

LAIDLAW INTERNATIONAL INC

Form PREM14A

March 02, 2007

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**SCHEDULE 14A  
(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**LAIDLAW INTERNATIONAL, INC.**

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(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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(1) Amount previously paid:

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

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(3) Filing Party:

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(4) Date Filed:

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**SUBJECT TO COMPLETION, DATED MARCH 2, 2007**

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

[ ], 2007

Dear Stockholder:

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

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

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

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

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

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

Sincerely,

Kevin E. Benson  
*President and Chief Executive Officer*

Peter E. Stangl

*Chairman of the Board of Directors*

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

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

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

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

1. To consider and vote upon the approval of the Agreement and Plan of Merger, dated as of February 8, 2007, by and among FirstGroup plc, a public limited company incorporated under the laws of Scotland, Fern Acquisition Vehicle Corporation, a Delaware corporation and wholly owned subsidiary of FirstGroup, and Laidlaw International, Inc., as more fully described in the enclosed proxy statement;
2. To consider and vote on any proposal to adjourn or postpone the special meeting, including, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the foregoing proposal; and
3. To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

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

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

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

By Order of the Board of Directors,

Kevin E. Benson  
*President and Chief Executive Officer*

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**LAIDLAW INTERNATIONAL, INC.  
SPECIAL MEETING OF STOCKHOLDERS**

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

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

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

**Q: Why am I receiving this proxy statement?**

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

**Q: What am I being asked to vote on?**

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

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

**Q: What will I receive in the merger?**

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

**Q: What do I need to do now?**

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

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

- A:** At a meeting held on February 8, 2007, Laidlaw's board of directors approved the merger agreement and determined that the merger agreement and the merger are in the best interests of Laidlaw and its stockholders. **Our board of directors unanimously recommends that you vote FOR approval of the merger agreement and FOR the proposal to adjourn or postpone the special meeting, including, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of the approving the merger agreement at the time of the special meeting.**
- Q:** Do any of Laidlaw's directors or officers have interests in the merger that may differ from those of Laidlaw stockholders?
- A:** Yes. When considering the recommendation of Laidlaw's board of directors, you should be aware that members of Laidlaw's board of directors and Laidlaw's executive officers have interests in the merger other than their interests as Laidlaw stockholders generally. These interests may be different from, or in conflict with, your interests as Laidlaw stockholders. The members of our board of directors were aware of these additional interests, and considered them, when they approved the merger agreement. See The Merger

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

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

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

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

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

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

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

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

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

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

**Q: May I vote in person?**

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

**Q: May I vote via the Internet or telephone?**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Q: Will the merger be taxable to me?**

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

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

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

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

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

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

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

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

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

**Q: Should I send in my stock certificates now?**

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

**Q: Who can help answer my questions?**

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

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

Telephone: (630) 848-3000

or



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

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

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

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**SUMMARY TERM SHEET**

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

**The Companies (page 14)**

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

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

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

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

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

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

**Merger Consideration (page 35)**

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

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

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

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

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

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

**Market Prices and Dividend Data (page 11)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Opinion of Our Financial Advisor (page 21)**

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

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

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

**The Special Meeting of Laidlaw's Stockholders (page 12)**

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

consider and vote upon the approval of the merger agreement;

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

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

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

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

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

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

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

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



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

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

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

**Conditions to the Closing of the Merger (page 45)**

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

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

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

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

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

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

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

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

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

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

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

there is no pending action or proceeding by any governmental authority or any applicable law (i) seeking to restrain or prohibit consummation of the merger or seeking material damages in connection with the merger, (ii) seeking to restrain or prohibit FirstGroup's or Fern Acquisition's ownership or operation of any material portion of the business or assets