financial projections prepared by the management of Laidlaw;

iv) discussed the past and current operations and financial condition and the prospects of Laidlaw with senior executives of Laidlaw;

v) reviewed the reported prices and trading activity for Laidlaw common stock;

vi) compared the financial performance of Laidlaw and the prices and trading activity of Laidlaw common stock with that of certain other comparable publicly-traded companies and their securities;

vii) reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

viii) participated in discussions and negotiations among representatives of Laidlaw, FirstGroup and their financial and legal advisors;

ix) reviewed the merger agreement, the financing commitment letters of FirstGroup, substantially in the form of the drafts dated February 8, 2007 and certain related documents; and

x) performed such other analyses and considered such other factors as Morgan Stanley deemed appropriate.

Morgan Stanley assumed and relied upon without independent verification the accuracy and completeness of the information supplied or otherwise made available to Morgan Stanley by Laidlaw for the purposes of its opinion. With respect to the financial projections, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of Laidlaw. Morgan Stanley assumed that the merger will be consummated in accordance with the terms set forth in the merger agreement without any modification, waiver or delay to any terms and conditions. Morgan Stanley assumed that in connection with the receipt of all necessary governmental, regulatory or other approvals and consents required for the proposed merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the timing of or ability of Laidlaw or FirstGroup to consummate the proposed merger. Morgan Stanley s opinion was

limited to the fairness from a financial point of view of the consideration to be received by the holders of Laidlaw common stock in the merger and Morgan Stanley expressed no opinion as to the underlying decision by Laidlaw to engage in the merger. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities (contingent or otherwise) of Laidlaw, nor was Morgan Stanley furnished with any such appraisals or made any physical inspection of the properties or assets of Laidlaw. In addition, Morgan Stanley is not a legal, regulatory or tax expert and has relied, without independent verification, on the assessment of Laidlaw and

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their advisors on such matters. Morgan Stanley s opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, February 8, 2007. Events occurring after the date hereof may affect Morgan Stanley s opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

In arriving at its opinion, Morgan Stanley was not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition of Laidlaw or any of its assets, nor did Morgan Stanley negotiate with any of the parties, other than FirstGroup, which expressed interest to Morgan Stanley in the possible acquisition of Laidlaw or certain of its constituent businesses.

The following is a summary of the material financial analyses performed by Morgan Stanley in connection with its oral opinion and the preparation of its written opinion. Some of these summaries include information presented in tabular format. In order to understand fully the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses.

Historical Share Price Analysis

Morgan Stanley performed a historical share price analysis to obtain background information and perspective with respect to the historical share prices of Laidlaw common stock. Morgan Stanley reviewed the historical price performance and average closing prices of Company common stock for various periods ending on February 2, 2007 (the last trading day prior to a press release on February 6, 2007 issued by the Teamsters Union containing a rumor of a potential acquisition of Laidlaw by FirstGroup and the resulting share price impact) and compared them to the offer price of $35.25. Morgan Stanley observed the following:

	Price ($)	**Offer Price as Compared to Laidlaw s Common Stock Price, Implied Premium to Previous Period**
Unaffected Price (February 2, 2007)	29.83	18.2%
30 day Trailing Average	29.29	20.3%
60 day Trailing Average	29.65	18.9%
52 Week High	31.35	12.4%
52 Week Low	24.10	46.3%
1 year Trailing Average	27.20	29.6%
3 year Trailing Average	22.12	59.4%
High Since June 23, 2003	31.35	12.4%
Low Since June 23, 2003	7.44	373.8%

Morgan Stanley noted that the consideration per share to be received by holders of Laidlaw common stock pursuant to the merger agreement was $35.25.

Discounted Analyst Price Targets

Morgan Stanley reviewed estimates for Laidlaw published by Wall Street equity research analysts from January 8, 2007 to February 8, 2007. Morgan Stanley discounted the Wall Street analyst price targets to June 30, 2007 at Laidlaw s estimated cost of equity capital of approximately 10%, which was based on current and historical market data. Wall Street analyst price targets yielded an implied valuation of Laidlaw common stock of $30 to $34 per share of Laidlaw common stock.

Morgan Stanley noted that the consideration per share to be received by holders of Laidlaw common stock pursuant to the merger agreement was $35.25.

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Comparable Company Analysis

Morgan Stanley reviewed and analyzed certain public market trading multiples for public companies similar to Laidlaw in size and business mix. For purposes of its analysis, Morgan Stanley reviewed the following publicly traded corporations:

Arriva plc

FirstGroup plc

Go-Ahead Group plc

Laidlaw International, Inc.

National Express Group plc

Stagecoach Group plc

The multiples analyzed for these comparable companies included, among others, the aggregate market value (defined as public equity market value plus total book value of debt, total book value of preferred stock and minority interest less cash and other short term investments) divided by 2007 estimated earnings before interest, taxes, depreciation and amortization (EBITDA) and the market price divided by 2007 estimated earnings per share (EPS). The EBITDA and EPS were based on I/B/E/S consensus estimates. Morgan Stanley calculated these financial multiples and ratios based on publicly available financial data as of February 7, 2007.

A summary of the reference range of market trading multiples of the comparable companies and those multiples calculated for Laidlaw are set forth below:

Metric	Comparable Companies Range of Multiples	Laidlaw as Implied at Merger Consideration
Aggregate Value / CY 2007E EBITDA	6.4x 9.7x	7.3x
Price / CY 2007E Earnings	15.2x 19.4x	23.2x

Taking into account the ranges expressed above, Morgan Stanley selected for its comparable company analysis of Laidlaw a range of aggregate value divided by calendar year 2007E EBITDA of 6.0x to 7.0x and price divided by calendar year 2007E EPS of 16.0x to 19.0x. Based upon and subject to the foregoing, Morgan Stanley calculated an implied valuation range for Laidlaw common stock of $26.00 to $31.00 per share. In addition, Morgan Stanley calculated the value of Laidlaw s Net Operating Loss (NOL) balance. To calculate the per share value of Laidlaw s NOL balance, Morgan Stanley computed the present discounted value of future tax benefits derived from the NOL balance. The inclusion of the value of Laidlaw s NOL balance implied a valuation range for Laidlaw common stock of $29.00 to $34.00 per share.

Morgan Stanley noted that the consideration per share to be received by holders of Laidlaw common stock pursuant to the merger agreement was $35.25.

Although the foregoing companies were compared to Laidlaw for purposes of this analysis, no company utilized in this analysis is identical to Laidlaw because of differences between the business mix, regulatory environment, operations and other characteristics of Laidlaw and the comparable companies. In evaluating the comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, regulatory, market and financial conditions and other matters, many of which are beyond the control of Laidlaw, such as the impact of competition on Laidlaw and on the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of Laidlaw, the industry or in the markets generally. Mathematical analysis (such as determining the average or median) is not in itself a meaningful method of using comparable company data.

Discounted Share Price Analysis. Morgan Stanley performed a discounted share price analysis assuming that Laidlaw continued to operate as a standalone entity. This analysis was performed by adding (a) the present value of the estimated future Laidlaw share price and (b) the present value of estimated future dividends paid to Laidlaw shareholders. The estimated future Laidlaw share price was calculated using management estimates of

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EBITDA and EPS and a range of Next Twelve Month (NTM) multiples applied to these estimates. The aggregate value to NTM EBITDA multiples used for this analysis ranged from 6.00x to 6.25x and the price to NTM EPS multiples ranged from 18.0x to 19.0x. Morgan Stanley discounted Laidlaw s estimated future share price using Laidlaw s estimated cost of equity, which was based on current and historical market data. The present value of estimated future dividends paid to Laidlaw shareholders was based on management projections for dividends paid through the aforementioned dates and was calculated using Laidlaw s estimated cost of equity. Based upon and subject to the foregoing, Morgan Stanley estimated a valuation range per share of Laidlaw common stock of $31.00 to $34.00.

Morgan Stanley noted that the consideration per share to be received by holders of Laidlaw common stock pursuant to the merger agreement was $35.25.

Discounted Cash Flow Method. Morgan Stanley performed a discounted cash flow analysis assuming that Laidlaw continued to operate as a standalone entity. This analysis was performed by adding (a) the present value of the estimated future unlevered free cash flows that Laidlaw could generate over the period from June 30, 2007 to August 31, 2011, and (b) the present value of Laidlaw s terminal value on August 31, 2011, and then adjusting these aggregate values to equity values by subtracting net debt. To determine the unlevered free cash flows and the terminal value for Laidlaw, Morgan Stanley used financial projections provided by Laidlaw management. The terminal value was determined by applying a range of multiples of estimated 12-month trailing EBITDA for fiscal year 2011. Morgan Stanley used a multiple range of 5.5x to 6.5x and a discount rate range to discount cash flows back to present value, reflecting Laidlaw s weighted average cost of capital, of 8.0% to 10.0%. Based on this analysis, Morgan Stanley estimated a valuation range per share of Laidlaw common stock of $26.00 to $33.00.

Morgan Stanley noted that the consideration per share to be received by holders of Laidlaw common stock pursuant to the merger agreement was $35.25.

Selected Precedent Transaction Analysis. Morgan Stanley reviewed and compared the proposed financial terms implied in the Laidlaw/FirstGroup merger to corresponding publicly available financial terms of selected transactions. For this analysis, Morgan Stanley reviewed corporate transactions since 2000 to the present in the global bus transportation industry and focused on information relating to the following precedent transactions as of each transaction s respective announcement date:

January 2000 ATC/Vancom, Inc. / National Express Group plc

May 2000 School Services & Leasing, Inc. / National Express Group plc

June 2001 Vimeca Transport Group / Stagecoach Portugal

June 2002 Stock Transportation Group / National Express Group plc

September 2004 National Bus Company Pty, Ltd. and National Bus Company Queensland / Ventura Motors Pty, Ltd. and Connex Group

June 2005 Tellings Golden Miller plc, London Bus Division / National Express Group plc

July 2005 ATC/Vancom, Inc / Connex North America, Inc.

October 2005 ALSA Grupo S.L.U. / National Express Group plc

Morgan Stanley derived from the selected transactions listed above a reference range of aggregate value divided by last twelve months (LTM) EBITDA and LTM Earnings before interest and taxes (EBIT) multiple range. The aggregate value divided by LTM EBITDA multiple range ranged from 3.2x to 9.3x. The aggregate value divided by LTM EBIT multiple range ranged from 7.2x to 16.0x. Morgan Stanley selected an aggregate value divided by LTM EBITDA multiple range of 6.5x to 8.5x and an aggregate value divided by LTM EBIT multiple range of 11.0x to 15.0x based on the precedent transactions listed above and applied that range to LTM (the period denoted by LTM for this analysis was taken to be January 1, 2006 to December 31, 2006) EBITDA and EBIT, respectively, which resulted in a valuation range of $26.00 to $37.00. In addition, Morgan Stanley calculated the value of Laidlaw s NOL balance in the context of a change of control. To calculate the per share value of Laidlaw s NOL balance, Morgan Stanley computed the present discounted value of future tax benefits derived from the NOL

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balance. The inclusion of the value of Laidlaw s NOL balance implied a valuation range for Laidlaw common stock of $29.00 to $40.00 per share.

Morgan Stanley noted that the consideration per share to be received by holders of Laidlaw common stock pursuant to the merger agreement was $35.25.

No company or transaction utilized in the selected precedent transactions analysis is identical to Laidlaw or the merger. In evaluating the precedent transactions, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Laidlaw, such as the impact of competition on Laidlaw and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of Laidlaw or in the financial markets in general. Mathematical analysis, such as determining the average or median, or the high or the low, is not in itself a meaningful method of using comparable transaction data.

Leveraged Buyout Analysis. Morgan Stanley analyzed Laidlaw s value from the perspective of a financial buyer that would effect a leveraged buyout of Laidlaw using a capital structure that contained additional senior secured, senior unsecured, and subordinated debt. Morgan Stanley used estimates provided by Laidlaw, and based on its experience, Morgan Stanley assumed that a financial buyer could monetize its Laidlaw investment on August 31, 2011 at an aggregate value range that represented a multiple of 5.5x 7.0x LTM EBITDA (the period denoted by LTM for this analysis was taken to be September 1, 2010 to August 31, 2011). Morgan Stanley added Laidlaw s forecasted 2011 cash balance and subtracted Laidlaw s forecasted 2011 debt outstanding to calculate Laidlaw s August 31, 2011 equity value range. Based on Laidlaw s calculated August 31, 2011 equity value range, Morgan Stanley derived a valuation range of $31.00 to $34.00 per share, representing implied values per share that a financial buyer might be willing to pay to acquire Laidlaw.

Morgan Stanley noted that the consideration per share to be received by holders of Laidlaw common stock pursuant to the merger agreement was $35.25.

Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not susceptible to partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered. Furthermore, Morgan Stanley believes that the summary provided and the analyses described above must be considered as a whole and that selecting any portion of the analyses, without considering all of them, would create an incomplete view of the process underlying Morgan Stanley s analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above should not be taken to be the view of Morgan Stanley with respect to the actual value of Laidlaw or its common stock.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to the industry performance, general business, regulatory and economic conditions and other matters, many of which are beyond the control of Laidlaw. Any estimates contained in the analyses of Morgan Stanley are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates. The analyses performed were prepared solely as part of the analysis of Morgan Stanley of the fairness of the consideration to be received by holders of shares of Laidlaw common stock pursuant to the merger agreement from a financial point of view, and were prepared in connection with the delivery by Morgan Stanley of its oral opinion on February 8, 2007 to Laidlaw s board of directors, subsequently confirmed in writing.

These analyses do not purport to be appraisals or to reflect the prices at which shares of common shares of Laidlaw might actually trade. The foregoing summary does not purport to be a complete description of the analyses performed by Morgan Stanley.

The merger consideration was determined through arm s-length negotiations between Laidlaw and FirstGroup and was approved by Laidlaw s board of directors. Morgan Stanley provided advice to Laidlaw during these negotiations. Morgan Stanley did not, however, recommend any specific merger consideration to Laidlaw or that any specific merger consideration constituted the only appropriate merger consideration for the merger.

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Morgan Stanley s opinion and its presentation to Laidlaw s board of directors was one of many factors taken into consideration by Laidlaw s board of directors in deciding to approve, adopt and authorize the merger agreement. Consequently, the analyses as described above should not be viewed as determinative of the opinion of Laidlaw s board of directors with respect to the merger consideration or of whether Laidlaw s board of directors would have been willing to agree to a different merger consideration.

Laidlaw s board of directors retained Morgan Stanley based upon Morgan Stanley s qualifications, experience and expertise. Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate, estate and other purposes. In the past, Morgan Stanley and its affiliates have provided financial advisory and financing services for Laidlaw and have received fees for the rendering of these services. In addition, Morgan Stanley is a full services securities firm engaged in securities trading, investment management and brokerage services. In the ordinary course of its trading, brokerage, investment management and financing activities, Morgan Stanley or its affiliates may actively trade the debt and equity securities or senior loans of Laidlaw or FirstGroup for its own accounts or for the accounts of its customers or its managed investment accounts and, accordingly, may at any time hold long or short positions in such securities or senior loans or any currency or commodity.

Pursuant to its engagement letter, Morgan Stanley acted as financial advisor to the Board of Directors of Laidlaw in connection with this transaction, and Laidlaw has agreed to pay Morgan Stanley customary fees in connection with the merger, a significant portion of which is contingent upon the consummation of the merger. Laidlaw has also agreed to reimburse Morgan Stanley for its expenses incurred in performing its services. In addition, Laidlaw has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Morgan Stanley s engagement and any related transactions.

Interests of Laidlaw s Directors and Executive Officers in the Merger

When considering the recommendation of Laidlaw s board of directors, you should be aware that the members of our board of directors and our executive officers have interests in the merger other than their interests as Laidlaw stockholders generally, pursuant to certain agreements between such directors and executive officers and us and under certain company benefits plans. These interests may be different from, or in conflict with, your interests as a Laidlaw stockholder. The members of our board of directors were aware of these additional interests, and considered them, when they approved the merger agreement.

Effect of Awards Outstanding Under Laidlaw s Stock Plans

As of March 1, 2007, there were approximately 1,362,500 shares of our common stock subject to stock options with an exercise price of less than $35.25 granted under our equity incentive plans to our current directors and executive officers. At the effective time of the merger, each outstanding option, whether or not vested or exercisable, to acquire our common stock will be canceled, and the former holder of each stock option will be entitled to receive an amount in cash, without interest and less any applicable withholding tax, equal to the product of:

- the excess of $35.25, if any, over the exercise price per share of common stock subject to such option and
- the number of shares of common stock subject to such option.

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The following table summarizes the vested and unvested options with exercise prices of less than $35.25 per share held by our directors and executive officers as of March 1, 2007 and the consideration that each of them will receive pursuant to the merger agreement in connection with the cancellation of their options:

	No. of Shares Underlying Vested Options	No. of Shares Underlying Unvested Options	Weighted Average Exercise Price of Vested Options	Weighted Average Exercise Price of Unvested Options	Consideration Resulting from Vested Stock Options	Consideration resulting from Unvested Stock Options	Total Resulting Consideration
Directors							
John F. Chlebowski	13,500	13,500	$ 15.58	$ 24.98	$ 265,545	$ 138,645	$ 404,190
James H. Dickerson, Jr.	13,500	13,500	$ 15.58	$ 24.98	$ 265,545	$ 138,645	$ 404,190
Lawrence M. Nagin	13,500	13,500	$ 15.58	$ 24.98	$ 265,545	$ 138,645	$ 404,190
Richard P. Randazzo	13,500	13,500	$ 15.58	$ 24.98	$ 265,545	$ 138,645	$ 404,190
Maria A. Sastre	13,500	13,500	$ 15.58	$ 24.98	$ 265,545	$ 138,645	$ 404,190
Peter E. Stangl	20,250	20,250	$ 15.58	$ 24.98	$ 398,318	$ 207,968	$ 606,285
Carroll R. Wetzel, Jr.	13,500	13,500	$ 15.58	$ 24.98	$ 265,545	$ 138,645	$ 404,190
Executive Officers							
Kevin E. Benson	341,667	178,333	$ 16.04	$ 23.04	$ 6,562,250	$ 2,177,000	$ 8,739,250
Beth B. Corvino	76,667	113,333	$ 17.36	$ 23.58	$ 1,371,667	$ 1,322,333	$ 2,694,000
Mary B. Jordan		50,000		$ 28.47		$ 338,950	$ 338,950
Jeffrey W. Sanders	35,000	90,000	$ 17.05	$ 26.64	$ 637,083	$ 775,067	$ 1,412,150
Jeffery A. McDougle	31,667	83,333	$ 17.62	$ 26.66	$ 558,417	$ 715,833	$ 1,274,250
Douglas A. Carty	110,000	50,000	$ 16.22	$ 21.32	$ 2,093,333	$ 696,667	$ 2,790,000
Totals	696,250	666,250			$ 13,214,338	$ 7,065,688	$ 20,280,025

At the effective time of the merger, each outstanding restricted stock award and deferred stock award granted under our Amended and Restated Equity and Performance Incentive Plan will fully vest and such awards will be canceled and converted into the right to receive $35.25 in the same manner as shares of our common stock. The following table summarizes the unvested shares of restricted stock and deferred shares held by our directors and executive officers as of March 1, 2007 and the consideration that each of them will receive pursuant to the merger agreement in connection with such unvested restricted shares and deferred shares.

	No. of Shares of	No. of Deferred Shares	Resulting Consideration

	Restricted Stock		
Directors			
John F. Chlebowski	10,125		$ 356,906
James H. Dickerson, Jr.	10,125		$ 356,906
Lawrence M. Nagin	10,125		$ 356,906
Richard P. Randazzo	10,125		$ 356,906
Maria A. Sastre	10,125		$ 356,906
Peter E. Stangl	15,189		$ 535,412
Carroll R. Wetzel, Jr.	10,125		$ 356,906
Executive Officers			
Kevin E. Benson		167,500	$ 5,904,375
Beth B. Corvino		71,250	$ 2,511,563
Mary B. Jordan		20,000	$ 705,000
Jeffrey W. Sanders		51,500	$ 1,815,375
Jeffery A. McDougle		37,875	$ 1,335,094
Douglas A. Carty		81,250	$ 2,864,063
Totals	75,939	429,375	$ 17,812,319

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At the effective time of the merger, each outstanding phantom stock appreciation right will fully vest and be converted into the right to receive an amount in cash, without interest and less any applicable withholding tax, equal to the product of (x) the excess of the phantom stock price at the effective time of the merger, if any, over the exercise price per share of the phantom stock appreciation rights and (y) the number of phantom stock appreciation rights. The following table summarizes the unvested phantom stock appreciation rights held by Douglas A. Carty as of March 1, 2007 and the estimated consideration that he may receive pursuant to the merger agreement in connection with such phantom stock appreciation rights. None of our other executive officers hold any phantom stock appreciation rights.

	No. of Shares Underlying Unvested Phantom Stock Appreciation Rights	Weighted Average Exercise Price of Phantom Stock Appreciation Rights	Estimated Phanton Stock Price at Close	Estimated Resulting Consideration
Executive Officer				
Douglas A. Carty	150,000	$ 13.14	$ 14.10	$ 144,000

Severance and Change in Control Agreements

In late 2005, we initiated a review of certain employment agreements in order to ensure our compliance with Section 409A of the Internal Revenue Code (the Code) and to verify that the terms contained in such agreements with our officers were reasonable in light of the general market for their services. On July 27, 2006, the Human Resources and Compensation Committee of our board of directors approved entering into amended and restated employment agreements with Kevin E. Benson, Beth Byster Corvino, Jeffrey W. Sanders, Jeffery A. McDougle, Douglas A. Carty and a new employment agreement with Mary B. Jordan, who had recently joined the Company. These officers entered into amended and restated employment agreements on August 1, 2006, which replaced each officer s then-existing employment agreement and change in control agreement. The substantive compensation provisions of each officer s prior agreements remained principally unchanged, such as salary, bonus, perquisites and severance. Changes to the prior agreements included:

providing for a gross-up by the Company of any excise tax imposed on the officer under Code Section 4999 if the total payments that would be parachute payments (as defined in the Code) exceed the applicable threshold by 10% or more, or if such payments exceed the threshold by less than 10%, providing for a reduction of such payments;

continuing the effectiveness of restrictive covenants after a change in control; and

allowing for a pre-change in control termination by the officer for good reason (as defined in the agreement).

We entered into further amendments to these agreements with each of Mr. Benson, Ms. Corvino, Mr. Sanders, Mr. McDougle and Ms. Jordan on January 24, 2007, and with Mr. Carty on February 26, 2007. These amended and restated employment agreements did not modify the salary, bonus, severance, change in control payments or other benefits previously provided to such officers, except to:

change the manner in which each officer s bonus portion of the severance calculation is determined following a change of control, which change would likely result in these officers receiving less severance upon a change of control than under the prior version of their employment agreements;

eliminate the officer s rights to an automobile allowance and executive benefit stipend as additional perquisites and, in exchange, to increase the officer s base salary by the value of such benefits; and

provide the officer with the right of up to $25,000 in outplacement services in the event the officer s employment is terminated without cause prior to a change in control.

Prior to such amendment, each officer s severance amount was determined based on the officer s base salary and the higher of (a) the highest annual bonus earned in any fiscal year after the change in control or the three years prior to the change in control, or (b) the officer s target bonus for the year in which the change in control occurs. After such amendment, each officer s severance amount is based on the officer s base salary and the higher of (a) the

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average bonus earned by the officer in the three fiscal years preceding the change in control, or such portion thereof in which the executive was employed or (b) the target bonus for the year in which the change in control occurs.

Under circumstances unrelated to a change in control (as defined in the change in control agreement), if the executive officer is terminated by Laidlaw without cause or upon his or her disability (as such terms are defined in the change in control agreement) or such executive officer terminates his or her employment for good reason (as defined in the change in control agreement), for a period of 24 months (or 12 months in the case of Mr. McDougle and Mr. Sanders) following such termination, Laidlaw will continue each month to pay the executive officer s base salary plus one-twelfth of his or her target bonus in effect at that time (provided, in the case of Ms. Jordan, any such termination follows her second anniversary) plus the monthly COBRA continuation cost for medical and dental benefits for the executive officer and his or her eligible dependents. In the event that such amounts as payable would become subject to the application of Code Section 409A, the total amount that would otherwise be payable to the executive officer shall instead be payable in equal monthly installments over a period not extending beyond two and one-half months after the later to occur of the end of the calendar year in which such termination occurs or the end of Laidlaw s fiscal year in which such termination occurs, if such payment schedule would avoid the application of Code Section 409A. If such payment schedule would not avoid the application of Code Section 409A, then such payments will be made over the original 24-month period (or 12-month period in the case of Mr. McDougle and Mr. Sanders), but any payments that would otherwise be made during the first six months following such termination will be withheld and paid in the month following the end of such six-month period. In the event of a termination giving rise to such payments, the agreement also provides the executive officer with either term life insurance for such 24-month period (or 12-month period in the case of Mr. McDougle and Mr. Sanders) or a lump sum cash amount equal to the cost of term life insurance. Also, the executive officer would be eligible to participate during the 24-month period (or 12-month period in the case of Mr. McDougle and Mr. Sanders) following his or her termination in Laidlaw s medical and dental plans at his or her sole expense.

If within a two-year period following a change in control , Laidlaw terminates an executive officer s employment without cause or the executive officer terminates his or her employment for good reason, Laidlaw will provide the executive officer with a lump sum payment consisting of two times the sum of his or her highest previous base salary plus the higher of (a) the average bonus earned by the executive in the three fiscal years preceding the change in control, or such portion thereof in which the executive was employed or (b) the target bonus for the year in which the change in control occurs and the COBRA continuation cost of 24 months of medical and dental insurance coverage for the executive officer and his or her eligible dependents. In the event that such amounts as payable would become subject to the application of Code Section 409A then such payments shall be withheld and paid in a lump sum after the end of such six-month period. During the 24-month period, the executive officer will be able to purchase continued coverage at his or her full expense under Laidlaw s medical and dental plans. In addition, Laidlaw will provide the executive officer with continued welfare benefit coverage (other than medical and dental coverage) for a period of 24 months, which amount is subject to reduction to the extent he or she receives any comparable benefits from another employer within this period. The executive officer also will receive a lump sum payment equal to the actuarial equivalent of the additional retirement pension, medical, life and other benefits that he or she would have received under Laidlaw s retirement and health and welfare benefits plans during the 24-month period following his or her termination of employment (to the extent not otherwise provided by the underlying plan) and the executive officer will receive service credit for vesting and benefit purposes under all retirement plans of Laidlaw in which he or she participates to the extent such additional credit does not jeopardize the retirement plan s tax-favored status. Further, all equity incentive awards the executive officer holds will become fully vested and all his stock options will become fully exercisable. The executive officer will also be entitled to reimbursement of reasonable outplacement services.

To the extent the payments to the executive officer in connection with a change in control exceed the Code Section 280G threshold amount by 10% or more, Laidlaw will gross-up the payments to compensate for any excise tax imposed as a result thereof. In the event that such payments exceed the Code Section 280G threshold by less than

10%, such payments will be reduced to avoid the application of Code Section 280G. In addition, to the extent any payments made to the executive officer (in connection with a change in control or otherwise) violate Code Section 409A despite the protections against such violation built into the agreement, Laidlaw will pay the resulting excise tax under Code Section 409A on a fully grossed-up basis.

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The following table shows the estimated amount of potential cash severance payable to our current executive officers (including reimbursement for outplacement expenses, if applicable) based on an assumed termination date of May 31, 2007 (assuming the termination date is after a change in control), and the estimated present value of continuing coverage of medical, dental and other benefits. The table also shows the potential estimated gross-up payment to which certain of our executive officers are entitled to in the event that any benefit gives rise to an excise tax. Such gross-up payment is intended to place the executive officer in the same after-tax position that the executive officer would have been in if no excise tax had applied.

	Potential Amount of Cash Severence Payment	Potential Estimated Present Value of Benefits	Potential Estimated Gross-up Payment	Potential Total Estimated Consideration
Executive officer				
Kevin E. Benson	$ 3,621,040	$ 25,983	$ 0	$ 3,647,023
Beth Byster Corvino	$ 1,496,872	$ 33,545	$ 0	$ 1,530,417
Mary B. Jordan	$ 1,035,707	$ 13,356	$ 0	$ 1,049,063
Jeffrey W. Sanders	$ 1,199,474	$ 33,426	$ 0	$ 1,232,900
Jeffery A. McDougle	$ 1,074,696	$ 33,248	$ 0	$ 1,107,944
Douglas A. Carty	$ 2,309,251	$ 34,323	$ 0	$ 2,343,574
	$ 10,737,040	$ 173,881	$ 0	$ 10,910,921

* Estimates are subject to change based on the date of completion of the merger, date of termination of the executive officer, interest rates then in effect and certain other assumptions used in the calculation.

Payments under the Non-Employee Director Compensation Policy

Pursuant to a resolution of our board of directors on November 10, 2004 with respect to the Company s Non-Employee Director Compensation Policy, each member of our board of directors would have automatically been granted 3,375 shares of restricted stock and 6,750 stock options on September 1, 2007, except for Mr. Stangl, who would have been granted 5,063 shares of restricted stock and 10,125 stock options. In connection with the merger negotiations, each member of our board of directors agreed to forfeit his or her right to receive such restricted stock and stock options. In lieu of the restricted stock, the Company agreed that if the effective time of the merger has not occurred prior to September 1, 2007, each of the directors of the Company would receive the following cash compensation:

Each of the Company s directors (other than Mr. Stangl) shall receive cash compensation of $29,742, which amount represents 25% of the restricted stock grant that would have been granted to such director on September 1, 2007 under the Director Compensation Policy multiplied by a stock price of $35.25 per share.

Mr. Stangl, the Chairman of the Company s board of directors, shall receive cash compensation of $44,617, which amount represents 25% of the restricted stock grant that would have been granted to him on September 1, 2007 under the Director Compensation Policy, multiplied by a stock price of $35.25 per share.

For purpose of clarity, the payment of such cash compensation to the Company s directors in accordance with the terms set forth above shall be in lieu of any actual grant of restricted shares, stock options or other equity as provided for under the Director Compensation Policy and no grant of equity compensation shall be made to any of the directors of the Company pursuant to such policy or otherwise.

Indemnification and Insurance

The merger agreement provides that FirstGroup will cause the surviving corporation in the merger transaction, and the surviving corporation agrees, to indemnify the present and former directors and officers of Laidlaw for acts and omissions occurring at or prior to the effective time to the fullest extent permitted by Delaware law, other applicable law or as provided under our certificate of incorporation and bylaws as in effect on the date of the merger agreement, subject to any limitation imposed by applicable law.

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The merger agreement also provides that, for a period of six years after the effective time, FirstGroup will maintain in effect provisions in the surviving corporation s organizational documents related to indemnification and liability of officers, directors and employees that are no less advantageous to the intended beneficiaries than the corresponding provisions in existence as of the date of the merger agreement. Prior to the effective time, FirstGroup may purchase a directors and officers liability tail insurance policy covering a period of six years following the effective time so long as it provides comparable coverage as the policies in existence on the date of the merger agreement. If FirstGroup does not purchase such a tail policy prior to the effective time, then FirstGroup will cause to be maintained by the surviving corporation for a period of six years following the effective time the current directors and officers liability policies, or may substitute policies of at least the same coverage and containing terms and conditions that are no less advantageous to the insured. In satisfying its obligations, the surviving corporation is not obligated to pay an annual amount in the aggregate in excess of 200% of the amount per annum paid by Laidlaw in the last full fiscal year, in which case the surviving corporation agrees to obtain a policy offering the greatest coverage available for a cost not to exceed such amount.

Appraisal Rights

Holders of Laidlaw common stock who dissent and do not approve the merger are entitled to certain appraisal rights under Delaware law in connection with the merger, as described below and in Annex C hereto. Such holders who perfect their appraisal rights and strictly follow certain procedures in the manner prescribed by Section 262 of the Delaware General Corporation Law, or DGCL, will be entitled to receive payment of the fair value of their shares in cash from Laidlaw, as the surviving corporation in the merger.

ANY LAIDLAW STOCKHOLDER WHO WISHES TO EXERCISE APPRAISAL RIGHTS OR WHO WISHES TO PRESERVE HIS OR HER RIGHT TO DO SO SHOULD REVIEW ANNEX C CAREFULLY AND SHOULD CONSULT HIS OR HER LEGAL ADVISOR, SINCE FAILURE TO TIMELY COMPLY WITH THE PROCEDURES SET FORTH THEREIN WILL RESULT IN THE LOSS OF SUCH RIGHTS.

The record holders of the shares of Laidlaw common stock that elect to exercise their appraisal rights with respect to the merger are referred to herein as Dissenting Stockholders, and the shares of Laidlaw common stock with respect to which they exercise appraisal rights are referred to herein as Dissenting Shares. If a Laidlaw stockholder has a beneficial interest in shares of Laidlaw common stock that are held of record in the name of another person, such as a broker or nominee, and such Laidlaw stockholder desires to perfect whatever appraisal rights such beneficial Laidlaw stockholder may have, such beneficial Laidlaw stockholder must act promptly to cause the holder of record timely and properly to follow the steps summarized below.

A VOTE IN FAVOR OF THE MERGER BY A LAIDLAW STOCKHOLDER WILL RESULT IN A WAIVER OF SUCH HOLDER S RIGHT TO APPRAISAL RIGHTS.

When the merger becomes effective, Laidlaw stockholders who strictly comply with the procedures prescribed in Section 262 of the DGCL will be entitled to a judicial appraisal of the fair value of their shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, and to receive payment of the fair value of their shares in cash from Laidlaw, as the surviving corporation in the merger. The following is a brief summary of the statutory procedures that must be followed by a common stockholder of Laidlaw in order to perfect appraisal rights under the DGCL. This summary is not intended to be complete and is qualified in its entirety by reference to Section 262 of the DGCL, the text of which is included as Annex C to this proxy statement. **We advise any Laidlaw stockholder considering demanding appraisal to consult legal counsel**.

In order to exercise appraisal rights under Delaware law, a stockholder must be the stockholder of record of the shares of Laidlaw common stock as to which Laidlaw appraisal rights are to be exercised on the date that the written demand for appraisal described below is made, and the stockholder must continuously hold such shares through the effective date of the merger.

While Laidlaw stockholders electing to exercise their appraisal rights under Section 262 of the DGCL are not required to vote against the approval of the merger, a vote in favor of approval of the merger will result in a waiver of the holder s right to appraisal rights. Laidlaw stockholders electing to demand the appraisal of such stockholder s shares shall deliver to Laidlaw, before the taking of the vote on the merger, a written demand for appraisal of such

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stockholder s shares. Such demand will be sufficient if it reasonably informs Laidlaw of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder s shares. A proxy or vote against the merger shall not constitute such a demand. Please see the discussion below under the heading Written Demand for additional information regarding written demand requirements.

Within ten (10) days after the effective time of the merger, Laidlaw, as the surviving corporation, must provide notice of the date of effectiveness of the merger to all Laidlaw stockholders who have not voted for approval of the merger agreement and who have otherwise complied with the requirements of Section 262 of the DGCL.

A Laidlaw stockholder who elects to exercise appraisal rights must mail or deliver the written demand for appraisal to:

Laidlaw International, Inc.
55 Shuman Blvd., Suite 400
Naperville, Illinois 60563
Telephone: (630) 848-3000
Attn: Investor Relations

Within 120 days after the effective date of the merger, any Dissenting Stockholder that has strictly complied with the procedures prescribed in Section 262 of the DGCL will be entitled, upon written request, to receive from Laidlaw, as the surviving corporation, a statement of the aggregate number of shares not voted in favor of the merger and with respect to which demands for appraisal have been received by Laidlaw, and the aggregate number of holders of those shares. This statement must be mailed to the Dissenting Stockholder within ten (10) days after the Dissenting Stockholder s written request has been received by Laidlaw, as the surviving corporation, or within ten (10) days after the date of the effective date of the merger, whichever is later.

Within 120 days after the effective date of the merger, either Laidlaw, as the surviving corporation, or any Dissenting Stockholder that has strictly complied with the procedures prescribed in Section 262 of the DGCL may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of each share of Laidlaw stock of all Dissenting Stockholders. If a petition for an appraisal is timely filed, then after a hearing on the petition, the Delaware Court of Chancery will determine which of the Laidlaw stockholders are entitled to appraisal rights and then will appraise the shares of Laidlaw common stock owned by those stockholders by determining the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger, together with the fair rate of interest to be paid, if any, on the amount determined to be the fair value. If no petition for appraisal is filed with the Delaware Court of Chancery by Laidlaw, as the surviving corporation, or any Dissenting Stockholder within 120 days after the effective time of the merger, then the Dissenting Stockholders rights to appraisal will cease and they will be entitled only to receive merger consideration paid in the merger on the same basis as other Laidlaw stockholders. Inasmuch as Laidlaw, as the surviving corporation, has no obligation to file a petition, any Laidlaw stockholder who desires a petition to be filed is advised to file it on a timely basis. No petition timely filed in the Delaware Court of Chancery demanding appraisal shall be dismissed as to any Laidlaw stockholder, however, without the approval of the Delaware Court of Chancery, which may be conditioned on any terms the Delaware Court of Chancery deems just.

The cost of the appraisal proceeding may be determined by the Delaware Court of Chancery and taxed upon the parties as the court deems equitable in the circumstances. Upon application of a Dissenting Stockholder that has strictly complied with the procedures prescribed in Section 262 of the DGCL, the court may order that all or a portion of the expenses incurred by any Dissenting Stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys fees, and the fees and expenses of experts, be charged pro rata against the value of all shares entitled to appraisal. In the absence of this determination or assessment, each party bears its own expenses. A Dissenting Stockholder who has timely demanded appraisal in compliance with Section 262 of the DGCL

will not, after the effective time of the merger, be entitled to vote the Laidlaw common stock subject to such demand for any purpose or to receive payment of dividends or other distributions on the Laidlaw common stock, except for dividends or other distributions payable to stockholders of record at a date prior to the effective time of the merger.

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At any time within sixty (60) days after the effective time of the merger, any Dissenting Stockholder will have the right to withdraw the stockholder s demand for appraisal and to accept the right to receive merger consideration in the merger on the same basis on which Laidlaw common stock is converted in the merger. After this sixty (60) day period, a Dissenting Stockholder that has strictly complied with the procedures prescribed in Section 262 of the DGCL may withdraw his or her demand for appraisal only with the written consent of Laidlaw or FirstGroup and the approval of the Delaware Court of Chancery.

Written Demands

When submitting a written demand for appraisal under Delaware law, the written demand for appraisal must reasonably inform Laidlaw of the identity of the stockholder of record making the demand and indicate that the stockholder intends to demand appraisal of the stockholder s shares. A demand for appraisal should be executed by or for the Laidlaw common stockholder of record, fully and correctly, as that stockholder s name appears on the stockholder s stock certificate. If Laidlaw common stock is owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, the demand should be executed by the fiduciary. If Laidlaw common stock is owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an agent for two or more joint owners, should execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, he, she or it is acting as agent for the record owner.

A record owner who holds Laidlaw common stock as a nominee for other beneficial owners of the shares may exercise appraisal rights with respect to the Laidlaw common stock held for all or less than all beneficial owners of the Laidlaw stock for which the holder is the record owner. In that case, the written demand must state the number of shares of Laidlaw common stock covered by the demand. Where the number of shares of Laidlaw common stock is not expressly stated, the demand will be presumed to cover all shares of Laidlaw common stock outstanding in the name of that record owner. Beneficial owners who are not record owners and who intend to exercise appraisal rights should instruct the record owner to comply strictly with the statutory requirements with respect to the delivery of written demand prior to the taking of the vote on the merger.

Laidlaw stockholders considering whether to seek appraisal should bear in mind that the fair value of their Laidlaw common stock determined under Section 262 of the DGCL could be more than, the same as or less than the value of the right to receive merger consideration in the merger. Also, Laidlaw and FirstGroup reserve the right to assert in any appraisal proceeding that, for purposes thereof, the fair value of the Laidlaw common stock is less than the value of the merger consideration to be issued in the merger.

The process of dissenting and exercising appraisal rights requires strict compliance with technical prerequisites. Laidlaw stockholders wishing to dissent and to exercise their appraisal rights should consult with their own legal counsel in connection with compliance with Section 262 of the DGCL.

Any stockholder who fails to strictly comply with the requirements of Section 262 of the DGCL, attached as Annex C to this proxy statement will forfeit his, her or its rights to dissent from the merger and to exercise appraisal rights and will receive merger consideration on the same basis as all other stockholders.

THE PROCESS OF DISSENTING REQUIRES STRICT COMPLIANCE WITH TECHNICAL PREREQUISITES. THOSE INDIVIDUALS OR ENTITIES WISHING TO DISSENT AND TO EXERCISE THEIR APPRAISAL RIGHTS SHOULD CONSULT WITH THEIR OWN LEGAL COUNSEL IN CONNECTION WITH COMPLIANCE UNDER SECTION 262 OF THE DGCL. TO THE EXTENT THERE ARE ANY INCONSISTENCIES BETWEEN THE FOREGOING SUMMARY AND SECTION 262 OF THE

DGCL, THE DGCL SHALL CONTROL.

Form of the Merger

Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, at the effective time of the merger, Fern Acquisition, a wholly owned subsidiary of FirstGroup and a party to the merger agreement, will merge with and into us. We will survive the merger as a wholly owned subsidiary of FirstGroup.

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Merger Consideration

At the effective time of the merger, each outstanding share of our common stock, other than treasury shares, shares held by FirstGroup or any direct or indirect wholly owned subsidiary of FirstGroup or us, and shares held by stockholders who perfect their appraisal rights, will be converted into the right to receive $35.25 in cash, without interest and less any applicable withholding tax. Treasury shares and shares held by FirstGroup or any direct or indirect wholly owned subsidiary of FirstGroup or us will be canceled immediately prior to the effective time of the merger.

As of the effective time of the merger, all shares of our common stock will no longer be outstanding and will automatically be canceled and will cease to exist, and each holder of a certificate representing any shares of our common stock will cease to have any rights as a stockholder, except the right to receive $35.25 per share in cash, without interest and less applicable withholding tax (other than stockholders who have perfected their appraisal rights). The price of $35.25 per share was determined through arm s-length negotiations between FirstGroup and us.

Effect on Awards Outstanding Under Laidlaw s Employee Plans

At the effective time, each outstanding option, whether or not vested or exercisable, to acquire our common stock will be canceled, and the former holder of each stock option will be entitled to receive an amount in cash, without interest and less any applicable withholding tax, equal to the product of:

the excess of $35.25, if any, over the exercise price per share of common stock subject to such option and

the number of shares of common stock subject to such option.

At the effective time, each outstanding restricted stock award and each deferred stock award under our Amended and Restated Equity and Performance Incentive Plan will fully vest and such awards will be canceled and converted into the right to receive $35.25 in the same manner as shares of our common stock.

Effective Time of the Merger

The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as is agreed upon by FirstGroup and us and specified in such certificate of merger. The filing of the certificate of merger will occur at the closing, which will take place not later than the second business day after satisfaction or waiver of the conditions to the closing of the merger set forth in the merger agreement and described in this proxy statement, or at such other time as is agreed upon by FirstGroup and us. We currently anticipate the merger to be completed later this year.

Delisting and Deregistration of Laidlaw Common Stock

If the merger is completed, our common stock will be delisted from and will no longer be traded on the New York Stock Exchange and will be deregistered under the Exchange Act. Following the completion of the merger Laidlaw will no longer be an independent public company.

Certain Projections

Laidlaw does not, as a matter of course, publicly disclose multi-year projections of future revenues, earnings or other results. However, in connection with FirstGroup s due diligence review of the Company and in the course of the negotiations between the parties, the Company provided FirstGroup with certain non-public business and financial information about the Company. The information provided to FirstGroup included projections for fiscal years 2007 through 2009 (collectively, the projections). The projections, dated January 25, 2007, included estimates of revenue, operating income before depreciation and amortization (EBITDA) and capital expenditures. These projections were prepared on a basis consistent with the accounting principles used in our historical financial statements. We are including these projections in this proxy statement to give our stockholders access to certain nonpublic information considered by FirstGroup and its advisors for purposes of considering and evaluating the merger. The Company also provided its financial advisor with these projections in connection with its financial analysis of the merger consideration. These projections do not give effect to the merger.

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The projections are summarized below:

Consolidated	2007	2008	2009
		($ in millions)	
Revenue	$ 3,207	$ 3,303	$ 3,402
EBITDA(1)	$ 477	$ 519	$ 551
Capital Expenditures	$ 247	$ 298	$ 284

(1) It should be noted that EBITDA is not a measure of performance under generally accepted accounting principles, and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flows or as a measure of liquidity. Further, management s calculation of EBITDA may differ from that used by others.

In preparing the above projections, the Company made the following material assumptions:

Fiscal 2007 projection assumptions:

Consolidated revenue grows approximately 2.4% due to a successful fiscal 2006 bid season, acquisitions and charter revenue growth at Laidlaw Education Services and generally flat revenues at Greyhound and Laidlaw Transit.

Consolidated EBITDA increases 2.3% due to:

Greyhound s maturing network changes and a drop in lease expense;

EBITDA from revenue growth at Laidlaw Education Services is offset by project spending and increased fuel costs; and

declines at Laidlaw Transit due to a large gain on sale of property in the prior year.

Capital expenditures remain below replacement levels as there are no significant new bus purchases at Greyhound.

Fiscal 2008 and 2009 projection assumptions:

Revenue growth forecast at approximately 3% per year, which assumes inflationary price increases and no significant incremental volume growth.

EBITDA margins would expand approximately 80 basis points in fiscal 2008 and approximately 50 basis points in fiscal 2009, with margin improvements at:

Laidlaw Education driven by lower fuel costs, operational efficiencies gained from projects started in 2007 and reduced project spending;

Greyhound due to the elimination of bus refurbishment costs as the program is completed in 2007 and reduced bus lease expenses; and

Laidlaw Transit due to reduced overhead expenses.

Capital expenditures in fiscal 2008 and 2009 are above replacement levels as they include both new bus purchases at Greyhound, and bus lease buyouts at lease expiration ($30 million in 2008 and $16 million in 2009).

No assurances can be given that these assumptions will accurately reflect future conditions. Although presented with numerical specificity, projections of this type are based on estimates and assumptions that are inherently subject to factors such as industry performance, general business, economic, regulatory, market and financial conditions, all of which are difficult to predict and beyond the control of the Company s management, as well as changes to the business, financial condition or results of operations of the Company, including the factors described under Forward-Looking Information, beginning on page 10, which factors may cause the financial projections or the underlying assumptions to be inaccurate. Since the projections cover multiple years, such information by its nature becomes less reliable with each successive year. The financial projections do not take into account any circumstances or events occurring after the date they were prepared. Accordingly, there can be no

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assurance that the projections will be realized, and actual results may be materially greater or less than those reflected in the projections. You should review our most recent SEC filings for a description of risk factors with respect to our business. See Where You Can Find More Information beginning on page 51.

The projections were not prepared with a view toward public disclosure or complying with generally accepted accounting principles, or to compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. The projections included in this proxy statement have been prepared by, and are the responsibility of, the Company s management. PricewaterhouseCoopers LLP, the Company s independent registered public accounting firm, has not examined or compiled any of the projections, and accordingly, PricewaterhouseCoopers LLP does not express an opinion or any form of assurance with respect thereto. The PricewaterhouseCoopers LLP report incorporated by reference in this proxy statement relates to the Company s historical financial information. It does not extend to the projections and should not be read to do so. The inclusion of the projections in this proxy statement should not be regarded as an indication that such projections will be predictive of actual future results, and the projections should not be relied upon as such. No representation is made by the Company or FirstGroup or their respective affiliates or representatives to any security holder of the Company regarding the ultimate performance of the Company compared to the information contained in the projections. The Company does not intend to update or otherwise revise the projections to reflect circumstances existing after the date when made or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the projections are shown to be in error.

Material U.S. Federal Income Tax Consequences of the Merger

The following are the material U.S. federal income tax consequences of the merger to U.S. stockholders of Laidlaw whose shares of Laidlaw common stock are exchanged for cash in the merger. The following summary is based on the Internal Revenue Code of 1986, as amended (the Code), Treasury regulations promulgated thereunder, judicial decisions and administrative rulings as of the date of this proxy statement, all of which are subject to change, possibly with retroactive effect. The summary does not address all of the U.S. federal income tax consequences that may be relevant to particular stockholders in light of their individual circumstances or to stockholders who do not hold their shares of Laidlaw common stock as capital assets or who are subject to special rules, including: U.S. expatriates, dealers or brokers in securities or currencies, tax-exempt organizations, financial institutions, mutual funds, insurance companies, cooperatives, pass-through entities and investors in such entities, stockholders who have a functional currency other than the U.S. dollar, stockholders who hold their shares of Laidlaw common stock as a hedge or as part of a hedging, straddle, conversion, synthetic security, integrated investment or other risk-reduction transaction or who are subject to alternative minimum tax or stockholders who acquired their shares of Laidlaw common stock upon the exercise of employee stock options or otherwise as compensation. Further, this discussion does not address any U.S. federal estate and gift or alternative minimum tax consequences or any state, local or foreign tax consequences relating to the merger.

The Merger. The receipt of cash in exchange for Laidlaw common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes, and may also be a taxable transaction under applicable state, local or foreign income or other tax laws. Generally, for U.S. federal income tax purposes, a stockholder will recognize capital gain or loss equal to the difference between the amount of cash received by the stockholder in the merger and the stockholder s adjusted tax basis in the shares of Laidlaw common stock exchanged for cash in the merger. Such gain or loss will be long-term capital gain or loss if the stockholder s holding period for those shares of Laidlaw common stock exceeds one year at the time of the merger. Capital gains recognized by an individual upon a disposition of a share of Laidlaw common stock that has been held for more than one year generally will be subject to a maximum U.S. federal income tax rate of 15% or, in the case of a share that has been held for one year or less, will be subject to tax at ordinary income tax rates. In addition, there are limits on the deductibility of capital losses. The amount and character of gain or loss must be determined separately for each block of Laidlaw common stock (*i.e.*, shares acquired at the

same cost in a single transaction) exchanged for cash in the merger.

Information Reporting and Backup Withholding. Payments made to a stockholder whose shares of Laidlaw common stock are exchanged for cash pursuant to the merger are subject to information reporting and to backup withholding unless: (i) the stockholder is a corporation or other exempt recipient; or (ii) in the case of backup

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withholding, the stockholder provides a correct taxpayer identification number, and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a stockholder will be allowed as a credit against the stockholder s U.S. federal income tax liability and may entitle the stockholder to a refund, provided that the required information is furnished to the Internal Revenue Service.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET FORTH ABOVE IS FOR GENERAL INFORMATION ONLY AND IS BASED ON THE LAW IN EFFECT ON THE DATE HEREOF. STOCKHOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL OR FOREIGN INCOME AND OTHER TAX LAWS) OF THE MERGER.

Regulatory Matters

HSR Act

The completion of the merger is subject to expiration or termination of the applicable waiting periods under the HSR Act and the rules thereunder. Under the HSR Act and the rules thereunder, the merger may not be completed unless certain information has been furnished to the Antitrust Division of the U.S. Department of Justice and to the Federal Trade Commission and applicable waiting periods expire or are terminated. Laidlaw and FirstGroup each filed on February 27, 2007, a notification and report form pursuant to the HSR Act with the Antitrust Division of the Department of Justice and the Federal Trade Commission. Under the HSR Act, the merger may not be consummated until 30 days after the initial filing (unless early termination of this waiting period is granted) or, if the Antitrust Division of the U.S. Department of Justice or the Federal Trade Commission issues a request for additional information, 30 days after FirstGroup and Laidlaw have substantially complied with such request for additional information (unless this period is shortened pursuant to a grant of earlier termination). At any time before the effective time of the merger, the Federal Trade Commission, the Antitrust Division of the U.S. Department of Justice or others could take action under the antitrust laws with respect to the merger, including seeking to enjoin the completion of the merger, to rescind the merger or to conditionally approve the merger upon the divestiture of assets of FirstGroup or Laidlaw or to impose restrictions on the operations of the combined company post closing. There can be no assurance that the merger will not be challenged on antitrust grounds or, if such a challenge is made, that the challenge will not be successful. In addition, state antitrust authorities and private parties in certain circumstances may bring legal action under the antitrust laws seeking to enjoin the merger or seeking conditions to the completion of the merger. Under the merger agreement, subject to certain conditions and limitations, FirstGroup and Laidlaw have agreed to use their reasonable best efforts to take all actions necessary to cause the expiration or termination of the applicable waiting periods under the HSR Act.

Competition Act

The merger exceeds the thresholds for mandatory pre-merger notification under Part IX of the Competition Act. Such a notification involves the provision of certain prescribed information to the Commissioner of Competition appointed under the Competition Act and the expiration, termination or waiver of the applicable statutory waiting period. Completion of the Commissioner s review of a notifiable transaction may take longer than the applicable statutory waiting period. Upon completing her review, the Competition Act allows the Commissioner to challenge a merger before the Competition Tribunal if she believes that the merger will or will likely substantially prevent or lessen competition. Where the Commissioner is successful in satisfying the Tribunal that a merger will or will likely have such an effect, the Tribunal may make a variety of orders including an order prohibiting the closing of a transaction or, if the merger is already completed, an order requiring the disposal of assets or shares. The Commissioner may also seek interlocutory injunctions to prevent the closing of a transaction that the Commissioner is still reviewing or has challenged. Where the Commissioner is satisfied that she would not have sufficient grounds to apply to the Tribunal in

respect of a transaction under the merger provisions of the Competition Act, the Commissioner may so advise the purchaser in writing or issue an Advance Ruling Certificate, or ARC, pursuant to section 102 of the Competition Act. If an ARC is issued, the parties to the transaction are not required to file a pre-merger notification. If a notification has already been filed and the applicable statutory waiting period has not expired, the issuance of an ARC has the effect of terminating the statutory waiting period.

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Laidlaw and FirstGroup each will file short-form pre-merger notifications with the Commissioner shortly. Completion of the merger is subject to (a) issuance by the Commissioner of an ARC or (b) FirstGroup being advised, in writing, by the Commissioner that she has no intention to file an application under Part VIII of the Competition Act, collectively, the Competition Act Approval. There can be no assurance that the merger will not be challenged under the Competition Act or, if such challenge is made, that the challenge will not be successful. Under the merger agreement, subject to certain conditions and limitations, FirstGroup and Laidlaw have agreed to use their reasonable best efforts to take all actions necessary to obtain Competition Act Approval.

U.S. Surface Transportation Board

The completion of the merger is subject to the advance approval of the Surface Transportation Board of the U.S. Department of Transportation, which is vested with jurisdiction to authorize the acquisition or merger of motor carriers of passengers engaged in interstate or foreign commerce. Prior to the completion of the merger, FirstGroup will timely file an application seeking the Surface Transportation Board s approval of the transaction.

Exon-Florio

As FirstGroup is not based in the U.S., the transaction is subject to the Exon-Florio provision of the Defense Production Act, which provides for voluntary filings in certain cases. The parties have agreed to make such a filing and to make it a condition of closing that the U.S. government has completed its national security review and, if necessary, investigation and determined that no adverse action would be taken with respect to the merger. FirstGroup and Laidlaw will notify the Committee on Foreign Investment in the United States of the proposed transaction.

THE MERGER AGREEMENT

The following summary describes certain material provisions of the merger agreement. This summary is not complete and is qualified in its entirety by reference to the complete text of the merger agreement, which is attached to this proxy statement as Annex A and incorporated into this proxy statement by reference. Laidlaw urges you to read carefully the merger agreement in its entirety because this summary may not contain all the information about the merger agreement that is important to you.

The representations and warranties described below and included in the merger agreement were made as of specific dates and may be subject to important qualifications, limitations and supplemental information agreed to by Laidlaw and FirstGroup in connection with negotiating the terms of the merger agreement. In addition, the representations and warranties may have been included in the merger agreement for the purpose of allocating risk between Laidlaw and FirstGroup rather than to establish matters as facts. The merger agreement is described in, and included as Annex A hereto, only to provide you with information regarding its terms and conditions, and not to provide any other factual information regarding Laidlaw or its business. Accordingly, the representations and warranties and other provisions of the merger agreement should not be read alone, and you should read the information provided elsewhere in this document and in the documents incorporated by reference into this document for information regarding Laidlaw and its business. See Where You Can Find More Information beginning on page 51.

Effective Time

The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as is agreed upon by FirstGroup and us and specified in the certificate of merger. The filing of the certificate of merger will occur on the date of closing, which will take place not later than the second business day after satisfaction or waiver of the conditions to the closing of the merger set forth in the merger

agreement and described in this proxy statement (except those conditions which by their nature are to be satisfied at the closing), or at such other time as is agreed upon by FirstGroup and us.

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Conversion of Shares; Procedures for Exchange of Certificates

Except for shares held by us as treasury stock, shares owned by FirstGroup or any of its subsidiaries and shares for which appraisal rights have been duly exercised under Section 262 of the DGCL, shares of our common stock outstanding immediately prior to the effective time of the merger shall be converted into the right to receive $35.25 in cash, without interest.

Each share of common stock held by us as treasury stock, or any such shares held by FirstGroup and its subsidiaries shall be canceled and no payment will be made with respect to such shares. Immediately prior to the effective time, each share of Fern Acquisition outstanding shall be converted into one share of common stock of Laidlaw as the surviving corporation in the merger.

FirstGroup will deposit, or cause the surviving corporation or another affiliate of FirstGroup to deposit with Mellon Financial Services, the exchange agent, cash sufficient to pay the aggregate merger consideration for the benefit of holders of the certificated and uncertificated shares of our common stock. At such time, FirstGroup will, or will cause the exchange agent to, send a letter of transmittal and instructions to each holder of shares of our common stock for use in the exchange of such shares for the merger consideration. Upon surrender to the exchange agent of a certificate, together with a properly completed letter of transmittal, or in the case of the book-entry transfer of uncertificated shares, upon the exchange agent s receipt of an agent s message (or other evidence as the exchange agent may reasonably request) each holder of shares of our common stock will be entitled to receive the merger consideration.

Dissenting Shares

Shares of our common stock which are issued and outstanding prior to the effective time of the merger and held by a holder who has not voted such shares in favor of the merger and who has demanded appraisal for such shares in accordance with Section 262 of the DGCL will not be converted into the right to receive the merger consideration, unless such holder fails to perfect, withdraws or loses the right to appraisal. If, after the effective time, such holder fails to perfect, withdraws or loses the right to appraisal, such shares of our common stock will be treated as if they have been converted into the right to receive the merger consideration as of the effective time. We have agreed to give FirstGroup prompt notice of any demands we receive for appraisal of shares of our common stock, and FirstGroup has the right to participate in all negotiations and proceedings in connection with such demands. We have agreed not to make any payment with respect to, offer to settle or settle any such demands without the prior written consent of FirstGroup.

Treatment of Stock Options and Other Equity-Based Awards

At the effective time, each option to purchase shares of common stock outstanding under any employee plan, whether or not vested or exercisable, will be canceled and converted into the right to receive an amount in cash equal to the product of (i) the excess, if any, of the merger consideration over the applicable exercise price of such Company stock option multiplied by (ii) the total number of shares of common stock subject to such option. Laidlaw, as the surviving corporation in the merger, will pay such amount promptly after the effective time to the holder of each option to purchase shares of our common stock.

Immediately prior to the effective time, we will take necessary actions to cause each outstanding restricted stock award and each deferred stock award under our Amended and Restated Equity and Performance Incentive Plan to fully vest as of the effective time and such awards will be canceled and converted into the right to receive the merger consideration in the same manner as shares of common stock.

Representations and Warranties

Subject to certain exceptions, we made a number of representations and warranties to FirstGroup, relating to, among other things:

our corporate organization, subsidiaries and similar corporate matters;

our and our subsidiaries capital structures;

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the authorization, execution, delivery and performance of the merger agreement and the transactions contemplated thereby and related matters with respect to Laidlaw;

resolutions by our board of directors with respect to (i) the determination of the advisability and fairness of the merger to Laidlaw and its stockholders, (ii) the approval of the merger agreement and the transactions contemplated thereby and (iii) the recommendation to our stockholders to adopt and approve the merger agreement;

the required actions by or in respect of, or filing with any governmental authority in connection with the execution, delivery and performance of the merger agreement and the consummation of the transactions contemplated thereby by Laidlaw;

the absence of violations or breach of our organizational documents or provisions of applicable law, or the default or requirement of consent under any agreement or instrument legally binding on Laidlaw or its subsidiaries as a result of the execution, delivery and performance of the merger agreement and the consummation of the transactions contemplated thereby by Laidlaw;

financial statements and documents that we have filed with or furnished to the SEC or the applicable securities regulatory authorities of the provinces and territories of Canada, as applicable, since August 31, 2004, our internal controls and procedures in connection therewith, our compliance with the applicable listing and corporate governance rules of the NYSE and other related matters;

the accuracy of information supplied by Laidlaw in connection with this proxy statement or supplied by Laidlaw in writing to FirstGroup in connection with their stockholder circular or financing documents;

in each case since August 31, 2006, the absence of: a material adverse effect on our business; amendments to our governing documents; any splits or reclassifications of or repurchases or redemptions of our capital stock; amendments to the terms of our or our subsidiaries securities; the incurrence of certain capital expenditures; mergers, acquisitions or plans of complete or partial liquidation, dissolution, recapitalization or restructuring; certain sales, leases, or transfers of or the incurrence of liens on assets, loans to or investments in other persons; the incurrence of certain indebtedness; changes in employee compensation and benefits; changes in methods of accounting or tax practices; or any agreements to do any of the foregoing;

the absence of undisclosed liabilities and the amount of net debt owed by us and our subsidiaries;

compliance with applicable laws;

the absence of pending or threatened litigation, claim, action, suit, investigation, audit or proceeding before any court, arbitrator or governmental authority;

licenses, franchises, permits, certificates, approvals, consents, registrations and similar authorizations of or from any governmental authority;

fees or commissions owed by us in connection with the transactions contemplated by the merger agreement;

the receipt of an opinion from Morgan Stanley as financial advisor to Laidlaw;

tax matters;

our employee benefit plans, agreements, collective bargaining agreements and matters relating to the Employee Retirement Income Security Act, the Worker Adjustment and Retraining Notification Act and other related matters;

environmental matters;

intellectual property matters;

the validity and enforceability of our material contracts, and the absence of any breaches, violations or defaults under our material contracts;

title or valid leasehold interests in our properties; and

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the inapplicability of our rights plan or antitakeover statutes enacted under U.S. state or federal law, including Section 203 of the DGCL, to the merger.

FirstGroup made a number of representations and warranties to us in the merger agreement relating to, among other things:

their and Fern Acquisition s corporate organization and similar corporate matters;

the authorization, execution, delivery and performance of the merger agreement and the transactions contemplated thereby and related matters with respect to FirstGroup and Fern Acquisition;

resolutions by FirstGroup s board of directors with respect to (i) the approval of the merger agreement and the transactions contemplated thereby and (ii) the recommendation to its shareholders to approve the merger;

the required actions by or in respect of, or filing with any governmental authority in connection with the execution, delivery and performance of the merger agreement and the consummation of the transactions contemplated thereby by FirstGroup and Fern Acquisition;

the absence of violations or breach of FirstGroup s or Fern Acquisition s organizational documents or provisions of applicable law, or the default or requirement of consent under any agreement or instrument legally binding on FirstGroup or Fern Acquisition as a result of the execution, delivery and performance of the merger agreement and the consummation of the transactions contemplated thereby by FirstGroup or Fern Acquisition;

the accuracy of the information supplied by FirstGroup in writing in connection with this proxy statement;

fees or commissions owed by FirstGroup in connection with the transactions contemplated by the merger agreement; and

the execution by FirstGroup of facility agreements from financial institutions to provide funds in connection with the payment of the merger consideration.

Our and FirstGroup s representations, warranties and agreements shall not survive the effective time of the merger, except for covenants which by their terms are to be performed after the effective time.

Conduct of Business Pending the Merger

Under the merger agreement, prior to the effective time of the merger, Laidlaw has agreed to and to cause each of its subsidiaries to conduct its business in the ordinary course consistent with past practice and use its reasonable best efforts to:

preserve intact its business organization consistent with ongoing business needs;

maintain in effect all of its material foreign, federal, state, provincial and local permits;

keep available the services of its executive officers and key employees; and

maintain satisfactory relationships with its customers, lenders, suppliers and others having material business relationships with it.

In addition, we have also agreed that until the effective time of the merger, subject to certain exceptions, without the prior written consent of FirstGroup, Laidlaw will not and will cause each of its subsidiaries to not:

amend its articles of incorporation, bylaws or other similar organizational documents (whether by merger, consolidation or otherwise);

split, combine or reclassify any shares of our or our subsidiaries capital stock or declare, set aside or pay any dividend or other distribution in respect of such capital stock, or redeem, repurchase or otherwise acquire or offer to redeem, repurchase, or otherwise acquire any of our or our subsidiaries securities, except for (i) forfeitures under restricted stock awards or share repurchases in connection with the exercise of stock options or the vesting of restricted stock awards consistent with past practice, (ii) dividends by any of our

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wholly-owned subsidiaries and (iii) regular quarterly cash dividends on the shares of our common stock not in excess of $0.17 per quarter;

issue, deliver or sell, or authorize the issuance, delivery or sale of, any shares of our or our subsidiaries securities other than the issuance of (i) any shares of common stock granted pursuant to restricted stock awards or upon the exercise of common stock options that, in each case, are outstanding as of the date of the merger agreement in accordance with the terms of those stock awards and options on the date of the merger agreement and (ii) any of our subsidiaries securities to us or any of our subsidiaries;

amend any term of any of our or our subsidiaries securities, in each case, whether by merger, consolidation or otherwise;

incur any capital expenditures or any obligations or liabilities in respect thereof, except for: (i) those contemplated by the capital expenditures set forth in forecasts made available to FirstGroup prior to the date of the merger agreement, (ii) those required by new revenue contracts entered into after the date of the merger agreement or (iii) any unforecasted capital expenditures not to exceed $10 million in the aggregate during the first six months following the date of the merger agreement or $15 million in the aggregate during the first nine months following the date of the merger agreement;

merge or consolidate with any person other than a subsidiary of Laidlaw;

acquire (including by merger, consolidation, or acquisition of stock or assets) any interest in any corporation, partnership, other business organization or any division thereof or any material amount of assets from any other person, other than Laidlaw or any of its subsidiaries, with a purchase price in excess of $10 million in the aggregate during the first six months following the date of the merger agreement or $15 million in the aggregate during the first nine months following the date of this merger agreement, except as set forth in forecasts made available to FirstGroup prior to the date of the merger agreement;

adopt a plan of complete or partial liquidation, dissolution, recapitalization or restructuring;

sell, lease or transfer, or create any lien on any of its assets except for sales in the ordinary course of business consistent with past practice;

other than in certain circumstances specified in the merger agreement, make any loans, advances or capital contributions to, or investments in, any other person, except in the ordinary course of business consistent with past practice;

create, incur, assume, suffer to exist or otherwise be liable with respect to any indebtedness for borrowed money or guarantees, subject to certain exceptions;

enter into any agreement or arrangement that limits or otherwise restricts in any material respect Laidlaw, any of its subsidiaries or any of their respective affiliates or any successor thereto or that could, after the effective time, limit or restrict in any material respect Laidlaw (also as the surviving corporation in the merger), any of its subsidiaries, FirstGroup or any of their respective affiliates, from engaging or competing in any line of business;

enter into any material contract, other than customer contracts entered into by Laidlaw s public transit business, or amend, modify in any material respect or terminate any material contract or otherwise waive, release or assign any material rights, claims or benefits of Laidlaw or any of its subsidiaries;

terminate, renew, suspend, abrogate, amend or modify in any material respect any permit held by Laidlaw or any of its subsidiaries, other than in the ordinary course of business;

grant or increase any severance or termination pay to (or amend any existing arrangement with) any director, officer or employee of Laidlaw or any of its subsidiaries (in the case of employees, other than in the ordinary course of business consistent with past practice), or take certain other actions related to employee compensation and benefits;

change Laidlaw s methods of accounting;

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settle or propose to settle, (i) any material litigation, action, proceeding or other claim involving or against Laidlaw or any of its subsidiaries, with certain limited exceptions, (ii) any stockholder litigation or dispute against Laidlaw or any of its officers or directors or (iii) any material litigation, action, suit, action or proceeding or other claim that relates to the transactions contemplated hereby;

fail to use reasonable best efforts to maintain existing material insurance policies or comparable replacement policies where available for a similar reasonable cost;

make or change any material election with respect to taxes or filing any federal income tax return or take certain other actions with respect to tax matters;

take any action that would make any representation or warranty of Laidlaw inaccurate in any respect at, or as of any time before, the effective time;

take any action reasonably expected to result in any of the conditions to the merger not being satisfied or that would materially delay the closing of the transaction; or

agree, resolve or commit to do any of the foregoing.

No Solicitation of Third Parties by Laidlaw or FirstGroup

Laidlaw and FirstGroup have agreed that neither they nor their respective subsidiaries shall, nor shall they permit their respective officers, directors, employees, investment bankers, attorneys, accountants, consultants or other agents or advisors to, directly or indirectly:

solicit, initiate or take any action to knowingly facilitate or encourage the submission of any acquisition proposal;

enter into or participate in any discussions or negotiations with, furnish any information relating to it or its respective subsidiaries or afford access to their business, properties, assets, books or records or otherwise cooperate in any way with any third party that is seeking to make, or has made, an acquisition proposal;

grant any waiver or release under any standstill or similar agreement with respect to any class of equity securities;

fail to make, withdraw or modify in a manner adverse to the other party the approval or recommendation of its board of directors (or recommend an acquisition proposal or take any action or make any statement inconsistent with the approval or recommendation of the merger); or

enter into any agreement in principle, letter of intent, term sheet or other similar instrument relating to an acquisition proposal.

An acquisition proposal means with respect to any person, other than the transactions contemplated by the merger agreement, any third party offer or proposal relating to (i) any acquisition or purchase, direct or indirect, of 25% or more of the consolidated assets of such person and its subsidiaries or over 25% of any class of equity or voting securities of such person or any of its subsidiaries whose assets, individually or in the aggregate, constitute more than 25% of the consolidated assets of such person, (ii) any tender offer (including a self-tender offer) or exchange offer that, if consummated, would result in such third party beneficially owning 25% or more of any class of equity or

voting securities of such person or any of its subsidiaries whose assets, individually or in the aggregate, constitute more than 25% of the consolidated assets of such person, (iii) a merger, consolidation, share exchange, business combination, sale of substantially all the assets or other similar transaction involving such person or any of its subsidiaries whose assets, individually or in the aggregate, constitute more than 25% of the consolidated assets of such person or (iv) a reorganization, recapitalization, liquidation, dissolution or other similar transaction involving such person or any of its subsidiaries. Any third party offer or proposal of the nature described in any of the foregoing clauses (i)-(iv) relating to the Greyhound business of Laidlaw and its subsidiaries shall be deemed an acquisition proposal without regard to the 25% thresholds referred to in such clauses (i)-(iv).

Nevertheless, the boards of directors of Laidlaw and FirstGroup may engage in negotiations with any third party that, subject to compliance with the foregoing, has made a bona fide acquisition proposal that the applicable

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board of directors reasonably determines is or will lead to a superior proposal and may thereafter furnish to such third party nonpublic information pursuant to a confidentiality agreement with terms not less restrictive to such third party than those contained in the confidentiality agreement between Laidlaw and FirstGroup.

A superior proposal means any bona fide, unsolicited written acquisition proposal for at least a majority of the outstanding shares of capital stock of Laidlaw or FirstGroup on terms that such board determines in good faith by majority vote, after considering the advice of a financial advisor of nationally recognized reputation and taking into account all of the terms and conditions of the acquisition proposal, would be:

- more favorable and provide greater value to its stockholders than the merger transaction, and

- reasonably capable of being consummated on the proposed terms and conditions, taking into account all aspects of the proposal, and for which financing, if a cash transaction (whether in whole or in part), is then fully committed or reasonably determined to be available by the applicable board of directors.

Notwithstanding anything to the contrary in the merger agreement, each of Laidlaw s and FirstGroup s board of directors may each make a change in its recommendation to stockholders, if based solely on events or developments unknown to such board of directors as of the date of the merger agreement, that occur, or become known to such board after the date of the merger agreement but prior to the stockholder meeting of the applicable party, and if it determines in good faith, after consultation with outside legal counsel, that the failure to take such action would reasonably be expected to result in a breach of its fiduciary duties under applicable law.

Each of the Company and FirstGroup confirmed that its board of directors was not, as of the date of the merger agreement, aware of any information or expected events or developments which would cause the board of directors to make a change in recommendation to its stockholders. In considering all factors relevant to the board of directors of FirstGroup in making its recommendation to its shareholders, FirstGroup confirmed that its board of directors took into account all of the terms and conditions of the merger agreement and all of the terms and conditions of FirstGroup s financing facilities entered into in connection with the merger.

The board of directors of each of Laidlaw and FirstGroup will not make a change in recommendation in response to an acquisition proposal unless:

- such acquisition proposal constitutes a superior proposal;

- the party in receipt of such superior proposal promptly notifies the other party, in writing, at least three business days before taking such action; and

- the other party, after receipt of notification, does not make an offer within three business days that is at least as favorable to the stockholders of the party in receipt of such superior proposal as the superior proposal.

Conditions to the Closing of the Merger

Each party s obligation to effect the merger is subject to the satisfaction or, to the extent permitted, waiver of various conditions, which include the following:

- the merger agreement is approved by our stockholders at the special meeting;

at the extraordinary general meeting of FirstGroup s shareholders, FirstGroup s shareholders approve ordinary resolutions to (i) approve the merger, (ii) increase FirstGroup s authorized share capital, (iii) authorize FirstGroup s board of directors to allot share capital of FirstGroup and (iv) authorize FirstGroup s board of directors to incur borrowings to effect the financing of the merger;

no applicable law is in effect which prohibits the consummation of the merger;

the waiting periods required under the HSR Act relating to the merger have expired or been terminated or waived and we have received approval under the Competition Act;

the U.S. government has completed its national security review under the Exon-Florio Statute of the Defense Production Act of 1950, as amended, and concluded that no adverse action with respect to the merger is necessary; and

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all actions by, or filings with, the U.S. Surface Transportation Board necessary to permit the consummation of the merger have been taken, made, or obtained.

FirstGroup and Fern Acquisition will not be obligated to effect the merger unless the following conditions are satisfied or waived:

we have performed in all material respects all of our obligations required under the merger agreement at or prior to the effective time;

our representations and warranties in the merger agreement and any writing delivered pursuant thereto (disregarding all materiality and company material adverse effect (as defined in the merger agreement) qualifications contained therein) are true and correct at and as of the effective time (other than representations and warranties that by their terms address matters only as of another specified time, which shall be true and correct only as of such time), with only exceptions as, individually or in the aggregate, have not had and are not reasonably expected to have a company material adverse effect;

FirstGroup has received a certificate signed by an executive officer of Laidlaw certifying that the conditions described in the preceding two bullets have been satisfied by Laidlaw;

there is no pending action or proceeding by any governmental authority or any applicable law (i) seeking to restrain or prohibit consummation of the merger or seeking material damages in connection with the merger, (ii) seeking to restrain or prohibit FirstGroup s or Fern Acquisition s ownership or operation of any material portion of the business or assets of Laidlaw and its subsidiaries, taken as a whole, (iii) seeking to compel FirstGroup or its subsidiaries to take certain actions which the merger agreement does not require FirstGroup to take or (iv) that is otherwise reasonably likely to have a company material adverse effect;

there has not occurred and is not continuing any event or facts that, individually or in the aggregate, have had or would reasonably be expected to have a company material adverse effect; and

holders of fewer than 10% of the shares of our common stock have demanded (and not withdrawn) appraisal of their shares in accordance with Delaware law.

We will not be obligated to effect the merger unless the following conditions are satisfied or waived:

each of FirstGroup and Fern Acquisition has performed in all material respects its obligations required under the merger agreement at or prior to the effective time;

the representations and warranties of FirstGroup and Fern Acquisition in the merger agreement and any writing delivered pursuant thereto (disregarding all materiality and parent material adverse effect (as defined in the merger agreement) qualifications contained therein) are true and correct at and as of the effective time (other than representations and warranties that by their terms address matters only as of another specified time, which shall be true and correct only as of such time), with only exceptions as, individually or in the aggregate, have not had and are not reasonably expected to have a parent material adverse effect; and

we have received a certificate signed by an executive officer of FirstGroup certifying that the conditions described in the preceding two bullets have been satisfied by FirstGroup.

Termination of the Merger Agreement

We and FirstGroup can terminate the merger agreement under certain circumstances, including:

by mutual written consent;

by either us or FirstGroup if:

the merger has not been consummated on or before August 8, 2007, provided that, in the event that as of such date all applicable conditions to closing have been satisfied or waived (other than the expiration of the waiting period under the HSR Act and the receipt of Competition Act approval), such date may be extended by us or FirstGroup up to an aggregate of three months, subject to certain exceptions;

applicable law makes consummation of the merger illegal or prohibited; or

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if our stockholders or FirstGroup s shareholders do not approve the merger transaction at the applicable stockholder meeting (including any adjournment or postponement thereof), subject to certain exceptions.

FirstGroup can terminate the merger agreement under certain circumstances, including if:

our board of directors modifies its recommendation to stockholders to approve the merger agreement;

a breach of any representation or warranty or failure to perform any covenant or agreement on our part has occurred that would cause us to fail to satisfy a condition to completion of the merger agreement and such condition cannot be satisfied within three months of August 8, 2007;

we have willfully and materially breached our obligations in connection with our stockholder meeting, the preparation and filing of this proxy statement, or the recommendation to our stockholders to approve the merger transaction or our obligations in connection with the provisions governing non-solicitation described above; or

prior to FirstGroup s shareholder meeting, its board of directors has made a change in its recommendation to shareholders to approve the merger transaction in compliance with the terms of the merger agreement in order to enter into a definitive written agreement concerning a superior proposal.

We can terminate the merger agreement under certain circumstances, including if:

FirstGroup s board of directors modifies its recommendation to FirstGroup s shareholders to approve the merger agreement;

a breach of any representation or warranty or failure to perform any covenant or agreement on the part of FirstGroup or Fern Acquisition has occurred that would cause them to fail to satisfy a condition to completion of the merger agreement and such condition cannot be satisfied within three months of August 8, 2007;

FirstGroup has willfully and materially breached its obligations in connection with its shareholder meeting, the preparation and filing of its shareholder circular, or the recommendation to its shareholders to approve the merger transaction or its obligations in connection with the provisions governing non-solicitation described above; and

prior to our stockholder meeting, our board of directors has made a change in its recommendation to stockholders to approve the merger agreement in compliance with the terms thereof in order to enter into a definitive written agreement concerning a superior proposal.

Termination Fees and Expenses

Except as otherwise provided for below, all fees and expenses incurred by the parties in connection with the merger will be borne by the party incurring such fees and expenses.

The merger agreement requires, however, that we pay FirstGroup a fee of $78 million if:

FirstGroup terminates the merger agreement due to a change in the recommendation by our board of directors that our stockholders approve the merger agreement;

FirstGroup terminates the merger agreement due to our willful and material breach of our obligations in connection with our stockholder meeting, the preparation and filing of this proxy statement, the recommendation to our stockholders to approve the merger agreement and related matters or our obligations in connection with the provisions governing non-solicitation; or

we terminate the merger agreement in order to enter into a definitive written agreement concerning a superior proposal.

We must pay a termination fee of $43.35 million to FirstGroup if the merger agreement is terminated by either party as a result of our failure to obtain our stockholder approval at the special meeting, and the Company must pay an additional termination fee of $34.65 million to FirstGroup if, (i) prior to the special meeting, an acquisition proposal is made and (ii) within 12 months of termination, we enter into or consummate certain alternative

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transactions (provided, that, for the purposes of determining if this termination fee must be paid, the definition of acquisition proposal means an offer or proposal relating to an acquisition, merger or similar transaction involving more than 50% of the assets or voting securities of the Company, rather than the 25% threshold that generally applies throughout the merger agreement, and allows transactions relating to the Greyhound business to be considered together with all other relevant transactions in determining whether an acquisition proposal has been made).

We also must pay a termination fee of $43.35 million to FirstGroup if the merger agreement is terminated by either party due to the passing of the termination date, an acquisition proposal was made to us prior to such termination, and

- within 12 months of termination, we enter into or consummate certain alternative transactions with a party who had made an acquisition proposal prior to termination; or

- within 6 months of termination, we enter into or consummate an alternative transaction with a party who had not made an acquisition proposal prior to termination, pursuant to which the total of (i) the net debt to be assumed by such party and (ii) the aggregate consideration received by the Company and our stockholders in connection with the acquisition proposal exceeds $3.601 billion; provided, that, in this case, the amount of the termination fee will be the lesser of $43.35 million and the excess of the total consideration paid over $3.601 billion;

- provided, that, for the purposes of determining if this termination fee must be paid, the definition of acquisition proposal means an offer or proposal relating to an acquisition, merger or similar transaction involving more than 50% of the assets or voting securities of the Company, rather than the 25% threshold that generally applies throughout the merger agreement, and allows transactions relating to the Greyhound business to be considered together with all other relevant transactions in determining whether an acquisition proposal has been made.

If the merger agreement is terminated by FirstGroup as a result of our breach of any representation or warranty or failure to perform any covenant or agreement on our part that would cause a failure to satisfy a condition to completion of the merger agreement and such condition cannot be satisfied within three months of August 8, 2007, we have agreed to pay FirstGroup 100% of its incurred fees and expenses in connection with the merger agreement and the transactions contemplated thereby, provided that such amount shall not exceed $43.35 million.

The merger agreement requires that FirstGroup pay us £22 million if:

- either party terminates the merger agreement as a result of FirstGroup s failure to obtain its shareholder approval;

- we terminate the merger agreement due to a change in recommendation by FirstGroup s board of directors that its shareholders approve the merger;

- we terminate the merger agreement due to FirstGroup s willful and material breach of its obligations in connection with its shareholder meeting, the preparation and filing of its shareholder circular, or the recommendation to its shareholders to approve the merger or its obligations in connection with the provisions governing non-solicitation; or

- FirstGroup terminates the merger agreement in order to enter into a definitive written agreement concerning a superior proposal.

If the merger agreement is terminated by us as a result of FirstGroup s breach of any representation or warranty or failure to perform any covenant or agreement on the part of FirstGroup or Fern Acquisition which has occurred that

would cause a failure to satisfy a condition to completion of the merger agreement and such condition cannot be satisfied by the outside date for consummation of the merger, FirstGroup has agreed to pay us 100% of our incurred fees and expenses in connection with the merger agreement and the transactions contemplated thereby, provided that such amount shall not exceed £22 million.

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Indemnification and Insurance

The merger agreement provides that FirstGroup will cause the surviving corporation in the merger transaction, and the surviving corporation agrees, to indemnify the present and former directors and officers of Laidlaw for acts and omissions occurring at or prior to the effective time to the fullest extent permitted by Delaware law, other applicable law or as provided under our certificate of incorporation and bylaws as in effect on the date of the merger agreement, subject to any limitation imposed by applicable law.

The merger agreement also provides that, for a period of six years after the effective time, FirstGroup will maintain in effect provisions in the surviving corporation s organizational documents related to indemnification and liability of officers, directors and employees that are no less advantageous to the intended beneficiaries than the corresponding provisions in existence as of the date of the merger agreement. Prior to the effective time, FirstGroup may purchase a directors and officers liability tail insurance policy covering a period of six years following the effective time so long as it provides comparable coverage as the policies in existence on the date of the merger agreement. If FirstGroup does not purchase such a tail policy prior to the effective time, then FirstGroup will cause to be maintained by the surviving corporation for a period of six years following the effective time the current directors and officers liability policies, or may substitute policies of at least the same coverage and containing terms and conditions that are no less advantageous to the insured. In satisfying its obligations, the surviving corporation is not obligated to pay an annual amount in the aggregate in excess of 200% of the amount per annum paid by Laidlaw in the last full fiscal year, in which case the surviving corporation agrees to obtain a policy offering the greatest coverage available for a cost not to exceed such amount.

Material Adverse Effect

Several of our representations and warranties contained in the merger agreement are qualified by reference to whether the failure of such representation or warranty to be true would not reasonably be expected to have a material adverse effect on us. The merger agreement provides that material adverse effect means, when used in connection with us: (i) a material adverse effect on the financial condition, business, assets or results of operations of Laidlaw and its subsidiaries, taken as a whole, excluding any such effect resulting from:

- changes or conditions generally affecting the industries in which Laidlaw and its subsidiaries operate and not disproportionately affecting Laidlaw and its subsidiaries;
- changes in general economic conditions;
- national or international political or social conditions, including engagement by the United States in hostilities or resulting from acts of terrorism or war that do not have a disproportionate effect on Laidlaw and its subsidiaries; or
- the announcement of the execution of the merger agreement with FirstGroup (as opposed to another third party);

or (ii) a material adverse effect on Laidlaw s ability to consummate the transactions contemplated by the merger agreement or to perform its obligations under the merger agreement.

Waiver and Amendment of the Merger Agreement

Laidlaw and FirstGroup may amend or waive any provision of the merger agreement at any time prior to the effective time; provided that after Laidlaw stockholder approval has been obtained, no such amendment or waiver shall reduce the amount or change the kind of consideration to be received in exchange for shares of our common stock without the further approval of the Laidlaw stockholders.

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SECURITY OWNERSHIP OF EXECUTIVE OFFICERS AND CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information concerning the beneficial ownership of the shares of our common stock as of February 15, 2007 by: (i) those persons owning of record, or known to us to be the beneficial owner of, more than five percent of the voting securities of Laidlaw; (ii) each of our directors; (iii) each of the executive officers named in the Summary Compensation Table in our 2007 annual meeting proxy statement filed on Schedule 14A; and (iv) all directors and executive officers as a group. Unless otherwise indicated, all information with respect to beneficial ownership has been furnished by the respective director, named executive officer or five percent beneficial owner, as the case may be. Unless otherwise indicated, the persons named below have sole voting and investment power with respect to the number of shares set forth opposite their names. Beneficial ownership of the common stock has been determined for this purpose in accordance with the applicable rules and regulations promulgated under the Exchange Act. The address of each individual listed below is c/o Laidlaw International, Inc., 55 Shuman Blvd., Suite 400, Naperville, Illinois 60563.

Percentage of beneficial ownership is based on 79,376,126 shares of our common stock outstanding as of February 15, 2007.

Name of Beneficial Owner:	Number of Shares Beneficially Owned	Percentage of Shares of Common Stock Beneficially Owned (%)
FMR Corp.(1)	13,053,126	16.4%
Sasco Capital, Inc.(2)	5,932,250	7.5%
John F. Chlebowski(3)	27,000	*
James H. Dickerson, Jr.(3)	25,650	*
Lawrence M. Nagin(3)	27,000	*
Richard P. Randazzo(3)	24,000	*
Maria A. Sastre(3)	27,000	*
Peter E. Stangl(4)	40,502	*
Carroll R. Wetzel, Jr.(3)	27,000	*
Kevin E. Benson(5)	527,306	*
Beth Byster Corvino(6)	129,046	*
Mary B. Jordan		*
Jeffrey W. Sanders(7)	56,169	*
Jeffery A. McDougle(8)	39,803	*
Douglas A. Carty(9)	182,020	*
All current directors and executive officers as a group (13 persons)	1,132,496	1.4%

* Less than 1% of outstanding shares

(1) Based on information contained in the Form 13G filed with the SEC by FMR Corp. on February 14, 2007. The address of FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109.

(2) Based on information contained in the Form 13G filed with the SEC by Sasco Capital, Inc. on February 8, 2007. The address of Sasco Capital, Inc. is 10 Sasco Hill Road, Fairfield, Connecticut 06824.

(3) Includes 10,125 restricted shares and 13,500 shares issuable upon the exercise of outstanding options presently exercisable or exercisable within 60 days after February 15, 2007.

(4) Includes 15,189 restricted shares and 20,250 shares issuable upon the exercise of outstanding options presently exercisable or exercisable within 60 days after February 15, 2007.

(5) Includes 341,667 shares issuable upon the exercise of outstanding options presently exercisable or exercisable within 60 days after February 15, 2007.

(6) Includes 10,000 deferred shares vesting within 60 days after February 15, 2007 and 96,667 shares issuable upon the exercise of outstanding options presently exercisable or exercisable within 60 days after February 15, 2007.

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(7) Includes 35,000 shares issuable upon the exercise of outstanding options presently exercisable or exercisable within 60 days after February 15, 2007.

(8) Includes 31,667 shares issuable upon the exercise of outstanding options presently exercisable or exercisable within 60 days after February 15, 2007.

(9) Includes 110,000 shares issuable upon the exercise of outstanding options presently exercisable or exercisable within 60 days after February 15, 2007.

FUTURE STOCKHOLDER PROPOSALS

If the merger is completed, we will not hold a 2008 annual meeting of stockholders. If the merger is not completed, you will continue to be entitled to attend and participate in our stockholder meetings and we will hold a 2008 annual meeting of stockholders. We must receive by August 23, 2007 any proposal of a stockholder intended to be presented at the 2008 annual meeting of stockholders of Laidlaw (the 2008 Meeting) and to be included in our proxy, notice of meeting and proxy statement related to the 2008 Meeting pursuant to Rule 14a-8 under the Exchange Act. Such proposals must be addressed to Laidlaw International, Inc., 55 Shuman Blvd., Suite 400, Naperville, Illinois 60563 and should be submitted to the attention of the Corporate Secretary by certified mail, return receipt requested. Proposals of stockholders submitted outside the processes of Rule 14a-8 under the Exchange Act, in connection with the 2008 Meeting (Non-Rule 14a-8 Proposals), must be received by Laidlaw by October 22, 2007 and no earlier than September 22, 2007 or such proposals will be considered untimely under our By-laws. Our proxy related to the 2008 Meeting will give discretionary authority to the proxy holders to vote with respect to all Non-Rule 14a-8 Proposals received by Laidlaw after November 6, 2007.

OTHER MATTERS

At this time, we know of no other matters to be submitted at the special meeting. If any other matters properly come before the special meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as our board of directors may recommend.

It is important that your shares be represented at the special meeting, regardless of the number of shares which you hold. Therefore, we urge you to mark, sign, date and return the accompanying proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose or to vote via the Internet or telephone.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements, or other information that we file with the Securities and Exchange Commission at the SEC s public reference room at the following location: 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of those documents at prescribed rates by writing to the Public Reference Section of the SEC at that address. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from commercial document retrieval services and at the Internet World Wide Web site maintained by the SEC at http://www.sec.gov.

The SEC allows Laidlaw to incorporate by reference information into this proxy statement, which means that we can disclose important information to you by referring you to other documents filed separately with the SEC. The information incorporated by reference is deemed to be part of this proxy statement, except for any information superseded by information in this proxy statement or incorporated by reference subsequent to the date of this proxy

statement. This proxy statement incorporates by reference the documents set forth below that Laidlaw has previously filed with the SEC. These documents contain important information about Laidlaw and its financial condition and are incorporated by reference into this proxy statement.

The following Laidlaw filings with the SEC (all filed under file number 000-10657) are incorporated by reference:

Annual Report on Form 10-K for the fiscal year ended August 31, 2006;

Quarterly Report on Form 10-Q for the first fiscal quarter ended November 30, 2006; and

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Current Reports on Form 8-K with filing dates of January 24, 2007, January 31, 2007, February 9, 2007, February 12, 2007, February 15, 2007, and February 16, 2007.

Laidlaw also incorporates by reference into this proxy statement additional documents that it may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act between the date of this proxy statement and the earlier of the date of the special meeting of Laidlaw stockholder or the termination of the merger agreement.

These documents deemed incorporated by reference include periodic reports, such as Annual Reports on Form 10-K and Quarterly Reports on Form 10-K, as well as Current Reports on Form 8-K and proxy and information statements. You may obtain any of the documents we file with the SEC, without charge, by requesting them in writing or by telephone from us at the following address:

Laidlaw International, Inc.
55 Shuman Blvd., Suite 400
Naperville, Illinois 60563
Attention: Investor Relations
Telephone: 630-848-3000

If you would like to request documents from us, please do so by [ ], 2007, to receive them before the special meeting. Please note that all of our documents that we file with the SEC are also promptly available at the investor relations tab of our website, http://www.laidlaw.com.

If you have any questions about this proxy statement, the special meeting or the merger or need assistance with voting procedures, you should contact:

D.F. King & Co., Inc.
48 Wall Street
New York, New York 10005
Telephone: (800) 290-6427 (Toll-Free)

If you request any documents from us, we will mail them to you by first class mail, or another equally prompt method, within one business day after we receive your request.

MISCELLANEOUS

You should not send in your Laidlaw certificates until you receive the transmittal materials from the exchange agent. Our record stockholders who have further questions about their share certificates or the exchange of our common stock for cash should contact the exchange agent.

You should rely only on the information contained in this proxy statement to vote on the merger proposal. We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement. This proxy statement is dated [ ]. You should not assume that the information contained in this proxy statement is accurate as of any date other than that date (or as of an earlier date if so indicated in this proxy statement). Neither the mailing of this proxy statement to stockholders nor the issuance of cash in the merger creates any implication to the contrary. This proxy statement does not constitute a solicitation of a proxy in any jurisdiction where, or to or from any person to whom, it is unlawful to make a proxy solicitation.

Your vote is important. To vote your shares, please complete, date, sign and return the enclosed proxy card (if you are a holder of record) or instruction card (if you were forwarded these materials by your broker or nominee) as soon as possible in the enclosed envelope. Please call our proxy solicitor, D.F. King & Co., Inc., at (800) 290-6427 if you have any questions about this proxy statement or the merger, or need assistance with the voting procedures.

CERTAIN INFORMATION REGARDING FIRSTGROUP AND LAIDLAW

Laidlaw has supplied all information relating to Laidlaw, and FirstGroup has supplied all of the information relating to FirstGroup and Fern Acquisition contained in Summary Term Sheet The Companies and The Companies. Some of the important business and financial information relating to Laidlaw that you may want to consider in deciding how to vote is incorporated by reference into this proxy statement.

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Annex A Agreement and Plan of Merger

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EXECUTION COPY

AGREEMENT AND PLAN OF MERGER
dated as of
February 8, 2007
among
LAIDLAW INTERNATIONAL, INC.,
FIRSTGROUP PLC
and
FERN ACQUISITION VEHICLE CORPORATION

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