

199648

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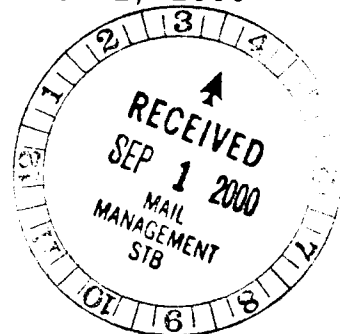
ENTERED
Office of the Secretary

SEP 05 2000

September 1, 2000

VIA HAND DELIVERY - RETURN COPY

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



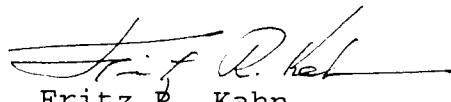
Dear Secretary Williams:

Enclosed for filing in STB Docket No. MC-F-20940, Laidlaw Inc.. And Laidlaw Transit Acquisition Corp.--Merger--Greyhound Lines, Inc., are the original and ten copies of the Comments of Laidlaw Inc. and Greyhound Lines, Inc.

Additional copies of this letter and of the Comments are enclosed for you to stamp to acknowledge your receipt of them and to return to me via the messenger.

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

Sincerely yours,


Fritz R. Kahn

enc.

199648

ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.

ENTERED
Office of the Secretary

SEP 05 2000

STB Docket No. MC-F-20940

Part of
Public Record
LAIDLAW INC. AND LAIDLAW TRANSIT ACQUISITION CORP.
-- MERGER --
GREYHOUND LINES, INC.

COMMENTS
OF
LAIDLAW INC. and
GREYHOUND LINES, INC.



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Attorneys for

LAIDLAW INC. and
GREYHOUND LINES, INC.

Due and dated: September 1, 2000

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.

STB Docket No. MC-F-20940

LAIDLAW INC. AND LAIDLAW TRANSIT ACQUISITION CORP.
-- MERGER --
GREYHOUND LINES, INC.

COMMENTS
OF
LAIDLAW INC. and
GREYHOUND LINES, INC.

Laidlaw Inc. of Burlington, Ontario ("Laidlaw"), and Greyhound Lines, Inc., of Dallas, Texas ("Greyhound"), respond to the Board's decision, served August 18, 2000, as follows:

A.

Greyhound's Quarterly Report
needs to be placed in context.

The Board entered its decision of August 18, 2000, following Greyhound's August 14, 2000, filing with the U.S. Securities and Exchange Commission of its Form 10-Q, Greyhound's Quarterly Report for the period ending June 30, 2000. A copy of that Quarterly Report is appended as Attachment A, and, so as to permit the Board conveniently to note the interim improvements in Greyhound's operations and finances, appended as Attachment B is a copy of Greyhound's Quarterly Report for the corresponding

period of 1999.

As the Board observed in its decision, Greyhound's Quarterly Report included cautionary statements. The report noted that Laidlaw had informed Greyhound that, beginning August 1, 2000, cash funding of Greyhound would need to come from the cash flow its operations generated, since additional funding from Laidlaw no longer would be available. Greyhound would need to seek funding from outside financing sources for its seasonal cash requirements and capital expenditure programs, and Laidlaw authorized Greyhound to do so. Greyhound in the report said that it was in the early stages of seeking such outside financing but noted that, if alternate sources were unavailable or were insufficient to meet Greyhound's needs, Greyhound may be required to curtail or defer capital and operating expenditures, may be unable to satisfy its obligations as they become due and may be unable to continue operating as a going concern. The Board quite properly concluded, if these possibilities were to come to pass and Greyhound suddenly were to cease operating, that would not appear to be in the public interest.

The Board, moreover, was concerned that the reported change in the financing arrangements between Laidlaw and Greyhound brings into question the assertions Laidlaw had made at the time it sought Board approval of its acquisition of control of Greyhound. In its Application, dated November 17, 1998, Laidlaw stated, *inter alia*, that its acquisition of Greyhound would

result in improved transportation services for the traveling public and substantial cost savings for Greyhound. The proposed acquisition, Laidlaw maintained, would significantly benefit passengers, employees and shareholders through the synergies, savings and efficiencies that would result from the combined resources, skills and operations of the two companies. The Board thought that Laidlaw's current financial problems would appear to contradict Laidlaw's earlier assertions that synergies would result from the merger of the two companies and that Laidlaw's financial strength would assist Greyhound.

In its decision of August 18, 2000, the Board directed Laidlaw and Greyhound to address the threatened transportation crisis and to indicate what future steps need to be taken to avert it.

Laidlaw and Greyhound welcome the Board's inquiry. They understand that the Board would be remiss in its responsibility to the public if it did not determine whether the Nation's largest bus line, providing the only passenger transportation service to more than 2,600 communities throughout the Nation, were on the verge of ceasing to operate and to receive data from the parties and the public enabling it to conclude what, if any, further actions need to be taken to avert a shutdown of Greyhound's operations. As we shall demonstrate, the risk of Greyhound's termination of bus service is remote; the Board's fears about operations being discontinued by Greyhound should be

allayed. Greyhound is a strong motor carrier of passengers, which, under its current management, has experienced steady ridership and revenue gains, and much of the improvement that Greyhound has experienced within the past sixteen months is attributable directly to its affiliation with Laidlaw.

B.

Greyhound's operations and finances have improved since Laidlaw's acquisition.

It is somewhat ironic that the cautionary note in Greyhound's Quarterly Report which caught the attention of the press, as cited in the Board's August 18, 2000, decision, completely overshadowed Greyhound's favorable operating and financial results reported in that same SEC filing.

Mr. Craig R. Lentzsch, President and Chief Executive Officer of Greyhound, in his Verified Statement, appended as Attachment C, declares that Greyhound is carrying more passengers, transporting them longer distances and obtaining greater revenue and yield in handling them. The August 14, 2000, 10-Q filing with the SEC, reported that Greyhound carried 12,047,000 passengers during the first six months of 2000 compared with 11,408,000 passengers during the same period of 1999, an increase of 5.6 percent. The 11,408,000 passengers Greyhound carried in the first half of 1999 was an increase of 8 percent from the 10,564,000 passengers it carried during the same period of 1998, the year preceding Laidlaw's acquisition of control of Greyhound.

Yield, that is, regular route revenue divided by passenger

miles, increased from \$.0871 to \$.0918, up 5.4 percent, and from \$.0884 to \$.0917, up 3.7 percent, for the three and six months ended June 30, 2000, compared to the same periods in 1999.

Revenue per bus mile increased from \$2.659 to \$2.846, up 7 percent, and from \$2.595 to \$2.769, up 6.7 percent, for the second quarter and first half of 2000, compared to the same periods of 1999.

The improvements in Greyhound's finances over the past sixteen months since Laidlaw acquired control of Greyhound have been no less impressive. In his Verified Statement, appended as Attachment D, Mr. Jeffrey W. Sanders, Greyhound's Senior Vice President and Chief Financial Officer, states that Greyhound's total operating revenue for the first six months of 2000 increased by 11.8 percent over the same period last year, from \$424 million in 1999 to \$474 million in 2000. Total operating revenue for the first six months of 1999, in turn, were up 8.2 percent, from \$392 million to \$424 million, compared to the same period in 1998, the year preceding Laidlaw's acquisition of Greyhound.

Passenger services revenue increased by \$41.9 million, up 11.8 percent, for the six months ended June 30, 2000, compared to the same period in 1999, and passenger services revenue increased by \$20.2 million, up 6.0 percent, for the six months ended June 30, 1999, compared to the same period in 1998.

Greyhound's package express revenues increased \$1.3 million,

up 6.5 percent, for the first half of 2000, compared to the same period of 1999, and package express revenue increased \$3.1 million, up 18.8 percent, for the first half of 1999, compared to the same period of 1998.

Operating income increased to \$7.3 million during the six month period ending June 30, 2000, compared with a loss of (\$3.7 million) for the same period in 1999 and operating income of \$2.5 million for the first six months of 1998.

For the trailing 12-month period ending June 30, 2000, Greyhound generated net income of \$6 million.

Net cash provided (used) by Greyhound's operating activities improved to \$18.2 million for the six month period ending June 30, 2000, compared to \$8.7 million in 1999, which, in turn, had been substantially improved from (\$15.5 million) for the same period of 1998, the year before Laidaw's acquisition of control of Greyhound.

These improvements in Greyhound's operations and finances have not occurred by happenstance but were the result of Greyhound's planning for its future and the company's determination to build its intercity bus transportation business and to do so by establishing new routes, reopening routes it previously had abandoned, serving communities it formerly passed by and increasing the frequency and the convenience of its schedules.

C.

Greyhound has invested in its growth
since being acquired by Laidlaw.

As already noted, Greyhound is confident of its future and is committed to building its intercity bus transportation business, reversing a decades long industry trend.

Since the Laidlaw acquisition, Greyhound has established new routes, as, for example, between Newark, NJ, and Foxwood, CT, and between Green Bay, WI, and Calumet, MI. It has reopened routes it previously had abandoned, as, for example, service to and from the Upper Peninsula of Michigan and to and from upstate New York. And Greyhound has begun serving communities it previously passed by, as, for example, Talladega, AL, International Falls, MN, Greenville, MS, and Ashland, WI.

Greyhound's schedule changes have been too many to detail. An indication of their effectiveness, however, can be gathered from the fact that in the summer of 2000 Greyhound operated an average of 739,000 daily miles, a 3.4 percent increase over the average of 714,600 daily miles operated in the summer of 1999, and that number of daily miles was a 3.8 percent increase over the average of 688,300 daily miles operated in the summer of 1998, the last year before Laidlaw acquired control of Greyhound.

To run these extra miles and to improve its services, Greyhound has invested heavily in new, wider, longer and more comfortable buses. During 1999 alone, Greyhound took delivery of 353 new buses, a rate far greater than normal replacement. Mr.

Sanders in his Verified Statement notes that Greyhound has ninety new motor coaches on order from Motor Coach Industries International, thirty-three of which already have been delivered. The acquisition of this and other equipment has reduced the age of the average bus in Greyhound's fleet of approximately 2,900 buses to about 6 years, down from about 6.5 years in 1998.

Greyhound has invested in new terminals and upgraded the security, appearance and comfort of existing ones. Since the time of Laidlaw's acquisition, Greyhound has moved into new terminals in Phoenix, AZ, Hollywood, CA, and Alexandria, LA, among others, and has completed the refurbishing of the terminals in Mobile, AL, Cleveland, OH, Dallas, TX, and Houston, TX, among others. In several instances, Greyhound has joined other transportation companies in occupying intermodal terminals, as, for example, in Waco, TX, and Springfield, VA, and work on moving to intermodal terminals currently is underway in San Marcos, TX, Salt Lake City, UT, and Tacoma, WA.

Greyhound increasingly is providing service to and from airports, as, for example, in Melbourne, FL, Chicago, IL, and Milwaukee, WI, and is working closely with Amtrak as its connecting carrier, as, for example, between Flagstaff and Phoenix, AZ, and Dallas and Abilene, TX. As a matter of fact, Greyhound shares the Amtrak station in West Palm Beach, FL, and is in the process of negotiating a similar arrangement in Baltimore, MD.

Mr. Lentzsch in his Verified Statement, discusses how following Laidlaw's acquisition of Greyhound, Greyhound's management team has assumed responsibility for the operations of Greyhound Canada Transportation Corp. ("GCTC"), the principal Canadian scheduled intercity bus line owned by Laidlaw. The operations in Canada and the U.S. function in a largely integrated manner, with both companies utilizing the best that each one has to offer, whether in terms of products or services. As a result, passengers traveling by bus between points in the U.S. and points in Canada are enjoying much improved, more seamless service. Travelers between the two countries can purchase one ticket and ride one bus from origin to destination, as, for example, between Toronto, ON, and Philadelphia, PA, and Montreal, PQ, and Boston, MA. The two companies honor one another's Friendly Fares; for C\$139 a Canadian passenger can travel anywhere in the U.S. on the Greyhound system, and for as little as \$49 a U.S. passenger can travel to points in Canada on the system of GCTC.

Greyhound has acquired a controlling stake in several motor carriers of passengers operating to and from Mexican border crossing points, specializing in serving their Latino passengers and staffed with Spanish speaking personnel, among the most recent of which have been Autobuses Americanos and Autobuses Amigos. Through these bus lines and the interline arrangements that they and Greyhound have with certain Mexican bus lines,

including Autobuses Americanos S.A. de C.V. and Omnibus Americanos S.A. de C.V., Greyhound and its affiliates are fostering the goals of the North American Free Trade Agreement by providing for travel from and to Canada and Mexico via the U.S.

Canadian and Mexican destinations provide particularly good opportunities for special and charter bus operations. The charter and tour bus operations of GCTC and other Canadian bus lines owned by Laidlaw have played a far greater role in their operations than they have in Greyhound's, and Mr. Lentzsch states in his Verified Statement that Greyhound will want to build on the experience and expertise of GCTC's charter and tour business. To fuel growth in its charter operations, Greyhound has created a charter and tour unit staffed by newly-hired, experienced industry professionals. In December 1999, Laidlaw acquired Hotard Coaches, a charter and tour operator principally serving the New Orleans, LA, market.

Similarly, the package express business of GCTC accounts for about 35 percent of that company's revenues, whereas it amounts to little more than four percent of Greyhound's. Again, says Mr. Lentzsch, Greyhound and GCTC are developing programs and strategies to expand the overall package express business.

D.

Greyhound and Laidlaw have
benefitted from their affiliation.

Mr. Sanders discusses in his Verified Statement that, in no small way, Greyhound's recent financial gains can be attributed

to its ownership by Laidlaw.

Since the Laidlaw acquisition, Greyhound's balance sheet has improved markedly. The \$150 million revolving credit facility that Greyhound had was paid off and retired. The assets which had been held by the lenders as security were released, and the assets became Greyhound's unencumbered by any liens.

The vast preponderance of the 8½% Redeemable Preferred Shares have been retired; only about 217,000 shares of the 2.4 million that originally were issued, remain outstanding. This represents a layout of almost \$73 million in cash conversion payouts.

These transactions were accomplished primarily through \$111 million in equity contributions by Laidlaw, leaving Greyhound with its balance sheet substantially strengthened.

Following Laidlaw's acquisition of control of Greyhound, Greyhound, with Laidlaw's support, was able to renegotiate or terminate certain of its high-cost bus leases and obtain the return of collateral and cash deposits which had secured some of its equipment financing

Mr. Sanders, also, notes that, even with the curtailment of cash funding by Laidlaw that was the subject of the cautionary note in Greyhound's August 14, 2000, SEC filing, Greyhound is not in all that different a position than it previously has been. Before its acquisition by Laidlaw, Greyhound financed its seasonal cash requirements and capital expenditure programs

through external financing, principally through a revolving credit facility with a syndicate of banks, secured by security interests in Greyhound's assets. It is such an arrangement that Greyhound currently is hard at work trying to secure, and, if it were to be achieved, Greyhound's funding of cash would be not unlike what it was before. Moreover, Mr. Sanders observes that, even after the Laidlaw acquisition, Greyhound has financed many of its equipment purchases. As long as Greyhound is committed to the growth of the company and invests in new assets, Greyhound has a need for external financing; that was true before Laidlaw's acquisition of control of Greyhound, and it has been true since then.

In the world of finance, size is all important; a large enterprise with substantial financial resources can obtain more favorable financing and command lower prices for its equipment and supplies than a small concern can. Mr. Sanders says Greyhound learned that lesson just a few years ago when GCTC was put up for sale; although Greyhound wanted very much to buy the bus line, it was outbid by Laidlaw, a far larger company with much greater access to financial resources.

Since Greyhound was acquired by Laidlaw sixteen months ago, Greyhound has been able to capitalize on that affiliation, as Mr. Sanders relates in his Verified Statement.

Greyhound has been able to achieve modest reductions in its overhead costs through the elimination or consolidation of

overlapping corporate functions.

Greyhound has been able to purchase its risk management services with appreciable benefits derived from large-scale insurance purchases. Laidlaw, additionally, agreed to assume Greyhound's liability for all known and unknown claims arising before the date of Laidlaw's acquisition of Greyhound eliminating Greyhound's risk in that loss portfolio.

Mr. Sanders says that for at least the last twenty years Greyhound has procured most of its buses from Motor Coach Industries International, and even now Greyhound has ninety new motor coaches on order, thirty-three of which already have been delivered. Following Laidlaw's acquisition of control of Greyhound, Greyhound was able to consolidate its motor coach purchases with those of the other Laidlaw bus lines. As a result, Greyhound has been able to obtain more favorable price discounts on its bus acquisitions from Motor Coach.

The Laidlaw companies, including Greyhound, have been able to make volume purchases of their communications requirements or telephone services. Additionally, Greyhound, together with the other Laidlaw bus companies, are working on securing volume discounts for their purchases of tires, parts and other supplies.

E.

Laidlaw's current financial difficulties are largely unrelated to its bus passenger business.

Laidlaw is a holding company that, through its various subsidiaries provides passenger transportation services,

including school bus transportation, scheduled intercity bus transportation, charter and tour bus transportation and municipal transit transportation, both in Canada and the U.S., and emergency and non-emergency medical transportation and emergency department management services in the U.S. Each of Laidlaw's operating units function autonomously with Laidlaw acting as a holding company in the traditional sense, providing financing and access to capital markets and rendering certain other services.

Mr. Geoffrey Mann, Vice President and Treasurer of Laidlaw, in his Verified Statement, appended as Attachment E, explains in detail that the financial difficulties experienced by Laidlaw that led to the decision to curtail the cash funding of Greyhound are related primarily to businesses other than Greyhound. They have arisen principally as a result of developments in Laidlaw's discontinued health care operations and financial issues associated with its equity investments in the hazardous waste industry, specifically, its forty-three percent ownership stake in Safety-Kleen Corp..

Since August 1999 (five months after the acquisition of Greyhound), a series of writedowns by Laidlaw of the carrying value of its health care business and of its investment in Safety-Kleen have led to a significant decrease in the book value of Laidlaw's stockholders' equity. Laidlaw, as a result, is in violation of certain covenants under its unsecured syndicated credit facility and, accordingly, has been unable to access

substantial additional borrowings. In May of this year, in order to preserve cash reserves, Laidlaw declared an interest payment moratorium. The interest payment moratorium then triggered a default under the terms of Laidlaw's unsecured public debt. Laidlaw currently is in discussions with its lenders regarding the restructuring of its debt, but there is nothing to report as of this time.

Major acquisitions it made in businesses outside of the passenger transportation industry are principal contributors to Laidlaw's current financial difficulties. In February 1997, Laidlaw acquired American Medical Response ("AMR"), the largest provider of ambulance services in the U.S., thereby doubling its interest in the emergency and non-emergency medical transportation industry. In September 1997, Laidlaw expanded further into the health field by acquiring EmCare Holdings Inc., a company which provides the services of emergency care physicians and manages hospital emergency rooms. In May 1998, Laidlaw Environmental Services, Inc., in which Laidlaw then had a sixty-seven percent ownership interest, acquired Safety-Kleen Corp., a hazardous waste disposal company. The companies subsequently were merged and adopted the Safety-Kleen name. Laidlaw's ownership interest in the company subsequently was reduced to forty-three percent, and Laidlaw had hoped to sell its remaining interest in Safety-Kleen over the next two or three years.

Financial results within AMR and EmCare and at Safety-Kleen have deteriorated over the past twenty months. Laidlaw's healthcare assets have suffered financially since the enactment of the Balanced Budget Act of 1997, which resulted in the significant impairment of the collection of accounts receivable in the health care business. As a result, Laidlaw announced in September 1999 that its corporate strategy was to refocus on its core passenger transportation businesses and that it intended to sell its health care operations and its remaining interest in Safety-Kleen. To date these businesses have not been sold.

Laidlaw included substantial writedowns in the book value of its health care holdings in its financial statements for the fiscal year ending August 31, 1999. Laidlaw further wrote down the value of these businesses in February and May of this year.

In March of this year, Safety-Kleen announced the commencement of an internal investigation of previously reported financial results to determine whether possible accounting irregularities may have affected previously reported financial results. Safety-Kleen subsequently filed for bankruptcy protection in June 2000. As a result of these developments, the book value of Laidlaw's investment in Safety-Kleen has been written down to \$0.

As Mr. Mann explains in his Verified Statement, the foregoing difficulties have arisen subsequent to Laidlaw's assumption of control of Greyhound and, as already noted, are

principally related to Laidlaw's health care business and investment in Safety-Kleen. At the time that Laidlaw sought Board approval of its acquisition of control of Greyhound, Laidlaw believed that the proposed transaction would significantly benefit the traveling public, employees and shareholders through synergies, savings and efficiencies that would result from the combined resources, skills and operations of the two companies. Mr. Mann states that in the brief sixteen month interval since Laidlaw acquired control of Greyhound, Laidlaw has seen its views confirmed.

As far as Laidlaw is concerned, Mr. Mann says, having Greyhound's management team assume responsibility for the operations of Laidlaw's principal scheduled intercity passenger transportation company, Greyhound Canada Transportation Corp., as well as Laidlaw's other scheduled intercity, tour and charter bus operators in Canada, has had significant beneficial effects. Not the least of these has been the coordination of the Canadian and U.S. operations into an integrated system, affording passengers traveling between the two countries seamless service.

Mr. Mann concludes that the core passenger transportation business of Laidlaw, including Greyhound and the other Laidlaw subsidiaries performing school bus transportation, scheduled intercity bus transportation, charter and tour bus transportation and municipal transit transportation, is viable and in a good market position to continue to serve the traveling public.

Mr. Mann understands that Greyhound is in discussions with several financial institutions to secure the cash funding that Laidlaw formerly provided but currently is unable to extend, and, of course, Laidlaw is wholly supportive of that effort.

F.

Greyhound is working to
obtain alternate financing.

Since learning that Laidlaw no longer would be available as a source of funding to meet Greyhound's seasonal cash requirements and capital expenditure programs, Greyhound has been working hard to line up alternative sources of funds. With the payoff of Greyhound's former secured revolving credit facility in 1999, Greyhound has assets that are available to secure financings.

The Verified Statements of Messrs. Lentzsch and Sanders disclose that Greyhound has been working with several financial institutions with which Greyhound has had previous relationships and is structuring the terms of an appropriate funding agreement suitable to Greyhound, Laidlaw and the lenders. As of this writing, a loan or financing agreement remains to be obtained. However, Greyhound is diligently working to put one in place, which will avert any business interruption that could result from a lack of working capital.

WHEREFORE, in the interest of keeping the Board current on its financial status, Greyhound will arrange to serve the Board with copies of the Form 10-Q, Form 10-K and Form 8-K filings it

hereafter will be making with the Securities and Exchange Commission and promptly will inform it of any intervening developments that materially may have a bearing on the company's ability to fulfill its common carrier obligation as a motor carrier of passengers.

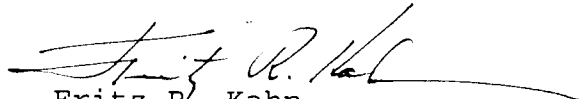
Respectfully submitted,

LAIDLAW INC.
GREYHOUND LINES, INC.

By their attorneys,

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Due and dated: September 1, 2000

Attachment A

10-Q 2nd Quarter 2000

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2000

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___ to

Commission file number 1-10841

GREYHOUND LINES, INC.

and its Subsidiaries identified in Footnote (1) below
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

86-0572343

(I.R.S. employer
identification no.)

15110 N. Dallas Parkway, Suite 600
Dallas, Texas

(Address of principal executive offices)

75248

(Zip code)

(972) 789-7000

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X

NO

As of August 11, 2000, the registrant had 58,743,069 shares of Common Stock, \$0.01 par value, outstanding all of which are held by the registrant's parent company.

- (1) This Form 10-Q is also being filed by the co-registrants specified under the caption "Co-Registrants", each of which is a wholly-owned subsidiary of Greyhound Lines, Inc. and each of which has met the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q for filing Form 10-Q in a reduced disclosure format.
- (2) The registrant meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format.

Co-Registrants

This Form 10-Q is also being filed by the following entities. Except as set forth below, each entity has the same principal executive offices, zip code and telephone number as that set forth for Greyhound Lines, Inc. on the cover of this report:

<u>Name</u>	<u>Commission File No.</u>	<u>I.R.S. Employer Identification No.</u>	<u>Jurisdiction Of Incorp.</u>
Atlantic Greyhound Lines of Virginia, Inc.	333-27267-01	58-0869571	Virginia
GLI Holding Company	333-27267-04	75-2146309	Delaware
Greyhound de Mexico, S.A. de C.V.	333-27267-05	None	Republic of Mexico
Sistema Internacional de Transporte de Autobuses, Inc.	333-27267-08	75-2548617	Delaware
Texas, New Mexico & Oklahoma Coaches, Inc. 1313 13th Street Lubbock, Texas 79408 (806) 763-5389	333-27267-10	75-0605295	Delaware
T.N.M. & O. Tours, Inc. (Same as Texas, New Mexico & Oklahoma Coaches, Inc.)	333-27267-11	75-1188694	Texas
Vermont Transit Co., Inc. 345 Pine Street Burlington, Vermont 05401 (802) 862-9671	333-27267-12	03-0164980	Vermont

As of June 30, 2000, Atlantic Greyhound Lines of Virginia, Inc. had 150 shares of common stock outstanding (at a par value of \$50.00 per share); GLI Holding Company had 1,000 shares of common stock outstanding (at a par value of \$0.01 per share); Greyhound de Mexico, S.A. de C.V. had 10,000 shares of common stock outstanding (at a par value of \$0.10 Mexican currency per share); Sistema Internacional de Transporte de Autobuses, Inc. had 1,000 shares of common stock outstanding (at a par value of \$0.01 per share); Texas, New Mexico & Oklahoma Coaches, Inc. had 1,000 shares of common stock outstanding (at a par value of \$0.01 per share); T.N.M. & O. Tours, Inc. had 1,000 shares of common stock outstanding (at a par value of \$1.00 per share); and Vermont Transit Co., Inc. had 505 shares of common stock outstanding (no par value). Each of the above named co-registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period such co-registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

GREYHOUND LINES, INC. AND SUBSIDIARIES

Page No.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements:

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Condensed Interim Consolidated Statements of Cash Flows for the Six months Ended June 30, 2000 and 1999 (Unaudited)	7
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GREYHOUND LINES, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands, except share amounts)

	June 30, 2000 (Unaudited)	December 31, 1999
Current Assets		
Cash and cash equivalents.....	\$ 8,173	\$ 8,295
Accounts receivable, less allowance for doubtful accounts of \$393 and \$402..	48,491	46,830
Inventories, less allowance for shrinkage of \$226 and \$226.....	8,271	7,494
Prepaid expenses.....	4,664	5,694
Assets held for sale.....	4,511	4,545
Current portion of deferred tax assets.....	15,826	12,864
Other current assets.....	2,108	1,851
Total Current Assets.....	92,044	87,573
Prepaid pension plans.....	30,983	29,983
Property, plant and equipment, net of accumulated depreciation of \$184,027 and \$173,273.....	397,040	397,077
Investments in unconsolidated affiliates.....	17,133	16,028
Deferred income taxes.....	14,372	14,711
Insurance and security deposits.....	22,643	22,220
Goodwill, net of accumulated amortization of \$4,442 and \$3,523.....	44,464	45,384
Intangible assets, net of accumulated amortization of \$34,561 and \$31,825.....	25,771	25,821
Total Assets.....	<u>\$ 644,450</u>	<u>\$ 638,797</u>
Current Liabilities		
Accounts payable.....	\$ 18,303	\$ 23,824
Due to Laidlaw.....	50,339	42,560
Accrued liabilities.....	63,619	57,238
Rents payable.....	19,178	19,129
Unredeemed tickets.....	15,879	11,956
Redeemable Preferred Stock settlement obligations.....	29,275	-
Current portion of environmental reserves.....	1,180	1,473
Current maturities of long-term debt.....	6,101	5,671
Total Current Liabilities.....	203,874	161,851
Environmental reserves.....	6,193	5,840
Long-term debt, net.....	170,022	174,581
Minority interests.....	4,192	4,233
Other liabilities.....	22,740	22,432
Total Liabilities.....	<u>407,021</u>	<u>368,937</u>
Redeemable preferred stock (2,400,000 shares authorized; 217,550 and 1,678,150 shares issued as of June 30, 2000 and December 31, 1999).....	5,439	41,954
Stockholders' Equity		
Common stock (100,000,000 shares authorized; par value \$.01; 58,743,069 shares issued as of June 30, 2000 and December 31, 1999).....	587	587
Capital in excess of par value.....	329,464	322,026
Retained deficit.....	(95,536)	(92,182)
Accumulated other comprehensive loss, net of tax benefit of \$1,360.....	(2,525)	(2,525)
Total Stockholders' Equity.....	231,990	227,906
Total Liabilities and Stockholders' Equity.....	<u>\$ 644,450</u>	<u>\$ 638,797</u>

GREYHOUND LINES, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
	(Unaudited)		(Unaudited)	
Operating Revenues				
Transportation service				
Passenger services.....	\$ 216,919	\$ 190,801	\$ 396,350	\$ 354,489
Package express.....	10,880	10,814	21,232	19,937
Food services	10,924	9,862	20,430	17,662
Other operating revenues.....	20,116	17,468	35,912	32,164
Total Operating Revenues.....	<u>258,839</u>	<u>228,945</u>	<u>473,924</u>	<u>424,252</u>
Operating Expenses				
Maintenance.....	23,685	21,457	45,953	42,905
Transportation.....	63,544	54,717	121,824	104,354
Agents' commissions and station costs.....	46,820	43,236	89,967	83,786
Marketing, advertising and traffic.....	8,276	7,246	15,754	14,237
Insurance and safety.....	13,933	12,642	25,503	24,372
General and administrative.....	29,232	30,338	58,187	58,613
Depreciation and amortization.....	11,000	10,982	21,517	20,739
Operating taxes and licenses.....	15,543	14,329	30,454	28,697
Operating rents.....	21,329	18,205	41,871	36,893
Cost of goods sold – food services.....	7,075	6,410	13,348	11,765
Other operating expenses.....	1,676	685	2,256	1,605
Total Operating Expenses.....	<u>242,113</u>	<u>220,247</u>	<u>466,634</u>	<u>427,966</u>
Operating Income (Loss).....	16,726	8,698	7,290	(3,714)
Settlement of Stock Options.....	-	1,365	-	21,294
Interest Expense.....	5,870	5,377	11,022	11,657
Income (Loss) Before Income Taxes.....	<u>10,856</u>	<u>1,956</u>	<u>(3,732)</u>	<u>(36,665)</u>
Income Tax Provision (Benefit).....	3,255	881	(1,493)	(16,472)
Minority Interests.....	(111)	267	(163)	323
Net Income (Loss) Before Extraordinary Item.....	<u>7,712</u>	<u>808</u>	<u>(2,076)</u>	<u>(20,516)</u>
Extraordinary Item, net of tax benefit of \$1,310.....	-	-	-	1,607
Net Income (Loss)	<u>\$ 7,712</u>	<u>\$ 808</u>	<u>\$ (2,076)</u>	<u>\$ (22,123)</u>

GREYHOUND LINES, INC. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,	
	2000	1999
	(Unaudited)	
Cash Flows From Operating Activities		
Net loss.....	\$ (2,076)	\$ (22,123)
Extraordinary item.....	-	1,607
Non-cash expenses and gains included in net loss.....	21,331	3,557
Net change in certain operating assets and liabilities.....	(1,105)	25,667
Net cash provided by operating activities.....	<u>18,150</u>	<u>8,708</u>
Cash Flows From Investing Activities		
Capital expenditures.....	(29,683)	(77,056)
Proceeds from assets sold.....	18,128	364
Payments for business acquisitions, net of cash acquired.....	-	(7,420)
Other investing activities.....	(1,180)	(984)
Net cash used for investing activities.....	<u>(12,735)</u>	<u>(85,096)</u>
Cash Flows From Financing Activities		
Payments on debt and capital lease obligations.....	(4,130)	(9,429)
Redemption of preferred stock.....	(19,407)	(21,768)
Proceeds from issuance of common stock to Laidlaw.....	178,194	212,186
Purchase of common stock from Laidlaw.....	(158,589)	(62,874)
Payment of quarterly preferred dividends.....	(1,605)	(2,507)
Net change in revolving credit facility.....	-	(37,785)
Net cash provided by (used for) financing activities.....	<u>(5,537)</u>	<u>77,823</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	(122)	1,435
Cash and Cash Equivalents, Beginning of Period.....	8,295	4,736
Cash and Cash Equivalents, End of Period.....	<u>\$ 8,173</u>	<u>\$ 6,171</u>

GREYHOUND LINES, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2000

(Unaudited)

1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of management, the unaudited Interim Consolidated Financial Statements of Greyhound Lines, Inc. and Subsidiaries (the "Company") include all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the Company's financial position as of June 30, 2000, the results of its operations for the three and six months ended June 30, 2000 and 1999 and cash flows for the six months ended June 30, 2000 and 1999 and have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of operations. Due to the seasonality of the Company's operations, the results of its operations for the interim period ended June 30, 2000 may not be indicative of total results for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations promulgated by the Securities and Exchange Commission. The unaudited Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements of Greyhound Lines, Inc. and Subsidiaries and accompanying notes for the year ended December 31, 1999. Certain reclassifications have been made to the prior period statements to conform them to the current year presentation. For the three and six months ended June 30, 2000 and 1999, the Company's comprehensive income (loss) approximated its' net income (loss).

2. COMMITMENTS AND CONTINGENCIES

The Company's principal sources of liquidity are cash flow from operations and, previously, funds provided by the Company's parent, Laidlaw Inc. ("Laidlaw"). In its Quarterly Report on Form 10-Q for the period ended May 31, 2000 (the "Laidlaw Form 10-Q"), Laidlaw reported that it had declared an interest payment moratorium on all advances under its syndicated banking facility (the "Laidlaw Facility") and on certain of its debentures totaling \$1.954 billion (the "Laidlaw Debentures"). As a consequence of the Laidlaw Facility covenant violations and interest payment moratorium, the Laidlaw Facility and the Laidlaw Debentures have become due on demand. Laidlaw is endeavoring to renegotiate and restructure the Laidlaw Facility and Laidlaw Debentures. In the Laidlaw Form 10-Q, Laidlaw further reported that should repayment be demanded for the Laidlaw Facility and/or the Laidlaw Debentures, Laidlaw may not be able to satisfy these obligations, nor other obligations which become due in the normal course of operations and may not be able to continue to operate as a going concern. Additionally, Laidlaw has advised the Company that cash funding, after August 1, 2000, would be limited to the cash flow generated by the Company from its operations and that additional funds from Laidlaw would not be available. Laidlaw further requested and authorized the Company to seek additional funding from outside financing sources for its seasonal cash requirements and capital expenditure programs. The Company is in the early stages of seeking this financing and there can be no assurances that alternate sources of financing, in amounts necessary to meet Company's needs, will be available, and if available, that the cost of such financing will not materially exceed the cost currently experienced by the Company. Should alternate sources not be available or not be sufficient to meet the Company's needs, the Company may be required to curtail or defer non-essential or essential capital and operating expenditures and may not be able to satisfy its obligations as they become due in the normal course of operations and may not be able to continue to operate as a going concern. As a result, the Company may not be able to realize its assets and settle its liabilities in the normal course of operations.

The Company's primary uses of cash are for operating activities, capital expenditures and debt service. As of June 30, 2000, the Company had \$176.1 million of long-term indebtedness (including a current portion of \$6.1 million, excluding \$29.3 in payments due to former holders of the Company's Redeemable Preferred Stock, discussed below), principally, its 11-1/2% Senior Notes due 2007 in the amount of \$150 million. Interest on the Senior Notes is payable in semi-annual installments of \$8.6 million, each April and October. The Company has ordered ninety (90) new motor coaches from Motor Coach Industries International, of which 33 were delivered as of the date of this report, with the remaining buses to be delivered this fall. Payment for the buses, totaling \$27.5 million, is payable to Motor Coach in December 2000. As indicated above, the Company will be seeking interim and permanent lease or purchase money financing for these buses.

At March 31, 2000, the Company had 1,344,850 shares of Redeemable Preferred Stock outstanding. Each share of Redeemable Preferred Stock is convertible, at the option of the holder, into \$33.33 in cash. On April 19, 2000, Laidlaw instructed the Company that due to the limitation of funding available to Laidlaw from its bank syndicate, it

was not practical to make payment for Redeemable Preferred Stock presented for conversion. Accordingly, Laidlaw advised the Company's transfer agent to reject shares that have been presented for conversion and to return them to the holders.

On May 9, 2000, a lawsuit was filed by two holders of Redeemable Preferred Stock alleging: (i) that the Company, in violation of federal securities laws, materially misrepresented facts, and omitted reference to material facts, with respect to the conversion rights of holders of the Redeemable Preferred Stock and (ii) that the Company was in breach of the rights of holders of Redeemable Preferred Stock as contained in the Company's Restated Certificate of Incorporation. The suit sought recovery from the Company of the conversion payments relating to the Redeemable Preferred Stock held by the plaintiffs, totaling \$17.4 million, costs, attorneys' fees and interest. Laidlaw was also named as a defendant in the suit. Plaintiffs alleged that Laidlaw tortiously interfered with the Company's obligations to the plaintiffs and sought injunctive relief, actual and punitive damages, costs, attorneys' fees and interest. The suit, *Reliant Trading and Deutsche Bank AG, London Branch v. Greyhound Lines, Inc. and Laidlaw Inc.*, is pending in the United States District Court for the Eastern District of Wisconsin, Civil Action 00-C-0656. On May 31, 2000, another holder of Redeemable Preferred Stock, Silverado Arbitrage Trading Ltd., filed a motion with the Court seeking to intervene in the lawsuit. Silverado sought recovery of conversion payments totaling \$4.9 million, costs, attorneys' fees and interest from the Company and sought injunctive relief, actual and punitive damages, costs, attorneys' fees and interest as to Laidlaw.

On June 8 and 15, 2000, the Company and Laidlaw reached separate confidential settlements with the plaintiffs and Silverado whereby they will receive payments from the Company of the conversion amounts for their Redeemable Preferred Stock, together with interest accruing from May 1, 2000, in weekly installments through August 31, 2000. Pending fulfillment of the Company's obligations under the settlements, the foregoing litigation has been stayed.

Subsequently, the Company and Laidlaw entered into agreements or otherwise made payment arrangements with additional holders of the Redeemable Preferred Stock that had previously tendered their shares for conversion whereby such parties would receive their conversion proceeds in installment payments through August 31, 2000. During the three-month period ending June 30, 2000, the Company made \$8.3 million in conversion payments to the converting holders and, as of June 30, 2000, recorded the remaining amounts payable under the agreements, totaling \$29.3 million, as a current liability.

Since June 30, 2000, the Company has made \$19.7 million in additional conversion payments to these parties and, as of August 11, 2000, \$9.6 million remained payable. As of the date of this report, the Company has made all required payments called for under the agreements.

On August 1, 2000, the Company paid a quarterly dividend to holders of the Redeemable Preferred Stock.

ITEM 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

General

Greyhound is the only nationwide provider of scheduled intercity bus transportation services in the United States. The Company's primary business consists of scheduled passenger service, package express service and food services at certain terminals. The Company's consolidated operations include a nationwide network of terminal and maintenance facilities, a fleet of approximately 2,900 buses and approximately 1,800 sales outlets.

The Company's business is seasonal in nature and generally follows the pattern of the travel industry as a whole, with peaks during the summer months and the Thanksgiving and Christmas holiday periods. As a result, the Company's operating cash flows are also seasonal with a disproportionate amount of the Company's annual operating cash flows being generated during the peak travel periods. The day of the week on which certain holidays occur, the length of certain holiday periods, and the date on which certain holidays occur within the fiscal quarter, may also affect the Company's quarterly results of operations.

Results of Operations

The following table sets forth the Company's results of operations as a percentage of total operating revenue for the three and six months ended June 30, 2000 and 1999:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Operating Revenues				
Transportation service				
Passenger services.....	83.8%	83.4%	83.6%	83.5%
Package express.....	4.2	4.7	4.5	4.7
Food services	4.2	4.3	4.3	4.2
Other operating revenues.....	7.8	7.6	7.6	7.6
Total Operating Revenues.....	100.0	100.0	100.0	100.0
Operating Expenses				
Maintenance.....	9.2	9.4	9.7	10.1
Transportation.....	24.5	23.9	25.7	24.6
Agents' commissions and station costs.....	18.1	18.9	19.0	19.7
Marketing, advertising and traffic.....	3.2	3.2	3.3	3.4
Insurance and safety.....	5.4	5.5	5.4	5.7
General and administrative.....	11.3	13.2	12.3	13.8
Depreciation and amortization.....	4.3	4.8	4.6	4.9
Operating taxes and licenses.....	6.0	6.3	6.4	6.8
Operating rents.....	8.2	7.9	8.8	8.7
Cost of goods sold – food services	2.7	2.8	2.8	2.8
Other operating expenses.....	0.6	0.3	0.5	0.4
Total Operating Expenses.....	93.5	96.2	98.5	100.9
Operating Income (Loss).....	6.5	3.8	1.5	(0.9)
Settlement of Stock Options.....	-	0.6	-	5.0
Interest Expense.....	2.3	2.3	2.3	2.7
Income (Loss) Before Income Taxes.....	4.2	0.9	(0.8)	(8.6)
Income Tax Provision (Benefit).....	1.3	0.4	(0.3)	(3.9)
Minority Interests.....	(0.1)	0.1	(0.1)	0.1
Net Income (Loss) Before Extraordinary Item...	3.0	0.4	(0.4)	(4.8)
Extraordinary Item.....	-	-	-	0.4
Net Income (Loss).....	3.0	0.4	(0.4)	(5.2)

The following table sets forth certain operating data for the Company for the three and six months ended June 30, 2000 and 1999. Certain statistics have been adjusted and restated from that previously published to provide consistent comparisons.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2000	1999	% Change	2000	1999	% Change
Regular Service Miles (000's)	87,996	83,437	5.5%	165,854	158,555	4.6%
Total Bus Miles (000's)	91,034	86,116	5.7%	171,148	163,461	4.7%
Passenger Miles (000's)	2,364,171	2,191,615	7.9%	4,322,304	4,014,518	7.7%
Passengers Carried (000's)	6,414	5,998	6.9%	12,047	11,408	5.6%
Average Trip Length (passenger miles ÷ passengers carried).....	369	365	1.1%	359	352	2.0%
Load (avg. number of passengers per regular service mile).....	26.9	26.3	2.3%	26.1	25.3	3.2%
Load Factor (% of available seats filled).....	54.1%	54.2%	(0.1%)	52.6%	52.4%	0.4%
Yield (regular route revenue ÷ passenger miles).....	\$ 0.0918	\$ 0.0871	5.4%	\$ 0.0917	\$ 0.0884	3.7%
Total Revenue Per Total Bus Mile...	\$ 2.846	\$ 2.659	7.0%	\$ 2.769	\$ 2.595	6.7%
Cost Per Total Bus Mile:						
Maintenance.....	\$ 0.260	\$ 0.249	4.4%	\$ 0.268	\$ 0.262	2.3%
Transportation.....	\$ 0.699	\$ 0.635	10.1%	\$ 0.712	\$ 0.638	11.6%

Three and Six Months Ended June 30, 2000 and 1999 Results of Operations

The Company's results of operations include the operating results of On-Time Delivery and LSX Delivery (collectively the "acquisitions"). The purchase of On-Time Delivery occurred during the first quarter of 1999 and the acquisition involving LSX Delivery occurred during the second quarter of 1999. The results for the acquisitions are included as of their respective purchase dates.

Operating Revenues. Total operating revenues increased \$29.9 million, up 13.1%, and \$49.7 million, up 11.7% for the three and six months ended June 30, 2000, compared to the same periods in 1999.

Passenger services revenues increased \$26.1 million, up 13.7%, and \$41.9 million, up 11.8%, for the three and six months ended June 30, 2000, compared to the same period in 1999. The increases in regular route revenues reflect the impact of a 6.9% and 5.6% increase in the number of passengers carried for the three and six months ended June 30, 2000, combined with 5.4% and 3.7% increases in yield and 1.1% and 2.0% increases in average trip length.

Package express revenues increased \$0.1 million, up 0.6%, and \$1.3 million, up 6.5%, for the three and six months ended June 30, 2000, compared to the same periods in 1999 (including \$0.4 million and \$1.7 million related to the acquisitions). Excluding the acquisitions, the Company experienced a slight decrease due to reduced standard product deliveries (the traditional, low value, terminal to terminal market segment) offset somewhat by gains in same day and priority product deliveries.

Food services revenues increased \$1.1 million, up 10.8%, and \$2.8 million, up 15.7%, for the three and six months ended June 30, 2000, compared to the same periods in 1999. Food services revenues increased over the prior year due primarily to the increase in passenger traffic and the addition of eight in-terminal restaurants that were previously concessionaire-operated Burger King locations.

Other operating revenues, consisting primarily of revenue from charter and in-terminal sales and services, increased \$2.6 million, up 15.2%, and \$3.7 million, up 11.7%, for the three and six months ended June 30, 2000, compared to the same periods in 1999. The increases are attributable to higher tenant income, subsidy income and long distance commissions somewhat offset by a reduction in interest income.

Operating Expenses. Total operating expenses increased \$21.9 million, up 9.9%, and \$38.7 million, up 9.0%, for the three and six months ended June 30, 2000, compared to the same periods in 1999. The increase is attributable to 5.7% and 4.7% increases in bus miles operated for the three and six months ended June 30, 2000, increased fuel cost, higher driver wages, increased terminal salaries, increased ticket and express commissions due to higher sales and \$0.4 million and \$1.6 million for the three and six months ended June 30, 2000 related to the operations of the acquisitions.

Maintenance costs increased \$2.2 million, up 10.4%, and \$3.0 million, up 7.1%, for the three and six months ended June 30, 2000, compared to the same periods in 1999, due to increased bus miles and higher labor costs.

Transportation expenses which consist primarily of fuel costs and driver salaries, increased \$8.8 million, up 16.1%, and \$17.5 million, up 16.7%, for the three and six months ended June 30, 2000, compared to the same periods in 1999, due primarily to increased bus miles, fuel costs, and higher driver wages. Transportation expenses increased on a per-mile basis by 10.1% and 11.6%, for the three and six months ended June 30, 2000, due largely to higher fuel prices in 2000 compared to the prior year, and to the impact of the driver wage increases. For the three and six months ended June 30, 2000, the average cost per gallon of fuel increased to \$0.842 and \$0.861 per gallon, compared to \$0.576 and \$0.531 per gallon during the same periods in 1999, resulting in increased fuel cost of \$4.1 million and \$9.5 million.

Agents' commissions and station costs increased \$3.6 million, up 8.3%, and \$6.2 million, up 7.4%, for the three and six months ended June 30, 2000, compared to the same periods in 1999. The increase is primarily due to commissions from increased ticket sales, terminal salaries associated with staffing for the increase in passengers, terminal salary raises and the inclusion of the acquisitions.

Marketing, advertising and traffic expenses increased \$1.0 million, up 14.2%, and \$1.5 million, up 10.7%, for the three and six months ended June 30, 2000, compared to the same periods in 1999, due to an increase in spending to support the increase in revenues.

Insurance and safety costs increased \$1.3 million, up 10.2%, and \$1.1 million, up 4.6%, for the three and six months ended June 30, 2000, compared to the same periods in 1999. The increase is principally due to the increase in revenues and bus miles operated.

General and administrative expenses decreased \$1.1 million, down 3.6%, and \$0.4 million, down 0.7%, for the three and six months ended June 30, 2000, compared to the same periods in 1999 due a reduction in expenses associated with remediation of the Company's computer systems related to the Year 2000 preparation mostly offset by higher costs related to the increase in revenues and higher health insurance costs in the year 2000. For the three and six months ended June 30, 1999, Year 2000 expenses totaled \$1.4 million and \$2.7 million, respectively.

Depreciation and amortization increased slightly during the three months ended June 30, 2000 and increased by \$0.8 million, or 3.8%, for the six months ended June 30, 2000, compared to the same periods in 1999. The increases are primarily due to higher capital expenditures in prior periods, and goodwill amortization attributable to the acquisitions.

Operating taxes and licenses expense increased \$1.2 million, up 8.5%, and \$1.8 million, up 6.1%, for the three and six months ended June 30, 2000, compared to the same periods in 1999 due to increased payroll taxes resulting from increased salaries and head-counts related to higher business volume (including increased miles operated) and increased fuel taxes resulting from increased miles.

Operating rents increased \$3.1 million, up 17.2%, and \$5.0 million, up 13.5%, for the three and six months ended June 30, 2000, compared to the same periods in 1999 due to the increase in revenues and an increase in the number of buses financed under operating leases.

Food services cost of goods sold increased \$0.7 million, up 10.4%, and \$1.6 million, up 13.5%, for the three and six months ended June 30, 2000, compared to the same periods in 1999, primarily due to the increases in food services revenues.

Other operating expenses increased \$1.0 million, up 144.7%, and \$0.7 million, up 40.6%, for the three and six months ended June 30, 2000, compared to the same periods in 1999 primarily due to losses on disposal of property, plant and equipment experienced during the second quarter of 2000.

Interest expense increased \$0.5 million, up 9.2%, for the three months ended June 30, 2000 and decreased \$0.6 million, down 5.4%, for the six months ended June 30, 2000, compared to the same periods in 1999. For the three month period, the increase is attributable to interest on the installment conversion payments to certain preferred stockholders. For the six-month period, the decreased expense is due to a reduction in the average debt outstanding.

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash flow from operations and, previously, funds provided by the Company's parent, Laidlaw Inc. ("Laidlaw"). In its Quarterly Report on Form 10-Q for the period ended May 31, 2000 (the "Laidlaw Form 10-Q"), Laidlaw reported that it had declared an interest payment moratorium on all advances under its syndicated banking facility (the "Laidlaw Facility") and on certain of its debentures totaling \$1.954 billion (the "Laidlaw Debentures"). As a consequence of the Laidlaw Facility covenant violations and interest payment moratorium, the Laidlaw Facility and the Laidlaw Debentures have become due on demand. Laidlaw is endeavoring to renegotiate and restructure the Laidlaw Facility and Laidlaw Debentures. In the Laidlaw Form 10-Q, Laidlaw further reported that should repayment be demanded for the Laidlaw Facility and/or the Laidlaw Debentures, Laidlaw may not be able to satisfy these obligations, nor other obligations which become due in the normal course of operations and may not be able to continue to operate as a going concern. Additionally, Laidlaw has advised the Company that cash funding, after August 1, 2000, would be limited to the cash flow generated by the Company from its operations and that additional funds from Laidlaw would not be available. Laidlaw further requested and authorized the Company to seek additional funding from outside financing sources for its seasonal cash requirements and capital expenditure programs. The Company is in the early stages of seeking this financing and there can be no assurances that alternate sources of financing, in amounts necessary to meet Company's needs, will be available, and if available, that the cost of such financing will not materially exceed the cost currently experienced by the Company. Should alternate sources not be available or not be sufficient to meet the Company's needs, the Company may be required to curtail or defer non-essential or essential capital and operating expenditures and may not be able to satisfy its obligations as they become due in the normal course of operations and may not be able to continue to operate as a going concern. As a result, the Company may not be able to realize its assets and settle its liabilities in the normal course of operations.

The Company's primary uses of cash are for operating activities, capital expenditures and debt service. As of June 30, 2000, the Company had \$176.1 million of long-term indebtedness (including a current portion of \$6.1 million, excluding \$29.3 in payments due to former holders of the Company's Redeemable Preferred Stock, discussed below), principally, its 11-1/2% Senior Notes due 2007 in the amount of \$150 million. Interest on the Senior Notes is payable in semi-annual installments of \$8.6 million, each April and October. The Company has ordered ninety (90) new motor coaches from Motor Coach Industries International, of which 33 were delivered as of the date of this report, with the remaining buses to be delivered this fall. Payment for the buses, totaling \$27.5 million, is payable to Motor Coach in December 2000. As indicated above, the Company will be seeking interim and permanent lease or purchase money financing for these buses.

Net cash provided by operating activities for the six months ended June 30, 2000 was \$18.2 million, an increase of \$9.5 million from the \$8.7 million generated during the same period of 1999. The increase is due primarily to the improvement in operating income. Net cash used for investing activities for the first half of 2000 was \$12.7 million compared to \$85.1 million for the first half of 1999. The decrease is due to \$44.0 million in sale-leaseback proceeds received in the first half of 2000, compared to no sale-leaseback proceeds during the same period of 1999, reduced capital expenditures and no acquisition spending during the first half of 2000 compared to the same period of 1999. Net cash used for financing activities in the first half of 2000 was \$5.5 million versus \$77.8 million cash provided by financing activities during the same period in 1999. The \$83.4 million reduction in cash provided from financing activities is primarily due to the improved operating income in 2000, as well as reduced capital expenditures and increased sale-leaseback proceeds during 2000.

At March 31, 2000, the Company had 1,344,850 shares of Redeemable Preferred Stock outstanding, which shares were convertible into \$44.8 million in cash in the aggregate. Following the presentation of a significant number of these shares for conversion, the Company and Laidlaw entered into agreements or otherwise made payment arrangements with converting holders representing \$37.6 million of aggregate value whereby such parties would receive their conversion proceeds in installment payments through August 31, 2000. During the three-month period ending June 30, 2000, the Company made \$8.3 million in conversion payments to the converting holders and, subsequent to June 30 through August 11, 2000 the Company has made an additional \$19.7 million in conversion payments. As of August 11, 2000, \$9.6 million remained payable under these agreements. As of June 30, 2000, excluding the shares for which conversion payments were being made, the Company had 217,550 shares of Redeemable Preferred Stock outstanding, which shares are convertible into \$7.3 million in cash in the aggregate.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On May 9, 2000, a lawsuit was filed by two holders of Redeemable Preferred Stock alleging: (i) that the Company, in violation of federal securities laws, materially misrepresented facts, and omitted reference to material facts, with respect to the conversion rights of holders of the Redeemable Preferred Stock and (ii) that the Company was in breach of the rights of holders of Redeemable Preferred Stock as contained in the Company's Restated Certificate of Incorporation. The suit sought recovery from the Company of the conversion payments relating to the Redeemable Preferred Stock held by the plaintiffs, totaling \$17.4 million, costs, attorneys' fees and interest. Laidlaw was also named as a defendant in the suit. Plaintiffs alleged that Laidlaw tortiously interfered with the Company's obligations to the plaintiffs and sought injunctive relief, actual and punitive damages, costs, attorneys' fees and interest. The suit, *Reliant Trading and Deutsche Bank AG, London Branch v. Greyhound Lines, Inc. and Laidlaw Inc.*, is pending in the United States District Court for the Eastern District of Wisconsin, Civil Action 00-C-0656. On May 31, 2000, another holder of Redeemable Preferred Stock, Silverado Arbitrage Trading Ltd., filed a motion with the Court seeking to intervene in the lawsuit. Silverado sought recovery of conversion payments totaling \$4.9 million, costs, attorneys' fees and interest from the Company and sought injunctive relief, actual and punitive damages, costs, attorneys' fees and interest as to Laidlaw.

On June 8 and 15, 2000, the Company and Laidlaw reached separate confidential settlements with the plaintiffs and Silverado whereby they will receive payments from the Company of the conversion amounts for their Redeemable Preferred Stock, together with interest accruing from May 1, 2000, in weekly installments through August 31, 2000. Pending fulfillment of the Company's obligations under the settlements, the foregoing litigation has been stayed. As of the date of this report, the Company has made all required payments called for under the settlement agreements.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27 - Financial Data Schedule as of and for the six months ended June 30, 2000. (1)

(1) Filed only in EDGAR format with the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.

(b) Reports on Form 8-K

On June 19, 2000 the Company filed a current report on Form 8-K with the Securities and Exchange Commission reporting Other Events. No financial statements were included.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 14, 2000

GREYHOUND LINES, INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

ATLANTIC GREYHOUND LINES OF
VIRGINIA, INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

GLI HOLDING COMPANY

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

GREYHOUND de MEXICO, S.A. de C.V.

By: /s/ Cheryl W. Farmer
Cheryl W. Farmer
Examiner

SISTEMA INTERNACIONAL de
TRANSPORTE de AUTOBUSES, INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

TEXAS, NEW MEXICO & OKLAHOMA
COACHES, INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

T.N.M. & O. TOURS, INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

VERMONT TRANSIT CO., INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

Attachment B

10-Q 2nd Quarter 1999

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 1999

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___ to

Commission file number 1-10841

GREYHOUND LINES, INC.

and its Subsidiaries identified in Footnote (1) below
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

86-0572343

(I.R.S. employer
identification no.)

15110 N. Dallas Parkway, Suite 600

Dallas, Texas

(Address of principal executive offices)

75248

(Zip code)

(972) 789-7000

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X

NO

As of August 10, 1999, the Registrant had 58,743,069 shares of Common Stock, \$0.01 par value, outstanding.

- (1) This Form 10-Q is also being filed by the co-registrants specified under the caption "Co-Registrants", each of which is a wholly-owned subsidiary of Greyhound Lines, Inc. and each of which has met the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q for filing Form 10-Q in a reduced disclosure format.

Co-Registrants

This Form 10-Q is also being filed by the following entities. Except as set forth below, each entity has the same principal executive offices, zip code and telephone number as that set forth for Greyhound Lines, Inc. on the cover of this report:

<u>Name</u>	<u>Commission File No.</u>	<u>I.R.S. Employer Identification No.</u>	<u>Jurisdiction Of Incorp.</u>
Atlantic Greyhound Lines of Virginia, Inc.	333-27267-01	58-0869571	Virginia
GLI Holding Company	333-27267-04	75-2146309	Delaware
Greyhound de Mexico, S.A. de C.V.	333-27267-05	None	Republic of Mexico
Grupo Centro, Inc.	333-27267-06	75-2692522	Delaware
Los Buenos Leasing Co., Inc.	333-27267-07	85-0434715	New Mexico
Sistema Internacional de Transporte de Autobuses, Inc.	333-27267-08	75-2548617	Delaware
Texas, New Mexico & Oklahoma Coaches, Inc. 1313 13th Street Lubbock, Texas 79408 (806) 763-5389	333-27267-10	75-0605295	Texas
T.N.M. & O. Tours, Inc. (Same as Texas, New Mexico & Oklahoma Coaches, Inc.)	333-27267-11	75-1188694	Texas
Vermont Transit Co., Inc. 106 Main Street Burlington, Vermont 05401 (802) 862-9671	333-27267-12	03-0164980	Vermont

As of June 30, 1999, Atlantic Greyhound Lines of Virginia, Inc. had 150 shares of common stock outstanding (at a par value of \$50.00 per share); GLI Holding Company had 1,000 shares of common stock outstanding (at a par value of \$0.01 per share); Greyhound de Mexico, S.A. de C.V. had 10,000 shares of common stock outstanding (at a par value of \$0.10 Mexican currency per share); Grupo Centro, Inc. had 1,000 shares of common stock outstanding (at a par value of \$0.01 per share); Los Buenos Leasing Co., Inc. had 1,000 shares of common stock outstanding (at a par value of \$1.00 per share); Sistema Internacional de Transporte de Autobuses, Inc. had 1,000 shares of common stock outstanding (at a par value of \$0.01 per share); Texas, New Mexico & Oklahoma Coaches, Inc. had 1,000 shares of common stock outstanding (at a par value of \$0.01 per share); T.N.M. & O. Tours, Inc. had 1,000 shares of common stock outstanding (at a par value of \$1.00 per share); and Vermont Transit Co., Inc. had 505 shares of common stock outstanding (no par value). Each of the above named co-registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period such co-registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

GREYHOUND LINES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GREYHOUND LINES, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands, except share amounts)

	June 30, 1999 (Unaudited)	December 31, 1998
Current Assets		
Cash and cash equivalents	\$ 6,171	\$ 4,736
Accounts receivable, less allowance for doubtful accounts of \$188 and \$198	44,996	40,774
Inventories, less allowance for shrinkage of \$208 and \$205	6,678	5,705
Prepaid expenses	5,572	5,170
Assets held for sale	4,959	3,029
Current portion of deferred tax assets	34,643	24,053
Other current assets	2,537	9,907
Total current assets	105,556	93,374
Prepaid Pension Plans	27,917	27,917
Property, Plant and Equipment, net of accumulated depreciation of \$163,101 and \$151,468	415,907	362,417
Investments in Unconsolidated Affiliates	14,730	13,560
Deferred Income Taxes	16,344	8,988
Insurance and Security Deposits	40,178	67,908
Goodwill, net of accumulated amortization of \$2,546 and \$1,755	45,014	39,510
Intangible Assets, net of accumulated amortization of \$29,830 and \$28,503	27,473	29,704
Total assets	<u>\$ 693,119</u>	<u>\$ 643,378</u>
Current Liabilities		
Accounts payable	\$ 28,701	\$ 27,724
Accrued liabilities	61,198	64,819
Unredeemed tickets	12,122	12,143
Current portion of reserve for injuries and damages	22,967	22,967
Current maturities of long-term debt	5,852	7,970
Total current liabilities	130,840	135,623
Reserve for Injuries and Damages	34,470	37,392
Long-Term Debt	180,631	225,688
Minority Interests	3,175	3,058
Other Liabilities	23,137	23,604
Total liabilities	<u>372,253</u>	<u>425,365</u>
Redeemable Preferred Stock (2,400,000 shares authorized and 1,746,886 shares issued as of June 30, 1999; aggregate liquidation preference \$43.672) (Note 1)	43,672	-
Stockholders' Equity		
Preferred stock (10,000,000 shares authorized as of December 31, 1998; par value \$.01) · 8½% Convertible Exchangeable Preferred Stock (2,760,000 shares authorized and 2,400,000 shares issued as of December 31, 1998; aggregate liquidation preference \$60,000) (Note 1)	-	60,000
Series A junior preferred stock (1,500,000 shares authorized as of December 31, 1998; none issued)	-	-
Common stock (100,000,000 shares authorized; par value \$.01; 58,743,069 and 60,255,117 shares issued as of June 30, 1999 and December 31, 1998 respectively)	587	603
Capital in excess of par value	380,290	237,441
Retained deficit	(96,164)	(71,761)
Accumulated Other Comprehensive Income, net of tax benefit of \$3,181	(7,519)	(7,232)
Less: Treasury stock, at cost (109,192 shares at December 31, 1998)	-	(1,038)
Total stockholders' equity	277,194	218,013
Total liabilities and stockholders' equity	<u>\$ 693,119</u>	<u>\$ 643,378</u>

The accompanying notes are an integral part of these statements.

GREYHOUND LINES, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	(Unaudited)		(Unaudited)	
Operating Revenues				
Transportation Services				
Passenger services.....	\$ 190,801	\$ 180,611	\$ 354,489	\$ 334,270
Package express.....	10,222	8,816	18,776	16,789
Food services and related.....	9,862	7,863	17,662	14,896
Other operating revenues.....	<u>17,468</u>	<u>13,957</u>	<u>32,164</u>	<u>26,012</u>
Total operating revenues.....	<u>228,353</u>	<u>211,247</u>	<u>423,091</u>	<u>391,967</u>
Operating Expenses				
Maintenance.....	21,457	20,655	42,905	40,535
Transportation.....	54,717	51,302	104,354	97,426
Agents' commissions and station costs.....	42,644	38,378	82,625	73,552
Marketing, advertising and traffic.....	7,246	6,865	14,237	13,906
Insurance and safety.....	12,642	12,799	24,372	24,442
General and administrative.....	30,338	26,360	58,613	50,962
Depreciation and amortization.....	10,982	9,403	20,739	17,842
Operating taxes and licenses.....	14,329	14,164	28,697	27,666
Operating rents.....	18,205	16,133	36,893	31,897
Cost of goods sold - food services and related.....	6,410	5,136	11,765	9,905
Other operating expenses.....	<u>685</u>	<u>696</u>	<u>1,605</u>	<u>1,381</u>
Total operating expense.....	<u>219,655</u>	<u>201,891</u>	<u>426,805</u>	<u>389,514</u>
Operating Income (Loss).....	8,698	9,356	(3,714)	2,453
Settlement of Stock Options (see Note 3).....	1,365	---	21,294	---
Interest Expense.....	<u>5,377</u>	<u>7,305</u>	<u>11,657</u>	<u>13,959</u>
Income (Loss) Before Income Taxes.....	1,956	2,051	(36,665)	(11,506)
Income Tax Provision (Benefit).....	881	179	(16,472)	(917)
Minority Interest.....	<u>267</u>	<u>(83)</u>	<u>323</u>	<u>(91)</u>
Net Income (Loss) Before Extraordinary Item.....	808	1,955	(20,516)	(10,498)
Extraordinary Item (see Note 4).....	---	---	1,607	---
Net Income (Loss).....	808	1,955	(22,123)	(10,498)
Preferred Dividends.....	<u>988</u>	<u>1,296</u>	<u>2,277</u>	<u>2,592</u>
Net Income (Loss) Attributable to Common Stockholders.....	<u>\$ (180)</u>	<u>\$ 659</u>	<u>\$ (24,400)</u>	<u>\$ (13,090)</u>
Net Income (Loss) Per Share of Common Stock:				
Basic and Diluted				
Net Income (Loss) Attributable to Common Stock- holders Before Extraordinary Item.....	\$ 0.00	\$ 0.01	\$ (0.38)	\$ (0.22)
Extraordinary Item.....	---	---	(0.03)	---
Net Income (Loss) Attributable to Common Stockholders.....	<u>\$ 0.00</u>	<u>\$ 0.01</u>	<u>\$ (0.41)</u>	<u>\$ (0.22)</u>

The accompanying notes are an integral part of these statements.

GREYHOUND LINES, INC. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,	
	1999	1998
	(Unaudited)	
Cash Flows From Operating Activities		
Net loss	\$ (22,123)	\$ (10,498)
Extraordinary item	1,607	-
Non-cash expenses and gains included in net loss	3,557	14,919
Net change in certain operating assets and liabilities	<u>25,667</u>	<u>(19,928)</u>
Net cash provided by (used for) operating activities	<u>8,708</u>	<u>(15,507)</u>
Cash Flows From Investing Activities		
Capital expenditures	(77,056)	(10,750)
Buses purchased for sale and leaseback	-	(27,502)
Proceeds from assets sold	364	240
Payments for business acquisitions, net of cash acquired	(7,420)	(1,484)
Other investing activities	<u>(984)</u>	<u>(301)</u>
Net cash used for investing activities	<u>(85,096)</u>	<u>(39,797)</u>
Cash Flows From Financing Activities		
Payments on debt and capital lease obligations	(9,429)	(2,952)
Redemption of preferred stock	(21,768)	-
Parent company capital contributions	149,312	-
Proceeds from exercise of options	-	2,437
Payment of quarterly preferred dividends	(2,507)	(2,592)
Net change in revolving credit facility	<u>(37,785)</u>	<u>58,853</u>
Net cash provided by financing activities	<u>77,823</u>	<u>55,746</u>
Net Increase in Cash and Cash Equivalents	1,435	442
Cash and Cash Equivalents, Beginning of Period	<u>4,736</u>	<u>2,052</u>
Cash and Cash Equivalents, End of Period	<u>\$ 6,171</u>	<u>\$ 2,494</u>

The accompanying notes are an integral part of these statements.

GREYHOUND LINES, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1999
(Unaudited)

1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of management, the unaudited Interim Consolidated Financial Statements of Greyhound Lines, Inc. and Subsidiaries (the "Company") include all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the Company's financial position as of June 30, 1999, the results of its operations for the three and six months ended June 30, 1999 and 1998 and cash flows for the six months ended June 30, 1999 and 1998. Due to the seasonality of the Company's operations, the results of its operations for the interim period ended June 30, 1999 may not be indicative of total results for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations promulgated by the Securities and Exchange Commission. The unaudited Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements of Greyhound Lines, Inc. and Subsidiaries and accompanying notes for the year ended December 31, 1998.

On March 16, 1999, the Company's shareholders approved the Agreement and Plan of Merger ("Merger") with Laidlaw Inc. ("Laidlaw") and Laidlaw Transit Acquisition Corp. ("Laidlaw Transit"). On that date, Laidlaw Transit was merged with and into the Company, with the Company, as the surviving corporation, becoming a subsidiary of Laidlaw. As a result of the Merger, Laidlaw became the sole holder of the Company's Common Stock.

Pursuant to the Merger, the Greyhound Preferred Stock, of which 72.8% or 1,746,886 shares remain outstanding, is convertible into the right to receive \$33.33 in cash per share. As a result, the Preferred Stock has been classified as Redeemable Preferred Stock for periods after March 16, 1999.

The consolidated financial statements of the Company do not reflect any purchase accounting adjustments relating to the Merger.

2. SIGNIFICANT ACCOUNTING POLICIES

Earnings/Loss Per Share

Basic earnings (loss) per common share is calculated by dividing net income (loss) attributable to common stockholders by the weighted average shares of common stock of the Company ("Common Stock"). The calculation of diluted earnings (loss) per share of Common Stock considers the effect of Common Stock equivalents outstanding during the period, the conversion of the Company's 8½% Convertible Subordinated Debentures due 2007 (the "Convertible Debentures") and 8½% Convertible Exchangeable Preferred Stock (the "Preferred Stock"). Common Stock equivalents represent the dilutive effect of the assumed exercise of certain outstanding stock options. As a result of the Merger, the Company no longer has any common stock options and the Preferred Stock and Convertible Debentures are no longer convertible into Common Stock. For the three months ended June 30, 1998, the assumed exercise of outstanding in-the-money stock options is dilutive and thus the shares have been included in the weighted average shares below. For the six months ended June 30, 1998, the assumed exercise of outstanding in-the-money stock options and conversion of Convertible Debentures and Preferred Stock have an anti-dilutive effect. As a result, these shares are excluded from the final determination of the weighted average shares outstanding.

The earnings (loss) per share calculation reflect earnings attributable to common shareholders after payment of preferred dividends. The following tables detail the components utilized to calculate earnings per share for the three and six months ended June 30, 1999 and 1998.

	<u>Three Months Ended June 30, 1999</u>			<u>Six Months Ended June 30, 1999</u>		
	<u>Net Loss</u>	<u>Shares</u>	<u>Per-Share Amount</u>	<u>Net Loss</u>	<u>Shares</u>	<u>Per-Share Amount</u>
Basic and Diluted Earnings per Share						
Net Loss attributable to common stockholders.....	<u>\$ (180,000)</u>	<u>58,743,069</u>	<u>\$ (0.00)</u>	<u>\$(24,400,000)</u>	<u>59,317,389</u>	<u>\$(0.41)</u>
	<u>Three Months Ended June 30, 1998</u>			<u>Six Months Ended June 30, 1998</u>		
	<u>Net Income</u>	<u>Shares</u>	<u>Per-Share Amount</u>	<u>Net Loss</u>	<u>Shares</u>	<u>Per-Share Amount</u>
Basic Earnings per Share						
Net Income (Loss) attributable to common stockholders.....	<u>\$ 659,000</u>	<u>59,905,542</u>	<u>\$ 0.01</u>	<u>\$(13,090,000)</u>	<u>59,668,804</u>	<u>\$(0.22)</u>
Diluted Earnings per Share						
Net Income (Loss) attributable to common stockholders.....	<u>\$ 659,000</u>	<u>62,658,296</u>	<u>\$ 0.01</u>	<u>\$(13,090,000)</u>	<u>59,668,804</u>	<u>\$(0.22)</u>

3. SETTLEMENT OF STOCK OPTIONS

As a result of the Merger, the Company incurred \$21.3 million in charges related to the settlement of the Company’s outstanding stock options.

4. EXTRAORDINARY ITEM

Following the Merger, all amounts outstanding under the Revolving Credit Facility were paid and the Revolving Credit Facility was terminated. As a result, the Company recorded a \$1.6 million charge in the first quarter of 1999, net of a \$1.3 million tax benefit, classified as an extraordinary item. This charge is related to the write-off of previously incurred debt issuance costs that were being amortized over the life of the Revolving Credit Facility. The Revolving Credit Facility was paid with capital contributions from Laidlaw.

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

General

Greyhound is the only nationwide provider of scheduled intercity bus transportation services in the United States. The Company's primary business consists of scheduled passenger service, package express service and in-terminal food services at certain terminals. The Company's consolidated operations include a nationwide network of terminal and maintenance facilities, a fleet of approximately 2,775 buses and approximately 1,800 sales outlets.

Results of Operations

The following table sets forth the Company's results of operations as a percentage of total operating revenue for the three and six months ended June 30, 1999 and 1998:

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Operating Revenues				
Transportation services				
Passenger services.....	83.6%	85.5%	83.8%	85.3%
Package express.....	4.5	4.2	4.4	4.3
Food services and related.....	4.3	3.7	4.2	3.8
Other operating revenues.....	<u>7.6</u>	<u>6.6</u>	<u>7.6</u>	<u>6.6</u>
Total operating revenues.....	100.0	100.0	100.0	100.0
Operating Expenses				
Maintenance.....	9.4	9.8	10.1	10.3
Transportation.....	24.0	24.3	24.7	24.9
Agents' commissions and station costs.....	18.7	18.2	19.5	18.8
Marketing, advertising and traffic.....	3.2	3.2	3.4	3.5
Insurance and safety.....	5.5	6.1	5.8	6.2
General and administrative.....	13.3	12.5	13.9	13.0
Depreciation and amortization.....	4.8	4.5	4.9	4.6
Operating taxes and licenses.....	6.3	6.7	6.8	7.1
Operating rents.....	8.0	7.6	8.7	8.1
Cost of goods sold – food services and related.....	2.8	2.4	2.8	2.5
Other operating expenses.....	<u>0.2</u>	<u>0.2</u>	<u>0.3</u>	<u>0.4</u>
Total operating expenses.....	<u>96.2</u>	<u>95.5</u>	<u>100.9</u>	<u>99.4</u>
Operating Income (Loss).....	3.8	4.5	(0.9)	0.6
Settlement of stock options.....	0.6	0.0	5.0	0.0
Interest Expense.....	<u>2.3</u>	<u>3.5</u>	<u>2.8</u>	<u>3.5</u>
Income (Loss) Before Income Taxes.....	0.9	1.0	(8.7)	(2.9)
Income Tax Provision (Benefit).....	0.4	0.1	(3.9)	(0.2)
Minority Interest.....	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
Net Income (Loss) Before Extraordinary Item.....	0.4	0.9	(4.9)	(2.7)
Extraordinary Item.....	<u>0.0</u>	<u>0.0</u>	<u>0.4</u>	<u>0.0</u>
Net Income (Loss) Attributable to Common Stockholders Before Preferred Dividends.....	0.4	0.9	(5.3)	(2.7)
Preferred Dividends.....	<u>0.4</u>	<u>0.6</u>	<u>0.5</u>	<u>0.6</u>
Net Income (Loss) Attributable to Common Stockholders.....	<u>0.0</u>	<u>0.3</u>	<u>(5.8)</u>	<u>(3.3)</u>

The following table sets forth certain operating data for the Company for the three and six months ended June 30, 1999 and 1998. Certain statistics have been adjusted and restated from that previously published to provide consistent comparisons.

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	1999	1998		1999	1998	
Total Bus Miles (000's).....	86,116	80,581	6.9	163,461	151,748	7.7
Passenger Miles (000's).....	2,191,615	1,994,057	9.9	4,014,518	3,685,955	8.9
Passengers Carried (000's).....	5,998	5,589	7.3	11,408	10,564	8.0
Average Trip Length (passenger miles/ passengers carried).....	365	357	2.2	352	349	0.9
Load (avg. number of passengers per regular service mile).....	26.3	25.5	3.1	25.3	25.0	1.2
Load Factor (% of available seats filled).....	54.2	54.1	0.2	52.4	53.2	(1.5)
Yield (regular route revenue/passenger miles).....	\$0.0871	\$0.0906	(3.9)	\$0.0884	\$0.0907	(2.5)
Total Revenue Per Total Bus Mile.....	2.65	2.62	1.1	2.59	2.58	0.4
Cost Per Total Bus Mile:						
Maintenance.....	\$ 0.249	\$ 0.256	(2.7)	\$0.262	\$0.267	(1.9)
Transportation.....	0.635	0.637	(0.3)	0.638	0.642	(0.6)
Insurance and Safety.....	0.147	0.159	(7.6)	0.149	0.161	(7.5)

Three and Six Months Ended June 30, 1999 and 1998 Results of Operations

The Company's results of operations include the operating results of Peoria-Rockford Bus Company, Autobuses Americanos, Autobuses Amigos, On-Time Delivery and Larson Express (collectively the "acquisitions"). The purchases of Peoria-Rockford Bus Company, Autobuses Americanos and Autobuses Amigos were completed in the fourth quarter of 1998, the purchase of On-Time Delivery occurred during the first quarter of 1999 and the purchase of Larson Express occurred during the second quarter of 1999. The results for the acquisitions are included as of their respective purchase dates.

Operating Revenues. Total operating revenues increased \$17.1 million, up 8.1%, and \$31.1 million, up 7.9%, for the three and six months ended June 30, 1999, compared to the same periods in 1998. Acquisitions accounted for \$6.9 million and \$12.5 million of this growth for the three and six months, resulting in internal growth of \$10.2 million, or 4.8%, and \$18.6 million, or 4.7%, for the three and six months compared to the same periods in the prior year.

Passenger services revenues increased \$10.2 million, up 5.6%, and \$20.2 million, up 6.0%, for the three and six months ended June 30, 1999, compared to the same periods in 1998 (including \$4.6 million and \$8.9 million related to the acquisitions). The increases in regular route revenues reflect the consolidated impact of a 7.3% and 8.0% increase in the number of passengers carried for the three and six months, combined with a 2.2% and 0.9% increase in average trip length, partially offset by a 3.9% and 2.5% decrease in yield. The decrease in yield is a reflection of the longer trip length and promotional pricing in the long-haul corridors to meet airline competition.

Package express revenues increased \$1.4 million, up 15.9%, and \$2.0 million, up 11.8%, for the three and six months ended June 30, 1999, compared to the same periods in 1998 (including \$1.9 million and \$2.9 million related to the acquisitions). Excluding the acquisitions, the Company experienced a decline of \$0.5 million and \$0.9 million for the three and six months ended June 30, 1999, due to declines in our standard product offering (the traditional, low-value, terminal to terminal market segment) offset somewhat by gains in same day and priority product offerings. The declines in the standard offering are a result of continued competition, as well as expanded product offerings (such as United Parcel Service's guaranteed service "brown label" product), from larger next day package delivery companies. In response, the Company is increasing its focus on the same day delivery market niche through selling of priority service and the creation of new product offerings such as our Daily Direct, a guaranteed same day or early overnight service.

Food services revenues increased \$2.0 million, up 25.4%, and \$2.8 million, up 18.6%, for the three and six months ended June 30, 1999, compared to the same periods in 1998. Food services revenues increased over the prior year

due to the acquisition of eight in-terminal, concessionaire-operated locations that were previously Burger King locations (\$1.3 million and \$1.4 million for the three and six months ended June 30, 1999), the increase in passenger traffic discussed above, and increased phone card sales.

Other operating revenues, consisting primarily of revenue from charter and other in-terminal sales and services, increased \$3.5 million, up 25.2%, and \$6.2 million, up 23.7%, for the three and six months ended June 30, 1999, compared to the same periods in 1998. Excluding the acquisitions, the increase was due to increases in tenant income primarily as a result of the Peter Pan Pool, initiated on January 12, 1999, which results in income to the Company for sharing its terminal space and an increase in charter service revenue of \$1.2 million, up 26.0%, and \$2.3 million, up 29.2%, for the three and six months ended June 30, 1999.

Operating Expenses. Total operating expenses increased \$17.8 million, up 8.8%, and \$37.3 million, up 9.6%, for the three and six months ended June 30, 1999, compared to the same periods in 1998. The increase is attributable to an increase in bus miles operated (6.9% and 7.7% for the three and six months ended June 30, 1999 compared to the same periods in 1998), driver wage increases, increased terminal salaries, increased ticket commissions due to higher sales, an increase in the number of buses operated under operating leases, and \$6.2 million and \$11.5 million for the three and six months ended June 30, 1999, related to the operations of the acquisitions.

Maintenance costs increased \$0.8 million, up 3.9%, and \$2.4 million, up 5.8%, due to increased bus miles and the inclusion of the acquisitions. Despite these increases, maintenance costs decreased on a cost per bus mile basis.

Transportation expenses increased \$3.4 million, up 6.7%, and \$6.9 million, up 7.1%, for the three and six months ended June 30, 1999, compared to the same periods in 1998 due to increased bus miles operated, an additional driver wage increase above normal annual increases due to renegotiation of the union contract in October 1998, and the inclusion of the acquisitions. The increased expenses were partially offset by a decrease in the cost per gallon of diesel fuel for the six months ended June 30, 1999, with no savings in the quarter as fuel prices have increased to 1998 levels. The average cost per gallon of fuel decreased to \$0.53 for the six months ended June 30, 1999, compared to \$0.57 per gallon during the same period in 1998. The lower fuel prices resulted in fuel cost savings of \$1.1 million for the six months ended June 30, 1999, compared to the prior year.

Agents' commissions and station costs increased \$4.3 million, up 11.1%, and \$9.1 million, up 12.3%, for the three and six months ended June 30, 1999, compared to the same periods in 1998 primarily due to commissions associated with increased ticket sales, annual wage increases for terminal staff and the inclusion of the acquisitions. Additionally, the Peter Pan Pool increased terminal wages as the increase in sales resulted in increased staffing needs. Income from the Peter Pan Pool that offsets these costs is reflected in other operating revenue.

Marketing, advertising and traffic expense increased \$0.4 million, up 5.5%, and \$0.3 million, up 2.4%, for the three and six months ended June 30, 1999, compared to the same periods in 1998 but were virtually unchanged as a percentage of total revenues.

Insurance and safety costs decreased \$0.2 million, down 1.2%, and \$0.1 million, down 0.3%, for the three and six months ended June 30, 1999, compared to the same periods in 1998. Despite increased miles and the inclusion of the acquisitions, expenses have decreased as the Company is experiencing favorable trends due to safety programs.

General and administrative expenses increased \$4.0 million, up 15.1%, and \$7.7 million, up 15.0%, for the three and six months ended June 30, 1999, compared to the same periods in 1998 due primarily to increased expenses associated with remediation of the Company's computer systems related to the Year 2000 issue, the inclusion of the acquisitions and additions in administrative personnel. For the three and six months ended June 30, 1999, Year 2000 expenses totaled \$1.4 million and \$2.7 million, respectively.

Depreciation and amortization increased \$1.6 million, up 16.8%, and \$2.9 million, up 16.2%, for the three and six months ended June 30, 1999, compared to the same periods in 1998 due primarily to depreciation and goodwill amortization attributable to the acquisitions and depreciation related to increased capital expenditures in current and prior periods. Additionally, the Company has purchased 50 buses that were previously under operating leases.

Operating taxes and licenses expense increased \$0.2 million, up 1.2%, and \$1.0 million, up 3.7%, for the three and six months ended June 30, 1999, compared to the same periods in 1998. This increase results from higher payroll

taxes due to increased salaries, wages and head-counts related to higher business volume and the inclusion of the acquisitions.

Operating rents increased \$2.1 million, up 12.8%, and \$5.0 million, up 15.7%, for the three and six months ended June 30, 1999, compared to the same periods in 1998 due to the inclusion of the acquisitions, combined with an increase in the number of buses financed under operating leases and increased facility rents.

Food services cost of goods sold increased \$1.3 million, up 24.8%, and \$1.9 million, up 18.8%, for the three and six months ended June 30, 1999, compared to the same periods in 1998, primarily due to the 25.4% and 18.6% increase in Food services revenues for the same periods.

As a result of Laidlaw Inc. ("Laidlaw") acquiring the Company, the Company incurred \$21.3 million in charges related to the settlement of the Company's outstanding stock options.

Interest expense decreased \$1.9 million, down 26.4%, and \$2.3 million, down 16.5%, for the three and six months ended June 30, 1999, compared to the same periods in 1998. The decrease is the result of a lower outstanding balance on the Company's Revolving Credit Facility through March 16, 1999. Additionally, on March 17, 1999, subsequent to the acquisition of the Company by Laidlaw, all amounts outstanding under the Revolving Credit Facility were paid and the Revolving Credit Facility was terminated.

Additionally, the Company had an extraordinary item in March. This was a \$1.6 million charge, net of tax benefit of \$1.3 million, related to the termination of the Company's Revolving Credit Facility, which included the write-off of previously incurred debt issuance costs that were being amortized over the life of the Revolving Credit Facility. The Revolving Credit Facility was paid with capital contributions from Laidlaw.

Liquidity and Capital Resources

The Company's principal liquidity requirements are to provide working capital, to finance capital expenditures, including bus acquisitions, to meet debt service requirements, including the payment of interest on the 11½% Senior Notes and to pay Preferred Stock dividends. The Company's principal sources of liquidity are expected to be cash flow from operations and funds provided by Laidlaw. The Company believes that its cash flow from operations, together with funds provided by Laidlaw will be sufficient to meet its liquidity needs.

Operating activities produced cash of \$8.7 million for the six months ended June 30, 1999. This is an improvement of \$24.2 million from \$15.5 million of cash used by operating activities in 1998. Net cash used by operating activities during the six months ended June 30, 1999, were negatively impacted by the \$21.3 million payments for settlement of stock options, offset by a \$23.8 million reduction in insurance deposits which were obtained following the issuance by Laidlaw of letters of credit and \$12.2 million in security deposit returns due to an improved credit rating as a result of the Merger. Net cash used for investing activities increased \$45.3 million, to \$85.1 million in 1999 from \$39.8 million in 1998, principally due to \$7.4 million in payments for business acquisitions combined with a \$38.8 million increase in capital expenditures. Net cash provided by financing activities increased \$22.1 million to \$77.8 million in 1999 from \$55.7 million in 1998. This increase can primarily be attributed to the \$149.3 million capital contribution provided by the Company's parent. This increase was partially offset by the retirement of the \$37.8 million related to the Revolving Credit Facility and \$21.8 million of Preferred Stock conversions.

As a result of the Laidlaw acquisition of the Company, the Company made a one-time offer to repurchase all or any part of each holder's 11½% Senior Notes at a price equal to 101% of the principal amount thereof plus interest, which was accepted by no holders of these notes. Additionally, the Company made a one-time offer to repurchase all or any part of each holder's Convertible Debentures at a price equal to 100% of the principal amount thereof plus interest, which was accepted in July by holders of \$3.7 million of the outstanding \$9.8 million. Also, the Preferred Stock became convertible into \$33.33 in cash for each share of Preferred Stock, which is in excess of the liquidation preference.

Substantial Leverage and Seasonality

The Company has consolidated indebtedness that is substantial in relation to its stockholders' equity. As of June 30, 1999, the Company had outstanding consolidated long-term indebtedness (including current portions) of approximately \$186.5 million and total stockholders' equity of approximately \$277.2 million. The seasonal fluctuations in the Company's cash flows can be significant. Generally, the first quarter and most of the second quarter are loss periods requiring the financing of substantial cash outflows for operations. However, the last half of the year (primarily the third quarter) provides substantial positive cash flows.

Computer Systems / Year 2000 Readiness

Many existing computer systems, communications equipment, control devices and software products, including several used by the Company, are coded to accept only two-digit entries in the date code field. Beginning in the year 2000, these date code fields will need to accept four-digit entries to distinguish 21st century dates from 20th century dates. As a result, the Company's date critical functions related to the year 2000 and beyond, such as scheduling, dispatch, sales, purchasing, planning and financial systems may be materially adversely affected unless these systems are or become year 2000 ready.

During the past three years, the Company has been replacing or upgrading its computer systems to improve operating efficiencies. Through some of these efforts, year 2000 ready applications or systems have been installed. The Company is preparing both its information technology ("IT") systems and its non-IT, technology enabled systems for the year 2000 by implementing the year 2000 Readiness Process, comprised of five phases: Assessment, Planning, Implementation, Testing and Clean Management.

The first phase is an assessment of the Company's systems with respect to year 2000 readiness. During the Assessment phase, the Company, with the assistance of consultants, reviews individual applications and the hardware and network infrastructure supporting those applications. The assessment also includes non-"information technology" (non-IT) systems, such as fax machines, time clocks and bus maintenance test equipment. A comprehensive review and inventory of non-IT technology enabled equipment and functions will be completed in this phase. The assessment of all of the Company's IT systems was completed during the third quarter of 1998. The assessment of a substantial majority of the Company's non-IT systems have been completed and the remainder will be completed in the third quarter of 1999. The Assessment phase also involves an assessment of the readiness of third party vendors and suppliers. The Company has already issued year 2000 readiness questionnaires to some vendors and will continue this effort. However, responses to these inquiries have been limited. Nevertheless, as a normal course of business, the Company has contingency plans in place to deal with failures of most of the critical third-party systems. Where such contingency plans are not in place, the Company is in the process of developing those plans.

The purpose of the Planning phase is to develop a detailed set of plans for bringing the Company's systems to year 2000 readiness. The Company first developed plans to prepare individual applications and platforms for year 2000 readiness. These individual plans were then consolidated into an overall plan for remediation of the IT systems. Priority has been given to the mission critical functions. For those non-mission critical systems that might not be ready for the year 2000, the overall plan calls for the development of contingency plans to minimize disruption to the business. The overall plan for IT systems was completed during the fourth quarter of 1998. The planning phase for non-IT systems is targeted for completion in the third quarter of 1999, following the completion of the Company's non-IT systems Assessment Phase.

In the Implementation phase, the Company will bring the IT systems to a state of readiness as stand-alone units. Each application and its supporting infrastructure components will be remediated, replaced or upgraded, as appropriate. Each application will be tested to ensure the accuracy of current functionality and to ensure the continuance of the functionality into the year 2000 and beyond. To date, most of the infrastructure components and the majority of applications have been remediated. The Company completed the Implementation phase for mission critical IT systems in the second quarter of 1999. Non-mission critical IT systems and non-IT systems are expected to be made year 2000 ready by the end of third quarter of 1999.

The Testing phase is the most complicated phase of the year 2000 Readiness Process. In this phase, IT systems are tested for year 2000 readiness, meaning that a series of tests using the same data but different dates is performed to

ensure readiness of the IT systems both prior to and after the year 2000. Testing of individual infrastructure components and applications will continue with the majority of testing completed by the third quarter of 1999.

Clean Management is confirming that any newly acquired components or applications are deemed year 2000 ready before their introduction into the Company. The Clean Management phase of the year 2000 Readiness Process is conducted at the same time as all other phases.

The Company currently has a disaster recovery plan that has put contingency planning in place to address problems that might occur in the ordinary course of business. However, the Company is starting to re-evaluate its contingency planning for critical operational areas that might be specifically affected by the year 2000 problem if the Company or suppliers are not ready. Throughout 1999, the Company will review the extent to which contingency plans may be required for any third parties that do not achieve year 2000 readiness, and the Company expects to complete those necessary contingency plans by the third quarter of 1999.

The Company's total costs related to year 2000 assessment and remediation are based on presently available information. The total remaining costs related to the year 2000 assessment and remediation efforts are estimated to be between \$7.0 million and \$9.0 million, including internal salaries that would be incurred without remediation efforts. The Company estimates that approximately half of this amount will be capitalized, with the remainder being expensed as incurred. These costs will be funded through operating cash flows or from funds provided by Laidlaw. Since the Company has been replacing and upgrading its computer systems in the ordinary course of business, the Company cannot estimate the costs incurred to date related specifically to remediating year 2000 issues.

The costs of the Company's year 2000 readiness project and the date on which the Company plans to complete the year 2000 modifications are based on management's estimates, which were derived utilizing numerous assumptions of future events including the continued availability of certain resources, third-party modification plans and other factors. The year 2000 issues present a number of risks that are beyond the Company's reasonable control, such as the failure of utility companies to deliver electricity, the failure of telecommunications companies to provide voice and data services, the failure of financial institutions to process transactions and transfer funds, and the impact on the Company of the effects of year 2000 issues on the economy in general or on the Company's business partners and customers. Although the Company believes that its year 2000 readiness program is designed appropriately to identify and address those year 2000 issues that are subject to the Company's reasonable control, the Company can make no assurance that its efforts will be fully effective or that the year 2000 issues will not have a material adverse effect on the Company's business, financial condition or results of operations.

Other

There were no other material changes in the Company's financial condition nor were there any substantive changes relative to matters discussed in the Liquidity and Capital Resources section of Management's Discussion and Analysis of Financial Condition and Results of Operations as presented in the Company's annual 10-K for the year ended December 31, 1998.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 4.1 - Third Supplemental Indenture dated as of February 1, 1999, between the Registrant and Chase Manhattan Trust Company as Trustee.
- 4.2 - Fourth Supplemental Indenture dated as of May 14, 1999, between the Registrant and Chase Manhattan Trust Company as Trustee.
- 27 - Financial Data Schedule as of and for the six months ended June 30, 1999. (1)

(1) Filed only in EDGAR format with the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.

(b) Reports on Form 8-K

During the three months ended June 30, 1999, the Company did not file any current reports on Form 8-K with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 11, 1999

GREYHOUND LINES, INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

*ATLANTIC GREYHOUND LINES OF
VIRGINIA, INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

GLI HOLDING COMPANY

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

GREYHOUND de MEXICO S.A. de C.V.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

GRUPO CENTRO, INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

LOS BUENOS LEASING CO., INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

SISTEMA INTERNACIONAL de TRANSPORTE
de AUTOBUSES, INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

TEXAS, NEW MEXICO & OKLAHOMA
COACHES, INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

T.N.M. & O. TOURS, INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

VERMONT TRANSIT CO., INC.

By: /s/ Jeffrey W. Sanders
Jeffrey W. Sanders
Senior Vice President and Chief Financial Officer

Attachment C

**Verified Statement
of
Craig R. Lentzsch**

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.

STB Docket No. MC-F-20940

LAIDLAW INC. AND LAIDLAW TRANSIT ACQUISITION CORP.
-- MERGER --
GREYHOUND LINES, INC.

VERIFIED STATEMENT
OF
CRAIG R. LENTZSCH

My name is Craig R. Lentzsch, and I am the President and Chief Executive Officer of Greyhound Lines, Inc., with offices at 15110 North Dallas Parkway, Dallas, Texas 75248, a position I have held since November 1994. I am pleased to have this opportunity to respond to the Board's direction that Greyhound explain the suggestion of the cautionary note in its Form 10-Q filing with the U.S. Securities and Exchange Commission on August 14, 2000, that Greyhound may be unable to continue operating as a going concern and to offer its views as to what, if any, steps can or should be taken to assure that the public will not suffer a loss of Greyhound's passenger transportation services.

I shall leave to Mr. Jeffrey W. Sanders, Greyhound's Senior Vice President and Chief Financial Officer, to discuss in his Verified Statement what led to the sounding of the cautionary note, to place the statement in the context of the steady but

unmistakable improvement in Greyhound's financial posture and to report on the progress Greyhound is making in lining up financing from outside sources to meet the demands of its seasonal cash requirements and capital expenditure programs that the cash flow from operations alone cannot satisfy. I shall want to address the service aspects of Greyhound's operations and the effect that Greyhound's affiliation with Laidlaw has had.

In recent years, the competitive challenges faced by Greyhound have been significant considering that affordable passenger transportation is available from upstart and established airlines, subsidized Amtrak and the ubiquitous automobile. Greyhound, however, has managed to hold its own, and, indeed, in every quarter since the present management took control of the company in late 1994, Greyhound has experienced an increase in revenue.

Greyhound's August 14, 2000, filing with the SEC, the Quarterly Report for the period ending June 30, 2000, reported that Greyhound carried 12,047,000 passengers during the first six months of 2000 compared with 11,408,000 passengers during the same period of 1999, an increase of 5.6 percent. The 11,408,000 passengers Greyhound carried in the first six months of 1999 was an increase of 8 percent from the 10,564,000 passengers it carried during the same period of 1998, the year before Laidlaw acquired control of Greyhound.

Yield, that is, regular route revenue divided by passenger miles, increased from \$.0871 to \$.0918, up 5.4 percent, and from

\$.0884 to \$.0917, up 3.7 percent, for the three and six months ended June 30, 2000, compared to the same periods in 1999.

Revenue per bus mile increased from \$2.659 to \$2.846, up 7 percent, and from \$2.595 to \$2.769, up 6.7 percent, for the second quarter and first half of 2000, compared to the same periods of 1999.

These data demonstrate that Greyhound is a strong motor carrier of passengers, one that is not about to shut its doors and cease serving the public. To the contrary, we are committed to providing safe, dependable and economic passenger transportation service to the more than 2,600 communities throughout the Nation to which Greyhound alone operates.

The foregoing figures taken from its Quarterly Report do not include the results for Greyhound Canada Transportation Corp. ("GCTC"), Laidlaw's principal scheduled intercity passenger carrier in Canada. Following Laidlaw's acquisition of Greyhound, however, Greyhound's management team assumed responsibility for the operations of GCTC, as well as Laidlaw's other intercity, tour and charter operators in Canada. The operations in Canada and the U.S. function in a largely integrated manner, and passengers traveling by bus between points in the U.S. and points in Canada are enjoying much improved, more seamless service. Travelers between the two countries can purchase one ticket and ride one bus from origin to destination, as, for example, between Toronto, ON, and Philadelphia, PA, and Montreal, PQ, and Boston, MA. The two companies honor one another's Friendly Fares; for

C\$139 a Canadian passenger can travel anywhere in the U.S. on the Greyhound system, and for as little as \$49 a U.S. passenger can travel to points in Canada on the system of GCTC.

Greyhound has acquired a stake in several bus companies which serve Mexican border crossing points, specialize in accommodating Latino passengers and are staffed by Spanish speaking personnel. Coupled with the interline arrangements entered into by Greyhound with certain Mexican bus lines, Greyhound and its affiliates are fostering the goals of the North American Free Trade Agreement by providing for travel from and to Canada and Mexico via the U.S.

Canadian and Mexican destinations afford particularly good opportunities for special and charter operations. The charter and tour operations of GCTC and other Canadian bus lines owned by Laidlaw have played a far greater role in their operations than they have in Greyhound's, and Greyhound is building on the experience and expertise of GCTC and its Canadian affiliates to increase its own charter business. Moreover, to fuel growth in its charter operations, Greyhound has created a charter and tour unit staffed by newly-hired, experienced industry professionals. Greyhound, also, oversees the operations of Hotard Coaches, a charter and tour operator primarily serving the New Orleans, LA, market. Hotard was acquired by Laidlaw in December 1999.

Similarly, the package express business of GCTC accounts for about 35 percent of that company's revenues, whereas it amounts to little more than four percent of Greyhound's. Again,

Greyhound and GCTC are developing programs and initiatives to expand the overall package express business.

These improvements in Greyhound's operations and finances have not occurred by happenstance but were the result of Greyhound's planning for its future and the company's determination to build its intercity bus transportation business and to do so by establishing new routes, reopening routes it previously had abandoned, serving communities it formerly passed by, and increasing the frequency and the convenience of its schedules.

Since the Laidlaw acquisition, Greyhound has established new routes, as, for example, between Newark, NJ, and Foxwood, CT, and between Green Bay, WI, and Calumet, MI. It has reopened routes it previously had abandoned, as, for example, service to and from the Upper Peninsula of Michigan and to and from upstate New York. And Greyhound has begun serving communities it previously passed by, as, for example, Talladega, AL, International Falls, MN, Greenville, MS, and Ashland, WI.

Greyhound's schedule changes have been too many to detail. An indication of their effectiveness, however, can be gathered from the fact that in the summer of 2000 Greyhound operated an average of 739,000 daily miles, a 3.4 percent increase over the average of 714,600 daily miles operated in the summer of 1999, and that number of daily miles was a 3.8 percent increase over the average of 688,300 daily miles operated in the summer of 1998, the last year before Laidlaw acquired control of Greyhound.

To run these extra miles and to improve its services, Greyhound has invested heavily in new, wider, longer and more comfortable buses. During 1999 alone, Greyhound took delivery of 353 new buses, a quantity of buses far exceeding normal replacement. Greyhound has ninety new motor coaches on order from Motor Coach Industries International, thirty-three of which already have been delivered. The acquisition of this and other equipment has reduced the age of the average bus in Greyhound's fleet of approximately 2,900 buses to about 6 years, down from about 6.5 years in 1998.

Greyhound has invested in new terminals and upgraded the security, appearance and comfort of existing ones. Since the time of Laidlaw's acquisition, Greyhound has moved into new terminals in Phoenix, AZ, Hollywood, CA, and Alexandria, LA, among others, and has completed the refurbishing of the terminals in Mobile, AL, Cleveland, OH, Dallas, TX, and Houston, TX, among others. In several instances, Greyhound has joined other transportation companies in occupying intermodal terminals, as, for example, in Waco, TX, and Springfield, VA, and work on moving to intermodal terminals currently is underway in San Marcos, TX, Salt Lake City, UT, and Tacoma, WA,

Greyhound increasingly is providing service to and from airports, as, for example, in Melbourne, FL, Chicago, IL, and Milwaukee, WI, and is working closely with Amtrak as its connecting carrier, as, for example, between Flagstaff and Phoenix, AZ, and Dallas and Abilene, TX. As a matter of fact,

Greyhound shares the Amtrak station in West Palm Beach, FL, and is in the process of negotiating a similar arrangement in Baltimore, MD.

When in November 1998 I verified Laidlaw's Application to acquire control of Greyhound, I was fully persuaded, as the Application concluded, that the proposed transaction would significantly benefit the traveling public, employees and shareholders through synergies, savings and efficiencies that will result from the combined resources, skills and operations of the two companies. Indeed, the synergies and improvements expected from the transaction have been largely achieved.

To replace Laidlaw as a funding source, we are currently working with several financial institutions with which Greyhound has had previous relationships, and we are working hard to structure a transaction suitable to Greyhound, Laidlaw and the lenders and to reach agreement as soon as possible. As of this writing a loan or financing agreement remains to be obtained; however, we are diligently working to put one in place so that what may have seemed to be a crisis when noted in Greyhound's Quarterly Report will have been averted.

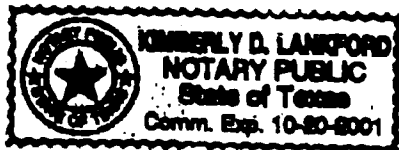
As I said earlier in my statement, but it bears repeating, Greyhound is not about to cease operating and not fulfill its common carrier obligation to provide safe, dependable and economic passenger transportation service to the traveling public. Greyhound is a strong motor carrier of passengers and will continue to provide the important service it uniquely

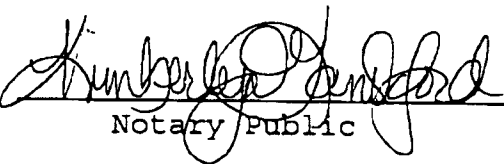
to which it alone operates.

Greyhound will want to keep the Board fully informed of its operations and finances. Toward that end, we shall serve the Board with copies of the Form 10-Q, Form 10-K and Form 8-K filings we hereafter will be making with the Securities and Exchange Commission and promptly will inform the Board of any intervening developments that materially may have a bearing on the company's ability to fulfill its common carrier obligations as a motor carrier of passengers.


Craig R. Lentzsch

Subscribed and sworn to before me this ^{September} 1st day of ~~August~~ 2000.




Notary Public

Attachment D

**Verified Statement
of
Jeffrey W. Sanders**

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.

STB Docket No. MC-F-20940

LAILAW INC. AND LAILAW TRANSIT ACQUISITION CORP.
-- MERGER --
GREYHOUND LINES, INC.

VERIFIED STATEMENT
OF
JEFFREY W. SANDERS

My name is Jeffrey W. Sanders, and I am Senior Vice President and Chief Financial Officer of Greyhound Lines, Inc., with offices at 15110 North Dallas Parkway, Dallas, Texas 75248. I have occupied this position since May 1999, following service as Greyhound's Vice President — Corporate Development after June 1997, when I joined the company's management group.

I am pleased to have the opportunity to respond to the Board's request, made in its decision served August 18, 2000, that Greyhound explain the circumstances giving rise to the cautionary note sounded in its Form 10-Q, the Quarterly Report for the period ending June 30, 2000, which Greyhound filed with the U.S. Securities and Exchange Commission on August 14, 2000, and to offer its views as to what steps, if any, need to be taken to avert a passenger transportation crisis.

The Board's concern was based on statements appearing in its

SEC filing and later reported in the media. As the agency knows, Greyhound has been a subsidiary of Laidlaw Inc. since March 1999, following the Board's decision approving Laidlaw's acquisition of control of Greyhound, served December 17, 1998. Among the many other benefits of this affiliation, to be described elsewhere in Greyhound's Comments, has been Greyhound's ability to obtain working capital funds from Laidlaw rather than from third party sources when Greyhound's needs exceeded the cash flow from its operations. That source of funds was curtailed by Laidlaw, effective August 1, 2000, for reasons wholly unrelated to Greyhound.

In its Quarterly Report, Greyhound explained that it would need to seek funding from other financial sources for its seasonal cash requirements and capital expenditure programs. Laidlaw has authorized Greyhound to seek this financing. Greyhound then went on to say that, if alternate sources were to be unavailable or insufficient to meet Greyhound's needs, Greyhound may be required to curtail or defer capital and operating expenditures, may not be able to satisfy its obligations as they become due in the normal course of operations and may not be able to continue to operate as a going concern.

It was the last statement and the reaction it generated that there might be a sudden cessation of operations by Greyhound that gave rise to the Board's decision and its direction for reports from Greyhound and Laidlaw. It should be noted, however, that such gloom and doom statements are typical of SEC filings;

securities lawyers are insistent that a reporting company portray the absolutely worst case scenario, lest the company be accused of not being completely forthcoming to the detriment of potential investors.

Moreover, it should be noted that prior to the Laidlaw acquisition, Greyhound financed its working capital needs, that it could not fulfill internally, with external financing, principally through a revolving credit facility with a syndicate of banks, secured by a security interest in Greyhound's assets. Therefore, Greyhound must do what it did prior to the Laidlaw acquisition, namely, address its daily and seasonal cash flow shortfalls with a working capital loan facility provided by outside lenders.

It is ironic that the cautionary statement that Greyhound noted should have drawn the media's attention and obscured the very favorable financial data reported elsewhere in Greyhound's Quarterly Report. I understand a copy of the report, as well as a copy of Greyhound's Quarterly Report for the period ending June 30, 1999, are to be appended to the Comments of Laidlaw and Greyhound.

Total operating revenue for the first six months of 2000 increased by 11.8 percent over the same period last year, from \$424 million in 1999 to \$474 million in 2000. Total operating revenue for the first six months of 1999 were up 8.2 percent, from \$392 million to \$424 million, compared to the same period in 1998, the year preceding Laidlaw's acquisition of Greyhound.

Passenger services revenue increased by \$41.9 million, up 11.8 percent, for the six months ended June 30, 2000, compared to the same period in 1999, and passenger services revenue increased by \$20.2 million, up 6.0 percent, for the six months ended June 30, 1999, compared to the same period in 1998.

Greyhound's package express revenues increased \$1.3 million, up 6.5 percent, for the first half of 2000, compared to the same period of 1999, and package express revenue increased \$3.1 million, up 18.8 percent, for the first half of 1999, compared to the same period of 1998.

Operating income increased to \$7.3 million during the six month period ending June 30, 2000, compared with a loss of (\$3.7 million) for the same period in 1999 and operating income of \$2.5 the first six months of 1998.

Although Greyhound experienced a net loss of (\$2.1 million) for the six-month period ending June 30, 2000, it should be noted that our business is seasonal in nature; for the trailing 12-month period ending June 30, 2000, Greyhound actually generated net income of \$6 million.

Net cash provided (used) by operating activities improved to \$18.2 million for the six month period ending June 30, 2000, compared to \$8.7 million in 1999, which, in turn, had substantially improved from (\$15.5 million) in 1998.

In no small way, the financial gains made by Greyhound can be attributed to its ownership by Laidlaw. In the world of finance, size is all important; a large enterprise, with

substantial financial resources, can obtain more favorable financing and command lower prices for its equipment and supplies than a small concern can. Greyhound learned that lesson just a few years ago when Greyhound Canada Transportation Corp. was put up for sale; although Greyhound wanted very much to buy the bus line, it was outbid by Laidlaw, a far larger company with much greater access to financial resources.

Since Greyhound was acquired by Laidlaw sixteen months ago, Greyhound has been able to capitalize on that affiliation.

First, Greyhound has been able to achieve modest cost reductions in its overhead expenses by consolidating and eliminating some duplicative corporate functions.

Greyhound, also, has been able to purchase its risk management services through Laidlaw, with appreciable benefits derived from large-scale insurance purchases. Laidlaw, additionally, agreed to assume Greyhound's liability for all known and unknown claims arising before the date of Laidlaw's acquisition of Greyhound, eliminating Greyhound's risk in that loss portfolio.

The amount of \$50.3 million shown in Greyhound's August 14, 2000, SEC filing as due to Laidlaw is a non-interest bearing payable largely comprised of the arms-length transactions between the companies relating to the transfer of the loss claims portfolio from Greyhound's books to Laidlaw's and to the insurance premiums that Laidlaw has incurred on Greyhound's behalf.

Greyhound for at least the past twenty years obtained most of its buses from Motor Coach Industries International, and even now Greyhound has ninety new motor coaches on order, thirty-three of which already have been delivered. Following the acquisition of control, Greyhound was able to amass its motor coach purchases with those of its new Laidlaw affiliates. As a result, Greyhound has been able to obtain larger volume price discounts for the vehicles it purchased by participating in larger overall volume purchase commitments.

Likewise, by participating in group purchases and contract procurements, the Laidlaw companies have obtained cost reductions in their communications, or telephone services, costs. Greyhound, together with other Laidlaw motor carriers, continues to pursue other volume purchase discount opportunities for tires, parts and other supplies.

Following the acquisition, Greyhound, with Laidlaw's support, obtained external lease financing, on more favorable terms than it previously enjoyed, for some of its new bus purchases. Greyhound, also, renegotiated or terminated some higher cost bus leases and secured the return of collateral and cash deposits which had secured some of its financings. It is important to note that, regardless of its affiliation with Laidlaw, so long as Greyhound continues to pursue a growth strategy and reinvests in new assets, there will be a continual need for external financing. These external financings would need to be obtained by Greyhound, as they were both before and

since the Laidlaw acquisition, that is, with or without Laidlaw's assistance.

Since the Laidlaw acquisition, Greyhound's balance sheet has improved markedly. First, Greyhound's \$150 million revolving credit facility was paid off and retired. All of the security interests held by the lenders were released, and the assets became Greyhound's free and clear of any liens.

Secondly, the vast majority of Greyhound's 8½% Redeemable Preferred Stock has been retired through cash conversions. Following Laidlaw's acquisition, each share of Redeemable Preferred Stock became convertible at any time, at the option of the holder, into \$33.33 in cash. To date, all but about 217,000 shares of the 2.4 million shares originally outstanding have been retired and paid off. This represents almost \$73 million in cash conversion payouts.

What principally remains as long-term debt on Greyhound's balance sheet are \$150 million in 11½% Senior Notes, due 2007. These notes, when issued, contained restrictions against early redemption by Greyhound and are not callable until April 2002 at the earliest. The indenture governing these notes contains various covenants and restrictions. For example, the indenture limits transactions between Greyhound and Laidlaw and requires them to deal at arm's length and, if of a large nature, a third party fairness opinion must be obtained. Indeed, the insurance program and loss portfolio transfer discussed above required Greyhound and Laidlaw to obtain such a third party fairness

opinion. The covenants, also, place restriction on indebtedness, dividends and return of capital that can be paid to Laidlaw. This is why Laidlaw's advancement of funds to Greyhound is in the form of equity contributions, and Greyhound's return of funds in the form of repurchases of equity. For the first six months of 2000, as shown in the August 14, 2000, SEC filings, Laidlaw has made equity contributions, net of Greyhound's return repurchases, of about \$20 million, and, since the March 1999 acquisition, Laidlaw has made a total net equity contribution to Greyhound of \$111 million.

In short, although it continues to need to improve its bottom line, Greyhound is a financially sound company, and, as is relevant to the Board's inquiry, Greyhound is stronger financially today than it was before Laidlaw acquired control of it. As of June 30, 2000, greyhound has \$213 million in long-term debt and fixed-term obligations, compared with \$314 million as of the date of Laidlaw's acquisition.

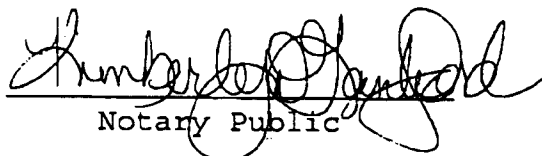
Since the Laidlaw announcement, Greyhound has been working with several financial institutions with which it had prior relationships to secure a revolving line of credit and other financing to meet its needs that cash flow from operations alone can not fulfill. With the payoff of Greyhound's former secured revolving credit facility in 1999, Greyhound has assets that are available to secure financings. As of this writing, no final agreement has been reached; however, we are working diligently so that one will be arrived at as quickly as possible.

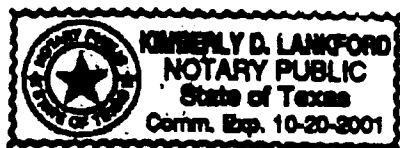
agreement has been reached; however, we are working diligently so that one will be arrived at as quickly as possible.

In conclusion, I wish to assure the Board that Greyhound is not about to cease operating; to the contrary, I am optimistic that Greyhound has a bright future of providing safe, dependable and economic passenger transportation service to the 2,600 communities throughout the Nation all of which it alone reaches.


Jeffrey W. Sanders

Subscribed and sworn to before me this ^{1st} day of ^{September} ~~August~~ 2000.


Notary Public



Attachment E

Verified Statement
of
Geoffrey Mann

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.

STB Docket No. MC-F-20940

LAIDLAW INC. AND LAIDLAW TRANSIT ACQUISITION CORP.
-- MERGER --
GREYHOUND LINES, INC.

VERIFIED STATEMENT
OF
GEOFFREY MANN

My name is Geoffrey Mann, and I am Vice President and Treasurer of Laidlaw Inc., with offices at 3221 North Service Road, Burlington, Ontario, Canada L7R 3Y8. In my statement I shall refer to Laidlaw Inc. as Laidlaw.

I am pleased to have the opportunity to respond on behalf of Laidlaw to the Board's direction in its decision served August 18, 2000, that Laidlaw explain the circumstances which gave rise to the cautionary note sounded in the Form 10-Q, the Quarterly Report for the period ending June 30, 2000, filed August 14, 2000, with the U.S. Securities and Exchange Commission by Laidlaw's subsidiary, Greyhound Lines, Inc.

Laidlaw is a holding company that, through its various subsidiaries provides passenger transportation services, including school bus transportation, scheduled intercity bus transportation, charter and tour bus transportation and municipal

transit transportation, both in Canada and the U.S., emergency and non-emergency medical transportation and emergency department management services in the U.S. Each of Laidlaw's operating units function autonomously with Laidlaw acting as a holding company in the traditional sense, providing financing and access to capital markets and rendering certain other services.

The financial difficulties experienced by Laidlaw that led to the decision to curtail the cash funding of Greyhound are principally related to Laidlaw's health care operations and financial issues associated with its equity investments in the hazardous waste industry, specifically, its forty-three percent ownership stake in Safety-Kleen Corp.

Since August 1999, a series of writedowns in the carrying value of Laidlaw's investment in Safety-Kleen and the carrying value of its health care businesses have led to a significant decrease in the book value of Laidlaw's stockholders' equity. As a result of such writedowns, Laidlaw is in violation of certain covenants under its unsecured syndicated credit facility. Consequently, Laidlaw has been unable to access substantial additional borrowings. In order to preserve cash reserves, in May of this year Laidlaw declared an interest payment moratorium. The interest payment moratorium then triggered a default under the terms of Laidlaw's unsecured public debt. Laidlaw currently is in discussions with its lenders regarding the restructuring of its debt. As a result of this present inability to access additional borrowings, Laidlaw currently is unable to serve as a

source of ongoing cash funding to Greyhound. As Greyhound's President and Chief Executive Officer, Mr. Craig R. Lentzsch, notes in his Verified Statement, Greyhound currently is in discussions with several financial institutions regarding arrangements for alternative funding and, of course, Laidlaw is wholly supportive of that effort.

In the late 1990s, Laidlaw made major acquisitions in businesses outside of the passenger transportation industry. In February 1997, Laidlaw acquired American Medical Response ("AMR"), the largest provider of ambulance services in the U.S., thereby doubling its interest in the emergency and non-emergency medical transportation industry. In September 1997, Laidlaw expanded further into the health field by acquiring EmCare Holdings Inc., a company which provides the services of emergency care physicians and manages hospital emergency rooms. In the late 1990s, Laidlaw decided to exit the hazardous waste business. Through a series of transactions, Laidlaw has reduced its ownership interest of the hazardous waste business, formerly known as Laidlaw Environmental Services, Inc., from one hundred percent to approximately forty-three percent. The last step in this series of transactions was completed in May 1998 with the acquisition of Safety-Kleen Corp. by Laidlaw Environmental Services, Inc., a publicly traded company which at that time was sixty-seven percent owned by Laidlaw. The companies subsequently were merged and adopted the Safety-Kleen name. Laidlaw's original intent was to sell its remaining interest in Safety-

Kleen over the next two to three years.

Laidlaw completed its acquisition of control of Greyhound in March 1999, pursuant to this Board's authorization by its decision, served December 17, 1998. The health care and Greyhound acquisitions were financed by the proceeds of the sale of Laidlaw's solid waste operations, as well as new borrowings. At that time, Laidlaw had an investment-grade credit rating.

Financial results within AMR and EmCare and at Safety-Kleen have deteriorated over the past twenty months. Laidlaw's healthcare assets have suffered financially since the enactment of the Balanced Budget Act of 1997, which resulted in the significant impairment of the collection of accounts receivable in the health care business. As a result, Laidlaw announced in September 1999 that its corporate strategy was to refocus on its core passenger transportation businesses and that it intended to sell its health care operations and its remaining interest in Safety-Kleen. To date these businesses have not been sold.

Laidlaw included substantial writedowns in the book value of its health care holdings in its financial statements for the fiscal year ending August 31, 1999. Laidlaw further wrote down the value of these businesses in February and May of this year.

In March of this year, Safety-Kleen announced the commencement of an internal investigation of previously reported financial results to determine whether possible accounting irregularities may have affected previously reported financial results. Safety-Kleen subsequently filed for bankruptcy

protection in June 2000. As a result of these developments, the book value of Laidlaw's investment in Safety-Kleen has been written down to \$0.

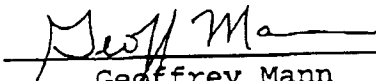
The foregoing difficulties have arisen subsequent to Laidlaw's assumption of control of Greyhound.

At the time that Laidlaw sought Board approval of its acquisition of control of Greyhound, Laidlaw believed that the proposed transaction would significantly benefit the traveling public, employees and shareholders through synergies, savings and efficiencies that would result from the combined resources, skills and operations of the two companies. In the brief sixteen month interval since Laidlaw acquired control of Greyhound, Laidlaw has seen its views confirmed. I shall not presume to speak for Greyhound as to what its affiliation with Laidlaw has meant to it. I have no doubt that Mr. Lentzsch in his Verified Statement will cover that ground fully.

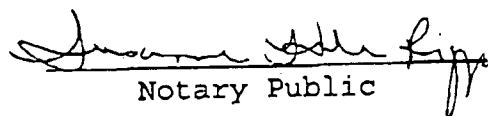
On behalf of Laidlaw, I simply wish to add that having Greyhound's management team assume responsibility for the operations of Laidlaw's principal scheduled intercity passenger transportation company, Greyhound Canada Transportation Corp., as well as Laidlaw's other scheduled intercity, tour and charter bus operators in Canada, has had significant beneficial effects. Not the least of these has been the integration of the Canadian and U.S. operations into a single system, affording passengers traveling between the two countries seamless service.

The core passenger transportation business of Laidlaw,

including Greyhound and the other Laidlaw subsidiaries performing school bus transportation, scheduled intercity bus transportation, charter and tour bus transportation and municipal transit transportation, is viable and in a good market position to continue to serve the traveling public.


Geoffrey Mann

Subscribed and sworn to before me this 1st day of September 2000.


Notary Public

CERTIFICATE OF SERVICE

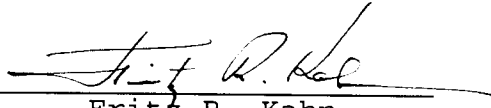
I certify that I this day have served copies of the foregoing Comments of Laidlaw Inc. and Greyhound Lines, Inc., upon the following, by mailing them copies thereof, with first-class postage prepaid:

U.S. Department of Justice
Antitrust Division
10th Street & Pennsylvania Avenue, NW
Washington, DC 20530

U.S. Department of Transportation
Federal Motor Carrier Safety Admin. HMCE-20
400 Virginia Avenue, SW
Washington, DC 20024

U.S. Department of Transportation
Office of the General Counsel
400 7th Street, SW
Washington, DC 20590

Dated at Washington, DC, this 1st day of September 2000.


Fritz R. Kahn