UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF NEW YORK

IN RE:	:	**Jointly Administered**
	:	**Case Nos. 01-14099 K**
LAIDLAW USA, INC.,	:	**through 01-14104 K**
LAIDLAW INC.,	:	
LAIDLAW INVESTMENTS LTD.,	:	**Chapter 11**
LAIDLAW INTERNATIONAL FINANCE	:	
CORPORATION,	:	
LAIDLAW TRANSPORTATION, INC. and	:	
LAIDLAW ONE, INC.,	:	
	:	
Debtors.	:	

DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE FOR THE THIRD AMENDED JOINT PLAN OF REORGANIZATION OF LAIDLAW USA, INC. AND ITS DEBTOR AFFILIATES

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January 23, 2003

ATTORNEYS FOR DEBTORS AND
DEBTORS IN POSSESSION

DISCLOSURE STATEMENT, DATED JANUARY 23, 2003

SOLICITATION OF VOTES
WITH RESPECT TO THE
THIRD AMENDED JOINT PLAN OF REORGANIZATION
OF
LAIDLAW USA, INC. AND ITS DEBTOR AFFILIATES

THE BOARDS OF DIRECTORS OF LAIDLAW USA, INC. ("LAIDLAW USA") AND ITS DEBTOR AFFILIATES LISTED ON EXHIBIT I (THE "DEBTOR AFFILIATES" AND, COLLECTIVELY WITH LAIDLAW USA, THE "DEBTORS") BELIEVE THAT THE THIRD AMENDED JOINT PLAN OF REORGANIZATION OF LAIDLAW USA AND ITS DEBTOR AFFILIATES, DATED JANUARY 23, 2003 AND ATTACHED HERETO AS EXHIBIT II (THE "PLAN"), IS IN THE BEST INTERESTS OF CREDITORS AND OTHER PARTIES IN INTEREST. ALL CREDITORS ENTITLED TO VOTE THEREON ARE URGED TO VOTE IN FAVOR OF THE PLAN. A SUMMARY OF THE VOTING INSTRUCTIONS IS SET FORTH BEGINNING ON PAGE 110 OF THIS DISCLOSURE STATEMENT. MORE DETAILED INSTRUCTIONS ARE CONTAINED ON THE BALLOTS DISTRIBUTED TO CREDITORS ENTITLED TO VOTE ON THE PLAN. TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED AND RECEIVED BY 5:00 P.M., EASTERN TIME, ON FEBRUARY 24, 2003 OR SUCH OTHER DATE AS MAY BE IDENTIFIED ON YOUR BALLOT (THE "VOTING DEADLINE"), UNLESS EXTENDED.

THE CONFIRMATION AND EFFECTIVENESS OF THE PROPOSED PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT, SOME OF WHICH MAY NOT BE SATISFIED. SEE "OVERVIEW OF THE PLAN — CONDITIONS TO CONFIRMATION AND THE EFFECTIVE DATE OF THE PLAN" AND "VOTING AND CONFIRMATION OF THE PLAN — ACCEPTANCE OR CRAMDOWN." THERE IS NO ASSURANCE THAT THESE CONDITIONS WILL BE SATISFIED OR WAIVED.

No person is authorized by any of the Debtors in connection with the Plan or the solicitation of acceptances of the Plan to give any information or to make any representation other than as contained in this Disclosure Statement and the exhibits and schedules attached hereto or incorporated by reference or referred to herein, and, if given or made, such information or representation may not be relied upon as having been authorized by any of the Debtors. Although the Debtors will make available to creditors entitled to vote on the Plan such additional information as may be required by applicable law prior to the Voting Deadline, the delivery of this Disclosure Statement will not under any circumstances imply that the information herein is correct as of any time subsequent to the date hereof.

ALL CREDITORS ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN ATTACHED AS EXHIBIT II AND THE MATTERS DESCRIBED UNDER "RISK FACTORS," PRIOR TO SUBMITTING BALLOTS PURSUANT TO THIS SOLICITATION.

The summaries of the Plan and the other documents contained in this Disclosure Statement are qualified by reference to the Plan itself, the exhibits thereto and documents described therein as being filed prior to approval of the Disclosure Statement.

The information contained in this Disclosure Statement, including the information regarding the history, businesses and operations of the Debtors, the historical, projected and budgeted financial information regarding the Debtors and the liquidation analyses relating to the Debtors, is included for purposes of soliciting acceptances of the Plan but, as to contested matters and adversary proceedings, is not to be construed as admissions or stipulations but rather as statements made in settlement negotiations.

FORWARD-LOOKING STATEMENTS

THIS DISCLOSURE STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS BASED PRIMARILY ON THE CURRENT EXPECTATIONS OF THE DEBTORS AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL TRENDS AFFECTING THE FINANCIAL CONDITION OF THE DEBTORS' OR THE REORGANIZED DEBTORS' BUSINESSES. THE WORDS "BELIEVE," "MAY," "ESTIMATE," "CONTINUE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED BELOW UNDER THE CAPTION "RISK FACTORS." IN THE LIGHT OF THESE RISKS AND UNCERTAINTIES, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES DISCUSSED IN THIS DISCLOSURE STATEMENT MAY NOT OCCUR, AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS. NEITHER THE DEBTORS NOR THE REORGANIZED DEBTORS UNDERTAKE ANY OBLIGATION TO UPDATE OR REVISE PUBLICLY ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE FOLLOWING ITS APPROVAL BY THE BANKRUPTCY COURT.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY CANADIAN SECURITIES ADMINISTRATOR ("CSA") OR ANY STOCK EXCHANGE, NOR HAS THE SEC, ANY CSA OR ANY STOCK EXCHANGE PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

All capitalized terms in this Disclosure Statement not otherwise defined herein have the meanings given to them in the Plan.

TABLE OF CONTENTS

Page

INTRODUCTION 1

OVERVIEW OF THE PLAN 2
- Introduction 2
- Changes to Corporate Structure 2
- General Information Concerning Treatment of Claims and Interests 3
- Summary of Classes and Treatment of Claims and Interests 3
- Sources and Uses of Cash 7
- Additional Information Regarding Assertion and Treatment of Administrative Claims and Priority Tax Claims 8
  - Administrative Claims 8
- Priority Tax Claims 10
- Special Provisions Regarding the Treatment of Allowed Secondary Liability Claims 10
- Summary of Terms of Certain Securities To Be Issued Pursuant to the Plan and Post-Reorganization Indebtedness 11
- Conditions to Confirmation and the Effective Date of the Plan 12
  - Conditions to Confirmation 12
  - Conditions to the Effective Date 12
  - Waiver of Conditions to Confirmation or the Effective Date 13
  - Effect of Nonoccurrence of Conditions to the Effective Date 13
- Exit Financing Facility and New LINC Notes; Obtaining Cash for Plan Distributions and Transfers of Funds Among the Reorganized Debtors 13
- The CCAA Order 14

CERTAIN EVENTS PRECEDING THE DEBTORS' CHAPTER 11 FILINGS 15
- Background of the Restructuring 15
  - The Greyhound Facility 15
  - The Bridge Facility 16
- Resolution of Disputes Among Laidlaw, Safety-Kleen and Certain Other Parties 16
  - Laidlaw Proof of Claim in Safety-Kleen Cases 16
  - Proofs of Claim Filed Against LINC by Safety-Kleen and Parties Affiliated with Safety-Kleen 17
  - Settlement of Certain Safety-Kleen Matters 18
- Other Significant Prepetition Events 19
  - Engagement of Kroll Zolfo Cooper 19
  - New York Stock Exchange Delisting 19
  - Postponement of Annual General Meeting 19
  - Suspension of Trading on the Toronto Stock Exchange 20

OPERATIONS DURING THE REORGANIZATION CASES 20
- First Day Relief 20
  - Introduction 20
- Debtor-in-Possession Financing 21
- Key Employee Retention Program 22
- Supplemental Executive Retirement Plans 22
- Severance Policy 22
- Executory Contracts and Unexpired Leases 22
- The CCAA Cases 23
- Prepetition Trade Claims 23
- Claims Process and Bar Date 24
- Appointment of the Creditors' Committee 24
- Motion to Enjoin Prosecution of Securities Class Actions Against Nondebtor Employees 25

TABLE OF CONTENTS
(continued)

Page

Bonding Facilities 25
AIG Bonding Facility 25
Kemper Bonding Facility 26
Federal Bonding Facility 26
Settlement and Lock-Up Agreement 26
Director and Officer Claim Treatment Letter 27
Exclusivity 28
Settlement of Pension Plan Claims 28

RECOVERY ACTIONS; OTHER LEGAL PROCEEDINGS 29
Recovery Actions 29
Introduction 29
Preference Claims 29
Fraudulent Conveyance Actions 29
Other Legal Proceedings 30
Securities Litigation 30
Other Litigation 33

NEW LINC 34
Description of LINC's Business 34
Contract Bus Services 35
Greyhound 35
Healthcare Services 35
Safety-Kleen Corp. 36
Restructuring Transactions 37
Business of New LINC 38
Business Plan 38
Liquidity and Capital Resources 39
Selected Historical Financial Information 39
Projected Financial Information 40
Introduction 40
Principal Assumptions for the Projections 40
Projections 51
Management and Board of Directors 59
New LINC Board of Directors 59
Compensation of LINC Board of Directors 59
Classification of the Board 59
Board Committees 60
Director Nomination Procedures 61
Director Compensation 61
New LINC Executive Officers 61
Executive Compensation 62
Summary Compensation Table 63
Existing Benefit Plans and Agreements of LINC and its Subsidiaries 63
Other Employment and Severance Agreements 66
New Benefit Plans and Agreements 69
Certain Corporate Governance Matters 75
Introduction 75
Classified Board of Directors, Removal of Directors and Filling Vacancies in Directorships 75
Stockholder Action and Special Meetings of Stockholders 75
Advance Notice Requirements for Stockholder Proposals and Directors Nominations 76
Authorized But Unissued Shares 76
Supermajority Vote Requirements 76
Rights Agreement 77
Delaware Section 203 78

TABLE OF CONTENTS
(continued)

Page

Limitation of Liability; Indemnity Arrangements ... 79

SECURITIES TO BE ISSUED PURSUANT TO THE PLAN AND POST-REORGANIZATION INDEBTEDNESS ... 79
- Reorganization Value ... 79
- New Common Stock ... 81
- Exit Financing ... 82
- New LINC Notes ... 82

RISK FACTORS ... 83
- Projections, Business Plan and Reorganization Enterprise Value ... 83
- Recovery of Performance Bonding Collateral ... 83
- Losses Associated with Safety-Kleen; Claims Related to Safety-Kleen Asserted Against the Debtors ... 83
- Substantial Leverage ... 84
- Security Interests ... 86
- Effective Subordination as a Result of Holding Company Structure ... 86
- Noncomparability of Historical Financial Information ... 86
- Lack of Established Market for New Common Stock; Possible Volatility ... 86
- Restricted Resale of the New Common Stock in the United States ... 87
- Treatment of Claims; Dilution ... 87
- Federal Income Tax Claims ... 87
- Deteriorating Financial Results ... 88
- Potential Loss of Customers ... 88
- Bonding ... 88
- Losses in the Healthcare Services Businesses ... 88
- Decreasing Operating Margins in LINC's Businesses ... 89
- Increasing Competitive and External Pressures ... 89
- Seasonality ... 90
- Importance of Self-Insurance Authority and Availability of Insurance ... 90
- Pension Funding Requirements ... 91
- Allocation of Fresh Start Asset Values ... 92
- Litigation ... 92
- Certain Anti-Takeover Effects ... 92
- Dividend Policies; Restrictions on Payment of Dividends ... 92

GENERAL INFORMATION CONCERNING THE PLAN ... 93
- Discharge of Claims and Termination of Interests; Related Injunction ... 93
- Preservation of Rights of Action by New LINC, the Debtors and the Reorganized Debtors ... 94
- Guaranty Coverage Dispute Settlement ... 95
- Releases and Related Injunction ... 96
- Limitations on Amounts to Be Distributed to Holders of Allowed Insured Claims ... 99
- Cancellation and Surrender of Instruments, Securities and Other Documentation ... 99
- New Tax Sharing Agreement ... 99
- Release of Liens ... 99
- Effectuating Documents; Further Transactions; Exemption from Certain Transfer Taxes ... 99
- Continuation of Debtor Guaranties and Debtor Programs ... 100
- Cross-Border Issues ... 100
- Executory Contracts and Unexpired Leases ... 100

DISTRIBUTIONS UNDER THE PLAN ... 102
- General ... 102
- Methods of Distributions ... 102
  - Distributions to Holders of Claims ... 102
  - Compensation and Reimbursement for Services Related to Distributions ... 103
  - Delivery of Distributions in General ... 103
  - Special Provisions for Distributions to Holders of Class 6 General Unsecured Claims ... 103

TABLE OF CONTENTS
(continued)

Page

Undeliverable or Unclaimed Distributions ... 103
Distribution Record Date ... 104
Means of Cash Payments ... 104
Timing and Calculation of Amounts To Be Distributed ... 105
Distributions of New Common Stock ... 105
De Minimis Distributions ... 105
Compliance with Tax Requirements ... 106
Surrender of Canceled Instruments or Securities ... 106
Setoffs ... 107
Disputed Claims; Reserves and Estimations ... 107
Unsecured Claims Reserves ... 107
Disallowance of Claims of Parties Holding Property Recoverable Pursuant to a Recovery Action ... 108
Distributions on Account of Disputed Claims Once They Are Allowed ... 108
Tax Requirements for Income Generated by Unsecured Claims Reserve ... 108
Objections to Claims or Interests and Authority to Prosecute Objections ... 108
Dissolution of the Creditors' Committee and the Subcommittees ... 109
Limitation of Liability ... 109
Treatment of Letters of Credit Not Issued Under the Prepetition Credit Facility ... 109

VOTING AND CONFIRMATION OF THE PLAN ... 110
General ... 110
Voting Procedures and Requirements for Voting ... 111
Confirmation Hearing ... 111
Confirmation ... 112
Acceptance or Cramdown ... 112
Modification or Revocation of the Plan ... 113
Substantive Consolidation ... 113
Best Interests Test; Liquidation Analysis ... 113
Feasibility ... 114
Compliance with Applicable Provisions of the Bankruptcy Code ... 114
Alternatives to Confirmation and Consummation of the Plan ... 114

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ... 115
General ... 115
Characterization of the Plan ... 115
Consequences to the Debtors ... 115
Consequences to Holders of Claims ... 116
Definition of Securities ... 117
Holders of Claims Constituting Tax Securities ... 117
Holders of Claims Not Constituting Tax Securities; Holders of Claims Against LTI or Laidlaw One ... 117
Non-U.S. Holders of New Common Stock ... 117
Dividend Income Earned by the Unsecured Claims Reserve ... 118
Certain Other Tax Considerations for Holders of Claims ... 118
Receipt of Pre-Effective Date Interest ... 118
Receipt of Dividend and Interest Income Earned by the Unsecured Claims Reserve ... 119
Reinstatement of Claims ... 119
Bad Debt Deduction ... 119
Information Reporting and Backup Withholding ... 119

CERTAIN CANADIAN FEDERAL INCOME TAX CONSEQUENCES OF CONSUMMATION OF THE PLAN ... 119
General ... 119
Settlement of Debt ... 120
Consequences of Debtor Restructuring Transactions ... 120

TABLE OF CONTENTS
(continued)

Page

Certain Federal Income Tax Consequences to Holders of Claims 120
Resident Holders 120
Non-Resident Holders 121

APPLICABILITY OF CERTAIN U.S. FEDERAL AND STATE SECURITIES LAWS 121
General 121
Bankruptcy Code Exemptions from Registration Requirements 121
Subsequent Transfers of Securities Under Federal Securities Laws 121
Subsequent Transfers of Securities Under State Securities Laws 123
Certain Transactions by Stockbrokers 123

APPLICABILITY OF CERTAIN CANADIAN SECURITIES LAWS 124

ADDITIONAL INFORMATION 124

RECOMMENDATION AND CONCLUSION 124

TABLE OF EXHIBITS

EXHIBIT I - LAIDLAW USA, INC. AND ITS DEBTOR AFFILIATES

EXHIBIT II - JOINT PLAN OF REORGANIZATION OF LAIDLAW USA, INC. AND ITS DEBTOR AFFILIATES

EXHIBIT III - LAIDLAW INC. ANNUAL INFORMATION FORM FOR THE YEAR ENDED AUGUST 31, 2002

EXHIBIT IV - LIQUIDATION ANALYSIS

INTRODUCTION

The Debtors are seeking approval of the Plan, a copy of which is attached hereto as Exhibit II. This Disclosure Statement is submitted by the Debtors in connection with the solicitation of acceptances of the Plan.

The confirmation of a plan of reorganization, which is the vehicle for satisfying the rights of holders of claims against, and equity interests in, a debtor, is the overriding goal of a chapter 11 case. The primary objectives of the Plan are to:

- alter the Debtors' debt and capital structures to permit them to emerge from chapter 11 with viable capital structures;
- maximize the value of the ultimate recoveries to all creditor groups on a fair and equitable basis; and
- settle, compromise or otherwise dispose of certain claims and interests on terms that the Debtors believe to be fair and reasonable and in the best interests of their respective Estates, creditors and other parties in interest.

The Plan provides for, among other things:

- transactions that will result in the ultimate parent company in the corporate structure being New LINC, a Delaware corporation;
- the implementation of the Guaranty Coverage Dispute Settlement among the Debtors, the Lenders and the Prepetition Noteholders;
- the implementation of the Safety-Kleen Settlement Agreement and the Bondholder Settlement Agreement;
- the cancellation of the Old Common Stock of Laidlaw Inc., a Canadian corporation ("LINC"), and one of the Debtors;
- the exchange of the Prepetition Notes and 1995 Notes and the debt issued under the Prepetition Credit Facility for Cash and New Common Stock;
- the cancellation of certain other indebtedness in exchange for Cash and New Common Stock;
- the assumption, assumption and assignment, or rejection of all Executory Contracts and Unexpired Leases to which any Debtor is a party; and
- the selection of the board of directors of New LINC (the "New LINC Board of Directors").

See "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests."

By an order of the Bankruptcy Court, dated January 23, 2003, this Disclosure Statement has been approved as containing "adequate information" for creditors of the Debtors and other parties in interest in accordance with Section 1125 of the Bankruptcy Code. The Bankruptcy Code defines "adequate information" as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and the history of the debtor and the condition of the debtor's books and records, that would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the plan . . . ." 11 U.S.C. § 1125(a)(1).

THE DEBTORS' BOARDS OF DIRECTORS BELIEVE THAT THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND OTHER PARTIES IN INTEREST. ALL CREDITORS ENTITLED TO VOTE ARE URGED TO VOTE TO ACCEPT THE PLAN BY NO LATER THAN THE VOTING DEADLINE.

The requirements for Confirmation, including the vote of creditors required to accept the Plan and certain of the statutory findings that must be made by the Bankruptcy Court prior to Confirmation, are set forth in "Voting and Confirmation of the Plan." Confirmation of the Plan and the occurrence of the Effective Date are subject to a number of significant conditions, as summarized in "Overview of the Plan — Conditions to Confirmation and the Effective Date of the Plan." There can be no assurance that any of these conditions will be satisfied or waived.

OVERVIEW OF THE PLAN

Introduction

The following is a brief overview of certain material provisions of the Plan. This overview is qualified in its entirety by reference to the provisions of the Plan, a copy of which is attached hereto as Exhibit II, and the exhibits thereto, as amended from time to time, which are or will be available for inspection at the Document Reviewing Centers. See "Additional Information." For a description of other significant terms and provisions of the Plan, see "General Information Concerning the Plan" and "Distributions Under the Plan."

Unless otherwise specified, all references to "dollars" or "$" shall be deemed to refer to the currency of the United States.

Changes to Corporate Structure

LINC is organized under the laws of Canada. LINC provides contract bus services, consisting of school bus transportation throughout the United States and Canada and municipal transit and paratransit bus transportation within the United States. LINC's Greyhound segment provides inter-city and tourism bus transportation throughout North America. LINC's healthcare services segment provides healthcare transportation services and emergency management services in the United States. Pursuant to the Plan, the Restructuring Transactions will occur on or before the Effective Date and will have the following principal effects:

- LINC will engage in an internal restructuring designed to modify the ownership structure of its Canadian assets and to cause Laidlaw Investments Ltd. ("LIL") to become a direct, wholly owned subsidiary of LINC.

- LIL will acquire from LINC, in consideration for a combination of Cash and common stock of LIL, all of LINC's assets (other than its stock in LIL), including all of the equity and debt of LINC's Canadian and non-U.S. operations, Greyhound Canada Transportation Corp. and Laidlaw Transit Ltd. As a result, LIL will own all of the U.S. and non-U.S. operations of LINC.

- LIL will be continued into the United States as a Delaware corporation in accordance with the applicable provisions of the Delaware General Corporation Law ("DGCL") and the Business Corporations Act (Ontario) and change its name to "Laidlaw International Inc." As a result of the continuance, LIL will become a Delaware corporation ("New LINC"), and all of LIL's outstanding shares of common stock will become shares of New Common Stock. LINC will transfer a combination of Cash and New Common Stock to the existing creditors of LINC in full satisfaction and discharge of all claims, liabilities and debts against LINC. Each Allowed Claim holder's recovery will be received first in full satisfaction of the principal amount of the holder's Allowed Claim and, only if the entire principal amount of the holder's Allowed Claim has been paid, then in full satisfaction of associated costs, fees and expenses, and then in full satisfaction of the unpaid pre-Effective Date interest, if any, on such Allowed Claim. The Unsecured Bank Debt of LINC and Laidlaw Transportation, Inc. ("LTI") will be satisfied and discharged on the Effective Date pursuant to Section III.C.1 of the Plan. The Prepetition Noteholder Claims and the 1995 Noteholder Claims of LINC and Laidlaw One, Inc. ("Laidlaw One") will be satisfied and discharged on the Effective Date pursuant to Section III.C.2 of the Plan. The outstanding stock of LINC and rights to acquire such stock will be canceled for no consideration.

As a result of the foregoing transactions, the ultimate parent company in the Reorganized Debtors' corporate structure will be New LINC, a Delaware corporation. See "New LINC — Restructuring Transactions."

General Information Concerning Treatment of Claims and Interests

The Plan provides that holders of Allowed Claims in certain Classes will, in respect of their Claims, be entitled to distributions of Cash and New Common Stock. See "Securities To Be Issued Pursuant to the Plan and Post-Reorganization Indebtedness" for a description of the New Common Stock to be issued pursuant to the Plan. The Plan also provides that the holders of Allowed Secured Claims will have their Secured Claims paid in full or Reinstated or will receive the collateral securing such Claims, at the option of the Debtors and subject to the consent of the Subcommittees. Under the Plan, shares of Old Common Stock of LINC and Old Preferred Stock of LINC will be canceled for no consideration. Holders of Intercompany Claims (except as specified in Exhibit X of the Plan), Penalty Claims, Subordinated Common Stockholder Claims, LINC Old Stock Interests, Subordinated Safety-Kleen Claims and Subordinated Debtholder Claims will receive no distributions under the Plan. Other Interests, which consist of stock of subsidiaries of LINC held exclusively by controlled affiliates of LINC, will be Reinstated, except to the extent impaired pursuant to the Restructuring Transactions.

The determination of the relative distributions to be received under the Plan by the holders of Claims in certain Classes was based upon, among other factors, estimates of the amounts of Allowed Claims in such Classes and the relative priorities of such Allowed Claims.

For purposes of computations of Claim amounts, administrative and other expenses and for similar computational purposes, the Effective Date is assumed to occur on March 31, 2003. There can be no assurance, however, when or if the Effective Date will actually occur. Procedures for the distribution of Cash and securities pursuant to the Plan, including matters that are expected to affect the timing of the receipt of distributions by holders of Claims in certain Classes and that could affect the amount of distributions ultimately received by such holders, are described in "Distributions Under the Plan."

The Plan constitutes a separate plan of reorganization for each Debtor. The "cramdown" provisions of Section 1129(b) of the Bankruptcy Code permit confirmation of a chapter 11 plan of reorganization in certain circumstances, even if the plan is not accepted by all impaired classes of claims and interests of a debtor. See "Voting and Confirmation of the Plan — Acceptance or Cramdown." The Debtors will seek "cramdown" of the Plan with respect to each Class of Claims or Interests that will not receive or retain any consideration under the Plan. Further, the Debtors have reserved the right to request Confirmation pursuant to the cramdown provisions of the Bankruptcy Code and to amend the Plan if any Class of Claims of any Debtor fails to accept the Plan; *provided*, *however*, that the Debtors have waived their right to seek Confirmation of the Plan over the rejection of the Plan by either or both of the holders of Claims in Class 4 and Class 5A. For purposes of this Disclosure Statement, however, it has been assumed that, except as described above, the Debtors will not be required to seek Confirmation under the cramdown provisions of the Bankruptcy Code. Although the Debtors believe that, if necessary, the Plan could be confirmed under the cramdown provisions of the Bankruptcy Code, there can be no assurance that the requirements of such provisions would be satisfied.

Summary of Classes and Treatment of Claims and Interests

The classification of Claims and Interests, the estimated aggregate amount of Claims in each Class and the amount and nature of distributions to holders of Claims or Interests in each Class are summarized in the table below. In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified. For a discussion of certain additional matters related to Administrative Claims and Priority Tax Claims, see "— Additional Information Regarding Assertion and Treatment of Administrative Claims and Priority Tax Claims." For purposes of the following table, "Adjusted Amount" means: (a) in the case of all Allowed Class 4 Claims, the aggregate amount of such Allowed Claims (including the amount of such Claims resulting from any draws on Letters of Credit prior to the Effective Date) minus $88.0 million, and in the case of each Allowed Class 4 Claim, the amount of such Allowed Claim (including the amount, if any, resulting from any draws on Letters of Credit prior to the Effective Date) minus the portion of $88.0 million allocable to such Claim; (b) in the case of all Allowed Class 5A Claims, the aggregate amount of such Claims minus $22.0 million, and in the case of each Allowed Class 5A Claim, the amount of such Allowed Claim minus the portion of $22.0 million allocable to such Claim; (c) in the case of Allowed 5B Claims, the aggregate amount of such Allowed Claims; and (d) in the case of Allowed Class 6 Claims, the aggregate amount of such Allowed Claims.

Description and Amount of Claims or Interests	Treatment
Class 1 Claims (Secured Claims) This class consists of all Secured Claims against any Debtor, other than setoff Claims of any Lender. Estimated Aggregate Amount: $0	On the Effective Date, subject to the consent of the Subcommittees and unless otherwise agreed by the holder of an Allowed Secured Claim and the applicable Debtor or Reorganized Debtor, each holder of an Allowed Claim in Class 1 will be satisfied, at the applicable Debtor's option: (A) by payment in Cash, in full, by the applicable Debtor or Reorganized Debtor; (B) by Reinstatement of the Allowed Secured Claim; (C) by the return of the collateral securing the applicable Allowed Secured Claim to the claimant; or (D) on such other terms and conditions as may be agreed upon by the applicable Debtor or Reorganized Debtor and the holders of such Allowed Secured Claims. Estimated Percentage Recovery: 100%
Class 2 Claims (Priority Claims) This class consists of all Priority Claims. Estimated Aggregate Amount: $0	On the Effective Date, each holder of an Allowed Priority Claim will receive Cash equal to the amount of such Claim. Estimated Percentage Recovery: 100%
Class 3 Claims (Unsecured Trade Debt Claims) This class consists of Unsecured Trade Debt Claims. Estimated Aggregate Amount: $0	On the Effective Date, each holder of an Allowed Claim in Class 3 will be paid in full in Cash, subject to the Unsecured Trade Debt Claims Cap. Estimated Percentage Recovery: 100%
Class 4 Claims (Unsecured Bank Debt Claims) This class consists of Unsecured Bank Debt Claims. Estimated Aggregate Amount: $1,305,445,501.02, plus the amount of such Claims, if any, resulting from any draws on Letters of Credit prior to the Effective Date, without offset, defense or counterclaim and not subject to any subordination or recharacterization under the Bankruptcy Code or applicable nonbankruptcy law.	On the Effective Date, holders of Allowed Unsecured Bank Debt Claims will receive a Pro Rata share of $88.0 million in Cash. In addition, on the Effective Date, each holder of an Allowed Unsecured Bank Debt Claim will receive a Pro Rata share, measured according to the Adjusted Amount of Allowed Claims in Classes 4 and 5A and the aggregate amount of Allowed Claims in Class 6, as estimated by the Bankruptcy Court in the Class 6 Estimation Order, collectively, of (A) Excess Cash, (B) the Exit Proceeds (less $36,611,991 (*i.e.*, the Cash to be distributed to holders of Allowed 1995 Noteholder Claims)) and (C) the Distributable New Common Stock (less the number of shares of New Common Stock to be distributed to holders of Allowed 1995 Noteholder Claims).* Estimated Percentage Recovery: 64.0%**

Description and Amount of Claims or Interests	Treatment
Class 5A Claims (Prepetition Noteholder Claims) This class consists of Prepetition Noteholder Claims. Estimated Aggregate Amount: $2,159,279,306.00 without offset, defense or counterclaim and not subject to any subordination or recharacterization under the Bankruptcy Code or applicable nonbankruptcy law.	On the Effective Date, holders of Allowed Prepetition Noteholder Claims will receive a Pro Rata share of $22.0 million in Cash. In addition, on the Effective Date, holders of Allowed Prepetition Noteholder Claims will receive a Pro Rata share, measured according to the Adjusted Amount of Allowed Claims in Classes 4 and 5A and the aggregate amount of Allowed Claims in Class 6, as estimated by the Bankruptcy Court in the Class 6 Estimation Order, collectively, of (A) Excess Cash, (B) the Exit Proceeds (less $36,611,991 (*i.e.*, the Cash to be distributed to holders of Allowed 1995 Noteholder Claims)) and (C) the Distributable New Common Stock (less the number of shares of New Common Stock to be distributed to holders of Allowed 1995 Noteholder Claims).* Estimated Percentage Recovery: 61.8%**
Class 5B Claims (1995 Noteholder Claims) This class consists of 1995 Noteholder Claims. Estimated Aggregate Amount: $93,362,960.00 without offset, defense or counterclaim and not subject to any subordination or recharacterization under the Bankruptcy Code or applicable nonbankruptcy law.	On the Effective Date, holders of Allowed 1995 Noteholder Claims will receive Pro Rata shares of $36,611,991 in Cash and a number of shares of New Common Stock such that holders of Allowed 1995 Noteholder Claims will recover a total of 87.5% of the Face Amount of such Claims. Estimated Percentage Recovery: 87.5%**
Class 6 Claims (General Unsecured Claims) This class consists of Unsecured Claims against any Debtor that are not otherwise classified in Classes 1, 3, 4, 5A, 5B, 7, 8, 9A or 9B, including the Safety-Kleen Settlement Claim, Unsecured Claims of CIBC, individually, for Claims related to or arising under certain interest rate, currency or other hedging agreements with the Debtors or certain letters of credit issued to or on behalf of the Debtors and drawn prior to the Effective Date, to the extent such Claims do not arise under the Prepetition Credit Facility, any other interest rate swap breakage Claims, the Westinghouse Note Claim, Rejection Damage Claims and any undersecured portion of Secured Claims. Estimated Aggregate Amount: $419,038,259.00	On the Effective Date, holders of Allowed General Unsecured Claims will receive a Pro Rata share, measured according to the Adjusted Amount of Allowed Claims in Classes 4 and 5A and the aggregate amount of Allowed Claims in Class 6, as estimated by the Bankruptcy Court in the Class 6 Estimation Order, collectively, of (A) Excess Cash, (B) the Exit Proceeds (less $36,611,991 (*i.e.*, the Cash to be distributed to holders of Allowed 1995 Noteholder Claims)) and (C) the Distributable New Common Stock (less the number of shares of New Common Stock to be distributed to holders of Allowed 1995 Noteholder Claims).* Estimated Percentage Recovery: 61.4%**

Description and Amount of Claims or Interests	Treatment
Class 7 Claims (Intercompany Claims) This class consists of all Intercompany Claims other than Intercompany Claims that are Administrative Claims. Estimated Aggregate Amount: $3,586,763,368.00	Except as otherwise provided in Section IV.N of the Plan, no property will be distributed to, transferred to or retained by the Laidlaw Companies on account of Claims in Class 7 as part of any of the Restructuring Transactions or otherwise, and, except as specified in Exhibit X of the Plan (relating to the Restructuring Transactions), such Claims will be discharged as of the Effective Date. Notwithstanding this treatment of Claims in Class 7, each of the Laidlaw Companies holding an Intercompany Claim in Class 7 will be deemed to have accepted the Plan. Estimated Percentage Recovery: 0%
Class 8 Claims (Penalty Claims) This class consists of Secured or Unsecured Claims against the Debtors for any fine, penalty or forfeiture, or for multiple, exemplary or punitive damages, to the extent that such fine, penalty, forfeiture or damages are not compensation for actual pecuniary loss suffered by the holder of such Claim.	No property will be distributed to or retained by the holders of Allowed Claims in Class 8 on account of such Claims. Estimated Percentage Recovery: 0%
Class 9A Claims (Subordinated Debtholder Claims) This class consists of Subordinated Debtholder Claims and any other Claims that are to be subordinated pursuant to Section 510 of the Bankruptcy Code or otherwise (other than Claims classified in Class 8 or Class 9B).	No property will be distributed to or retained by the holders of Allowed Claims or Interests in Class 9A on account of such Claims or Interests. Estimated Percentage Recovery: 0%
Class 9B Claims (LINC Old Stock Interests; Subordinated Stockholder Claims; Subordinated Safety-Kleen Claims) This class consists of all Interests in LINC. Also included in this class are all Subordinated Common Stockholder Claims and Subordinated Safety-Kleen Claims.	No property will be distributed to or retained by the holders of Allowed Claims or Interests in Class 9B on account of such Claims or Interests. Estimated Percentage Recovery: 0%
Class 10 Claims (Other Interests) This class consists of Other Interests.	Except to the extent impaired pursuant to the Restructuring Transactions, Interests in Class 10 will be Reinstated. Each of the holders of Interests in Class 10 will be deemed to have accepted the Plan.

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* As further provided above, each holder of an Allowed Claim in Classes 4, 5A and 6 will receive a Pro Rata share of up to $950.0 million in Cash (*i.e.*, the Exit Proceeds) (less $36,611,991 (*i.e.*, the Cash to be distributed to holders of Allowed 1995 Noteholder Claims)), any Excess Cash and all of the Distributable New Common Stock (less the number of shares of New Common Stock to be distributed to holders of Allowed 1995 Noteholder Claims), it being understood that the sum of the proceeds of the term loan portion of the Exit Financing Facility and the principal amount of the New LINC Notes will equal at least $950.0 million, provided, however, that the sum of the proceeds of the term loan portion of the Exit Financing Facility and the

principal amount of the New LINC Notes will not be less than $875.0 million, after giving effect to the Excess Cash Reduction. In no event will the Exit Proceeds be less than $875.0 million. In addition, the holders of Allowed Claims in Classes 4 and 5A will receive Pro Rata shares of the Guaranty Coverage Dispute Settlement Distribution (*i.e.*, $88.0 million in Cash for holders of Allowed Claims in Class 4 and $22.0 million in Cash for holders of Allowed Claims in Class 5A). Holders of Allowed 1995 Noteholder Claims will receive Pro Rata shares of $36,611,991 in Cash and a number of shares of New Common Stock such that the holders of Allowed 1995 Noteholder Claims will recover a total of 87.5% of the Face Amount of such Claims. Any distribution of Excess Cash will result in a dollar-for-dollar reduction of up to $75.0 million in the aggregate principal amount of New LINC's post-Effective Date indebtedness. The Debtors shall effect such reduction with respect to the aggregate principal amount of the senior secured term loan of the Exit Financing Facility and/or the New LINC Notes at their discretion, subject to the $75.0 million aggregate cap described above.

** For purposes of calculating the estimated percentage recovery for Classes 4, 5A, 5B and 6, the value of the Distributable New Common Stock to be received by holders of Allowed Claims in those classes has been estimated based on the assumed aggregate shareholders' equity value of New LINC as at the Effective Date as reflected in the projected financial information under "New LINC — Projected Financial Information." The realizable value of the New Common Stock received will differ from the assumed value, and the difference may be material. See "Risk Factors — Projections, Business Plan, and Reorganization Enterprise Value" and "Risk Factors — Recovery of Performance Bonding Collateral."

For purposes of calculating the estimated percentage recovery for Classes 4, 5A, 5B and 6, no value has been attributed to Disputed Claims, including, without limitation, any alleged Claim against the Debtors by Raygar Environmental Systems International, Inc. or any Priority Tax Claim.

Sources and Uses of Cash

The following table summarizes the principal sources and uses of Cash expected to be available to the Reorganized Debtors on the Effective Date assuming that the closing of the Exit Financing Facility and the sale of the New LINC Notes occur on the terms and conditions described herein. All amounts shown are estimates. There can be no assurance that there will not be material variances between such estimates and the actual amounts of Cash required to consummate the Plan.

(Dollars in millions)*	
Sources of Cash	
Cash generated from operations	$344
Proceeds from Exit Financing Facility term loan and revolving credit facility and New LINC Notes	971
Total sources	$1,315
Uses of Cash	
Cash distributions in respect of Class 4	$423
Cash distributions in respect of Class 5A	611
Cash distributions in respect of Class 5B	36
Cash distributions in respect of Class 6	115
Contribution to the Pension Plans on emergence	50
Administrative claims, financing fees and other reorganization expenses	50
Working capital	30
Total uses	$1,315

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* **For purposes of the summary of the principal sources and uses of Cash and the assumed Cash distributions in respect of Classes 4, 5A, 5B and 6, no value has been attributed to Disputed Claims, including, without limitation, any Claim against the Debtors by Raygar Environmental Systems International, Inc. or any Priority Tax Claim.**

In addition, it is anticipated that, on the Effective Date, an additional $253.8 million will be available to the Reorganized Debtors pursuant to the senior secured revolving credit facility under the Exit Financing Facility to assist the Reorganized Debtors in meeting their respective working capital needs, issuing letters of credit in the expected aggregate amount of approximately $110.0 million on the Effective Date to replace letters of credit currently outstanding under the Debtors' existing borrowing facilities, and paying administrative claims, financing fees and other reorganization expenses, including any outstanding indebtedness under the DIP Facility and related fees and expenses. See "Overview of the Plan — Exit Financing Facility and New LINC Notes; Obtaining Cash for Plan Distributions and Transfers of Funds Among the Reorganized Debtors."

Additional Information Regarding Assertion and Treatment of Administrative Claims and Priority Tax Claims

Administrative Claims

General. Subject to the Bar Date provisions in the Plan, unless otherwise agreed by the holder of an Administrative Claim and the applicable Debtor or Reorganized Debtor and unless the consent of the Subcommittees has been obtained, each holder of an Allowed Administrative Claim will receive, in full satisfaction of such Administrative Claim, Cash equal to the allowed amount of such Administrative Claim either: (a) on the Effective Date; or (b) if the Administrative Claim is not allowed as of the Effective Date, 30 days after the date on which an order allowing such Administrative Claim becomes a Final Order or a Stipulation of Amount and Nature of Claim is executed by New LINC or the applicable Reorganized Debtor and the holder of the Administrative Claim. Administrative Claims include Claims for costs and expenses of administration allowed under Section 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code, including:

- the actual and necessary costs and expenses incurred after the Petition Date of preserving the respective Estates and operating the businesses of the Debtors (such as wages, salaries, commissions for services and payments for inventories, leased equipment and premises), including Claims under the DIP Facility;

- compensation for legal, financial advisory, accounting and other services and reimbursement of expenses awarded or allowed under Section 330(a), 331 or 1103 of the Bankruptcy Code, including Fee Claims;

- Claims payable pursuant to Section III.E.2 of the Plan;

- Claims payable pursuant to Section IV.F.5 of the Plan;

- all fees and charges assessed against the Estates under chapter 123 of title 28, United States Code, 28 U.S.C. §§ 1911-1930;

- Claims for reclamation allowed in accordance with Section 546(c)(2) of the Bankruptcy Code and Section 2-702 of the Uniform Commercial Code;

- all Intercompany Claims accorded priority pursuant to Section 364(c)(1) of the Bankruptcy Code or the Cash Management Order, but only to the extent provided and subject to the limitations in the Cash Management Order; and

- Claims of Banc One Corp., CIBC and Royal Bank of Canada for fees incurred by the Debtors in connection with the administration of the Debtors' existing cash management system accorded superpriority status pari passu with the claims of the DIP Lenders as provided in the Cash Management Order.

In addition to the types of Administrative Claims described above, Section 503(b) of the Bankruptcy Code provides for payment of compensation or reimbursement of expenses to creditors and other entities making a "substantial contribution" to a chapter 11 case and to attorneys for, and other professional advisors to, such entities. The amounts, if any, that such entities will seek or may seek for such compensation or reimbursement are not known by the Debtors at this time. Under the Plan, however, no party shall be permitted to assert a Claim for substantial contribution pursuant to Section 503(b) of the Bankruptcy Code and, upon the Effective Date, all such Claims shall be deemed disallowed without further order of the Bankruptcy Court.

The Debtors estimate that Administrative Claims will aggregate approximately $29.7 million as of the Effective Date, excluding postpetition accounts payable and other accrued liabilities as of the Effective Date.

On or before the Effective Date, Administrative Claims for fees payable pursuant to 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, will be paid in Cash equal to the amount of such Administrative Claims. All fees payable pursuant to 28 U.S.C. § 1930 will be paid by the Reorganized Debtors in accordance therewith until the closing of the Reorganization Cases, pursuant to Section 350(a) of the Bankruptcy Code.

Administrative Claims based on liabilities incurred by a Debtor in the ordinary course of its business (including Administrative Trade Claims, Administrative Claims of Governmental Units for Taxes, Administrative Claims arising under contracts and leases of the kind described in Section V.F of the Plan, Administrative Claims for reasonable fees and expenses incurred by or owed to each Indenture Trustee as provided in Section III.E.2 of the Plan, Administrative Claims for reasonable fees and expenses incurred by or owed to the Administrative Agent as provided in Section IV.F.5 of the Plan and Administrative Claims for reimbursement of the reasonable fees and expenses of professionals retained by the Subcommittees as provided in Section IV.F.5 of the Plan) will be paid by the applicable Reorganized Debtor pursuant to the terms and conditions of the particular transaction giving rise to such Administrative Claims, without any further action by the holders of such Administrative Claims.

Unless otherwise agreed by the DIP Lenders pursuant to the DIP Facility, on the Effective Date, Allowed Administrative Claims under or evidenced by the DIP Facility will be either: (a) paid in Cash equal to the amount of such Allowed Administrative Claims; or (b) upon the agreement of the holders of such Claims, refinanced in connection with the establishment of the Exit Financing Facility and the issuance of the New LINC Notes.

Except as otherwise provided in Section III.A.1 of the Plan, unless previously Filed, requests for payment of Administrative Claims must be Filed and served on New LINC and the Reorganized Debtors, pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order, no later than 30 days after the Effective Date. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims and that do not File and serve such a request by the applicable Bar Date will be forever barred from asserting such Administrative Claims against the Debtors, New LINC, the Reorganized Debtors or their respective property, and such Administrative Claims will be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the Reorganized Debtors and the requesting party by the later of (a) 120 days after the Effective Date or (b) 90 days after the Filing of the applicable request for payment of Administrative Claims.

Professionals or other entities asserting a Fee Claim for services rendered before the Effective Date must File and serve on the Reorganized Debtors and such other entities as may be designated by the Bankruptcy Rules, the Confirmation Order, the Fee Order or other order of the Bankruptcy Court an application for final allowance of such Fee Claim no later than 60 days after the Effective Date; *provided, however*, that any professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professionals Order may continue to receive such compensation and reimbursement of expenses for services rendered before the Effective Date, without further Bankruptcy Court review or approval, pursuant to the Ordinary Course Professionals Order. Objections to any Fee Claim must be Filed and served on the Reorganized Debtors and the requesting party by the later of (a) 90 days after the Effective Date or (b) 30 days after the Filing of the applicable request for payment of the Fee Claim.

The following holders will not be required to File or serve any request for payment of such Administrative Claims: (a) holders of Administrative Claims based on liabilities incurred by a Debtor in the ordinary course of its business, including Administrative Trade Claims, Administrative Claims of Governmental Units for Taxes and Administrative Claims arising under contracts and leases of the kind described in Section V.F of the Plan; (b) holders of Administrative Claims under or evidenced by the DIP Facility; (c) holders of Administrative Claims for reimbursement of the reasonable fees and expenses incurred by or owed to professionals retained by the Subcommittees as provided in Section IV.F.5 of the Plan; (d) holders of Administrative Claims for reasonable fees and expenses incurred by or owed to each Indenture Trustee as provided in Section III.E.2 of the Plan; and

(e) holders of Administrative Claims for reasonable fees and expenses incurred by or owed to the Administrative Agent as provided in Section IV.F.5 of the Plan.

Indenture Trustees' Claims. In full satisfaction of each Indenture Trustee's Claims, including such Claims secured by any charging lien under the applicable Prepetition Indenture or 1995 Indenture and including Claims for reasonable fees, costs and expenses (including professional fees) attributable to the period prior to the Petition Date and through the Effective Date, the Indenture Trustees will receive from the Reorganized Debtors Cash equal to the amount of such Claims as provided in Section III.E of the Plan, and any charging lien held by such Indenture Trustee will be deemed released as of the Effective Date. Distributions received by holders of Allowed Claims in Class 5A pursuant to the Plan will not be reduced on account of the payment of the Indenture Trustees' Claims under Section III.E of the Plan. On the Effective Date, the Debtor shall pay in Cash in full all amounts outstanding with respect to reasonable fees for services and expenses incurred by and owed to each Indenture Trustee prior to the Petition Date and through the Effective Date under the terms of the applicable Prepetition Indenture or 1995 Indenture.

Priority Tax Claims

Pursuant to Section 1129(a)(9)(C) of the Bankruptcy Code, unless otherwise agreed by the holder of a Priority Tax Claim and the applicable Debtor or Reorganized Debtor and subject to the consent of the Subcommittees, each holder of an Allowed Priority Tax Claim will receive, in full satisfaction of its Allowed Priority Tax Claim, payment in full in Cash either (a) on the Effective Date or (b) in deferred Cash payments over a period not exceeding six years from the date of assessment of such Priority Tax Claim. Deferred payments will be made in equal annual installments of principal, plus simple interest accruing from the Effective Date at the Priority Tax Interest Rate per annum on the unpaid portion of each Allowed Priority Tax Claim (or upon such other terms determined by the Bankruptcy Court to provide the holders of Priority Tax Claims with deferred Cash payments having a value, as of the Effective Date, equal to the allowed amount of such Priority Tax Claims). Unless otherwise agreed by the holder of a Priority Tax Claim and the applicable Debtor or Reorganized Debtor and the consent of the Subcommittees has been obtained, the first payment on account of such Priority Tax Claim will be payable one year after the Effective Date or, if the Priority Tax Claim is not allowed within one year after the Effective Date, the first Quarterly Distribution Date after the date on which (a) an order allowing such Priority Tax Claim becomes a Final Order or (b) a Stipulation of Amount and Nature of Claim is executed by the applicable Reorganized Debtor and the holder of such Priority Tax Claim.

Notwithstanding the foregoing, a holder of an Allowed Priority Tax Claim will not be entitled to receive any payment on account of any penalty arising with respect to, or in connection with, such Allowed Priority Tax Claim. Any such Claim or demand for any such penalty (a) will be subject to treatment in Class 8 and (b) the holder of such Claim will not assess or attempt to collect such penalty from the Reorganized Debtors or their property.

On December 6, 2001, the Internal Revenue Service (the "IRS") filed a proof of claim asserting Priority Tax Claims for federal income taxes and related interest due from LTI for its 1997 through 2000 tax years in the total amount of approximately $370.0 million. Following LTI's filing with the Bankruptcy Court of an objection to the portion of the IRS's proof of claim related to LTI's 1998 through 2000 tax years, the IRS on April 11, 2002, amended its proof of claim to assert Priority Tax Claims for federal income taxes and related interest due from LTI for its 1997 tax year only, in the total amount of approximately $131.5 million. LTI filed an administrative protest with the IRS related to the two issues underlying the IRS's amended proof of claim and reached a settlement with the IRS concerning one of these issues. As a result of the settlement, on October 28, 2002, the IRS further amended its proof of claim to assert Priority Tax Claims for federal income taxes and related interest due from LTI for its 1997 tax year in the total amount of approximately $12.5 million. LTI has not reached a settlement with the IRS on the remaining issue and this issue remains in dispute. See "Risk Factors — Federal Income Tax Claims."

Special Provisions Regarding the Treatment of Allowed Secondary Liability Claims

The classification and treatment of Allowed Claims under the Plan take into consideration all Allowed Secondary Liability Claims. Secondary Liability Claims are Claims that arise as a result of a Debtor being liable as a guarantor of, or otherwise being jointly, severally or secondarily liable for, any contractual, tort or other obligation of another Debtor, including any Claim based on:

- guaranties of collection, payment or performance;
- indemnity bonds, obligations to indemnify or obligations to hold harmless;
- performance bonds;
- contingent liabilities arising out of contractual obligations or out of undertakings (including any assignment or other transfer) with respect to leases, operating agreements or other similar obligations made or given by a Debtor relating to the obligations or performance of another Debtor;
- vicarious liability;
- liabilities arising out of piercing the corporate veil, alter ego liability or similar legal theories; or
- any other joint or several liability, including Claims for indemnification or contribution, that any Debtor may have in respect of any obligation that is the basis of a Claim.

On the Effective Date, Allowed Secondary Liability Claims will be treated as follows: (a) Allowed Secondary Liability Claims arising from, or related to, any Debtor's joint or several liability for obligations under any (i) Allowed Claim that is being Reinstated under the Plan or (ii) Executory Contract or Unexpired Lease that is being assumed or deemed assumed by another Debtor or under any Executory Contract or Unexpired Lease that is being assumed by and assigned to another Laidlaw Company will be Reinstated; and (b) except as provided in Section III.D.I of the Plan or as otherwise specifically provided in the Plan, holders of Allowed Secondary Liability Claims will be entitled to only one distribution in respect of the underlying Allowed Claim. No multiple recovery on account of any Allowed Secondary Liability Claim will be provided or permitted.

Summary of Terms of Certain Securities To Be Issued Pursuant to the Plan and Post-Reorganization Indebtedness

The Plan provides that, as of the Effective Date, New LINC will be authorized to issue 500,000,000 shares of New Common Stock, par value $0.01 per share. As of the Effective Date, pursuant to the Plan, New LINC will distribute 31,162,059 shares of New Common Stock to holders of Allowed Unsecured Bank Debt Claims in Class 4, 54,706,359 shares of New Common Stock to holders of Allowed Prepetition Noteholder Claims in Class 5A, 3,405,767 shares of New Common Stock to holders of Allowed 1995 Noteholder Claims in Class 5B and 10,725,815 shares of New Common Stock to holders of Allowed General Unsecured Claims in Class 6 (assuming an aggregate value of Claims in Class 6 of $419,038,259.00). The number of shares of New Common Stock to be distributed to holders of Claims in Class 4 under the Plan will be increased to reflect the Distributable New Common Stock component of the Pro Rata share of Excess Cash, Exit Proceeds and Distributable New Common Stock distributable to holders of such Claims on account of any obligations resulting from amounts drawn upon Letters of Credit prior to the Effective Date. In addition, as of the Effective Date, 3,777,419 shares of New Common Stock will be issued to the Pension Plan Trust (as defined below) pursuant to the PBGC Agreement, and 5,000,000 shares of New Common Stock will be reserved for issuance pursuant to the Equity Incentive Plan. See "New LINC — Management and Board of Directors — New Benefit Plans and Agreements."

Holders of New Common Stock will be entitled to receive ratably such dividends as may be declared by New LINC's Board of Directors and will have no preemptive, subscription, redemption or conversion rights. The declaration of dividends and other payments on the New Common Stock will be restricted pursuant to the documents governing the Exit Financing Facility and the indenture for the New LINC Notes. See "Overview of the Plan — Exit Financing Facility and New LINC Notes; Obtaining Cash for Plan Distributions and Transfers of Funds Among the Reorganized Debtors." New LINC is not expected to pay any dividends on the New Common Stock in the foreseeable future. Subject to the terms and conditions set forth in New LINC's Rights Agreement, each share of New Common Stock issued pursuant to the Plan will be accompanied by a Share Purchase Right.

New LINC will be authorized to issue additional shares of New Common Stock from time to time following the Effective Date under the provisions of the Certificate of Incorporation of New LINC and applicable law. See "New LINC — Certain Corporate Governance Matters — Authorized But Unissued Shares."

This summary is qualified by reference to the description of the applicable securities set forth in "Securities To Be Issued Pursuant to the Plan and Post-Reorganization Indebtedness."

Conditions to Confirmation and the Effective Date of the Plan

There are several conditions precedent to Confirmation and the occurrence of the Effective Date, which are discussed below.

Conditions to Confirmation

The Bankruptcy Court will not enter the Confirmation Order unless and until the following conditions have been satisfied or duly waived pursuant to Section IX.C of the Plan:

- the Confirmation Order is reasonably acceptable in form and substance to the Debtors and the Subcommittees;
- the Debtors shall have received a binding, unconditional (except for a normal "market-out" condition and for conditions relating to the occurrence of the Effective Date) commitment for the Exit Financing Facility from the Exit Financing Facility Agent Bank on terms and conditions satisfactory to the Debtors and the Subcommittees;
- the Debtors shall have made arrangements, reasonably satisfactory to the Subcommittees, for at least $875 million in financing to be made available as of the Effective Date;
- the Confirmation Hearing has been commenced by March 14, 2003;
- the aggregate amount of Allowed Unsecured Trade Debt Claims and Disputed Unsecured Trade Debt Claims does not exceed the Unsecured Trade Debt Claims Cap;
- the Bankruptcy Court has entered the Governmental Unit Estimation Order, which order shall be acceptable in form and substance to the Debtors and the Subcommittees; and
- the Bankruptcy Court has entered the Class 6 Estimation Order, which order shall be acceptable in form and substance to the Debtors and the Subcommittees.

In addition to the foregoing conditions to Confirmation, there are a number of substantial confirmation requirements under the Bankruptcy Code that must be satisfied for the Plan to be confirmed. See "Voting and Confirmation of the Plan — Confirmation."

Conditions to the Effective Date

The Effective Date will not occur unless and until each of the following conditions has been satisfied or duly waived pursuant to Section IX.C of the Plan:

- the Confirmation Order has been entered, has not been reversed, stayed, modified or amended and has become a Final Order;
- the CCAA Order has been issued in form and substance acceptable to the Subcommittees, has not been reversed, stayed, modified or amended and has become final, binding and nonappealable;
- the Restructuring Transactions have been consummated;
- the shares of New Common Stock shall have been registered under the Exchange Act pursuant to either a Registration Statement on Form 8-A or a Registration Statement on Form 10 that has become effective under the Exchange Act;
- the shares of New Common Stock to be issued pursuant to the Plan shall have been authorized for listing on the New York Stock Exchange ("NYSE"), subject to official notice of issuance;

- the issuance and resale of the New Common Stock issued under the Plan shall be exempt from the dealer registration and prospectus requirements of applicable Canadian securities laws or the requisite discretionary orders or rulings from applicable Canadian provincial securities regulatory authorities shall have been obtained in form and substance acceptable to the Subcommittees, except to the extent that holders of New Common Stock are control block holders for purposes of applicable Canadian securities laws;

- the documents effectuating the Exit Financing Facility are in form and substance satisfactory to the Subcommittees, such documents have been executed and delivered and all conditions to funding have been satisfied or waived;

- the issuance and sale of the New LINC Notes have been consummated on terms and conditions reasonably acceptable to the Subcommittees;

- the Governmental Unit Estimation Order has become a Final Order;

- the Class 6 Estimation Order has become a Final Order;

- the Debtors shall have sufficient Cash to make the distributions required under the Plan; and

- the Effective Date has occurred by March 31, 2003.

Waiver of Conditions to Confirmation or the Effective Date

Subject to the prior consent of the Subcommittees, the conditions to Confirmation and the conditions to the Effective Date may be waived in whole or part by the Debtors at any time without an order of the Bankruptcy Court.

Effect of Nonoccurrence of Conditions to the Effective Date

If each of the conditions to the Effective Date provided in the Plan is not satisfied or duly waived in accordance with Sections IX.B and IX.C of the Plan, then, upon motion by the Debtors made before the time that each of such conditions has been satisfied or duly waived and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order will be vacated by the Bankruptcy Court; *provided, however*, that, notwithstanding the Filing of such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is either satisfied or duly waived before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to Section IX.D of the Plan:

- the Plan will be null and void in all respects, including with respect to (a) the discharge of Claims and termination of Interests pursuant to Section 1141 of the Bankruptcy Code and (b) the assumptions, assignments or rejections of Executory Contracts and Unexpired Leases pursuant to Sections V.A and V.C of the Plan, respectively; and

- nothing contained in the Plan will (a) constitute a waiver or release of any claims by or against, or any Interest in, the Debtors or (b) prejudice in any manner the rights of the Debtors or any other party in interest.

Exit Financing Facility and New LINC Notes; Obtaining Cash for Plan Distributions and Transfers of Funds Among the Reorganized Debtors

The commitment of the Exit Financing Facility Agent Bank to provide the Exit Financing Facility on terms satisfactory to the Debtors and the Subcommittees is a condition to Confirmation, and the execution and delivery of the documents effectuating the Exit Financing Facility by LIL, New LINC and the Exit Financing Facility Agent Bank are conditions to the Effective Date and all conditions to funding must be satisfied or waived. The Debtors currently contemplate that such Exit Financing Facility will be a credit facility consisting of (a) a senior secured revolving credit facility in the amount of not less than $350.0 million with a $150.0 million letter of credit sub-facility and (b) a senior secured seven year term loan in the anticipated principal amount of up to $650.0 million (but not less than $575.0 million after giving effect to the Excess Cash Reduction) bearing interest at the London

Interbank Offered Rate ("LIBOR") plus 3.0% per annum, with required aggregate principal repayments of 1.0% of the original principal amount per year, due on the anniversary of the Effective Date, in each of the first six years following the Effective Date and the outstanding balance of the original principal amount in a balloon payment due at maturity. See "Securities To Be Issued Pursuant to the Plan and Post-Reorganization Indebtedness — Exit Financing."

On or prior to the Effective Date, New LINC will issue the New LINC Notes. The Exit Proceeds will be used to fund the Cash distribution to creditors under the Plan. The Debtors currently contemplate that the aggregate principal amount of the New LINC Notes may be up to $300.0 million, but not less than $225.0 million after giving effect to the Excess Cash Reduction. It is expected that the New LINC Notes will have a term of ten years and accrue interest at a market rate per annum. The New LINC Notes will be issued pursuant to a trust indenture with an indenture trustee to be selected by New LINC.

As discussed above under the caption "Summary of Terms of Certain Securities To Be Issued Pursuant to the Plan and Post-Reorganization Indebtedness," all Excess Cash will be distributed Pro Rata to holders of Allowed Claims in Classes 4, 5A and 6. To the extent that any Excess Cash distribution is made, the combined aggregate principal amount of the senior secured term loan of the Exit Financing Facility and the New LINC Notes will be reduced by the aggregate amount of the first $75.0 million of the distribution. The allocation of this reduction, if any, to the principal amount of the senior secured term loan of the Exit Financing Facility or the New LINC Notes will be in the discretion of the Debtors. Accordingly, subject to the amount of consolidated cash of the Debtors as of the Effective Date, the amount of the senior secured term loan of the Exit Financing Facility or the principal amount of the New LINC Notes could be reduced by up to $75.0 million in the aggregate from the $650.0 million and $300.0 million, respectively, amounts indicated above. Such reduction could reduce the amount of the balloon payment due at maturity of the senior secured term loan of the Exit Financing Facility by a corresponding amount. However, in no event will the Exit Proceeds be less than $875.0 million.

Pursuant to the Confirmation Order, LIL, New LINC and the Reorganized Debtors will be authorized to execute and deliver, on or before the Effective Date, such documents as may be necessary or appropriate to establish the Exit Financing Facility and to effectuate the issuance of the New LINC Notes. All Cash necessary for LINC, New LINC and the Reorganized Debtors to make payments pursuant to the Plan will be obtained from the Debtors' cash balances, cash generated from operations, cash generated from potential asset dispositions or the Exit Proceeds. Cash payments to be made pursuant to the Plan will be made by LINC, and by New LINC acting on behalf of the Debtors or Reorganized Debtors, as appropriate; *provided*, *however*, that New LINC, the Debtors and the Reorganized Debtors will be entitled to transfer funds between and among themselves as they determine to be reasonably necessary or appropriate in order to enable New LINC or the Reorganized Debtors, as applicable, to satisfy their respective obligations under the Plan. Except as otherwise contemplated as part of the Restructuring Transactions, any Intercompany Claims resulting from such transfers will be settled and such Intercompany Claims will be discharged without any consideration being paid; *provided*, *however*, that, notwithstanding any other provision of the Plan, any Intercompany Claims that are Administrative Claims shall be subordinated in right of payment to New LINC's and the Reorganized Debtors' respective obligations to make distributions under the Plan and to satisfy obligations under instruments issued under the Plan, including the instruments issued under the Exit Financing Facility and in connection with the issuance of the New LINC Notes.

The CCAA Order

Concurrently with the commencement of the Reorganization Cases by the Debtors, LINC and LIL commenced proceedings (the "CCAA Cases") under the Companies' Creditors Arrangement Act (the "CCAA"). It is a condition to the Effective Date that the Ontario Superior Court of Justice (the "Canadian Court") shall have entered an order (the "CCAA Order"), which order shall be acceptable in form and substance to the Debtors and the Subcommittees, under the Canada Business Corporations Act or the CCAA effecting certain elements of the Restructuring Transactions and of the Plan.

Descriptions of the Restructuring Transactions have been filed as Exhibit X to the Plan and are available for review at the Document Reviewing Centers.

LINC and LIL may seek additional orders of the Canadian Court in connection with the implementation of the Plan in Canada.

CERTAIN EVENTS PRECEDING THE DEBTORS' CHAPTER 11 FILINGS

Background of the Restructuring

During fiscal 2000, LINC began experiencing significant negative operating cash flow. As a result, LINC took a number of steps in fiscal 2000 to address its liquidity problems. As of April 17, 2000, LINC had approximately $1.172 billion in indebtedness outstanding under the amended and restated credit agreement, dated February 24, 1999, among LINC, certain of its subsidiaries, Canadian Imperial Bank of Commerce ("CIBC") and the other lenders party thereto (the "Prepetition Credit Facility"), which provided for a $1.425 billion syndicated bank facility. Under the Prepetition Credit Facility, LINC was required to comply with certain financial covenants. On April 17, 2000, LINC entered into an agreement with CIBC, as agent, upon receipt of consent of a majority of the lenders under the Prepetition Credit Facility, pursuant to which the bank syndicate waived compliance with the financial covenants of LINC from December 1, 1999 to May 31, 2000. On May 18, 2000, LINC announced that, although negotiations continued with the Lenders under the Prepetition Credit Facility, it was no longer pursuing an extension of the waiver of compliance with the financial covenants under the Prepetition Credit Facility beyond May 31, 2000 and, therefore, would not be in compliance with such financial covenants after May 31, 2000. Consequently, LINC declared an interest payment moratorium on all advances under the Prepetition Credit Facility and on payment to holders of the Prepetition Notes and 1995 Notes. Included in that moratorium were any amounts determined to be owing as a result of various actions against LINC. As a consequence of the Prepetition Credit Facility covenant violations and interest payment moratorium, LINC was in default under the Prepetition Credit Facility, and any outstanding indebtedness under the Prepetition Credit Facility, the Prepetition Notes and 1995 Notes became due on demand.

In September 2000, LINC and Laidlaw One solicited the consents of the holders of its outstanding series of debentures and notes issued pursuant to the following indentures:

- Indenture, dated as of April 16, 1991, as supplemented and amended by the First Supplemental Indenture, dated as of October 15, 1992, the Second Supplemental Indenture, dated as of September 27, 1996 and the Third Supplemental Indenture, dated as of October 20, 2000 (collectively, the "1991 Indenture"), between LINC and the Montreal Trust Company of Canada;

- Indenture, dated as of July 22, 1992, as supplemented and amended by the First Supplemental Indenture, dated as of July 17, 1996, and the Second Supplemental Indenture, dated as of November 2, 2000 (collectively, the "1992 Indenture"), between LINC and U.S. Bank National Association, as successor trustee ("U.S. Bank");

- Indenture, dated as of September 11, 1997, as supplemented and amended by the First Supplemental Indenture, dated as of November 2, 2000 (collectively, the "1997 Indenture" and, together with the 1991 Indenture and 1992 Indenture, the "Prepetition Indentures"), between LINC and U.S. Bank; and

- Indenture, dated as of November 28, 1995, as supplemented and amended by the First Supplemental Indenture, dated as of November 2, 2000 (collectively, the "1995 Indenture"), among Laidlaw One, LINC, as guarantor, and U.S. Bank.

This consent solicitation sought waivers of compliance with certain provisions of the Prepetition Indentures and 1995 Indenture to allow certain subsidiaries of LINC to enter into two secured financing facilities. As a result of this solicitation, LINC and Laidlaw One obtained the requisite consent under each of the Prepetition Indentures and 1995 Indenture to enter into these secured financing facilities. In addition to the consent of the Prepetition Noteholders and 1995 Noteholders, LINC obtained the consent of the Lenders under the Prepetition Credit Facility to enter into these secured financing facilities. The following sections are summaries of the material terms of these facilities and do not purport to be complete.

The Greyhound Facility

In October 2000, Greyhound Lines, Inc. ("Greyhound Lines") and certain of its subsidiaries (collectively, the "Greyhound Parties") entered into a two-year secured revolving credit facility (the "Greyhound Facility") with

Foothill Capital Corporation ("Foothill") to fund working capital needs and for general corporate purposes. The Greyhound Facility provides a revolving line of credit in the amount of up to $125.0 million, with a sub-facility of $25.0 million for letters of credit. Availability under the letter of credit sub-facility was increased to $50.0 million and the term of the Greyhound Facility has been extended to October 2004. Letters of credit or borrowings are available under the Greyhound Facility subject to a maximum of $125.0 million based upon 85.0% of the appraised wholesale value of certain bus collateral and 50.0% of the fair market value of certain real property collateral. Borrowings under the Greyhound Facility initially bore interest at a rate equal to Wells Fargo Bank's prime rate plus 0.50% per annum or LIBOR plus 2.0% as selected by the Greyhound Parties. After December 31, 2000, the interest rates were subject to quarterly adjustment based upon the Greyhound Parties' ratio of debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") for the four previous quarters. Initially, letter of credit fees were 2.0% per annum based upon the maximum amount available to be drawn under each letter of credit. After December 31, 2000, letter of credit fees were based on the then applicable LIBOR margin. The Greyhound Facility is secured by liens on substantially all of the assets of Greyhound and the stock and assets of certain of its subsidiaries. The Greyhound Facility is subject to certain affirmative and negative operating and financial covenants, including maximum total debt to EBITDA ratio; minimum EBITDA to interest ratio; minimum shareholder's equity; limitation on non-bus capital expenditures; limitations on additional liens, indebtedness, guarantees, asset disposals, advances, investments and loans; and restrictions on the redemption or retirement of certain subordinated indebtedness or equity interest, payment of dividends and transactions with affiliates, including LINC. As of August 31, 2002, the Greyhound Parties were in compliance with all covenants and had no borrowings under the Greyhound Facility, but issued letters of credit of $26.8 million and had availability of $98.2 million. The Greyhound Facility can be accelerated upon an event of default, in which case payment of all obligations would become due prior to the maturity dates described above.

Based upon Greyhound's fiscal 2003 operating budget, Greyhound anticipates remaining in compliance with its covenants. Greyhound is closely monitoring this situation and intends on requesting covenant amendments should it appear likely such amendments will be necessary to remain in compliance with the covenants. There is no assurance that such amendments would be granted.

Upon entering into the revolving credit facility, the Greyhound Parties paid $43.0 million of intercompany amounts due to LINC, with all remaining intercompany amounts then due converting to an intercompany loan subordinate to the Greyhound Facility.

The Bridge Facility

In January 2001, certain subsidiaries of LINC (the "Bridge Borrowers") entered into a secured financing facility with CIBC, as agent, a syndicate of financial institutions arranged by CIBC and certain other financial institutions. Under this facility, the Bridge Borrowers were extended a revolving line of credit in the amount of up to $100.0 million, with a letter of credit sub-facility in an amount up to $50.0 million (the "Bridge Facility"). The Bridge Facility matured on March 31, 2001 in accordance with its terms. The Bridge Borrowers entered into the Bridge Facility to provide funding for the working capital requirements of the LINC operating companies; however, primarily as a result of the LINC companies' cash management program and positive cash flows from operations, no amounts were borrowed under the Bridge Facility.

Resolution of Disputes Among Laidlaw, Safety-Kleen and Certain Other Parties

Laidlaw Proof of Claim in Safety-Kleen Cases

LINC beneficially owns approximately 44% of the shares of common stock of Safety-Kleen Corp. ("Safety-Kleen"). On June 9, 2000, Safety-Kleen announced that it and 73 of its U.S. subsidiaries had filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Delaware Bankruptcy Court"). Safety-Kleen's operations in Canada and Mexico were not part of the bankruptcy filings.

On November 7, 2000, LINC on behalf of itself and its direct and indirect subsidiaries filed a proof of claim in Safety-Kleen's chapter 11 cases asserting claims against Safety-Kleen and its affiliates in an amount not less than $6.5 billion (the "Safety-Kleen Proof of Claim"). The claims detailed in the Safety-Kleen Proof of Claim can be categorized as:

- claims for indemnification, contribution and reimbursement in connection with certain litigation matters;
- claims against the Debtors for fraudulent misrepresentation, fraud, securities law violations and related causes of action;
- insurance claims;
- guaranty claims;
- contractual or other claims arising from environmental liabilities;
- tax reimbursement claims; and
- additional miscellaneous claims.

On April 19, 2001, Safety-Kleen filed an adversary proceeding against LINC and certain of its subsidiaries in the Delaware Bankruptcy Court (Case No. 00-2303 (PJW); Adversary Proceeding No. A-01-1086 (PJW)). In that adversary proceeding, Safety-Kleen claimed that the $200.0 million received by LINC and certain of its affiliates and the issuance of 11,320,755 shares of common stock of Safety-Kleen to LINC as consideration for $350.0 million pay-in-kind debenture issued by Safety-Kleen (the "PIK Debenture") was either a preferential payment or a fraudulent transfer.

In October 2001, LINC filed a supplement to the Safety-Kleen Proof of Claim (the "Safety-Kleen Proof of Claim Supplement") to assert its rights with respect to (a) an alleged guaranty of certain surety bonds relating to the environmental obligations (the "Frontier Bonds") issued by Frontier Insurance Company ("Frontier") on behalf of Laidlaw Environmental Services, Inc. ("Laidlaw Environmental"); and (b) a guaranty given by LINC with respect to certain surety bonds issued by American International Group, Inc. ("AIG") on behalf of Safety-Kleen (the "AIG Bonds"). LINC maintains that it was not a guarantor with respect to the Frontier Bonds and that it will oppose any claims by Frontier seeking to impose any guaranty liability. With respect to the AIG Bonds, LINC has provided during fiscal year 2001 for a liability of $6.0 million for a surety bond issued by AIG on behalf of Safety-Kleen. This surety bond was called because Safety-Kleen did not meet its obligations under the contract relating to the bond. The $6.0 million represents the amount estimated as necessary to complete the contract. LINC has provided $5.0 million in cash to AIG to secure its guaranty obligations concerning the AIG Bonds. As a result of the settlement of the Safety-Kleen matters described below under "— Settlement of Certain Safety-Kleen Matters," if Frontier successfully pursues claims against LINC relating to the Frontier Bonds or AIG draws upon the $5.0 million, LINC would be required to satisfy its obligations with respect to these matters.

Proofs of Claim Filed Against LINC by Safety-Kleen and Parties Affiliated with Safety-Kleen

On October 16, 2001, Safety-Kleen, on behalf of itself and its direct and indirect subsidiaries, and together with the official committee of unsecured creditors in the chapter 11 cases of the Safety-Kleen debtors, filed a proof of claim against the Debtors (the "Safety-Kleen Debtor Proof of Claim"). Among other things, Safety-Kleen alleged that certain of its executive officers committed accounting fraud and that that fraud was committed at the direction of the Debtors. Safety-Kleen sought to impose liability on the Debtors under the federal Racketeer Influenced Corrupt Organizations Act ("RICO"), as well as a variety of common law theories, including fraud, breach of fiduciary duty, negligence and breach of contract. Safety-Kleen sought to hold the Debtors liable for all of its liabilities, as determined in its bankruptcy case, estimated to be $4.6 billion, for treble damages under RICO (i.e., $13.8 billion), and for punitive damages, interest, costs and other relief. The Safety-Kleen Debtor Proof of Claim also incorporated by reference Safety-Kleen's previously filed adversary proceeding and set forth additional purported fraudulent conveyance and preference claims arising out of the transaction involving the PIK Debenture, which parallel the claims asserted in Safety-Kleen's earlier-filed adversary proceeding. See "— Laidlaw Proof of Claim in Safety-Kleen Cases." In addition, Safety-Kleen claimed that the 1997 merger of Laidlaw Environmental and Rollins Environmental Services, Inc. ("Rollins Environmental Services") was a fraudulent conveyance. Safety-Kleen also asserted claims for breach of contract, misrepresentation, breach of fiduciary duty and/or indemnification, based upon the Debtors':

- claimed failure to provide adequate financial guarantees for the closure and remediation of the Pinewood, South Carolina landfill;

- alleged failure to comply with tax indemnity provisions of the 1997 merger agreement with Rollins Environmental Services (the "Rollins Agreement") (see "Recovery Actions; Other Legal Proceedings — Other Legal Proceedings — Securities Litigation");

- claimed breaches of contract arising out of the claims asserted in the Raygar and Federated Holdings cases (see "Recovery Actions; Other Legal Proceedings — Other Legal Proceedings — Other Litigation"); and

- alleged breach of the guaranty for the Westinghouse Note (see "Risk Factors — Losses Associated with Safety-Kleen; Claims Related to Safety-Kleen Asserted Against the Debtors").

Safety-Kleen also sought indemnification and coverage under the Debtors' insurance for the securities litigation currently pending against certain of its officers and directors (see "Recovery Actions; Other Legal Proceedings — Other Legal Proceedings — Securities Litigation"), indemnification for future costs incurred in connection with the Marine Shale or Ville Mercier environmental matters or that are subject to the indemnification provisions of the Rollins Agreement.

On October 16, 2001, Toronto Dominion (Texas), Inc. ("TD-Texas"), on behalf of itself as a Safety-Kleen Lender and as administrative agent for the Safety-Kleen Lenders, filed a proof of claim against the Debtors. TD-Texas alleged that, among other things, it and other Safety-Kleen Lenders were induced to make loans on the basis of false financial statements that overstated the earnings and financial health of Safety-Kleen. TD-Texas asserted claims against the Debtors under the federal RICO statutes, and a variety of common law theories, including fraud, negligent misrepresentation, and tortious interference with contract. TD-Texas alleged that its damages exceed $2.0 billion, and it sought treble damages ($6.0 billion) under RICO. TD-Texas also sought to "pierce the corporate veil" and hold the Debtors liable for all of Safety-Kleen's debts to its secured lenders.

On October 16, 2001, six current directors of Safety-Kleen, Robert W. Luba, John W. Rollins, Jr., David E. Thomas, Jr., Henry B. Tippie, James L. Wareham and Grover C. Wrenn, and the Estate of John W. Rollins, Sr. (collectively, the "Safety-Kleen Directors") each filed proofs of claim against the Debtors. The Safety-Kleen Directors asserted that certain executive officers at Safety-Kleen committed accounting fraud and that Debtors knew, should have known, were reckless, or were negligent in not knowing of the fraud. They also asserted a claim under South Carolina Unfair Trade Practices Act. They sought damages for (a) any liability or defense costs arising from the securities actions in which they have been named as defendants by virtue of their positions on the board of directors of Safety-Kleen; (b) the loss in value of Safety-Kleen stock owned by them; (c) loss of professional opportunity; (d) loss of and damage to professional reputation; and (e) other unspecified consequential or incidental injury and loss sustained by them. The Safety-Kleen Directors' proofs of claim did not estimate the value of their claims.

In addition, Henry Taylor, the former corporate secretary and general counsel of Safety-Kleen and certain of its predecessors, filed a proof of claim seeking indemnification based on factual allegations similar to the proof of claim of the Safety-Kleen Directors. Also, Safety-Kleen's former Chief Financial Officer, Paul Humphreys, has filed a claim against LINC seeking indemnity for claims against him arising from the alleged wrongdoing at Safety-Kleen.

Settlement of Certain Safety-Kleen Matters

On November 16, 2001, the Delaware Bankruptcy Court and the Bankruptcy Court held a joint conference to consider requiring alternative dispute resolution for the claims between the Debtors and the various Safety-Kleen constituencies. At the conclusion of the joint conference, the courts determined that mediation would occur for all the disputes arising from the Debtors' proof of claim, as supplemented, filed against Safety-Kleen and all the disputes arising from proofs of claims filed against the Debtors by Safety-Kleen and its constituents, including the proofs of claims of Safety-Kleen, Safety-Kleen creditor groups and the Safety-Kleen Directors. Proofs of claims filed by Messrs. Taylor and Humphreys were not involved in the mediation. The mediation proceedings were held in April 2002 among the Debtors and Safety-Kleen and with the participation of the Creditors' Committee and the Subcommittees.

As a result of the April 2002 mediation proceedings and discussions thereafter, on July 18, 2002, the parties to the mediation announced that they had reached a resolution (the "Safety-Kleen Settlement Agreement"). Upon approval of the Bankruptcy Court, the Canadian Court and the Delaware Bankruptcy Court of the Safety-Kleen Settlement Agreement and once the Plan has been confirmed and the Debtors have emerged, LINC has agreed to withdraw with prejudice its claim of up to $6.5 billion in Safety-Kleen's bankruptcy proceedings, LINC will allow a claim of $225.0 million as a General Unsecured Claim in Class 6 under the Plan in favor of Safety-Kleen, and the other above-described claims asserted against LINC by Safety-Kleen, the Safety-Kleen Directors and the Safety-Kleen secured lender group, including the TD-Texas claims on behalf of itself as a Safety-Kleen Lender and as administrative agent for the Safety-Kleen Lenders, will be deemed withdrawn with prejudice. In addition, as part of this compromise and settlement, claims against Safety-Kleen by certain current and former LINC officers and directors for indemnity and contribution will be deemed withdrawn with prejudice. Also, LINC has agreed to allow a claim of $71.4 million as a General Unsecured Claim in Class 6 under the Plan in favor of TD-Texas as claimant under the Westinghouse Note. As part of the Safety-Kleen Settlement Agreement, LINC will be released from its indemnification obligations relating to the Marine Shale processors and the Ville Mercier, Quebec facilities. In addition, as a condition to the allowance of the General Unsecured Claim in favor of Safety-Kleen, Safety-Kleen will cause the claim of the South Carolina Department of Health and Environmental Control ("DHEC") against LINC to be withdrawn with prejudice. Safety-Kleen announced a settlement with DHEC in mid-October 2002. Releases satisfactory to the parties will be exchanged, and there will be no admission of liability by any party to the agreement or any person providing releases under the agreement. Pursuant to the Safety-Kleen Settlement Agreement, LINC asked the Bankruptcy Court pursuant to Bankruptcy Code Section 510(b) to subordinate claims brought against the Debtors by owners of equity securities of Safety-Kleen and owners of debt securities of Safety-Kleen. Safety-Kleen sought similar relief in its bankruptcy proceeding. The Debtors also sought subordination of the claims brought by the owners of equity securities of LINC. On August 16, 2002, the Delaware Bankruptcy Court approved the Safety-Kleen Settlement Agreement. On August 30, 2002, the Bankruptcy Court approved the Safety-Kleen Settlement Agreement and entered an order pursuant to Bankruptcy Rule 3013 classifying claims of owners of equity securities of Safety-Kleen and owners of debt securities of Safety-Kleen as subordinated Classes 9A and 9B. On September 11, 2002, the Canadian Court approved the Safety-Kleen Settlement Agreement.

Other Significant Prepetition Events

Engagement of Kroll Zolfo Cooper

In June 2000, prior to the commencement of the Debtors' chapter 11 case, LINC retained Kroll Zolfo Cooper (then known as Zolfo Cooper LLC), a New York-based specialist corporate restructuring firm, to provide crisis management and restructuring advisory services. In connection with the retention of Kroll Zolfo Cooper, Stephen F. Cooper was elected as LINC's Vice Chairman and Chief Restructuring Officer and continues to serve LINC in those capacities. In addition, Kroll Zolfo Cooper has continued to provide the Debtors with restructuring advisory services throughout the pendency of the chapter 11 case.

New York Stock Exchange Delisting

On December 22, 2000, the NYSE suspended trading in Old Common Stock of LINC and the 1995 Notes. The NYSE suspended trading in these securities because the price per share of Old Common Stock of LINC fell below the NYSE's continued listing requirements of a minimum per share price of $1.00 over a 30-trading day period. On December 21, 2000, immediately prior to this suspension of trading, the Old Common Stock of LINC last traded at $0.09 per share. In addition, LINC no longer satisfied the NYSE's minimum continued listing requirement of total global market capitalization of at least $50.0 million and total stockholders' equity of at least $50.0 million. On February 20, 2001, the Old Common Stock of LINC and the 1995 Notes were delisted from the NYSE.

Postponement of Annual General Meeting

On January 11, 2002, LINC received an order from the Canadian Court relieving LINC from any obligation to call its next annual meeting of stockholders until further order of the court. LINC sought this postponement of the next annual meeting of stockholders to allow management and the board of directors of LINC to focus on overseeing LINC's restructuring. The members of LINC's board of directors, as of the date of such postponement, remain in office, and LINC's auditors were appointed to act until the next annual meeting.

Suspension of Trading on the Toronto Stock Exchange

On June 13, 2002, the Toronto Stock Exchange (the "TSX") suspended trading in Old Common Stock and convertible first preferred shares series G of LINC. The TSX suspended trading in these securities based on LINC's failure to meet the continued listing requirements of the TSX relating to public interest, financial condition, operating results and share price.

OPERATIONS DURING THE REORGANIZATION CASES

First Day Relief

Introduction

On the Petition Date, the Debtors Filed a number of motions and other pleadings (the "First Day Motions"), certain of the more significant of which are described briefly below. The First Day Motions were designed to meet the Debtors' goals of:

- continuing their and their nondebtor subsidiaries' operations in chapter 11 with as little disruption and loss of productivity as possible;
- maintaining the confidence and support of the Debtors' and their nondebtor subsidiaries' customers, employees, vendors, suppliers, service providers, contractors and other key groups;
- maintaining good relations in the communities served by the Debtors' and their nondebtor subsidiaries' businesses; and
- obtaining necessary postpetition financing.

The First Day Motions included:

- motions relating to case administration;
- a motion relating to payment of prepetition wages and other benefits to the Debtors' employees;
- a motion relating to payment of prepetition trade claims;
- a motion relating to payment of prepetition trust fund taxes;
- a motion relating to interim and final approval of the DIP Facility;
- a motion seeking approval of a cross-border protocol with the Canadian Court;
- a motion relating to the continued use of the Debtors' existing cash management system, bank accounts, business forms and investment and deposit guidelines;
- applications relating to the Debtors' retention of counsel and certain other professionals;
- a motion relating to the interim compensation and reimbursement of expenses of professionals;
- a motion relating to the retention and payment of ordinary course professionals; and
- a motion to establish a Bar Date for filing proofs of Claim in these cases.

All of the Debtors' First Day Motions were ultimately granted.

Debtor-in-Possession Financing

In connection with their preparations for the Filing of the Reorganization Cases, the Debtors determined that they would need to obtain debtor-in-possession financing to ensure sufficient liquidity to meet their ongoing operating needs.

On August 7, 2001, the Bankruptcy Court entered a final order approving the Senior Secured, Super-Priority, Debtor-in-Possession Credit Agreement, dated as of August 8, 2001 (the "DIP Facility"), among the Debtors and Laidlaw Transportation Management Inc., an Ohio corporation ("LTMI"), as borrowers (collectively, the "Borrowers") and General Electric Capital Corporation, a Delaware corporation, for itself, as a US Lender (as defined in the DIP Facility), and as agent for US Lenders (in such capacity, the "US Agent") under the US Facility (as defined below) and the other US Lenders signatory thereto from time to time and General Electric Capital Canada Inc., a Canadian corporation (the "Canadian Agent" and together with the US Agent, each an "Agent"), for itself, as a Canadian Lender (as defined in the DIP Facility), and as Canadian Agent for the Canadian Lenders under the Canadian Facility (as defined below) and the other Canadian Lenders signatory thereto from time to time. The DIP Facility is guaranteed by certain of LINC's direct and indirect subsidiaries located in the United States and Canada (other than Greyhound Lines and its subsidiaries and joint ventures) (collectively, the "Guarantors"). The term of the DIP Facility will expire on the earliest of (a) August 8, 2003, (b) the prepayment in full by the Borrowers of all amounts outstanding under the DIP Facility and the termination of the lenders' commitments thereunder and (c) the Effective Date.

The maximum aggregate borrowing available under the DIP Facility is US$200.0 million. The DIP Facility is comprised of separate commitments from the US Lenders and the Canadian Lenders. The total borrowing available to Laidlaw International Finance Corporation ("LIFC"), LTMI, LTI, Laidlaw One and Laidlaw USA (the "US Borrowers") from the US Lenders is US$180.0 million (the "US Facility"), with a letter of credit subfacility of US$100.0 million (the "US LC Sub-Facility"). The maximum borrowing available to LINC and LIL (the "Canadian Borrowers") from the Canadian Lenders is US$20.0 million (the "Canadian Facility"), with a letter of credit subfacility of US$10.0 million (the "Canadian LC Sub-Facility"). The total maximum usage of the U.S. LC Sub-Facility and the Canadian LC Sub-Facility is not to exceed US$100.0 million at any time.

The amount of credit available to the Borrowers under the DIP Facility is based on a consolidated leverage ratio based on the Borrowers' last twelve-months EBITDA. Further, certain noncore operating entities are subject to maximum availability limits based on their respective EBITDA performance. Each Agent may establish reasonable reserves against availability. The face amount of all letters of credit issued under the DIP Facility is deemed as usage of the DIP Facility. The Borrowers may use the proceeds of loans made under the DIP Facility for working capital and other general corporate purposes of the Borrowers.

Borrowings under each Facility bear interest at the Borrowers' option, at rates per annum equal to either (x) a one, two or three-month reserve adjusted LIBOR plus 2.0% or (y) a floating rate equal to the index rate plus 0.50%. Interest is payable monthly in arrears (except for LIBOR, which is payable at the end of the applicable LIBOR period) and calculated on the basis of a 360-day year and actual days elapsed. The Borrowers pay letter of credit fees to each Agent under each Facility equal to 2.0% per annum (calculated on the basis of a 360-day year and actual days elapsed) of the face amount of the letters of credit, payable monthly in arrears. The default rate applicable to the loans and outstanding letters of credit is 2.0% above the nondefault applicable margin or letter of credit fees.

Other fees consist of (1) an unused facility fee equal to 0.50% per annum (calculated on the basis of a 360-day year and actual days elapsed) on the average unused daily balance of each Facility, payable to each Agent monthly in arrears, and (2) a prepayment premium in the amount of 1.0% of the aggregate commitments under each Facility if prepayment is the result of any Borrower defaults, voluntary termination (with the exception of emergence from the Reorganization Cases) or refinancing of any part of such Facility with another financing prior to August 8, 2003, the second anniversary of the closing date of the DIP Facility. Finally, the Borrowers and the Guarantors also paid a $2.0 million fee to the Agents.

To secure the Borrowers' obligations under each Facility, the Borrowers granted to each Agent, for the benefit of the lenders, a first priority lien on all of the existing and after-acquired assets of the Borrowers. To secure the Guarantors' obligations under the DIP Facility, the Guarantors granted to each Agent a security interest in all of the assets of the Guarantors, subject to certain exceptions contained in the DIP Facility documentation.

As of August 31, 2002, LINC had no borrowings under the DIP Facility, but had issued letters of credit of $25.5 million and had $174.5 million of availability. In addition, as of August 31, 2002, LINC was in default of several financial covenants contained in the DIP facility. The defaults relate to the failure by several of LINC's operating entities to meet minimum EBITDA thresholds for the period ended August 31, 2002. In addition, several operating entities did not meet the capital expenditure requirements specified under the DIP Facility for the fiscal quarter ended August 31, 2002. LINC received a waiver from the US Lenders and Canadian Lenders with respect to these defaults and expects to obtain future waivers in the event of future defaults. There is no assurance that any waivers required will be obtained.

Key Employee Retention Program

To stabilize employee relations, during fiscal 2000, LINC approved the Key Employee Retention Program (the "KERP"), a long-term agreement structured to ensure that the employees critical to LINC's restructuring efforts are provided with sufficient economic incentives and protections to remain with LINC and fulfill their responsibilities through the initial stages of LINC's financial restructuring process. Effective November 1, 2001, LINC adopted a supplemental key employee retention program to provide incentives and protections for these individuals during the pendency of the financial restructuring process. On September 7, 2001, the Debtors filed a motion seeking Bankruptcy Court approval of an extension of the KERP, referred to below as phase II of the KERP, the original KERP being referred to below as phase I of the KERP. On September 28, 2001, the Bankruptcy Court approved the KERP. For details concerning phases I and II of the KERP, see "New LINC — Management and Board of Directors — Existing Benefit Plans and Agreements of LINC and its Subsidiaries — Key Employee Retention Plan."

Supplemental Executive Retirement Plans

On September 7, 2001, the Debtors requested, and on September 28, 2001, the Debtors were granted, authorization from the Bankruptcy Court to assume certain supplemental executive retirement plans sponsored by LINC for the benefit of certain employees of the Laidlaw Companies. For details concerning these plans, see "New LINC — Management and Board of Directors — Existing Benefit Plans and Agreements of LINC and its Subsidiaries — Supplemental Executive Retirement Plans."

Severance Policy

On September 7, 2001, the Debtors requested, and on September 28, 2001, the Debtors were granted, authorization from the Bankruptcy Court to assume a severance pay policy maintained by LINC for the benefit of its employees. For details concerning the severance pay policy, see "New LINC — Management and Board of Directors — Existing Benefit Plans and Agreements of LINC and its Subsidiaries — Severance Policy."

Executory Contracts and Unexpired Leases

Prior to the Petition Date, the Debtors reviewed their executory contracts and unexpired leases. As debtors-in-possession, the Debtors have the right under Section 365 of the Bankruptcy Code, subject to the approval of the Bankruptcy Court, to assume, assume and assign or reject executory contracts and unexpired leases. Section 365 of the Bankruptcy Code provides generally that a debtor may assume, assume and assign, or reject an executory contract at any time before the confirmation of a plan of reorganization, but the Bankruptcy Court, on the request of a party in interest, may order the debtor to determine whether to assume or reject a particular executory contract within a specified period of time. In addition, Section 365 of the Bankruptcy Code provides further that a debtor is given until 60 days after the date of commencement of its bankruptcy to decide whether to assume, assume and assign or reject an unexpired lease of nonresidential real property. This period may be extended for "cause." On or about August 24, 2001, the Debtors filed a motion to extend the time within which they may assume, assume and assign or reject unexpired leases of nonresidential real property until the Confirmation Date to allow them to further evaluate the Unexpired Leases, which the Bankruptcy Court granted by order dated September 5, 2001.

The Debtors are continuing to review their Executory Contracts and Unexpired Leases. Based on this review, the Debtors anticipate that they may File motions to reject burdensome Executory Contracts and Unexpired Leases.

The CCAA Cases

On June 28, 2001, the Canadian Court granted an order, that, among other things:

- declared that LINC and LIL were entitled to relief under the CCAA;
- stayed all proceedings against LINC and LIL and their officers and directors until July 3, 2001; and
- authorized LINC and LIL to enter into the DIP Facility, conditional on approval by the Bankruptcy Court.

On July 3, 2001, the Canadian Court granted an order that, among other things:

- extended the stay of proceedings to and including September 28, 2001;
- authorized LINC and LIL to make certain payments, including authorization to make payment in respect of goods and services actually supplied to or received by them prior to June 28, 2001 up to an aggregate amount of U.S. $2.0 million; and
- appointed Ernst & Young Inc. as information officer and monitor with respect to LINC and LIL.

On August 10, 2001, the Canadian Court granted an order:

- approving a procedural protocol for the coordination of the CCAA Cases and the Reorganization Cases; and
- recognizing and approving the process and bar dates for filing proofs of claim and the form and manner of notice thereof which had been approved by order of the Bankruptcy Court dated August 7, 2001.

On September 27, 2002, the Canadian Court granted an order that, among other things:

- declared that the Bankruptcy Court has the jurisdiction to determine, compromise or otherwise affect the interests of claimants against, including creditors and shareholders of, LINC and LIL; and
- relieved LINC and LIL from any obligation to file any plan of compromise or arrangement in Canada under the CCAA.

On December 6, 2002, the Canadian Court granted an order that extended the stay of proceedings to, and including, February 28, 2003.

Prepetition Trade Claims

In order to facilitate a smooth transition into chapter 11 and simplify the process of obtaining approval of the Plan in an expeditious manner, the Debtors filed a motion seeking authority to pay all claims arising from or relating to the sale of goods or the rendering of services prior to the Petition Date in the ordinary course of the Debtors' businesses (collectively, the "Prepetition Trade Claims") up to an aggregate amount of $2.0 million. Payment of the Prepetition Trade Claims assisted in establishing the business-as-usual atmosphere surrounding the Debtors' chapter 11 cases. In addition, this process helped to ensure that the Debtors continued to receive an uninterrupted supply of the goods and services necessary to perform their management and administrative functions for the benefit of all of the Laidlaw Companies. Payment of the Prepetition Trade Claims eliminated numerous small creditors of the Debtors, greatly reduced the administrative burden of distinguishing between pre- and postpetition claims and has allowed the Debtors' management to focus on exiting chapter 11 as soon as possible.

Claims Process and Bar Date

On the Petition Date, the Debtors Filed their Schedules of Assets and Liabilities and Statements of Financial Affairs (collectively, the "Schedules"), identifying assets and liabilities of their respective Estates. The Debtors Filed amended Schedules on August 17, 2001.

After discussions between the Debtors and the United States Trustee and counsel to the Subcommittees, on August 7, 2001, the Bankruptcy Court entered an Order designating October 16, 2001 as the general Bar Date and December 26, 2001 as the Bar Date for claims by governmental entities.

Appointment of the Creditors' Committee

On July 11, 2001, the United States Trustee appointed the Creditors' Committee. The current members of, and counsel to, the Creditors' Committee are:

Bank of Montreal (BMO-Nesbitt Burns)
First Canadian Place
24th Floor
100 King Street West
Toronto, Ontario
Canada M5X 1A1

Canadian Imperial Bank of Commerce
Commerce Court West
6th Floor
Toronto, Ontario
Canada M5L 1A2

Conseco Capital Management, Inc.
11825 North Pennsylvania Street
Carmel, Indiana 46032

John Hancock Life Insurance Co.
200 Clarendon Street
Boston, Massachusetts 02117

New York Life Insurance Company
51 Madison Avenue
New York, New York 10010

Royal Bank of Canada
20 King Street West
9th Floor
Toronto, Ontario
Canada M5H 1C4

Sunamerica Life Insurance Co. and Affiliates
175 Water Street
25th Floor
New York, New York 10038

Unumprovident Corporation and Various Subsidiaries
1 Fountain Square
Chattanooga, Tennessee 37402

Counsel:

Raymond L. Fink, Esq.
Harter, Secrest & Emery LLP
Suite 400
Twelve Fountain Plaza
Buffalo, New York 14202

John R. Weider, Esq.
Harter, Secrest & Emery LLP
1600 Bausch & Lomb Place
Rochester, New York 14604

Motion to Enjoin Prosecution of Securities Class Actions Against Nondebtor Employees

On July 13, 2001, the Debtors filed a motion (the "D&O Motion") and commenced an adversary proceeding seeking to enjoin, in part, the prosecution of six securities actions (the "Actions") brought against, among others, the Debtors and certain current or former directors and officers of the Debtors, including any directors and officers not yet named in the Actions (collectively, the "D&Os").

In the D&O Motion, the Debtors argued that absent an order enjoining further proceedings in the Actions,

- the Debtors could be subject to substantial collateral estoppel and other risks in the Actions, which would effectively compel the Debtors, at significant cost and expense, to continue to monitor and participate in the defense of the Actions;
- judgments entered in the Actions - while nominally against the D&Os - could be tantamount to judgments against the Debtors, in light of the Debtors' current indemnification obligations to the D&Os;
- the plaintiffs in the Actions would be permitted, in violation of the automatic stay, to seek possession or control of the Debtors' director and officer liability policies and their proceeds (the "D&O Policies"), which constitute so-called "property of the estate;" and
- the Debtors and those D&Os integral to the Debtors' reorganization efforts would be distracted from the chapter 11 proceedings.

The Debtors argued further that the continuation of the Actions would frustrate the purpose of the automatic stay imposed by Section 362 of the Bankruptcy Code. Accordingly, the D&O Motion sought to extend the automatic stay to enjoin prosecution of the Actions against the D&Os, in any capacity whatsoever, including as directors and officers of Safety-Kleen and Laidlaw Environmental, for the duration of the automatic stay. On November 20, 2001, the Debtors filed a notice of dismissal of the adversary proceeding without prejudice. As a result, the D&O Motion was withdrawn without prejudice.

Bonding Facilities

The Laidlaw Companies, from time to time, are required to post surety bonds to bid on or guarantee their performance under certain service contracts and for other uses. Certain of the Debtors have guaranteed the obligations of the operating companies under certain of these surety bonds. Because of the need for these bonding programs to the Laidlaw Companies' businesses, including those programs described below, the Debtors have sought the authority of the Bankruptcy Court to participate in these programs, and it is anticipated that the Debtors will continue to participate in these programs after Confirmation.

AIG Bonding Facility

On August 29, 2001, the Bankruptcy Court entered an order authorizing the Debtors to (a) assume certain insurance agreements and (b) enter into certain insurance arrangements with National Union Fire Insurance

Company of Pittsburgh, Pennsylvania and certain other entities affiliated with AIG (collectively, the "AIG Group"). The AIG Group provides certain of the Laidlaw Companies with insurance coverage, including workers compensation, general liability and commercial automobile liability coverage (collectively, the "Insurance Program"). In addition, the AIG Group provides the Laidlaw Operating Companies with surety bonds under a surety program (the "Surety Program").

Under the Insurance Program, the AIG Group pays the losses and expenses that it insures, and certain of the Laidlaw Companies have agreed to reimburse the AIG Group for those losses and expenses. Under the Surety Program, the Laidlaw Companies have agreed to reimburse the AIG Group for any losses and expenses associated with the outstanding surety bonds.

On May 29, 2002, the Bankruptcy Court entered an order authorizing the Debtors to amend the Surety Program to increase the bonding capacity under the program to $170.0 million.

Kemper Bonding Facility

On March 27, 2002, the Bankruptcy Court entered an order authorizing the Debtors to enter into a surety bond agreement and collateral pledge agreement (collectively, the "Kemper Agreements") with certain affiliates of Kemper Insurance Companies ("Kemper"). Pursuant to the Kemper Agreements, Kemper has agreed to provide American Medical Response, Inc. ("AMR") and its affiliates with access of up to $30.0 million in surety bonds. Under the Kemper Agreements, certain of the Debtors and other Laidlaw Companies must reimburse Kemper for any losses on the bonds issued to AMR and must post collateral based on a percentage of the amount of outstanding bonds under the program.

Federal Bonding Facility

On May 29, 2002, the Bankruptcy Court entered an order authorizing the Debtors to enter into a surety bond agreement and collateral pledge agreement (collectively, the "Federal Agreements") with certain affiliates of Federal Insurance Company ("Federal"). Pursuant to the Federal Agreements, Federal has agreed to provide the Laidlaw Companies with access of up to $165.0 million in surety bonds (subject to certain adjustments). Under the Federal Agreements, certain of the Debtors and other Laidlaw Companies must reimburse Federal for any losses on the issued bonds and must post collateral based on a percentage of the amount of outstanding bonds under the program. The Debtors and the other Laidlaw Companies will continue to be bound by the Federal Agreements following Confirmation.

Settlement and Lock-Up Agreement

The Debtors, certain Prepetition Noteholders (the "Noteholders") and certain Lenders executed a Settlement and Lock-Up Agreement dated as of June 27, 2001 (as amended as of August 24, 2001, June 28, 2002 and December 31, 2002 and as may be further amended, modified or extended from time to time, the "Lock-Up Agreement"). The Lock-Up Agreement includes agreements and compromises (i.e., the Guaranty Coverage Dispute Settlement) reached among the parties with respect to the dispute among the Noteholders, the Lenders and certain of the Debtors regarding the validity, enforceability and effect of the arrangement pursuant to which LTI guaranteed LINC's obligations, and is a co-borrower under the Prepetition Credit Facility and the Original Credit Agreement. The Lenders and the Noteholders that are signatories to the Lock-Up Agreement represent approximately 67.5% of the $1.31 billion in outstanding indebtedness under the Prepetition Credit Facility and approximately 33.7% of the $2.25 billion in outstanding debt securities issued pursuant to the Prepetition Indentures. Under the terms of the Lock-Up Agreement, the Lenders and the Noteholders have agreed to resolve the Guaranty Coverage Dispute upon the satisfaction of the conditions set forth therein and the distribution of $110 million to the Lenders and the Noteholders no later than the Effective Date. The distribution will be made on the Effective Date as follows:

- the then current Lenders will receive $88.0 million and
- the then current Noteholders will receive $22.0 million.

The balance of the parties' claims against the Debtors and claims with respect to Letters of Credit outstanding under the Prepetition Credit Facility (to the extent drawn prior to the Effective Date) will be classified as allowed general unsecured and unsubordinated claims in Class 4 under the Plan. Except as required by the Debtors' fiduciary duties, the Debtors have agreed not to pursue a plan of reorganization that fails to incorporate fully the terms and conditions of the Lock-Up Agreement or that fails to classify the Lenders (the "Lender Class") as a single separate class of creditors or the Noteholders as a single separate class of creditors (the "Noteholder Class"). Finally, the Lenders and the Noteholders that are signatories to the Lock-Up Agreement have agreed to reject any plan of reorganization that fails to incorporate fully the terms of the Lock-Up Agreement and to oppose any proceeding under the CCAA that is inconsistent with the terms of the Lock-Up Agreement.

Director and Officer Claim Treatment Letter

On September 28, 2001, the Bankruptcy Court entered an order approving certain interim payments pursuant to the Director and Officer Claim Treatment Letter (the "D&O Claim Treatment Letter") among LINC, the informal steering committees of the Lenders and the Prepetition Noteholders and certain present or former directors or officers of LINC or its subsidiaries or affiliates, including Safety-Kleen (collectively, the "Directors and Officers"). These interim payments are subject to final approval by the Bankruptcy Court pursuant to confirmation of the Plan or other order. Pursuant to the terms and conditions of the D&O Claim Treatment Letter, the parties agreed to resolve the insurance and reimbursement issues with respect to any claims arising out of or relating to facts that are the subject of the pending litigation or subsequently commenced litigation involving LINC or any of its subsidiaries or affiliates, including Safety-Kleen and the Directors and Officers, including certain securities lawsuits relating to the Debtors' ownership in Safety-Kleen. See "Recovery Actions; Other Legal Proceedings — Other Legal Proceedings — Securities Litigation."

The following summary of the principal terms of the D&O Claim Treatment Letter is qualified in its entirety by the D&O Claim Treatment Letter. Pursuant to the D&O Claim Treatment Letter, the parties agreed on the manner to address the Directors and Officers' claims for indemnification and for reimbursement and costs of defense (the "D&O Claims"). The Debtors and Directors and Officers agreed to use commercially reasonable efforts, including litigation if necessary, to cause the issuers (the "D&O Insurers") of the Debtors' Directors and Officers insurance (the "D&O Insurance") to pay the D&O Claims and to reimburse LINC for any defense costs covered by the D&O Insurance. Under the terms of the D&O Claim Treatment Letter, the Directors and Officers will continue to have access to the D&O Insurance for D&O Claims. Further, the Debtors and the Directors and Officers agreed that the existing $10.0 million trust plus accrued interest thereon that previously was established by the Debtors to satisfy D&O Claims of the Directors and Officers (the "Defense Trust") will continue in existence for ten years after the Effective Date to pay any D&O Claims not covered by the D&O Insurance in accordance with the terms of the D&O Claim Treatment Letter.

According to the terms of the D&O Claim Treatment Letter, the Debtors, or the Reorganized Debtors after the Effective Date, as the case may be, are required to maintain a balance of $10.0 million in the Defense Trust by contributing additional funds to the Defense Trust (the "Additional Trust Contributions"). The Additional Trust Contributions will be made in $1.0 million increments up to an aggregate cap of $10.0 million (the "Additional Trust Contributions Cap"). If the D&O Insurers reimburse the Directors and Officers for D&O Claims after such claims already have been paid from the Defense Trust, the reimbursement by the D&O Insurers will be deposited into the Defense Trust. The D&O Claim Treatment Letter also provides that the maximum aggregate amounts available in the Defense Trust and under the Additional Trust Contributions Cap will be reduced to the amounts set forth below on the anniversaries of the Effective Date as follows:

On the 2nd anniversary	$17.5 million
On the 4th anniversary	$15.0 million
On the 6th anniversary	$12.5 million
On the 8th anniversary	$10.0 million
On the 10th anniversary	$0

Upon the tenth anniversary of the Effective Date, all unexpended monies in the Defense Trust will be remitted to New LINC. The Defense Trust has been amended to reflect the terms and conditions of the D&O Claim Treatment Letter. On October 4, 2001, the Canadian Court entered an order approving, on an interim basis and subject to the occurrence of the Effective Date, the amendment of the Defense Trust pursuant to the terms of the D&O Claim Treatment Letter.

Subject to the occurrence of the Effective Date and in accordance with the terms of the D&O Claim Treatment Letter, the Debtors also agreed to release each Director and Officer from all claims so long as such Director or Officer acted honestly and in good faith with a view to the best interests of the corporation in relation to any such claim; provided, however, that the Debtors shall retain such claim solely to the extent applicable to D&O Insurance coverage, if any. In addition, the Directors and Officers agreed to waive all D&O Claims against any Debtor and to file all other claims they may have against the Debtors only in the U.S. chapter 11 proceedings. Accordingly, notwithstanding anything in the Plan to the contrary, the terms and conditions of the D&O Claim Treatment Letter shall govern and control the treatment, allowance and priority of any and all Claims asserted by the Directors and Officers against the Debtors and their affiliates.

Exclusivity

Under Section 1121 of the Bankruptcy Code, a debtor has the exclusive right to (a) file a plan of reorganization during the first 120 days of its chapter 11 case and (b) solicit acceptances of such a plan during the first 180 days of the case. These periods may be extended for "cause." The original exclusive period for the Debtors to file a plan of reorganization expired on October 26, 2001 and the original exclusive period for the Debtors to solicit acceptances expired on December 26, 2001. The Bankruptcy Court has issued a series of Orders extending these periods. The exclusive period will expire on February 28, 2003.

Settlement of Pension Plan Claims

The Debtors and the Pension Benefit Guaranty Corporation ("PBGC"), a United States government agency that administers the mandatory termination insurance program for defined benefit pension plans under the Employee Retirement Income Security Act ("ERISA"), have agreed to the principal economic terms relating to claims asserted by the PBGC against the Debtors regarding the funding levels of the Pension Plans (the "PBGC Agreement"). Under the PBGC Agreement, upon the consummation of the Plan, New LINC and its subsidiaries will contribute $50 million in cash to the Pension Plans and issue shares of New Common Stock equal in value to $50 million to a trust formed for the benefit of such plans (the "Pension Plan Trust"). The PBGC Agreement provides that the PBGC will be granted a first priority lien on the New Common Stock held in the Pension Plan Trust. The trustee of the Pension Plan Trust will sell the stock as soon as practicable, but in no event later than the end of 2004. All proceeds of such stock sales will be contributed directly to the Pension Plans. If the proceeds from the sales of New Common Stock exceed $50 million, the excess amount may be credited against New LINC's next-due minimum funding obligations, but will not reduce New LINC's June 2004 required contribution described herein. If the proceeds from the sales of New Common Stock do not aggregate $50 million, New LINC and its subsidiaries will be required to contribute the amount of the short-fall in cash to the Pension Plans at the end of 2004. Further, New LINC and its subsidiaries will contribute an additional $50 million in cash to the Pension Plans in June 2004. These contributions and transfers will be in addition to the contributions to the Pension Plans, if any, required under the minimum funding requirements of ERISA. The PBGC also will receive a second priority lien on the assets of New LINC's operating subsidiaries (other than Greyhound).

New LINC and its subsidiaries will not be permitted to offset the $150 million in Pension Plan contributions under the PBGC Agreement against their minimum funding obligations under ERISA until the first to occur of: (i) with respect to all of the Pension Plans, New LINC obtains a rating of at least BBB and Baa2 on its unsecured debt from Standard & Poor's and Moody's, but no earlier than five years after the Effective Date; (ii) with respect to any particular Pension Plan, New LINC demonstrates that the Pension Plan has no unfunded benefit liabilities (under Section 4001(a)(18) of ERISA) as of the last day of two consecutive plan years (starting with the 2006 and 2007 plan years); or (iii) with respect to any particular Pension Plan, the Pension Plan is terminated in a standard termination under ERISA.

RECOVERY ACTIONS; OTHER LEGAL PROCEEDINGS

Recovery Actions

Introduction

A number of transactions may have occurred prior to the Petition Date that may have given rise to Claims (collectively, "Recovery Actions"), including preference actions, fraudulent conveyance actions, rights of setoff and other Claims or causes of action under Sections 510, 544, 547, 548, 549, 550 and 553 of the Bankruptcy Code and other applicable bankruptcy or non-bankruptcy law.

Preference Claims

Under Sections 547 and 550 of the Bankruptcy Code, a debtor may seek to avoid and recover certain prepetition payments and other transfers made by the debtor to or for the benefit of a creditor in respect of an antecedent debt, if such transfer (a) was made when the debtor was insolvent and (b) enabled the creditor to receive more than it would receive in a hypothetical liquidation of the debtor in a chapter 7 where the transfer had not been made. Transfers made to a creditor that was not an "insider" of the debtor are subject to these provisions generally only if the payment was made within 90 days prior to the debtor's filing of a petition under chapter 11. Under Section 547, certain defenses, in addition to the solvency of the debtor at the time of the transfer and the lack of preferential effect of the transfer, are available to a creditor from which a preference recovery is sought. The Debtors currently are not aware of any transactions that they can challenge or seek to avoid under the Bankruptcy Code or applicable state law as a preference.

Fraudulent Conveyance Actions

Generally, a conveyance or transfer is fraudulent if: (a) it was made with the actual intent to hinder, delay or defraud a creditor (*i.e.,* an intentional fraudulent conveyance); or (b)(i) reasonably equivalent value was not received by the transferee in exchange for the transfer and (ii) the debtor was insolvent at the time of the transfer, was rendered insolvent as a result of the transfer or was left with insufficient capitalization as a result of the transfer (*i.e.,* a constructive fraudulent conveyance). Two primary sources of fraudulent conveyance law exist in a chapter 11 case.

The first source of fraudulent conveyance law is Section 548 of the Bankruptcy Code, under which a debtor-in-possession or bankruptcy trustee may avoid fraudulent transfers that were made or incurred on or within one year before the date that a bankruptcy case is filed.

The second source is Section 544 of the Bankruptcy Code - the so-called "strong-arm provision" - under which the debtor in possession (or creditors with bankruptcy court permission) may look to state law to avoid transfers as fraudulent. State fraudulent conveyance laws generally have statutes of limitations longer than one year and are applicable in a bankruptcy proceeding pursuant to Section 544 of the Bankruptcy Code if the statute of limitations with respect to a transfer has not expired prior to the filing of the bankruptcy case. If such statute of limitation has not expired, the debtor in possession (or creditors with bankruptcy court permission) may bring the fraudulent conveyance claim within the time period permitted by Section 546 of the Bankruptcy Code notwithstanding whether the state limitations period expires prior thereto. Generally, Section 546 of the Bankruptcy Code permits a state fraudulent conveyance action to be brought within the later of (a) two years after the commencement of the bankruptcy proceeding or (b) one year after the appointment or election of a trustee for the debtor if such appointment or election occurs within such two-year period.

The primary sources of applicable state fraudulent conveyance law are state enactments of the Uniform Fraudulent Conveyance Act ("UFCA") and the Uniform Fraudulent Transfer Act ("UFTA"). As of June 2000, enactments of the UFCA were effective in four states, and enactments of the UFTA were effective in 39 states and the District of Columbia. Other states, including certain states whose fraudulent conveyance law could be applicable to fraudulent conveyance claims described below, have enacted neither the UFCA nor the UFTA, but instead operate under either a derivation of the English Statute of Elizabeth or some other fraudulent conveyance statute. Like Section 548 of the Bankruptcy Code, under both the UFCA and the UFTA a conveyance or transfer is generally fraudulent if: (a) it was made with the actual intent to hinder, delay or defraud a creditor (*i.e.,* an intentional fraudulent conveyance); or (b)(i) reasonably equivalent value was not received by the transferee in exchange for the transfer and (ii) the debtor was insolvent at the time of the transfer, was rendered insolvent as a result of the transfer or was left with insufficient capitalization as a result of the transfer (*i.e.,* a constructive fraudulent conveyance).

The Debtors currently are not aware of any transactions that they can challenge as a fraudulent conveyance under the Bankruptcy Code or applicable state law, but, any such claims, to the extent not released under the Plan, shall be reserved for the benefit of the Reorganized Debtors.

Other Legal Proceedings

As a result of LINC's voluntary petition for reorganization, the actions set forth below have been stayed as to LINC.

Securities Litigation

On September 24, 2000, a complaint was filed in the United States District Court for the Southern District of New York captioned John Hancock Life Insurance Company, New York Life Insurance Company, Aid Association for Lutherans, American General Annuity Insurance Company and the Variable Annuity Life Insurance Company v. John R. Grainger, James R. Bullock, Ivan R. Cairns, Leslie W. Haworth, Peter N.T. Widdrington, Wayne R. Bishop, William P. Cooper, Jack P. Edwards, William A. Farlinger, Donald M. Green, Martha O. Hesse, Gordon R. Ritchie, Stella M. Thompson, Laidlaw Inc., and Goldman Sachs & Co., Bear Stearns & Co., Inc., Salomon Smith Barney, Merrill Lynch & Co., Robertson Stephens, & Co., Bank One Corp., CIBC Oppenheimer, Banc of America Securities, LLC and TD Securities (USA), Inc. (the "Underwriter Defendants"), and PricewaterhouseCoopers LLP (No. 00 Civ. 7233). In response to a motion to dismiss filed by certain defendants, plaintiffs filed an amended complaint on March 15, 2001 adding PricewaterhouseCoopers LLP (Canada) as a defendant and seeking to represent a class of all persons and entities that purchased certain of the Prepetition Notes (issued September 24, 1997, April 23, 1998 and May 6, 1999) during the period September 24, 1997 through and including May 12, 2000 and suffered damages. Plaintiffs assert claims under Sections 11, 12 and 15 of the Securities Act and the common law of South Carolina, alleging that the registration statement and prospectus for the Prepetition Notes contained misleading statements with respect to LINC's financial condition and the relative priority of the Prepetition Notes. In addition, plaintiffs contend that LINC's financial statements were materially false due to the inclusion of financial information from Safety-Kleen. LINC filed a motion with the Judicial Panel of Multidistrict Litigation (the "JPML") to transfer the John Hancock Life Insurance Company action from the Southern District of New York to the District of South Carolina (Docket MDL No. 1397). On April 19, 2001, the JPML granted this motion and the Hancock action was transferred to the District of South Carolina.

A securities fraud class action complaint was filed in the United States District Court for the District of South Carolina on August 14, 2000 against LINC and others (Barbara Meltzer v. John R. Grainger, James R. Bullock, Leslie W. Haworth and Laidlaw Inc., Civil Action No. 3:00-2518-17). Plaintiffs in this case seek to represent a class of all persons who purchased certain of the Prepetition Notes during the period from October 15, 1997 through and including March 13, 2000. On May 11, 2001, plaintiffs filed an amended complaint, which, among other things, added Ivan R. Cairns as a defendant. Plaintiffs alleged that, during the class period, defendants disseminated to the investing public false and misleading financial statements and press releases concerning the relative priority of the Prepetition Notes and LINC's publicly reported financial condition and future prospects based on LINC's incorporation and/or consolidation of the financial results of Safety-Kleen in the reported consolidated financial results of LINC and its failure to disclose that the billing practices of certain of its healthcare services businesses did not comply with applicable governmental regulations. Claims are asserted against LINC and the individual defendants under Section 10(b) of the Exchange Act and SEC Rule 10b-5 under the Exchange Act. The Meltzer action and the Hancock action were consolidated by order of the South Carolina federal court dated June 20, 2001, and the caption of the case was changed to In re Laidlaw Bondholders Litigation (Civil Action No. 3:00-CV-2518-17).

The federal court in South Carolina ordered mediation of the claims brought in the consolidated action. The Bankruptcy Court approved LINC's continued participation in the mediation. On January 9, 2002, LINC announced that it had reached an agreement in principle with all parties to settle In re Laidlaw Bondholders Litigation. The proposed settlement of the class action litigation provides for a release of all claims that the plaintiffs have and may have against LINC and the other defendants, including certain of LINC's former and current officers and directors, the Underwriter Defendants, PricewaterhouseCoopers LLP (Canada) and PricewaterhouseCoopers LLP. The other defendants, including LINC, will also release certain claims. In particular, LINC will release PricewaterhouseCoopers LLP (Canada) and PricewaterhouseCoopers LLP from all claims related to audits of LINC and its subsidiaries, including Safety-Kleen, for fiscal years 1996 through 2000, and PricewaterhouseCoopers LLP (Canada) and PricewaterhouseCoopers LLP will release LINC from all claims related to those financial statements. The definitive settlement agreement was executed on July 24, 2002 (the "Bondholder Settlement Agreement"). On August 30, 2002 and September 11, 2002, the Bankruptcy Court and the Canadian Court, respectively, approved LINC's participation in the Bondholder Settlement Agreement. On December 17, 2002, the Bondholder Settlement Agreement was also approved by the federal court in South Carolina. Certain aspects of the settlement are subject to the following conditions: (i) the entry of an order by the Canadian Court relating to insurance payments; and (ii) confirmation of a satisfactory plan of reorganization for LINC.

The Bondholder Settlement Agreement also includes the settlement of a class action by LINC bondholders against Citibank, N.A., the indenture trustee for the Prepetition Notes.

On December 12, 2000, a securities fraud class action complaint was filed in the United States District Court for the Southern District of New York against LINC and others (Westdeutsche Landesbank Girozentrale, New York Branch v. John R. Grainger, James R. Bullock, Ivan R. Cairns, Leslie W. Haworth, Peter N.T. Widdrington, Wayne R. Bishop, William P. Cooper, Jack P. Edwards, William A. Farlinger, Donald M. Green, Martha O. Hesse, Gordon R. Ritchie, Stella M. Thompson, Laidlaw Inc., PricewaterhouseCoopers LLP, Goldman, Sachs & Co., Merrill Lynch & Co., Banc One Corp., CIBC Oppenheimer, Banc of America Securities, LLC and TD Securities (USA), Inc. No. 00 Civ. 9436). On January 17, 2001, plaintiff filed an amended complaint which added PricewaterhouseCoopers LLP (Canada) and several entities related to Goldman Sachs & Co. as defendants. The complaint alleged that defendants disseminated to the investing public false and misleading financial statements and press releases concerning LINC's obligations with respect to the 1992 Indenture, the Prepetition Credit Facility and the 1997 Indenture. On April 18, 2001, plaintiff filed a motion to dismiss this case as to LINC and the other defendants without prejudice and as to certain of the current directors of LINC with prejudice. LINC and certain of its officers and former officers filed a response, seeking to have the claims against them dismissed with prejudice. On June 19, 2001, the court dismissed the Westdeutsche case with prejudice as to all remaining defendants. On July 2, 2001, plaintiff filed a motion for reconsideration or clarification of that decision. On August 13, 2001, the court denied the motion to reconsider and confirmed the dismissal with prejudice. Plaintiff then appealed the dismissal with prejudice as to certain parties. On July 24, 2002, this action was settled as part of the Bondholder Settlement Agreement.

Subject to the Bondholder Settlement Agreement being implemented on the current terms, the plaintiff bondholder classes would be paid $42.875 million, and the Estate of LINC would receive $12.5 million.

Also pending before the federal court in South Carolina is In re Safety-Kleen Corp. Bondholders Securities Litigation (Civil Action No. 3:00-1145-17) filed on January 23, 2001. This consolidated complaint consolidates the allegations originally brought by plaintiffs in the South Carolina District Court action, Muzinich & Co. v. Kenneth Winger, Paul R. Humphreys, Michael Bragagnolo and Laidlaw Inc. (Civil Action No. 3:00-1145-17) and the Delaware District Court action of American High Income Trust and State Street Research v. Kenneth W. Winger, Laidlaw Inc., PricewaterhouseCoopers LLP, TD Securities (USA) Inc., Nationsbanc Montgomery Securities, Raymond James & Associates, Inc., Arthur Andersen LLP, James R. Bullock, Paul R. Humphreys, John W. Rollins, Sr., John W. Rollins, Jr., Leslie W. Haworth, Robert W. Luba, David E. Thomas, Jr., Henry B. Tippie, James L. Wareham, Grover C. Wrenn, Michael J. Bragagnolo and Henry H. Taylor (Civil Action No. 00-661). Plaintiffs in this case seek to represent a class of all persons who purchased certain bonds issued by Safety-Kleen or its predecessor, Laidlaw Environmental, from April 17, 1998 through March 6, 2000. Plaintiffs allege that the defendants controlled the functions of Safety-Kleen, including the content and dissemination of its financial statements and public filings, which plaintiffs contend to be false and misleading. Claims are asserted against LINC under Sections 10 and 20 of the Exchange Act, SEC Rule 10b-5 and Section 15 of the Securities Act. On March 12, 2001, LINC and other defendants filed motions to dismiss the consolidated class action complaint. On September 12, 2001, the court entered an order dismissing all claims against all defendants based on the Securities Act. Claims brought against defendants under the Exchange Act were not dismissed. On June 14, 2002, the court granted plaintiffs' motion for reconsideration in part concerning the Securities Act claims that were dismissed and allowed the assertion of claims under Section 11(a) of the Securities Act on behalf of "after-market purchasers." On July 12, 2002, the purchaser plaintiff class filed an amended complaint that included additional factual allegations and additional claims under the federal securities laws described above.

A complaint for violation of California Corporate Securities Law of 1968 and for common law fraud and negligent misrepresentation was filed on March 5, 2001 in the Superior Court of the State of California, County of Sacramento against LINC and Kenneth W. Winger, John R. Grainger, James R. Bullock, Paul R. Humphreys, John W. Rollins, Sr., John W. Rollins, Jr., Leslie W. Haworth, David [E.] Thomas, Jr., Henry B. Tippie, James L. Wareham, Grover C. Wrenn, Michael J. Bragagnolo, and Henry H. Taylor. The five plaintiffs in this case (Eaton Vance Distributors, Inc.; T. Rowe Price Associates, Inc.; Delaware Investment Advisors; John Hancock Funds, Inc; and Putnam Investments, Inc.) are purchasers or acquirers of certain bonds issued by the California Pollution Control Financing Authority on July 1, 1997 secured by an indenture agreement with Laidlaw Environmental and its successor Safety-Kleen in their initial offering on July 1, 1997 and retained through March 6, 2000. The action alleges that defendants made written or oral communications containing false statements or omissions about Laidlaw Environmental's and Safety-Kleen's business, finances and future prospects in connection with the offer for sale of those bonds, and that plaintiffs bought and retained the bonds in reliance on said statements and were injured thereby. LINC was not served with this complaint until the day after it filed bankruptcy. Subsequent to LINC's bankruptcy filing, certain of the other defendants filed motions to dismiss the action on the grounds that the California court lacked personal jurisdiction over them, and the California court granted the motion and dismissed the action as to those defendants on October 26, 2001. The plaintiffs have appealed the dismissal.

Three actions have been filed against LINC, John Grainger, James Bullock and Leslie Haworth and are pending in the United States District Court for the District of South Carolina. These cases have been consolidated and are styled In re Laidlaw Stockholders Litigation (Civil Action No. 3:00-855-17). Plaintiffs seek to represent a class of purchasers of Old Common Stock of LINC for the period of October 15, 1997 through March 13, 2000. Claims are asserted against LINC under Section 10(b) of the Exchange Act and SEC Rule 10b-5 based on LINC's incorporation and/or consolidation of the financial results of Safety-Kleen in the reported consolidated financial results of LINC. Plaintiffs have withdrawn their initial consolidated complaint in this matter. On May 21, 2001, plaintiffs filed a second amended consolidated complaint. The amended complaint repeats the allegations of the withdrawn complaint and adds allegations that LINC's financial statements had accounting irregularities including financial statement information relating to AMR. The court denied motions to dismiss filed by other defendants after LINC filed its voluntary petition for reorganization.

On September 18, 2000, LINC was added as a defendant in a consolidated amended securities fraud class action complaint that had previously been pending in the United States District Court for the District of South Carolina against Safety-Kleen and others. Also named as defendants are Kenneth W. Winger, Paul R. Humphreys, Michael J. Bragagnolo, James R. Bullock, John R. Grainger, Leslie W. Haworth, John W. Rollins, Jr., David E. Thomas, Jr., Henry B. Tippie, James L. Wareham, Grover C. Wrenn, Henry H. Taylor and PricewaterhouseCoopers LLP. Safety-Kleen, which is in a chapter 11 reorganization proceeding, was dismissed as a defendant. (In re Safety-Kleen Corporation Stockholders Litigation Civil Action No. 3:00-CV-736-17). In the currently active complaint, plaintiffs allege that, during the class period, defendants disseminated to the investing public false and misleading financial statements and press releases concerning the financial statements and results of operations of Laidlaw Environmental and Safety-Kleen. Plaintiffs further allege that the proxy statement, prospectus and registration statement pursuant to which Laidlaw Environmental and Old Safety-Kleen were merged contained false and misleading financial information. Plaintiffs assert claims under Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5 on behalf of all classes and under Section 14(a) of the Exchange Act and Sections 11, 12(a)(2) and 15 of the Securities Act on behalf of the so-called "merger class." The only claims asserted against LINC prior to its bankruptcy filing were under Section 20(a) of the Exchange Act and Section 15 of the Securities Act. LINC and the other defendants moved to dismiss this action. On May 15, 2001, the court entered an order denying the motions to dismiss all defendants except Henry H. Taylor. LINC answered the consolidated amended complaint on June 22, 2001, denying any liability. A further amended complaint was filed after LINC filed its voluntary petition for reorganization. On June 18, 2002, the court certified the plaintiffs in this case as representatives of two classes: (1) a class consisting of persons who purchased either common stock of Laidlaw Environmental between July 9, 1997 through July 1, 1998 or Safety-Kleen common stock between July 1, 1998 through March 6, 2000 and suffered damages and (2) a "merger class" of persons who exchanged common stock of the predecessor of Safety-Kleen ("Old Safety-Kleen") for Laidlaw Environmental common stock in the merger of Laidlaw Environmental and Old

Safety-Kleen completed on May 18, 1998. On July 5, 2002, some defendants filed an appeal seeking review of that certification decision. On August 9, 2002, the appellate court denied leave to appeal the certification decision.

A consolidated amended class action complaint for violations of federal securities laws was filed in the United States District Court for the District of South Carolina against Walter E. Ryan Jr., Michael A. Collins and Laurie Collins v. Kenneth W. Winger, Paul R. Humphreys, Michael Bragagnolo and James R. Bullock and is styled as In re Safety-Kleen Rollins Shareholders Litigation (Civil Action No. 3:00-1343-17). Plaintiffs in this case sought to amend the complaint to add LINC and additional parties as defendants. Plaintiffs seek to represent a class of all persons who were former stockholders of Rollins Environmental Services and who received or should have received the proxy statement with respect to the May 13, 1997 Special Meeting of Stockholders convened to vote on the acquisition of Laidlaw Environmental by Rollins Environmental Services. In this complaint, the plaintiffs allege that the defendants caused to be disseminated a proxy statement that contained misrepresentations and omissions of a materially false and misleading nature. Claims were asserted against LINC under Sections 14(a) and 20(a) of the Exchange Act. LINC moved to dismiss the claims asserted against it. The court granted LINC and certain defendants' motions to dismiss on June 7, 2001. Motions to dismiss of certain of the other defendants were denied. On June 11, 2001, plaintiffs filed a motion seeking leave to file an amended complaint that asserts a common law claim for negligent misrepresentation against LINC and other defendants. The court granted the motion after LINC's chapter 11 filing, then subsequently vacated its order granting the motion with respect to LINC. An amended complaint was filed after LINC filed its voluntary petition for reorganization. On June 14, 2002, the court granted a motion to dismiss the state law claims asserted against PricewaterhouseCoopers LLP and PricewaterhouseCoopers LLP (Canada). In July 2002, plaintiffs filed a motion for reconsideration of the court's dismissal. The motion for reconsideration was denied.

Certain of the defendants in the above-referenced actions have asserted claims for indemnification against the Debtors. As a result of the Safety-Kleen Settlement Agreement, claims of the Safety-Kleen Directors will be deemed withdrawn with prejudice. The Safety-Kleen Settlement Agreement would not affect the claims of Messrs. Humphreys and Taylor. See "Certain Events Preceding the Debtors' Chapter 11 Filings — Resolution of Disputes Among Laidlaw, Safety-Kleen and Certain Other Parties — Settlement of Certain Safety-Kleen Matters" and "Operations During the Reorganization Cases — Director and Officer Claim Treatment Letter."

Other Litigation

A complaint was filed in the United States District Court for the Southern District of Mississippi, Hattiesburg Division, captioned Raygar Environmental Systems International, Inc. v. Laidlaw Inc., Laidlaw Investments Ltd., Laidlaw Transportation, Inc., Laidlaw Environmental Services, Inc., LES, Inc., Laidlaw Environmental Services (US) Inc., Laidlaw Osco Holdings, Inc., Laidlaw International, Safety-Kleen Corp. (Civil Action No. 2:99CV376PG). The complaint alleges causes of action for breach of contract, tortious breach of contract, breach of fiduciary duty, breach of duty of good faith and fair dealing, breach of duty of confidential relations, usurpation of corporate opportunity, negligent misrepresentation, fraudulent misrepresentation, violation of federal antitrust statutes, tortious interference with contractual relations, tortious interference with prospective contractual relations, tortious interference with prospective business relationships, fraud and abuse of superior bargaining power. This case alleges that plaintiff and Laidlaw Osco Holdings, Inc. (now Safety Kleen Osco Holdings, Inc.) agreed to form a corporation to own and develop a hazardous waste treatment facility in Mississippi.

On November 6, 2000, a complaint was filed in the United States District Court for the District of Mississippi captioned Federated Holdings, Inc. v. Laidlaw Inc., Laidlaw Investments Ltd., Laidlaw Transportation, Inc., Laidlaw Environmental Services, Inc., LES, Inc., Laidlaw Environmental Services (US) Inc., Laidlaw Osco Holdings, Inc., Safety-Kleen Corp. (Civil Action No. 2:00CV286PG). The complaint alleges causes of action for breach of contract, tortious breach of contract, breach of fiduciary duty, breach of duty of good faith and fair dealing, breach of duty of confidential relations, negligent misrepresentation, fraudulent misrepresentation, violation of federal and state antitrust statutes, tortious interference with prospective business relationships, fraud and abuse of superior bargaining power. This case alleges that plaintiff was injured as a result of LINC's 1994 acquisition of United States Pollution Control, Inc., a company that was developing a hazardous waste project in Mississippi in a joint venture with plaintiff. On June 14, 2001, the court entered an order consolidating the Raygar action and the Federal Holdings action. Although the claims against LINC have been stayed, plaintiffs have filed proofs of claims in LINC's bankruptcy case and have moved the Bankruptcy Court to modify the automatic stay to allow them to pursue their claims against LINC. On December 13, 2002, the Bankruptcy Court issued an order disallowing in their entirety and expunging in all respects the claims asserted in these two complaints.

On April 23, 2001, an action was filed in the United States District Court for the Eastern District of Texas captioned Union Pacific Corporation v. Laidlaw Inc. and Laidlaw Transportation, Inc. (Civil Action No. 2-01CV081). Union Pacific Corporation is seeking declaratory judgment that it has no obligation to indemnify LINC for claims brought against LINC and seeking return of $700,000 paid to LINC in connection with their joint representation. Union Pacific Corporation filed a motion with the Bankruptcy Court on August 9, 2001 seeking relief from the automatic stay to allow its action to proceed in the Texas court. In January 2002, LINC advised the Bankruptcy Court that it reached an agreement with Union Pacific Corporation that Union Pacific Corporation has an Allowed Claim in LINC's Estate in the amount of approximately $659,225.

In December 2001, an indirect majority-owned subsidiary of Greyhound, Gonzalez, Inc. d/b/a Golden State Transportation ("Golden State"), was indicted by a federal grand jury in Tucson, Arizona. Also charged were 22 current or former employees or agents of Golden State, including the president and several other top managers. Two of these individuals are also employees or consultants to Greyhound. The case was filed in the United States District Court for the District of Arizona. In September 2002, a superseding indictment was issued adding additional criminal counts against Golden State and certain individual defendants, including two newly indicted defendants. The indictment alleges that the defendants were engaged in a conspiracy, spanning over a two-year period, to transport and harbor illegal aliens within the United States and to launder money. As part of the indictment, the U.S. government has sought a forfeiture of substantially all of Golden State's assets and obtained a restraining order restricting access to bank accounts and restraining all vehicles. The restraining order allows Golden State to continue to operate its business in the ordinary course and the order has been relaxed in certain respects. On August 20, 2002, the U.S. government filed a civil forfeiture action against the parcels of real property owned by Golden State. Effective August 30, 2002, however, Golden State ceased substantially all business operations. Golden State and the individuals have pled, or are expected to plead, not guilty to the charges. No trial date has been set for this case. Golden State is currently in the process of obtaining and assessing the significant volume of evidence amassed by the U.S. government.

The United States Attorney in the District of Massachusetts has concluded an investigation into Medicare reimbursement claims made by AMR and certain entities in Massachusetts that were acquired by AMR. The investigation and threatened litigation were initiated by two former employees in AMR's billing department, who were discharged by AMR. In litigation pending in a Massachusetts state court, these two individuals have initiated "whistle blower" claims identical to those being investigated by the United States Attorney's office. The investigation began in 1996 and was expanded in 1999. On June 6, 2002, the United States Attorney's office announced that AMR, the former owners of AMR's Massachusetts predecessor companies, and the United States Attorney's office reached an agreement to settle the matter. As part of the settlement, AMR has agreed to pay $20 million to settle civil claims filed against it, of which $4.45 million has been paid by AMR, $10.55 million was paid out of escrow accounts of the prior owners of AMR and $5.0 million will be paid by AMR over the next three years.

NEW LINC

Description of LINC's Business

LINC is organized under the laws of Canada and has three reportable segments: contract bus services, Greyhound and healthcare services. The contract bus services segment consists of school bus transportation throughout Canada and the United States and municipal transit and paratransit bus transportation within the United States. The Greyhound segment provides inter-city and tourism bus transportation throughout North America. The healthcare services segment provides healthcare transportation services and emergency management services in the United States.

In fiscal 2001, in addition to reporting the healthcare services businesses as a segment in the light of LINC's decision to continue to operate the healthcare services businesses with a view towards maximizing long-term value, LINC changed the reportable segments in fiscal 2001 as compared to fiscal 2000. The former education services segment, which consisted of the school bus transportation operations, was combined with the municipal transit and paratransit operations to form the contract bus services segment. The former inter-city, transit & tour services segment, which consisted of the Greyhound operations and the municipal transit and paratransit operations, now consists only of the Greyhound operations and the segment was renamed Greyhound.

For each of the years in the three-year period ended August 31, 2002, the percentages of LINC's revenue from its business segments were as follows:

	Year ended August 31,		
	2002	2001	2000
Contract Bus Services	40.4%	40.2%	40.5%
Greyhound Services	27.6%	28.4%	28.0%
Healthcare Services	32.0%	31.4%	31.5%

For the fiscal years ended August 31, 2002, 2001 and 2000, the percentage of revenue generated by United States operations was 92.3%, 92.2% and 92.0%, respectively.

Contract Bus Services

LINC operates school buses and special education vehicles, primarily under the name Laidlaw Transit, in the United States and Canada. The school bus transportation business historically experiences a significant decline in revenue and operating income in the fourth fiscal quarter because of school summer vacations.

As of the end of fiscal 2002, LINC's school bus and education services subsidiaries had contracts with 63 school boards and districts in Canada and with 1,064 in the United States, as well as various other educational institutions, providing transportation for approximately two million students each school day. In Canada, contracts are generally negotiated and renewed annually. In the United States, contracts generally extend for three to five years, with the school boards holding options to extend the contracts or to solicit new bids. Rates are usually established on a per diem basis and vary with the number of buses and pupils and the length of each route. From time to time, the school bus fleet is also utilized for charter purposes.

LINC also provides municipal transit and paratransit bus transportation within the United States. LINC's paratransit services business provides access to transportation for mobility-impaired individuals. As of the end of fiscal 2002, LINC, through its non-Debtor operating subsidiaries, provided services to municipal transit customers through 134 contracts in the United States and Canada.

Greyhound

LINC acquired Greyhound Lines during fiscal 1999 and acquired Greyhound Canada Transportation Corp. in October 1997 (collectively, "Greyhound"). Greyhound is the only nationwide provider of scheduled inter-city bus transportation services in the United States. The Greyhound business is seasonal, generally following the pattern of the travel industry as a whole, with peaks during the summer months and the holiday season. As a result, the Greyhound business's cash flows are also seasonal, with a disproportionate amount of annual cash flows being generated during the peak travel periods. Greyhound serves the value-oriented customer by offering scheduled passenger service that connects rural and urban markets throughout the United States and Canada. Greyhound also provides package express service, charter bus service and, in many terminals, food service. In addition, LINC's subsidiaries provide scheduled services under private contract and package tours to major tourist regions in the United States and Canada.

Healthcare Services

LINC provides healthcare transportation services, primarily under the AMR name, and emergency management services, primarily under the EmCare Holdings Inc. ("EmCare") name.

Healthcare Transportation Services. AMR is a provider of healthcare transportation services in the United States, operating from locations in 37 states. These services consist of critical care transportation services, non-emergency ambulance and transfer services and emergency response services. AMR provides approximately 3.7 million ambulance transports annually. As of the end of fiscal 2002, AMR had about 150 agreements with municipal or county public safety agencies to provide performance-based contracts for 9-1-1 response and over 4,000 contractual agreements with healthcare facilities. AMR also provides joint training, shared staffing and stationing arrangements and contracted dispatching. AMR also provides comprehensive onsite medical care and transport services for special events.

Emergency Management Services. EmCare provides emergency management services to hospital-based emergency departments. EmCare recruits physicians, as well as specially trained physician extenders, evaluates their credentials and arranges contracts and schedules for their services to hospital-based emergency departments and free standing treatment centers. EmCare also assists in such operational areas as staff coordination, quality assurance, departmental accreditation, billing, recordkeeping, third-party payment, risk management services and other administrative services. As of the end of fiscal 2002, EmCare had approximately 250 contracts for the management of emergency departments and provided emergency services in 39 states to more than 4.1 million patients annually.

Losses in the Healthcare Services Businesses. Soon after LINC acquired its healthcare services businesses during the 1990's, it began to experience financial difficulties with those businesses consistent with general trends in the healthcare industry. For example, the healthcare services businesses are dependent, either directly or indirectly, on reimbursements from the Medicare and Medicaid programs. During the 1990's, the level of Medicare and Medicaid reimbursements diminished, which had a substantial adverse impact on the operating results of the healthcare services businesses. In particular, budget reform passed by the United States Congress in 1997 significantly affected Medicare and Medicaid reimbursement, including payments for AMR and its subsidiaries' ambulance transportation activities and payments relating to emergency medical services for medical practices managed by EmCare and its subsidiaries.

These and other challenges faced by LINC's healthcare services businesses resulted in operating losses in 1999, 2000 and 2001. In response to these operating losses, AMR completed an internal restructuring in 1999, closing certain locations, downsizing related operations and incurring a one-time pre-tax charge of $335.0 million. This internal restructuring and the implementation of related business strategies, however, did not fully mitigate the healthcare services businesses' financial difficulties. LINC announced its intention to divest its healthcare services businesses in September 1999; however, in the light of the volatility in the public equity and debt markets with respect to the segment of the healthcare industry in which LINC operates, associated valuation issues and the losses reported by LINC's healthcare services businesses through the end of fiscal 2001, offers received for the healthcare services businesses were below management's view of an acceptable selling price or made by parties with insufficient financing to consummate a transaction. During the fourth quarter of fiscal 2001, LINC determined that the sale of its healthcare services businesses was no longer in the best interests of its stakeholders. As a result, LINC intends to operate those businesses with a view towards maximizing long-term value.

Safety-Kleen Corp.

LINC, through subsidiaries, owns approximately 44% of the outstanding shares of common stock of Safety-Kleen. Safety-Kleen provides industrial waste services designed to collect, process, recycle and dispose of hazardous and industrial waste streams.

On March 6, 2000, Safety-Kleen reported that it had initiated an internal investigation of its previously reported financial results. The investigation stemmed from allegations of possible accounting irregularities that may have affected the previously reported financial results of Safety-Kleen since September 1, 1996. On March 9, 2000, Safety-Kleen's auditor withdrew its opinions on the financial statements that are subject to the internal investigation. Further, on June 9, 2000, Safety-Kleen announced that it and 73 of its U.S. subsidiaries filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. Safety-Kleen's operations in Canada and Mexico were not part of the bankruptcy filings.

On July 9, 2001, Safety-Kleen restated its previously reported consolidated financial statements for the years ended August 31, 1997 through August 31, 1999. In addition, Safety-Kleen reported consolidated financial statements for the year ended August 31, 2000. On September 26, 2001, Safety-Kleen issued interim consolidated financial statements for the nine months ended May 31, 2001, including financial information for the first, second and third quarters of fiscal 2001. Safety-Kleen reported that it had not restated any quarterly financial results for periods prior to fiscal 2001. LINC has not been provided access to all supporting information for Safety-Kleen's restated consolidated financial statements. As a result, LINC has not been able to assess the basis upon which Safety-Kleen restated its financial statements for periods prior to fiscal 2001. Given LINC's varying ownership percentages of Safety-Kleen throughout fiscal 2000, 1999, 1998 and 1997, LINC is unable to accurately determine the impact, if any, that Safety-Kleen's restatement may have on LINC's previously reported results for its fiscal year ended August 31, 2000 and prior years.

Because LINC wrote-off the value of its investment in Safety-Kleen during fiscal 2000, Safety-Kleen's restated consolidated financial statements and its reported fiscal 2000 results would not result in any adjustments to LINC's previously reported consolidated balance sheet as of August 31, 2000 nor to any consolidated balance sheets reported for any period ending subsequent to August 31, 2000. However, given the Safety-Kleen restatement and assuming its accuracy, a portion of the losses associated with the impairment of LINC's investment in Safety-Kleen that were recorded as part of a $660.0 million loss relating to Safety-Kleen, reflected in LINC's consolidated statement of operations for the fiscal year ended August 31, 2000, may be properly allocable to earlier fiscal periods.

While LINC has not restated its previously reported consolidated financial results and has recorded no equity income or loss with respect to its investment in Safety-Kleen since November 30, 1999, if Safety-Kleen reports or provides LINC the required quarterly financial information for the restated fiscal periods and if Safety-Kleen enables LINC to assess the supporting information for its restatements, LINC may be required to restate its consolidated financial statements for the fiscal year ended August 31, 2000 and prior years in the light of Safety-Kleen's restated financial results.

On October 4, 2001, Safety-Kleen and certain directors of Safety-Kleen filed an action in South Carolina state court against PricewaterhouseCoopers LLP (Canada) and PricewaterhouseCoopers LLP alleging negligence and/or reckless performance of the auditing firm's duties as independent auditors of Safety-Kleen, Laidlaw Environmental and Laidlaw Hazardous Waste Services, Inc. ("LHWS") for the period when those entities were independent public companies (partly owned by LINC) and also when LHWS was a wholly-owned indirect subsidiary of LINC. The complaint seeks over $1.0 billion dollars in damages, as well as indemnification on behalf of certain Safety-Kleen directors who are plaintiffs in the action. As part of the Bondholder Settlement Agreement, LINC will exchange releases with PricewaterhouseCoopers LLP and PricewaterhouseCoopers LLP (Canada). Those releases include a release by LINC of all claims against PricewaterhouseCoopers LLP and PricewaterhouseCoopers LLP (Canada) relating to audits of LINC and its subsidiaries, including Safety-Kleen, for fiscal years 1996 through 2000; in return the two audit firms will release LINC from all claims related to those financials. See the discussion of the Bondholder Settlement Agreement in "Recovery Actions; Other Legal Proceedings — Other Legal Proceedings — Securities Litigation."

On August 16, 2002, the Delaware Bankruptcy Court approved the Safety-Kleen Settlement Agreement. On August 30, 2002, the Bankruptcy Court approved the Safety-Kleen Settlement Agreement and entered an order pursuant to Bankruptcy Rule 3013 classifying claims of owners of equity securities of Safety-Kleen and owners of debt securities of Safety-Kleen as subordinated Classes 9A and 9B. On September 11, 2002, the Canadian Court approved the Safety-Kleen Settlement Agreement. See "Certain Events Preceding The Debtors' Chapter 11 Filings — Resolution of Disputes Among Laidlaw, Safety-Kleen and Certain Other Parties — Settlement of Certain Safety-Kleen Matters."

Restructuring Transactions

LINC is organized under the laws of Canada and conducts its business through over 200 direct and indirect subsidiaries. LINC has operations in the U.S. and Canada.

On or before the Effective Date, the applicable Debtors or Reorganized Debtors intend to engage in the Restructuring Transactions as discussed in Exhibit X to the Plan and to enter into such transactions and take such actions as may be necessary or appropriate to effect these Restructuring Transactions. The actions to effect the Restructuring Transactions may include:

- the execution and delivery of appropriate agreements or other documents of transfer, merger, consolidation, restructuring, disposition, liquidation or dissolution containing terms that are consistent with the terms of the Plan and that satisfy the requirements of applicable law and such other terms to which these entities may agree;

- the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the terms of the Plan and having such other terms to which these entities may agree;

- the filing of appropriate certificates or articles of merger, consolidation, continuance or dissolution or similar instruments with the applicable governmental authorities; and

- all other actions that such entities determine to be necessary or appropriate, including making other filings or recordings that may be required by applicable law in connection with the Restructuring Transactions.

The consummation of the Restructuring Transactions is an important part of the Plan and is intended to (a) result in the ultimate parent company in the corporate structure being New LINC, a Delaware corporation; (b) streamline New LINC's overall capital structure; and (c) permit New LINC greater access to the financial markets by the creation of a more understandable, flexible and financeable corporate structure.

Immediately following the consummation of the Restructuring Transactions, LINC will have no assets or liabilities and all outstanding stock of LINC and options, warrants and other rights to acquire such stock will be canceled for no consideration.

Business of New LINC

Following the consummation of the Restructuring Transactions, New LINC will continue to operate the existing businesses of LINC and its subsidiaries. A description of LINC's existing business is set forth above under the caption "— Description of LINC's Business." Further information regarding the businesses and properties of, and other matters relating to, LINC and its subsidiaries, including historical consolidated financial statements and other financial information, are contained in Exhibit III to this Disclosure Statement. The information set forth above is qualified in its entirety by reference to such other information.

New LINC's principal executive offices will be located in Naperville, Illinois, which is located in the Chicago metropolitan area.

Business Plan

Following the Effective Date, management of New LINC intends to utilize New LINC's operating businesses in their respective markets as a platform for future growth. The key components of the business plan consist of providing for an operating environment to enable New LINC's operations to increase revenues, reduce operating costs and enhance cash flow.

Revenue increasing initiatives are expected to include:

- price increases through renegotiation of contracts scheduled for renewal in the contract bus services operations;

- expansion of non-traditional, non-vehicle-intensive services offered by the education services portion of the contract bus services business;

- more emphasis on travel services and package express initiatives by Greyhound, in addition to continued growth of Greyhound's core businesses; and

- improvements designed to enhance collection rates in the ambulance services portion of the healthcare services businesses.

Operating cost reduction initiatives are expected to include:

- termination and nonrenewal of contract bus services contracts that do not meet target return criteria;

- information systems-driven improvements to operations; and
- administrative efficiency in all operations.

Cash flow improvements are expected to result from improved profitability, as well as more efficient use of capital assets due to the increased focus on services in the contract bus services business that do not require additional vehicles.

Liquidity and Capital Resources

The consummation of the transactions contemplated by the Plan will result in a net reduction of approximately $2.9 billion of total indebtedness. New LINC will nonetheless continue to be substantially leveraged following the Effective Date. See "Risk Factors — Substantial Leverage." In addition, New LINC's business is capital intensive, and the Projections anticipate that New LINC will make significant capital expenditures after the Effective Date to implement the Reorganized Debtors' business plan. For example, capital expenditures in fiscal 2003 are expected to be higher than historical levels as a result of projected replacements of a disproportionate number of older vehicles used in the contract bus services business that were acquired in previously consummated acquisitions. However, management of the Debtors believes that, assuming consummation of the Plan in accordance with its terms and achievement of the Reorganized Debtors' business plan, New LINC will have sufficient liquidity through at least 2005 to service the post-reorganization indebtedness and conduct of its business as contemplated by the Reorganized Debtors' business plan. It is currently contemplated that on the Effective Date, New LINC would have access to the senior secured revolving credit facility of the Exit Financing Facility, which consists of a $350.0 million revolving credit facility with a $150.0 million letter of credit sub-facility, to fund its working capital needs, including those needs created by seasonal operating fluctuations. See "Overview of Plan — Exit Financing Facility and New LINC Notes; Obtaining Cash for Plan Distributions and Transfers of Funds Among the Reorganized Debtors."

Selected Historical Financial Information

The following table sets forth selected consolidated financial information for LINC as of August 31, 2002 and 2001 and for each of the years in the three-year period ended August 31, 2002. Such selected consolidated financial information is based on the historical consolidated financial statements of LINC included in Exhibit III to this Disclosure Statement and should be read in conjunction with the financial statements, including the notes thereto. Such historical consolidated financial statements were prepared in accordance with generally accepted accounting principles ("GAAP") in Canada, and Note 23 to the audited historical consolidated financial statements as of August 31, 2002 and 2001 and for each of the years in the three-year period ended August 31, 2002 includes a description of the material differences, and a reconciliation of certain line items, between Canadian GAAP and U.S. GAAP. New LINC will prepare its consolidated financial statements in accordance with U.S. GAAP. See "Risk Factors — Noncomparability of Historical Financial Information."

As a result of the recontinuance of the healthcare services businesses, LINC's historical financial information has been restated. See "— Projected Financial Information — Principal Assumptions for the Projections — Healthcare Services Businesses" below.

	Year Ended August 31,		
	2002	**2001**	**2000**
		(In millions)	
Income Statement Information:			
Revenue	$4,432.1	$4,418.3	$4,273.1
Income (loss) from operating segments	(77.1)	(1,050.0)	59.5
Loss from continuing operations	(124.4)	(1,329.6)	(589.6)
Income (loss) from discontinued operations	—	730.7	(1,647.8)
Net loss	(124.4)	(598.9)	(2,237.4)

	As of August 31,	
	2002	2001
Balance Sheet Information:		
Total assets	4,091.1	4,209.8
Total liabilities	5,198.1	5,190.3
Total shareholders' deficiency	(1,107.0)	(980.5)

Projected Financial Information

Introduction

As a condition to confirmation of a plan of reorganization, the Bankruptcy Code requires, among other things, that the Bankruptcy Court determine that confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors. See "Voting and Confirmation of the Plan — Confirmation" and "Voting and Confirmation of the Plan — Feasibility." In connection with the development of the Plan, and for purposes of determining whether the Plan satisfies this feasibility standard, the Debtors' management analyzed the ability of the Reorganized Debtors to meet their obligations under the Plan with sufficient liquidity and capital resources to conduct their businesses. Accordingly, the Debtors' management developed and prepared certain projections (the "Projections") of the estimated consolidated financial position, results of operations and free cash flows and capitalization, together with certain other items for the fiscal years 2003 through 2005 (the "Projection Period").

THE DEBTORS DO NOT, AS A MATTER OF COURSE, PUBLISH THEIR BUSINESS PLANS, BUDGETS OR STRATEGIES OR MAKE EXTERNAL PROJECTIONS OR FORECASTS OF THEIR ANTICIPATED FINANCIAL POSITIONS OR RESULTS OF OPERATIONS. ACCORDINGLY, THE DEBTORS (INCLUDING THE REORGANIZED DEBTORS) DO NOT ANTICIPATE THAT THEY WILL, AND DISCLAIM ANY OBLIGATION TO, FURNISH UPDATED BUSINESS PLANS, BUDGETS OR PROJECTIONS TO HOLDERS OF CLAIMS OR INTERESTS PRIOR TO THE EFFECTIVE DATE OR TO STOCKHOLDERS OR DEBTHOLDERS AFTER THE EFFECTIVE DATE OR TO INCLUDE SUCH INFORMATION IN DOCUMENTS REQUIRED TO BE FILED WITH THE SEC, ANY CSA OR ANY STOCK EXCHANGE OR OTHERWISE MAKE SUCH INFORMATION PUBLICLY AVAILABLE.

The Projections should be read in conjunction with the assumptions, qualifications and explanations set forth herein and the historical consolidated financial information (including the notes and schedules thereto) included in Exhibit III to this Disclosure Statement. Such historical consolidated financial statements were prepared in accordance with Canadian GAAP, and Note 23 to the audited historical consolidated financial statements as of August 31, 2002 and 2001 and for each of the years in the three-year period ended August 31, 2002 includes a description of the material differences, and a reconciliation of certain line items, between Canadian GAAP and U.S. GAAP. New LINC, which will be a Delaware corporation, will prepare its consolidated financial statements in accordance with U.S. GAAP, and the Projections reflect U.S. GAAP following the Effective Date. See "— Principal Assumptions for the Projections" and "Risk Factors — Noncomparability of Historical Financial Information."

Principal Assumptions for the Projections

The Projections are based on, and assume the successful implementation of, the Reorganized Debtors' business plan. Both the Reorganized Debtors' business plan and the Projections reflect numerous assumptions, including various assumptions regarding the anticipated future performance of the Reorganized Debtors, industry performance, general business and economic conditions and other matters, most of which are beyond the control of the Debtors or the Reorganized Debtors. Specific risks and uncertainties that may affect the accuracy of the Projections include, among others, those relating to:

- the degree to which the Reorganized Debtors will be leveraged and related debt service obligations and substantial capital expenditure requirements;

- competitive factors in the markets in which the Reorganized Debtors will operate;
- the ability of the Reorganized Debtors to renew existing contracts and procure new contracts, including issues relating to bonding requirements;
- the ability of the Reorganized Debtors to control costs, particularly driver wages and fuel costs in the contract bus services and Greyhound businesses, or recover increases in these costs by means of price increases where applicable;
- the ability of the healthcare services businesses of the Reorganized Debtors to mitigate the negative effect of the Center for Medicare and Medicaid Services ("CMS") National Rate Schedule on the pricing of ambulance services;
- the ability of the Reorganized Debtors to respond to any existing or new competition within their markets;
- the impact on insurance claims costs of (a) accident severity and (b) the outcome of litigation relating to the contract bus services, Greyhound or healthcare services businesses. Both of these factors are largely outside the control of the Reorganized Debtors;
- interest rate levels and their impact on the ability of the Greyhound business to effect vehicle sale-leaseback transactions on acceptable terms and conditions;
- discount rate levels and investment returns in the defined benefit pension plans sponsored by the affiliates of the Reorganized Debtors, and the resulting impact on required funding in those pension plans;
- the ability of the Reorganized Debtors to recover all or part of the collateral held under various performance bonding facilities without being required to issue substitute collateral;
- the effect of any new or amended legislation applicable to any of the businesses of the Reorganized Debtors; and
- the impact of the events of September 11, 2001 on the North American economy and on various aspects of the businesses of the Reorganized Debtors, including bookings in the Greyhound business and the continued availability of external insurance coverage at reasonable costs.

Therefore, although the Projections are necessarily presented with numerical specificity, the actual results achieved during the Projection Period will vary from the Projections. These variations may be material. Accordingly, no representation can be or is being made with respect to the accuracy of the Projections or the ability of the Reorganized Debtors to achieve the Projections. See "Risk Factors" for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors and of various risks associated with the Plan.

Although the Debtors believe that the assumptions underlying the Projections, when considered on an overall basis, are reasonable in the light of current circumstances, no assurance can be or is given that the Projections will be realized. *In deciding whether to vote to accept or reject the Plan, holders of Claims must make their own determinations as to the reasonableness of such assumptions and the reliability of the Projections.* See "Risk Factors."

The independent auditors for LINC have neither examined nor compiled the Projections presented herein and, accordingly, assume no responsibility for them. Moreover, the Projections have not been prepared to comply with guidelines established with respect to projections by the SEC, any CSA, the American Institute of Certified Public Accountants or the Canadian Institute of Chartered Accountants.

Information relating to the principal assumptions used in preparing the Projections is set forth below:

Effective Date; Plan Terms. The Projections assume Confirmation of the Plan and that all transactions contemplated by the Plan to be consummated by the Effective Date will be consummated as of March 31, 2003. The Projections also assume that:

- the total amount of each Class of Allowed Claims is the estimated amount as set forth in "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests;"
- the total amount of reorganization expenses in fiscal 2003 are $36.8 million; and
- the combined distribution on account of the Guaranty Coverage Dispute Settlement Distribution and Excess Cash is $310.0 million.

See "Overview of the Plan" for a brief summary of the principal provisions of the Plan, including the classification and treatment of Claims and Interests and post-reorganization indebtedness and conditions to Confirmation and consummation of the Plan.

General Economic Conditions. The Projections were prepared based on assumptions that the general economic climate in the U.S. and Canada remains relatively stable throughout the Projection Period.

Healthcare Services Businesses. During the fourth quarter of fiscal 2001, it was determined that the healthcare services businesses no longer qualified under Canadian GAAP and U.S. GAAP for classification as discontinued operations, because LINC no longer had a formal plan of disposal. With the uncertainty in the healthcare equity and debt markets, LINC believed that the sales of the healthcare businesses were no longer in the best interest of its stakeholders. As a result, LINC intends to operate the healthcare services businesses with a view towards maximizing long-term value. The healthcare services operating results for the prior years, which previously were reported as discontinued operations, have been reclassified as continuing operations.

As a result of recontinuing the healthcare services businesses in fiscal 2001, LINC reversed the remaining provision for loss on sale of discontinued operations. This reversal reduced net loss by $985.9 million ($3.02 per share) in fiscal 2001. Upon recontinuance of the healthcare services businesses in fiscal 2001, LINC evaluated the healthcare services assets for impairment. The resulting impairment of goodwill forms part of the fiscal 2001 goodwill impairment charge discussed in greater detail under "Goodwill Impairment" below.

Revenue from Contract Bus Services Business. Contract bus services revenue is projected to grow at a compound average annual growth rate of 2.0% from fiscal 2002 levels during the Projection Period, due to, among other factors, (a) price increases on contract renewals, (b) additional contracts obtained, (c) non-renewal of certain identified low-margin contracts and (d) revenues from new non-vehicle-intensive services.

Revenue from Greyhound Business. The Projections assume compound average annual revenue growth of 4.6% from fiscal 2002 levels for the Greyhound business, resulting from, among other factors, (a) Greyhound Lines' growth in passenger miles of approximately 2% annually and (b) significant growth in Greyhound Lines' charter and package express revenues.

Revenue from Healthcare Services Businesses. Revenues from the healthcare services businesses are projected to increase at an average annual compound rate of 4.8% from fiscal 2002 levels during the Projection Period due to, among other factors, (a) volume growth in both the ambulance services and emergency management businesses, partially offset by the estimated adverse effect of the CMS National Rate schedule on reimbursement rates in the ambulance services business and (b) improved collection rates in the ambulance services business.

Insurance Costs and Expenses. Fiscal 2001 and fiscal 2002 expenses include insurance claims expense charges of $101.5 million and $60.3 million, respectively, representing revisions to management's estimate of the insurance claims reserves required for prior years' claims in response to a significant increase in settlement awards.

Non-Recurring Fiscal 2001 and Fiscal 2002 Healthcare Services Operating Expenses. LINC's emergency management business has historically purchased professional liability insurance to provide coverage for the majority of physicians who are employed or contracted by companies under service agreements with that business. A professional liability insurance program with PHICO Insurance Company (the "PHICO Policies" and "PHICO"), which expired on January 1, 2001, provided an aggregate self-insurance retention for the first $27.0 million of claims incurred and reported during the period October 1, 1997 to January 1, 2001. The self-insurance retention amounts are discounted at 9% based on the estimated payout pattern of the claims. In December 2000, LINC purchased an extended reporting period ("ERP") policy for the PHICO Policies covering claims reported after January 1, 2001, but incurred during the coverage period of the PHICO Policies, for a premium of $18.0 million. The ERP policy has an aggregate limit of $40.0 million. On February 1, 2002, PHICO was placed into liquidation by the Insurance Commissioner of the Commonwealth of Pennsylvania. The PHICO Liquidation Order will impact pending professional liability claims covered under the PHICO Policies and both pending claims under the ERP and claims not yet reported under the ERP. Those claims pending under the PHICO Policies will be eligible for coverage under individual state guaranty funds, subject to various limitations and exclusions based upon net worth of the insured and the presence of other applicable insurance. The amount of coverage available under each state guaranty fund will vary according to the limits and specific provisions of those funds. Those claims falling within the coverage of the ERP will also be eligible for coverage under the individual state guaranty funds, although the guaranty fund provisions may apply differently to claims under the ERP. Some state guaranty funds may deny coverage for any claims under the ERP brought after March 2, 2002. LINC is pursuing various options in an attempt to maximize insurance coverage for ERP claims, including litigation as necessary. LINC has an estimated $66.0 million in reported claims and incurred but not reported claims ("IBNR") based on reported claim reserves, development factors and actuarial analysis of IBNR related to the PHICO Policies and the ERP. Of this amount, it is estimated that $22.0 million of claim costs may likely exceed or be excluded from specific state fund guaranty limits and would be borne by LINC. Consequently, fiscal 2001 expenses for the healthcare services businesses include a $17.0 million provision for the amount of the estimated claims costs not covered by the state guaranty funds, and fiscal 2002 healthcare services business expenses include a further provision of $5.0 million with respect to this exposure.

In addition, expenses for the healthcare services businesses for fiscal 2001 include a $19.5 million provision for compliance costs, representing the $9.45 million portion of the AMR Massachusetts settlement that is payable directly by AMR plus a general provision for potential costs in connection with other investigations currently in process by certain government agencies regarding compliance with Medicare fraud and abuse statutes.

Costs and Expenses of Contract Bus Services Business. Excluding the impact of the contract bus services business portion of the fiscal 2002 insurance claims expense charge described above, the Projections assume that expenses of the education services increase at a compound average annual rate of 1.1% from fiscal 2002 levels due to, among other factors, (a) increases in driver wages and benefits, as a result of both general wage inflation and escalating medical benefit costs, (b) increases in insurance costs, (c) other general inflation-driven increases in other operating costs and (d) net increases in contract volume. Fuel expenses represented approximately 4.4% of total fiscal 2002 expenses for the contract bus services business. Average fuel prices in the contract bus services business during the Projection Period are assumed to decrease at 4.0% to 4.5% annually from fiscal 2002 levels.

Costs and Expenses of Greyhound Business. As a result of Golden State's cessation of virtually all business operations on August 30, 2002, in the fourth quarter of fiscal 2002, LINC recorded a pre-tax charge in the amount of $4.0 million resulting from the write-off of its investment in the net assets of Golden State. Excluding the impact of this writedown and of the fiscal 2002 insurance claims expense charge described above, the Projections assume a compound average annual expense increase of 3.4% from fiscal 2002 levels in the Greyhound business due to, among other factors, (a) increases in volume in Greyhound Lines' passenger and charter operations, (b) increases in insurance costs and (c) inflation-driven increases in compensation, health benefits and other operating costs, partially offset by improvements in operating efficiencies. Fuel expenses represented approximately 4.6% of total fiscal 2002 expenses for the Greyhound business. Average fuel prices in the Greyhound business during the Projection Period are assumed to decrease at 4.0% to 4.5% annually from fiscal 2002 levels. The Projections assume cumulative pension expense of $27.0 million during the Projection Period.

Costs and Expenses of Healthcare Services Businesses. Excluding the impact of the healthcare business portion of the fiscal 2002 insurance claims expense charge described above and the impact of the non-recurring healthcare operating expenses described above, expenses of the healthcare services businesses are projected to increase at a compound average annual growth rate of 3.2% from fiscal 2002 levels due to, among other factors,

(a) projected volume growth, (b) increased insurance costs in the ambulance services business and (c) inflation-driven compensation increases, largely offset by expected operational efficiency improvements and administrative cost reduction initiatives.

Corporate Expenses. Projected corporate expenses consist of compensation and overhead costs of LINC's and New LINC's corporate office. These corporate expenses are partially offset by projected investment earnings in LINC's captive insurance operations. Gross corporate expenses before investment earnings are projected to increase at a compound average annual rate of 3.5% primarily due to inflation-driven increases in compensation.

Goodwill Amortization. In fiscal 2001, LINC changed its method of measuring goodwill impairment to a method based on the estimated fair value of goodwill determined from independent valuations of the underlying business. The change, which was retroactively applied, resulted in goodwill impairment charges of $1,234.0 million in fiscal 1999, $1,105.1 million in fiscal 2001, and $194.7 million in fiscal 2002. The change in measurement of goodwill impairment did not alter LINC's existing policy of goodwill amortization, which is to amortize goodwill on a straight-line basis over 40 years.

The Financial Accounting Standards Board (FASB) in the United States has issued a Statement of Financial Accounting Standards (the "New Standard") which provides guidelines regarding accounting for goodwill in business combinations. Under the New Standard, goodwill will no longer be amortized and will remain on the balance sheet indefinitely, provided there is no impairment of its value. A company will be required to test goodwill for impairment annually or whenever events or circumstances occur indicating that the goodwill of one of its reporting units might be impaired. Although it is uncertain when the Plan will be implemented, the New Standard provides that goodwill in existence as of the implementation date of the New Standard will no longer be amortized.

The Projections assume that the New Standard is adopted by New LINC effective for fiscal 2003, with the result that the Projections do not reflect any goodwill amortization after August 31, 2002. Accounting treatment of the Reorganization Goodwill that is projected to be recorded on the balance sheet on the assumed Effective Date is addressed separately below.

Reorganization Costs. Reorganization costs consist of (a) KERP payments to corporate and senior business unit employees that were $9.7 million in fiscal 2001 and $4.6 million in fiscal 2002 and are projected to be $0.7 million in fiscal 2003, based on the terms of the KERPs established by LINC prior to the commencement of the Reorganization Cases, (b) projected professional fees associated with the restructuring and (c) a $2.0 million provision in fiscal 2003 for severance costs assumed to be paid in conjunction with the relocation of the principal office functions from Burlington, Ontario to Naperville, Illinois. Projected reorganization costs in fiscal 2003 prior to the assumed Effective Date have been reduced by the $12.5 million that will be received by the estate of LINC under the current terms of the Bondholder Settlement Agreement if the remaining conditions to that agreement are met.

Pension Funding Requirements and Unfunded Pension Liability. Based on the anticipated terms of the PBGC Agreement, the Projections assume that the Debtors execute the following transactions (the "PBGC Agreement Transactions") with respect to the funding levels in the Pension Plans:

- On the Effective Date, the Debtors contribute $50 million in cash to the Pension Plans;

- On the Effective Date, the Debtors issue shares of New Common Stock with a value of $50 million to the Pension Plan Trust. These shares are assumed to be disposed of on December 31, 2004 for proceeds of $50 million. Although these shares will be issued to the Pension Plan Trust and all proceeds from the sale of the shares by the Pension Plan Trust will be contributed directly to the Pension Plans, New LINC will be required to contribute cash to the Pension Plans, in an amount equal to the difference between the proceeds contributed to the Pension Plans from the sales of these shares and $50 million, if proceeds from the sale of the shares are less than $50 million. As a result, the consolidated minimum pension liability has not been reduced and the shares have been accounted for in the Projections as an offset to New Common Stock issued until the assumed sale of the shares on or prior to December 2004; and

- In June 2004, the Debtors contribute an additional $50 million in cash to the Pension Plans.

The Projections also assume that in addition to the PBGC Agreement Transactions, the Greyhound business makes pension funding contributions of $37.9 million during the Projection Period to the Pension Plans, based on current minimum funding requirements under ERISA and assuming a 7.5% return on plan assets.

In addition, in conjunction with the U.S. GAAP adjustments included in the plan confirmation adjustments (see "— U.S. GAAP Reporting — U.S. GAAP Adjustments Included in Plan Confirmation Adjustments"), the Projections reflect the recognition of a net incremental consolidated minimum pension liability of $191.9 million, which consists of the minimum pension liability of $91.9 million that would be recorded under U.S. GAAP as at August 31, 2002 plus an additional $100 million representing an estimate of the further increase to the minimum pension liability that may be required by the Effective Date based on plan asset levels and interest rates subsequent to August 31, 2002.

Internal Insurance Program Assets. The Greyhound business and the ambulance services businesses both ceased to participate in the Debtors' internal insurance program and establish their own internal insurance programs effective September 1, 2001. Based on the agreement between the Debtors and their insurers relating to claims settlement payments in fiscal 2001, the Projections assume that approximately 50.0% of claims settlement payments relating to claims of Greyhound and the ambulance services operations incurred before September 2001 are funded using the existing insurance assets of the Debtors' captive insurance subsidiaries and the balance are paid from the operating cash flow of the Debtors' operating units. An additional $51.0 million was invested into the Debtors' captive insurance subsidiaries during August 2002 to provide AIG, the fronting insurer for the Debtors' internal insurance program, with increased financial assurance against rising accident claims costs.

Capital Expenditures. Projected capital expenditures represent management's estimates of the capital purchases required to accommodate expected volume growth and to maintain the business units' vehicle fleets in appropriate condition to fulfill contractual requirements and to meet the operations' overall safety commitments to customers. Projected capital expenditures in fiscal 2005 reflect higher vehicle purchases than in preceding years to support projected revenue growth in fiscal 2005 and subsequent years.

Income Taxes. The Projections make the following assumptions with respect to income taxes payable by the LINC group:

- For book purposes in fiscal 2003 up to and including the Effective Date, LINC is expected to have consolidated tax expense of $6.1 million, consisting of estimated cash franchise and capital taxes. Management anticipates that during the period to the assumed Effective Date, any deferred tax liability arising from timing differences will be fully offset by unrecorded deferred tax assets consisting primarily of non-capital loss carryforwards. Accordingly, no deferred tax provision has been projected during this period.

- For U.S. federal income tax purposes, as of March 31, 2003, the LINC affiliated group is assumed to have net operating loss ("NOL") carryovers of approximately $465.2 million, and to have a net unrealized "built-in loss" (as that term is defined in Section 382(h)(3) of the U.S. Internal Revenue Code (the "Internal Revenue Code")) of $102.5 million resulting primarily from built-in loss deductions of excess interest deduction carryovers of approximately $698.0 million under Section 163(j) of the Internal Revenue Code, as well as from differences between the book and tax values of certain reserves. The NOL carryovers are assumed to be extinguished on the Effective Date under the cancellation of indebtedness provisions of the Internal Revenue Code. In addition, Section 382 of the Internal Revenue Code is assumed to apply to limit the total net built-in loss deductions to be claimed during the five-year period subsequent to the Effective Date to approximately $71.2 million annually until the built-in loss of $102.5 million is absorbed. For Canadian federal income tax purposes, the Projections assume that all taxable income of New LINC's Canadian contract bus services and Greyhound businesses for the 2003-2005 fiscal years is offset by existing non-capital losses of approximately $48.3 million at LINC's operating subsidiaries.

- Because there is not virtual certainty that New LINC will have sufficient U.S. and Canadian taxable income after the assumed restructuring to utilize the carryovers under Section 163(j) of the Internal Revenue Code and the Canadian non-capital losses, the Projections do not reflect the establishment of a deferred tax asset for the tax benefit of these carryforward amounts. Instead, the excess of New LINC's total reorganization value over the fair value of its identifiable net assets ("Reorganization Goodwill") includes the estimated benefit from the carryforward amounts. New LINC's Reorganization Goodwill is then projected to be reduced annually by the amount of the tax benefit realized from the use of the carryforward amounts.

- The composition of New LINC's book tax expense for fiscal 2003 through fiscal 2005 is set forth below:

	April 1, 2003 - Aug. 2003	**Fiscal 2004**	**Fiscal 2005**
	(millions of dollars)		
Cash taxes payable	8.8	18.9	25.1
Add back reduction in cash taxes attributable to use of carryforward amounts	16.2	4.4	28.4
Cash taxes included in income statement tax provision	25.0	23.3	53.5
Deferred taxes	(10.5)	31.3	15.1
Tax expense on income statement	14.5	54.6	68.6
Effective rate of tax on book pre-tax income	38.5%	37.5%	37.0%

- Deferred taxes consist primarily of timing differences between tax depreciation and of book depreciation on fixed assets, net of the expected future recovery of amounts whose deductibility is assumed to be restricted during the five-year period subsequent to the Effective Date by Section 382 of the Internal Revenue Code as noted above.

- The Projections assume that income earned by New LINC and its subsidiaries subsequent to the Effective Date will be subject to tax in Canada and the United States in approximately the same relative proportions as income earned in the past.

Disposition of Directors' and Officers' Liability Trust. Pursuant to the D&O Claim Treatment Letter, the parties agreed on the manner to address the D&O Claims. The Debtors and Directors and Officers agreed to use commercially reasonable efforts, including litigation if necessary, to cause the D&O Insurers to pay the D&O Claims and to reimburse LINC for any defense costs covered by the D&O Insurance. Under the terms of the D&O Claim Treatment Letter, the Directors and Officers will continue to have access to the D&O Insurance for D&O Claims. Further, the Debtors and the Directors and Officers agreed that the Defense Trust will continue in existence for ten years after the Effective Date to pay any D&O Claims not covered by the D&O Insurance in accordance with the terms of the D&O Claim Treatment Letter.

According to the terms of the D&O Claim Treatment Letter, the Debtors, or the Reorganized Debtors after the Effective Date, as the case may be, are required to maintain a balance of $10.0 million in the Defense Trust through the Additional Trust Contributions. The Additional Trust Contributions will be made in $1.0 million increments up to the $10.0 million Additional Trust Contributions Cap. If the D&O Insurers reimburse the Directors and Officers for D&O Claims after such claims already have been paid from the Defense Trust, the reimbursement by the D&O Insurers will be deposited into the Defense Trust. The D&O Claim Treatment Letter also provides that the maximum aggregate amounts available in the Defense Trust and under the Additional Trust Contributions Cap will be reduced to the amounts set forth below on the anniversaries of the Effective Date as follows:

On the 2nd anniversary	$17.5 million
On the 4th anniversary	$15.0 million
On the 6th anniversary	$12.5 million
On the 8th anniversary	$10.0 million
On the 10th anniversary	$0

Upon the tenth anniversary of the Effective Date, all unexpended monies in the Defense Trust will be remitted to New LINC. The Defense Trust has been amended to reflect the terms and conditions of the D&O Claim Treatment Letter. On October 4, 2001, the Canadian Court entered an order approving, on an interim basis and subject to the occurrence of the Effective Date, the amendment of the Defense Trust pursuant to the terms of the D&O Claim Treatment Letter.

It is not possible to estimate with any degree of certainty the quantum or timing of claims that may be made against the Defense Trust, as these are substantially under the control of persons other than LINC. In any event, the Projections assume (a) that all claims against the Defense Trust are paid by the Defense Trust, which then receives funds in equivalent amounts from the Debtors or the Reorganized Debtors, as applicable, through Additional Trust Contributions, (b) that such Additional Trust Contributions do not exceed $2.5 million in the aggregate, and are included in the Reorganization Costs and the Corporate expenses of the Debtors and the Reorganized Debtors, respectively, and (c) that the reductions during the Projection Period in the maximum aggregate amounts available in the Defense Trust and under the Additional Trust Contributions Cap, as described above, are applied entirely to the Additional Trust Contributions Cap, with no return of funds from the Defense Trust to New LINC during this period.

Post-Reorganization Debt. The Projections assume that, as of the Effective Date, New LINC obtains the Exit Financing Facility, which is assumed to consist of the following:

- a senior secured revolving credit facility in the amount of $350.0 million with a letter of credit sub-facility of $150.0 million, which is assumed to have a term extending beyond August 2006 and is therefore classified as long-term debt on the projected balance sheet;

- a senior secured seven year term loan in the principal amount of $625.0 million (after the application of the Excess Cash Reduction), bearing interest at the rate of LIBOR plus 3.0% per annum (LIBOR is assumed to be 5.0% throughout the Projection Period), with required aggregate principal repayments of $6.25 million per year, due on the anniversary of the Effective Date, in each of the first six years following the Effective Date, and an $587.5 million balloon payment due at maturity. The Projections assume that, in addition to the payment in full of Allowed Claims in Class 3 and the initial Cash distribution of $110.0 million to be made to holders of Allowed Claims in Classes 4 and 5A in settlement of the Guaranty Coverage Dispute, an additional aggregate $1.075 billion in Cash will be distributed to holders of Allowed Claims in Classes 4, 5A, 5B and 6, and that an Excess Cash Reduction of $75.0 million will reduce the initial principal amount of the term loan to $625.0 million. See "Securities To Be Issued Pursuant to the Plan and Post-Reorganization Indebtedness — Exit Financing;" and

- New LINC Notes in the principal amount of $250.0 million, bearing interest at the rate of 11.0% per annum, with a term of ten years from the Effective Date and no principal repayments prior to maturity.

The Projections assume that any pre-petition letters of credit that have not been drawn by the Effective Date will be replaced by letters of credit issued under the Exit Financing Facility.

At any point in time, a portion of the consolidated cash balance of the Debtors and their subsidiaries, estimated at $30.0 million, is typically held in various receipt and disbursement bank accounts at the subsidiary level, and is therefore unavailable for immediate use by the corporate treasury department of LINC. Accordingly, the Projections assume that $30.0 million of LINC's consolidated cash balance immediately before the Effective Date will not be available to fund the projected disbursements on the Effective Date, and that borrowings under the revolving credit facility of the Exit Financing Facility will be increased by a corresponding amount.

The Projections assume that of the $87.6 million in performance bonding collateral projected to be outstanding as at the Effective Date, 50% is recovered between the Effective Date and August 31, 2003 and 50% is recovered during fiscal 2004, both without the requirement to issue any substitute collateral under any of New LINC's performance bonding facilities.

The Projections assume that approximately $469.2 million in book value of notes payable, capitalized leases, non-compete agreements, amounts outstanding under the Greyhound Facility, consolidated minimum pension liability, and other funded debt that has direct claims against or with respect to the operating subsidiaries of LINC and is therefore not subject to satisfaction and discharge under the Plan will remain in place after the Effective Date. The Projections assume that this other debt will be repaid in accordance with the contractual terms of the various debt instruments. The Projections also assume that Greyhound will be able to extend the term of the Greyhound Facility beyond August 2006, allowing its continued classification as long-term debt.

Fresh-Start Reporting. The American Institute of Certified Public Accountants has issued a Statement of Position on Financial Reporting by Entities in Reorganization Under the Bankruptcy Code (the "Reorganization SOP"). The Projections have been prepared in accordance with the Fresh-Start reporting principles set forth in the Reorganization SOP, giving effect thereto as of March 31, 2003, subject to the significant simplifying assumptions noted below. The principal effects of the application of these Fresh-Start reporting principles are summarized below:

- Under the Reorganization SOP, New LINC will be required to record as an intangible asset its Reorganization Goodwill, if any, as of the Effective Date. Determination of the Reorganization Goodwill of New LINC will require (a) a detailed valuation of all of its identifiable assets as of the Effective Date, including working capital assets, fixed assets and identifiable intangible assets such as customer lists and customer contracts, and revaluation of each of these assets at their fair values, and (b) a detailed revaluation of its remaining post-implementation liabilities at their fair values. Reorganization Goodwill will then be calculated as the excess of the total reorganization enterprise value at the Effective Date over the resulting net assets.

  For the purposes of the Projections, it has been assumed that the reorganization enterprise value of New LINC as of the Effective Date is approximately $2.764 billion. The Projections also assume that the fair value of New LINC's assets, other than the pension asset, goodwill and other intangibles, is equal to the projected net book value of such assets as of the Effective Date. The pension asset of $43.1 million reflected on the balance sheet of LINC as at August 31, 2002 is assumed to be written off at the Effective Date because New LINC is assumed to have a net consolidated minimum pension liability of $191.9 million, as disclosed in "— U.S. GAAP Adjustments Included in Plan Confirmation Adjustments — Consolidated Minimum Pension Liability" below.

  Based on these assumptions, the assumed reorganization enterprise value of New LINC as of the Effective Date would exceed the assumed fair value of New LINC's net assets by approximately $601.4 million. Under the approach described above that will be undertaken at the Effective Date, a substantial part of the amount reflected in the Projections as Reorganization Goodwill will likely be allocated to identifiable intangible assets such as customer lists and customer contracts that are not currently reflected on LINC's consolidated balance sheet. As it is not possible at this time to determine the amount of the excess value to be assigned to these intangibles, the entire assumed excess value has been treated as Reorganization Goodwill.

  The Reorganization SOP currently requires that Reorganization Goodwill be amortized over a period substantially less than 40 years. However, the New Standard discussed above relating to goodwill amortization and carrying value is expected to include Reorganization Goodwill within its scope. The Projections assume that the New Standard will be implemented on or before the

Effective Date, and that there is no subsequent impairment in value of the Reorganization Goodwill. Accordingly, no amortization of Reorganization Goodwill is reflected in the Projections. The Reorganization Goodwill is, however, projected to be reduced annually by the amount of the tax benefits realized from the Section 163(j) excess interest deduction carryforward and Canadian non-capital loss carryforwards, as described above.

If a significant part of the amount reflected in the Projections as Reorganization Goodwill were in fact allocated to identifiable intangible assets such as customer contracts and customer lists as discussed above, the fair value of those assets would be amortized to income over their expected useful lives, resulting in substantially lower net income than the amounts reflected in the Projections. See "Risk Factors — Allocation of Fresh Start Asset Values."

- Under the Reorganization SOP, New LINC will be required to state the liabilities remaining at the Effective Date at the present values of amounts to be paid, determined at appropriate current interest rates. The book values of notes payable, capitalized leases and other debt instruments with direct claims in operating subsidiaries of LINC that are not subject to satisfaction and discharge under the Plan have been restated as at March 31, 2003 based on management's estimates of appropriate interest rates applicable to those instruments, resulting in a projected net reduction of approximately $10.1 million in the book value of those instruments as at that date with an assumed weighted average interest rate of 11.0%. Subsequent to the Effective Date, New LINC's projected interest expense applicable to those instruments has been calculated based on the projected restated book values and the above-noted interest rate estimates.

- The foregoing assumptions and resulting computations were made solely for purposes of preparing the Projections. New LINC will be required to determine the amount by which its reorganization enterprise value as of the Effective Date exceeds, or is less than, the fair value of its net assets as of the Effective Date. Such determination will be based upon the fair values as of that time, which could be materially higher or lower than the values assumed in the foregoing computations and may be based on, among other things, a different methodology with respect to the valuation of New LINC's reorganization enterprise value. In all events, such valuation, as well as the determination of the fair value of New LINC's assets and the determination of its actual liabilities, will be made as of the Effective Date, and the changes between the amounts of any or all of the foregoing items as assumed in the Projections and the actual amounts thereof as of the Effective Date may be material.

U.S. GAAP Reporting. Following the reorganization, New LINC will be a Delaware corporation and will be required to prepare its financial statements in accordance with U.S. GAAP. LINC's historical financial statements, prepared in accordance with Canadian GAAP, conform in all material respects to U.S. GAAP, except as follows:

- Reporting on the Costs of Start-Up Activities

In April 1998, the AICPA issued Statement of Position 98-5, "Accounting for the Costs of Start-Up Activities" ("SOP 98-5"), effective for periods beginning after December 15, 1998. SOP 98-5 requires that costs of start-up activities be expensed as incurred. Start-up activities are defined as those one-time activities related to opening a new facility, introducing a new product or service, conducting business with a new class of customer or beneficiary, initiating a new process in an existing facility, or commencing a new operation. Activities related to mergers or acquisitions are not considered start-up activities and, therefore, SOP 98-5 does not change the accounting for such items for U.S. GAAP reporting purposes.

Under Canadian GAAP, LINC capitalizes certain costs relating to hiring of drivers before the beginning of each school year in its contract bus services business and amortizes those costs over the school year. Prior to September 1, 2001, LINC capitalized certain start-up costs associated with new contracts in its contract bus services business and its ambulance service operations in its healthcare services businesses and amortized those costs over the term of the contracts in question. As at August 31, 2002, LINC's assets under Canadian GAAP included unamortized start-up and driver hiring costs of $15.3 million.

- Goodwill Impairment

In fiscal 2001, for Canadian GAAP reporting purposes, LINC changed its method of measuring goodwill impairment. The method of impairment, for Canadian GAAP reporting purposes, is now based on the estimated fair value of goodwill determined from independent valuations of the underlying business. The current U.S. GAAP's and LINC's former method of measuring goodwill impairment was based on the ability to recover the unamortized balance of goodwill from expected future operating cash flows on an undiscounted basis.

The effect of the difference in policy between Canadian GAAP and U.S. GAAP produces a goodwill impairment charge under Canadian GAAP and reduces the amount of goodwill at August 31, 2001 by $1,105.1 million and at August 31, 2002 by an additional $194.7 million. Under U.S. GAAP, an impairment charge did not exist at either date. In addition, during fiscal 1999, the Canadian GAAP policy produced an additional $974.0 million goodwill impairment charge in addition to the goodwill impairment charge taken for U.S. GAAP. Under U.S. GAAP, because of the reduced goodwill impairment charges, additional goodwill amortization totaling $59.5 million (2001 - $25.3 million, 2000 - $25.3 million) would have been recorded in fiscal 2002.

- Comprehensive Income

U.S. GAAP requires that a comprehensive income statement be prepared. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners. The comprehensive income statement reconciles the reported net income (loss) to the comprehensive income (loss) amount.

U.S. GAAP, SFAS No. 87, "Employers Accounting for Pensions," requires New LINC to record an increase in the additional minimum liability.

Under U.S. GAAP, available-for-sale securities are to be reported at their fair values, with unrealized gains or losses reported in a separate component of shareholders' equity along with the cumulative foreign currency translation adjustments and the SFAS No. 87 pension adjustment. This separate component would be reported under the caption "Accumulated other comprehensive loss."

As at August 31, 2002, LINC's assets under Canadian GAAP did not reflect net unrealized gains of $4.6 million on securities available for sale, and its liabilities under Canadian GAAP did not reflect an increase of $91.9 million in LINC's consolidated minimum pension liability. In addition, LINC's shareholders' equity under Canadian GAAP included cumulative foreign currency translation losses of $171.4 million.

- U.S. GAAP Adjustments Included in Plan Confirmation Adjustments

In view of the limited number and immaterial amount of differences between LINC's financial statements under Canadian and U.S. GAAP, adjustments to New LINC's projected consolidated balance sheet to correspond to U.S. GAAP have been reflected as part of the projected adjustments to record Confirmation of the proposed Plan. The Projections for the period following the projected Confirmation of the Plan are prepared on a U.S. GAAP basis. Individual Canadian/U.S. GAAP adjustments are discussed in greater detail below.

Start-Up Costs

- Assets described as prepaid expenses have been reduced by $2.3 million and assets described as deferred charges have been reduced by $5.6 million to reflect the write-off of the projected unamortized balance of driver hiring costs and contract start-up costs at the Effective Date.

- The income statement effect of these adjustments has been included in the Fresh-Start valuation change for the 2002 fiscal year.

- Following the Effective Date, LINC is projected to expense these costs as incurred in accordance with U.S. GAAP.

Goodwill Impairment

- As indicated previously, the Projections assume that the excess of the assumed reorganization value of New LINC as of the Effective Date over the assumed fair value of New LINC's net assets is allocated entirely to Reorganization Goodwill. The Projections further assume that the New Standard for Fresh-Start reporting principles is implemented on or before the Effective Date, and that there is no subsequent impairment in value of the Reorganization Goodwill, meaning that no amortization of Reorganization Goodwill is reflected in the Projections.

Consolidated Minimum Pension Liability

- A pension liability of $191.9 million has been recognized at the Effective Date by increasing liabilities described as "Deferred items." The net incremental pension liability consists of the minimum pension liability of $91.9 million that would be recorded under U.S. GAAP as at August 31, 2002 plus an additional $100 million representing an estimate of the further increase to the minimum pension liability that may be required by the Effective Date based on plan asset levels and interest rates subsequent to August 31, 2002, as described above in "— Pension Funding Requirements and Unfunded Pension Liability."

Comprehensive Income

- The Projections assume that as at the Effective Date, the market value of securities available for sale is equal to their book value resulting in no adjustment for unrealized gains/losses.

- The Projections assume that New LINC has no unrealized gains/losses in securities available for sale and no change in the consolidated net minimum pension liability, other than the payments described above in "— Pension Funding Requirements and Unfunded Pension Liability," following the Effective Date, as LINC has no reasonable basis on which to project such changes.

- Under Fresh-Start accounting, all other components of shareholders' equity are eliminated against share capital. Accordingly, classification of New LINC's cumulative foreign currency translation adjustments as a separate equity line item or as part of "Accumulated other comprehensive loss" is not necessary after the projected adjustments to record Confirmation of the Plan because both components will be eliminated.

- The Projections assume that New LINC does not accumulate any further foreign currency translation adjustments following the Effective Date because LINC has no reasonable basis on which to project such changes.

Projections

The projected consolidated financial statements of LINC and New LINC set forth below have been prepared based on the assumption that the Effective Date is March 31, 2003. Although the Debtors presently intend to seek to cause the Effective Date to occur as soon as practicable, there can be no assurance as to when the Effective Date actually will occur.

The LINC and New LINC Projected Consolidated Balance Sheets as of March 31, 2003 (the "Effective Date Balance Sheet") set forth below present:

- the projected consolidated financial position of LINC prior to the assumed Confirmation and the consummation of the transactions contemplated by the Plan on March 31, 2003;

- the projected adjustments to such projected consolidated financial position required to reflect Confirmation, the consummation of the transactions contemplated by the Plan and the related accounting adjustments (collectively, the "Balance Sheet Adjustments"); and

- the projected consolidated financial position of New LINC, after giving effect to the Balance Sheet Adjustments, as of March 31, 2003.

The Balance Sheet Adjustments set forth in the columns captioned "Debt Discharge," "Canadian/U.S. GAAP Conversion and Fresh-Start Adjustments," and "New Debt and Equity Issued" reflect the assumed effects of Confirmation and the consummation of the transactions contemplated by the Plan, including the settlement of various liabilities and related securities issuances, incurrence of new indebtedness and cash payments. The various Balance Sheet Adjustments are described in greater detail in the Notes to New LINC Projected Consolidated Balance Sheets.

The LINC and New LINC Projected Consolidated Balance Sheets set forth below present (a) the consolidated financial position of LINC as of LINC's fiscal year-end (August 31) in 2002 and (b) the projected consolidated financial position of New LINC, after giving effect to Confirmation and the consummation of the transactions contemplated by the Plan, as of March 31, 2003 and as of LINC's current fiscal year-end (August 31) in each of 2003-2005.

The LINC and New LINC Projected Consolidated Statements of Operations set forth below present (a) the consolidated results of operations of LINC for the fiscal year ended August 31, 2002, (b) the projected consolidated results of operations of LINC for the period September 1, 2002 through March 31, 2003, including the assumed effects of Confirmation and the consummation of the transactions contemplated by the Plan, (c) the projected consolidated results of operations of New LINC for the balance of fiscal 2003 and (d) the projected full-year consolidated results of operations of New LINC for each of fiscal 2004-2005.

The LINC and New LINC Projected Consolidated Statements of Cash Flows set forth below present (a) the projected consolidated cash flows of LINC for the period September 1, 2002 through March 31, 2003, including the assumed effects of Confirmation and the consummation of the transactions contemplated by the Plan, (b) the projected consolidated cash flows of New LINC for the balance of fiscal 2003 and (c) the projected full-year cash flows of New LINC for each of fiscal 2004-2005.

The New LINC Projected Consolidated Capitalization Table set forth below presents the projected capitalization of New LINC, after giving effect to the assumed Confirmation and the consummation of the transactions contemplated by the Plan, as of March 31, 2003 and as of LINC's current fiscal year-end (August 31) in each of 2003-2005.

LINC AND NEW LINC
ACTUAL AND PROJECTED CONSOLIDATED BALANCE SHEETS
REFLECTING HYPOTHETICAL RESTRUCTURING

(Unaudited)

(Thousands of US Dollars)

	Actual	Projected			
	Canadian GAAP	U.S. GAAP			
	LINC	New LINC			
	August 31, 2002	March 31, 2003	August 31, 2003	August 31, 2004	August 31, 2005
ASSETS					
Current Assets					
Cash	$ 343,546	$ 30,000	$ 35,297	$ 104,558	$ 184,230
Cash and marketable securities – insurance	91,787	110,051	109,814	127,850	146,213
Accounts receivable	545,254	693,017	539,967	538,630	553,346
Income tax recoverable	29,245	29,245	29,245	18,729	18,729
Parts and supplies	50,458	50,458	50,458	50,458	50,458
Prepaids and other assets	64,075	53,811	55,878	55,939	56,002
	1,124,365	966,583	820,658	896,165	1,008,977
Fixed Assets					
Land and building	446,558	350,748	363,563	396,602	431,081
Vehicles and leased vehicles	2,128,317	1,178,652	1,287,007	1,487,969	1,777,844
Equipment	221,005	67,468	83,910	125,447	160,836
Other fixed assets	196,156	66,117	76,624	104,406	133,800
Accumulated depreciation	(1,314,363)	—	(97,209)	(367,057)	(647,082)
	1,677,673	1,662,985	1,713,895	1,747,367	1,856,479
Cash collateral and deposits	89,129	89,526	89,526	45,736	1,947
Directors' and officers' liability trust fund	10,511	10,511	10,511	10,511	10,511
Goodwill	813,101	—	—	—	—
Reorganization value in excess of identifiable assets	—	601,417	585,238	580,831	552,415
Deferred charges	19,630	31,670	29,114	20,905	16,847
Pension asset	43,146	—	—	—	—
Long-term investments – non-insurance	64,415	64,415	64,415	64,415	64,415
Long-term investments – insurance	249,209	250,066	250,677	254,719	257,979
	$4,091,178	$3,677,172	$3,564,034	$3,620,649	$3,769,569
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	$ 415,831	$ 419,572	$ 427,598	$ 437,070	$ 452,832
Accrued interest	6,093	7,167	18,909	18,810	18,612
Current portion of long-term liabilities	20,294	7,636	6,703	2,796	1,908
	442,218	434,376	453,210	458,677	473,352
Long-Term Liabilities					
Deferred items	72,570	214,991	197,025	135,541	88,162
Deferred income tax	—	—	(10,512)	20,861	35,950
Insurance reserve	497,283	486,433	503,653	502,544	498,107
Exit financing revolving facility	—	96,173	4,168	—	—
Greyhound Lines, Inc. revolving facility	—	49,488	—	1,466	11,150
Notes payable	194,399	176,585	175,512	172,987	173,568
Other long-term debt	34,848	28,108	27,503	26,425	25,743
Exit facility term loan	—	625,000	623,438	617,188	610,938
New LINC Notes	—	250,000	250,000	250,000	250,000
Less current portion of long-term liabilities	(20,294)	(7,636)	(6,703)	(2,796)	(1,908)
	778,806	1,919,141	1,764,083	1,724,215	1,691,711
Liabilities subject to compromise	3,977,126	—	—	—	—
	5,198,149	2,353,517	2,217,294	2,182,892	2,165,063
Shareholders' Equity					
Preferred shares issued	7,780	—	—	—	—
Common shares issued	2,222,582	1,373,655	1,373,655	1,373,655	1,373,655
Less shares held in Pension Plan Trust	—	(50,000)	(50,000)	(50,000)	—
Retained earnings (deficit)	(3,165,910)	—	23,085	114,102	230,851
Foreign currency translation	(171,423)	—	—	—	—
	(1,106,971)	1,323,655	1,346,740	1,437,757	1,604,506
	$4,091,178	$3,677,172	$3,564,034	$3,620,649	$3,769,569

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "Projected Financial Information" and the consolidated historical financial statements, notes and schedules contained in Exhibit III to this Disclosure Statement.

LINC AND NEW LINC
PROJECTED CONSOLIDATED BALANCE SHEETS
REFLECTING HYPOTHETICAL RESTRUCTURING
MARCH 31, 2003

(Unaudited)

(Thousands of US Dollars)

	Canadian GAAP	Adjustments to Record Hypothetical Reorganization						U.S. GAAP
	LINC							New LINC
	Projected Preconfirmation Balance Sheet	Debt Discharge		Canadian / US GAAP Conversion and Fresh-Start Adjustments		New Debt and Equity Issued		Reorganization Balance Sheet
ASSETS								
Current Assets								
Cash	$ 343,777	$(1,264,700)	(a)	$ —		$ 950,923	(g)	$ 30,000
Cash and marketable securities – insurance	110,051	—		—		—		110,051
Accounts receivable	693,017	—		—		—		693,017
Income tax recoverable	29,245	—		—		—		29,245
Parts and supplies	50,458	—		—		—		50,458
Prepaids and other assets	56,115	—		(2,303)	(d)	—		53,811
	1,282,663	(1,264,700)		(2,303)		950,923		966,583
Fixed Assets								
Land and building	465,541	—		(114,794)	(b)	—		350,748
Vehicles and leased vehicles	2,241,589	—		(1,062,938)	(b)	—		1,178,652
Equipment	237,171	—		(169,703)	(b)	—		67,468
Other fixed assets	212,013	—		(145,896)	(b)	—		66,117
Accumulated depreciation	(1,493,331)	—		1,493,331	(b)	—		—
	1,662,985	—		—		—		1,662,985
Cash collateral and deposits	89,526	—		—		—		89,526
Directors' and officers' liability trust fund	10,511	—		—		—		10,511
Goodwill	813,101	—		(813,101)	(b)	—		—
Reorganization value in excess of identifiable assets	—	—		601,417	(c)	—		601,417
Deferred charges	17,054	—		(5,634)	(d)	20,250	(g)	31,670
Pension asset	43,146			(43,146)	(b)	—		—
Long-term investments – non-insurance	64,415	—		—	(d)	—		64,415
Long-term investments – insurance	250,066	—		—		—		250,066
	$4,233,465	$(1,264,700)		$ (262,766)		$ 971,173		$3,677,172
LIABILITIES AND SHAREHOLDERS' EQUITY								
Current Liabilities								
Accounts payable and accrued liabilities	$ 449,272	$ (29,700)	(a)	$ —		$ —		$ 419,572
Accrued interest	7,167	—		—		—		7,167
Current portion of long-term liabilities	10,626	—		(2,990)	(b)	—		7,636
	467,066	(29,700)		(2,990)		—		434,376
Long-Term Liabilities								
Deferred items	73,262	(50,000)	(a)	191,729	(d)	—		214,991
Insurance reserve	486,433	—		—		—		486,433
Exit financing revolving facility	—	—		—		96,173	(g)	96,173
Greyhound Lines, Inc. revolving facility	49,488	—		—		—		49,488
Notes payable	186,734	—		(10,149)	(b)	—		176,585
Other long-term debt	27,898	—		210	(b)	—		28,108
Exit facility term loan	—	—		—		625,000	(g)	625,000
New LINC Notes	—	—		—		250,000	(g)	250,000
Less current portion of long-term liabilities	(10,626)	—		2,990	(b)	—		(7,636)
	813,188	(50,000)		184,781		971,173		1,919,141
Liabilities subject to compromise	3,977,126	(3,977,126)	(a)	—		—		—
	5,257,379	(4,056,826)		181,791		971,173		2,353,517
Shareholders' Equity								
Preferred shares issued	7,780	—		(7,780)	(e)	—		—
Common shares issued	2,222,582	—		(898,927)	(e)	50,000	(h)	1,373,655
Less shares held in Pension Plan Trust	—	—		—		(50,000)	(h)	(50,000)
Retained earnings (deficit)	(3,082,852)	2,792,126	(a)	290,727	(f)	—		—
Foreign currency translation	(171,423)	—		171,423	(e)	—		—
	(1,023,914)	2,792,126		(444,557)		—		1,323,655
	$4,233,465	$(1,264,700)		$ (262,766)		$ 971,173		$3,677,172

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "Projected Financial Information" and the consolidated historical financial statements, notes and schedules contained in Exhibit III to this Disclosure Statement.

NOTES TO NEW LINC PROJECTED CONSOLIDATED BALANCE SHEET

(a) Reflects settlement of liabilities subject to compromise, including the payment of $29.7 million in assumed Administrative Claims included in projected accounts payable and accrued liabilities as at the Effective Date, and the assumed contribution of $50 million in cash to the Pension Plans on the Effective Date.

(b) Reflects (i) the write-off of all accumulated depreciation and a portion of the cost value of fixed assets to restate their cost to their estimated fair values, (ii) the write-off of the excess of cost over the net assets acquired (the "Acquisition Goodwill") in previous acquisitions, (iii) the adjustment to fair value of the pension asset, and (iv) the adjustment to fair value of the book value of liabilities not subject to compromise, all in accordance with Fresh-Start reporting.

(c) Reflects the reorganization value in excess of amounts allocable to identifiable assets in accordance with Fresh-Start reporting.

(d) Reflects (i) the write-off, as part of the transition from Canadian GAAP reporting in LINC to U.S. GAAP reporting in New LINC, of the unamortized balance of start-up costs capitalized and amortized under Canadian GAAP but expensed as incurred under U.S. GAAP, and (ii) the recognition of the consolidated minimum pension liability required under U.S. GAAP.

(e) Reflects the elimination of all other components of shareholders' equity against common share capital in accordance with Fresh-Start reporting.

(f) Reflects (i) the write-offs, eliminations, fair value adjustments and establishment of reorganization value in excess of amounts allocable to identifiable assets described in (c) to (e) above; and (ii) the elimination of all other components of shareholders' equity against share capital in accordance with Fresh-Start reporting.

(g) Reflects the issuance of new secured term debt, exit facility and New LINC Notes, net of associated financing fees of $20.25 million.

(h) Reflects the projected transfer of shares of New Common Stock with a value of $50 million to the Pension Plan Trust.

LINC AND NEW LINC
ACTUAL AND PROJECTED CONSOLIDATED STATEMENTS OF OPERATIONS
REFLECTING HYPOTHETICAL RESTRUCTURING
YEAR ENDED AUGUST 31

(Unaudited)

(Thousands of US Dollars)

	Actual	Projected				
	Canadian GAAP		U.S. GAAP		U.S. GAAP	
	LINC		New LINC		New LINC	
	Fiscal 2002	Sep. 1, 2002 – Mar. 31, 2003*	Apr. 1, 2003 – Aug. 31, 2003	Fiscal 2003**	Fiscal 2004	Fiscal 2005
Revenue						
Contract bus services	$1,789,197	$1,162,644	$ 595,654	$1,758,298	$1,808,695	$1,899,632
Greyhound	1,223,684	694,991	586,394	1,281,385	1,338,074	1,398,682
Healthcare services	1,419,230	851,052	625,945	1,476,997	1,531,986	1,635,366
	4,432,112	2,708,686	1,807,993	4,516,680	4,678,755	4,933,680
Expenses						
Contract bus services	1,519,460	925,757	535,654	1,461,411	1,492,072	1,557,986
Greyhound	1,170,073	675,389	509,441	1,184,830	1,238,440	1,295,024
Healthcare services	1,322,800	783,984	578,645	1,362,629	1,412,050	1,499,443
	4,012,332	2,385,130	1,623,740	4,008,870	4,142,562	4,352,453
Gross margin before impairment loss	419,780	323,556	184,254	507,810	536,192	581,227
Goodwill impairment loss and asset writedowns	194,720	—	—	—	—	—
Gross margin after impairment loss	225,060	323,556	184,254	507,810	536,192	581,227
Expenses						
Corporate	(4,090)	3,966	2,495	6,461	7,018	7,278
Depreciation and amortization	303,416	181,544	97,421	278,965	272,432	279,552
Earnings (loss) from operations	(74,265)	138,046	84,338	222,384	256,742	294,398
Net interest expense	15,430	12,095	46,801	58,896	111,115	109,082
Reorganization costs	44,599	36,800	—	36,800	—	—
Income from discontinued operations	—	—	—	—	—	—
Loss relating to Safety-Kleen Corp.	—	—	—	—	—	—
Fresh-Start valuation change	—	244,720	—	244,720	—	—
Earnings (loss) before income taxes and extraordinary gain	(134,294)	(155,569)	37,537	(118,032)	145,627	185,316
Income taxes	(9,855)	6,094	14,452	20,546	54,610	68,567
Earnings (loss) before extraordinary gain	(124,440)	(161,663)	23,085	(138,577)	91,017	116,749
Extraordinary gain on debt discharge	—	2,792,126	—	2,792,126	—	—
Net Earnings (Loss)	$ (124,440)	$2,630,463	$23,085	$2,653,548	$ 91,017	$ 116,749

* Projected results for the period September 1, 2002 through March 31, 2003 include the effects of the hypothetical restructuring which is assumed to occur on March 31, 2003.

** Projected full-year fiscal 2003 results, combining 7 months of operations of LINC and 5 months of operations of New LINC, have been provided for comparative purposes.

The net earnings from the projected full-year fiscal 2003 results are not directly comparable with the change between the projected retained earnings of LINC as at August 31, 2002 and the projected retained earnings of New LINC as at August 31, 2003. In particular, as discussed in the accompanying assumptions, (i) a projected $199.8 million charge is made directly to retained earnings to adjust New LINC's balance sheet from a Canadian GAAP basis to a U.S. GAAP basis in conjunction with the projected Fresh-Start reporting adjustments, and (ii) all components of shareholders' equity, including retained earnings, have been eliminated against common share capital at the Effective Date in accordance with Fresh-Start reporting.

LINC AND NEW LINC
PROJECTED STATEMENTS OF CASH FLOWS
REFLECTING HYPOTHETICAL RESTRUCTURING
YEAR ENDED AUGUST 31
(Unaudited)
(Thousands of US Dollars)

	Projected				
		U.S. GAAP New LINC		U.S. GAAP New LINC	
	Sep. 1, 2002 – Mar. 31, 2003*	Apr. 1, 2003 - Aug. 31, 2003	Fiscal 2003**	Fiscal 2004	Fiscal 2005
CASH PROVIDED BY (APPLIED TO)					
Operations					
Net Income	2,630,463	23,085	2,653,548	91,017	116,749
Items not affecting cash					
Depreciation	178,967	97,209	276,176	269,848	280,025
Amortization	2,576	212	2,789	2,585	(474)
Amortization of premiums/discounts on debt	(628)	723	95	1,598	1,794
Amortization of reorganization value in excess of identifiable assets	—	16,179	16,179	4,406	28,416
Gain on discharge of debt	(2,792,126)	—	(2,792,126)	—	—
Fresh-Start valuation change	244,720	—	244,720	—	—
Deferred income tax	—	(10,512)	(10,512)	31,373	15,090
(Gain) / loss on sale of assets	(1,574)	(15,025)	(16,599)	(3,464)	(5,020)
Writedown of goodwill and deferred charges	—	—	—	—	—
	(2,368,064)	88,787	(2,279,277)	306,346	319,832
Change in working capital items:					
Receivables	(147,763)	153,051	5,287	11,852	(14,715)
Collateralization and deposits	(397)	—	(397)	43,790	43,790
Prepaids	7,960	(2,066)	5,894	(62)	(63)
Deferred charges	(20,250)	2,344	(17,906)	5,625	4,531
Accrued interest	1,075	11,742	12,817	(99)	(198)
Accounts payable	3,741	8,026	11,767	9,473	15,762
Other changes in working capital	(10,850)	17,221	6,371	(1,109)	(4,437)
	(166,485)	190,317	23,832	69,470	44,669
	95,915	302,189	398,103	466,832	481,250
Investing					
Purchase of fixed assets	(182,499)	(165,454)	(347,953)	(353,230)	(453,963)
Proceeds from sale of fixed assets	19,795	32,359	52,154	53,374	69,847
Net decrease (increase) in long-term investments	11,789	8,420	20,209	13,852	10,248
Net investment in insurance captives	(30,909)	(8,795)	(39,704)	(35,930)	(31,870)
	(181,825)	(133,469)	(315,294)	(321,934)	(405,739)
Financing					
Proceeds from issuance of long-term debt	875,000	—	875,000	—	—
Repayment of exit facility term loan	—	(1,563)	(1,563)	(6,250)	(6,250)
Repayment of long-term debt and other non-current liabilities	(63,297)	(20,367)	(83,664)	(66,684)	(49,274)
Payment of liabilities subject to compromise	(1,185,000)	—	(1,185,000)	—	—
Proceeds from new equity	—	—	—	—	50,000
Foreign currency adjustment	—	—	—	—	—
Revolving facilities	145,661	(141,493)	4,168	(2,703)	9,684
	(227,636)	(163,423)	(391,058)	(75,637)	4,161
Increase (decrease) in cash	(313,546)	5,297	(308,249)	69,261	79,671
Cash, beginning of period	343,546	30,000	343,546	35,297	104,558
Cash, end of period	30,000	35,297	35,297	104,558	184,230

* Projected results for the period September 1, 2002 through March 31, 2003 include the effects of the hypothetical restructuring which is assumed to occur on March 31, 2003.

** Projected full-year fiscal 2003 results, combining 7 months of operations of LINC and 5 months of operations of New LINC, have been provided for comparative purposes.

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "Projected Financial Information" and the consolidated historical financial statements, notes and schedules contained in Exhibit III to this Disclosure Statement.

NEW LINC
PROJECTED CONSOLIDATED CAPITALIZATION TABLE
REFLECTING HYPOTHETICAL RESTRUCTURING
(Unaudited)
(Thousands of US Dollars)

	Projected New LINC			
	March 31, 2003	August 31, 2003	August 31, 2004	August 31, 2005
Cash (excluding insurance investments)	$ 30,000	$ 35,297	$ 104,558	$ 184,230
Short-term debt				
Current portion of long-term debt	7,636	6,703	2,796	1,908
	7,636	6,703	2,796	1,908
Long-term debt				
Deferred items	214,991	197,025	135,541	88,162
Exit financing revolving facility	96,173	4,168	—	—
Greyhound Lines, Inc. revolving facility	49,488	—	1,466	11,150
Exit facility term loan	625,000	623,438	617,188	610,938
New LINC Notes	250,000	250,000	250,000	250,000
Notes payable at operating subsidiaries	176,585	175,512	172,987	173,568
Other long-term debt at operating subsidiaries	28,108	27,503	26,425	25,743
Less current portion of long-term debt	(7,636)	(6,703)	(2,796)	(1,908)
	1,432,709	1,270,942	1,200,810	1,157,654
Total debt	1,440,345	1,277,646	1,203,606	1,159,561
Shareholders' equity				
Common shares issued	1,373,655	1,373,655	1,373,655	1,373,655
Less shares held in Pension Plan Trust	(50,000)	(50,000)	(50,000)	—
Retained earnings (deficit)	—	23,085	114,102	230,851
Total shareholders' equity	1,323,655	1,346,740	1,437,757	1,604,506
Total capitalization	$2,764,000	$2,624,386	$2,641,363	$2,764,068

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "Projected Financial Information" and the consolidated historical financial statements, notes and schedules contained in Exhibit III to this Disclosure Statement.

Management and Board of Directors

New LINC Board of Directors

The Bylaws of New LINC (the "New LINC Bylaws") will provide that the business and affairs of New LINC will be managed under the direction of the New LINC Board of Directors, the members of which will be selected as described below.

Representatives of the Debtors have consulted with representatives of the Prepetition Noteholders and the Lenders with respect to the composition of the New LINC Board of Directors. As a result of these discussions, the Debtors filed a motion with the Bankruptcy Court seeking its approval of the retention of a nationally recognized executive/director search firm to assist in identifying candidates for possible election as directors. On December 21, 2001, the Bankruptcy Court approved the motion. The executive/director search firm will identify candidates for consideration by a six member committee, comprised of three representatives of the Prepetition Noteholders, two Lender representatives and one Debtor representative (the "Director Selection Committee"). The Director Selection Committee will assess the qualifications of director candidates and interview candidates. Based on these interviews, the Director Selection Committee will recommend to the Creditors' Committee the New LINC Board of Directors.

The Director Selection Committee will also recommend the terms and classification of such directors. In the event that issues arise during the process that cannot be satisfactorily resolved by the Director Selection Committee on or before the date that is 30 days prior to the date initially scheduled for the Confirmation Hearing, then the Prepetition Noteholders' Subcommittee will be entitled to nominate five directors, the Lenders' Subcommittee will be entitled to nominate three directors and the Chief Executive Officer of New LINC will be the ninth director of New LINC. In such event, the Prepetition Noteholders' Subcommittee and the Lenders' Subcommittee must designate their respective directors of New LINC prior to the commencement of the Confirmation Hearing. In all events, each class of directors (as discussed below in "— Classification of the Board") will include at least one director designated by the Prepetition Noteholders' Subcommittee and at least one director designated by the Lenders' Subcommittee. The initial New LINC Board of Directors will designate the officers of New LINC and the directors and officers of each of the Reorganized Debtors.

Compensation of LINC Board of Directors

New LINC intends to pay up to an aggregate of $300,000 to the current non-management members of the LINC Board of Directors as additional or extraordinary meeting fees upon the occurrence of the Effective Date.

Classification of the Board

New LINC's Certificate of Incorporation (the "New LINC Certificate of Incorporation") and the New LINC Bylaws will provide that the directors of New LINC will be classified into three classes, with the directors of each class serving for three-year terms and until their successors are elected, except that the initial terms of the initial directors will expire at the 2004, 2005 and 2006 annual meetings of the stockholders of New LINC, depending on the particular class in which each such director is classified. At each annual meeting of stockholders of New LINC, the successors of the directors whose terms expire at that meeting will be elected by plurality vote of all votes cast at such meeting to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. In accordance with the New LINC Certificate of Incorporation, the number of directors in each class will be as nearly equal in size as practicable.

The first annual meeting of the stockholders of New LINC following the Effective Date will be held within one year of the Effective Date.

Board Committees

The New LINC Bylaws will provide that the New LINC Board of Directors may establish such directorate committees as it may from time to time determine. It is presently contemplated that the New LINC Board of Directors will establish the following committees on or promptly after the Effective Date: (a) the Audit Review Committee, (b) the Compensation Committee, (c) the Nominating and Corporate Governance Committee and (d) the Ethics and Compliance Committee. The composition of such Committees has not been determined, but each Committee will be comprised solely of non-employee directors who satisfy stock exchange independence and other requirements for the committees, and the chair of the Audit Review Committee will have accounting or financial management experience.

The Audit Review Committee is expected to review:

- the professional services to be provided by New LINC's independent auditors;
- the qualifications and performance of such auditors;
- the independence of such firm from management of New LINC;
- the scope of the annual audit and other examinations by New LINC's independent auditors;
- the annual and quarterly financial statements of New LINC;
- any material issues raised by the auditors' internal quality-control reviews, peer reviews or by any investigation by governmental or professional authorities within the past five years;
- New LINC's systems of internal accounting and quality controls; and
- such other matters with respect to the accounting, auditing and financial reporting practices and procedures of New LINC as it may deem desirable in connection with its review functions described above.

The Audit Review Committee will have sole responsibility for retaining and dismissing New LINC's independent auditors and will establish criteria relating to New LINC hiring employees or former employees of its auditors. The Audit Review Committee will also meet quarterly with New LINC's independent auditors, New LINC's management and members of New LINC's internal audit staff.

The Compensation Committee will:

- review executive salaries;
- administer the bonus and incentive compensation plans of New LINC, including awards under the Equity Incentive Plan; and
- approve the salaries and other benefits of the executive officers of New LINC.

See "— New Benefit Plans and Agreements." In addition, the Compensation Committee will advise and consult with New LINC's management regarding pension and other benefit plans and compensation policies and practices of New LINC.

The Nominating and Corporate Governance Committee will consider and recommend criteria for the selection of nominees for election as directors and from time to time may select for presentation to the full New LINC Board of Directors recommended director candidates. The full New LINC Board of Directors may also from time to time select such candidates and in all events will act in respect of the filling of any vacancies on the New LINC Board of Directors, the recommendation of candidates for nomination for election by the stockholders and the composition of all directorate committees. The Nominating and Corporate Governance Committee will also develop and recommend to the full New LINC Board of Directors a set of corporate governance principles and review and report to the full New LINC Board of Directors on a periodic basis with regard to matters of corporate governance.

The Compliance and Ethics Committee will review all matters relating to compliance with all regulatory requirements and the adequacy of New LINC's insurance program.

Director Nomination Procedures

The New LINC Bylaws will provide that nominations for election of directors by the stockholders will be made by the New LINC Board of Directors as described above or by any stockholder entitled to vote in the election of directors generally. The New LINC Bylaws will require that stockholders intending to nominate candidates for election as directors provide timely notice in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at New LINC's principal executive offices not less than 60 calendar days nor more than 90 calendar days prior to the anniversary date of the date on which New LINC first mailed proxy materials for the prior year's annual meeting of stockholders, except that if there was no annual meeting held during the prior year or if the annual meeting is called for a date that is not within 30 calendar days before or after that anniversary, notice by the stockholder in order to be timely must be received not later than the close of business on the later of the tenth calendar day prior to such annual meeting or the tenth calendar day following the date on which public announcement was first made of the date of the annual meeting. The New LINC Bylaws will also specify requirements as to the form and content of a stockholder's notice. These provisions of the New LINC Bylaws may preclude stockholders from making nominations of directors.

Director Compensation

The compensation for service on the New LINC Board of Directors and any committee thereof for each director of New LINC who is not an employee of New LINC or any of its subsidiaries will be determined following the Effective Date based on industry practices and is expected to be at levels consistent with those at generally comparable companies. It is expected that the Chairman of the Board and the chairmen of each committee of the Board will receive additional compensation for their service in such capacities. In addition, it is expected that compensation for service on the New LINC Board of Directors and any committee thereof will consist of cash, equity compensation awards or a combination thereof. Members of the New LINC Board of Directors who are also employees of New LINC or any of its subsidiaries will not receive any additional compensation for service on the New LINC Board of Directors or any committee thereof.

New LINC Executive Officers

The executive officers of New LINC following the Effective Date are presently expected to include each of the individuals identified below:

Name	Age	Anticipated Position with New LINC
Kevin E. Benson (1)	55	President and Chief Executive Officer
Douglas A. Carty (2)	46	Executive Vice President and Chief Financial Officer
Ivan R. Cairns	56	Senior Vice President and General Counsel
Wayne R. Bishop	44	Vice President and Controller
D. Geoffrey Mann	39	Vice President, Treasurer

(1) Mr. Benson assumed his duties as President and Chief Executive Officer of LINC on September 16, 2002.

(2) Mr. Carty joined LINC as Executive Vice President and Chief Financial Officer in January 2003.

Certain biographical information relating to each of the individuals who is presently expected to serve as an executive officer of New LINC is set forth below.

Kevin E. Benson assumed his position as President and Chief Executive Officer of LINC on September 16, 2002. Prior to that, Mr. Benson served as President of the Jim Pattison Group, Canada's third largest privately held company, and as the President and Chief Executive Officer of the Insurance Corporation of British Columbia. He previously served as Chief Executive Officer of Canadian Airlines from 1996 until July 2000. Prior to joining Canadian Airlines in 1995, he served in various capacities with Trizec-Hahn, a Canadian real estate development company with property holdings in the U.S. and Canada, joining the company in 1977 and becoming Chief Financial Officer in 1983, President in 1986 and Chief Executive Officer in 1987. Mr. Benson also serves as a director of Manulife Financial.

Douglas A. Carty joined LINC in January 2003 as Executive Vice President and Chief Financial Officer. Prior to that, Mr. Carty served as Senior Vice President and Chief Financial Officer of Atlas Air Worldwide Holdings, one of North America's largest aviation transportation companies from July 2001 until December 2002. From 1990 until July 2001, Mr. Carty was employed with Canadian Airlines, where he served in a variety of positions, including, Senior Vice President and Chief Financial Officer from 1996 until July 2000. Mr. Carty also serves as a non-executive Chairman of the Board of Points International Ltd., a provider of services to the loyalty program industry.

Ivan R. Cairns has been Senior Vice-President and General Counsel of LINC since October 1990 and, prior thereto, was Vice-President and General Counsel and Secretary from November 1981 until October 1990.

Wayne R. Bishop has been Vice President of LINC since April 1997 and Controller since December 1988. Mr. Bishop joined LINC in November 1987 as Assistant Controller.

D. Geoffrey Mann has been Vice President, Treasurer of LINC since March 1999. Prior thereto, Mr. Mann was Director, Treasury Operations from December 1996 until March 1999. Mr. Mann joined LINC in March 1995 as Manager of Planning and Analysis.

Executive Compensation

The discussion of executive compensation contained in this Disclosure Statement has been prepared based on the actual compensation paid and benefits provided during the fiscal year ended August 31, 2002 by LINC and the Debtors to its executive officers who are expected to be executive officers of New LINC as of the Effective Date. The existing employment, compensation and benefit arrangements of LINC and the Debtors that are presently expected to be maintained by New LINC as of the Effective Date and certain new arrangements and modifications to existing arrangements that are presently expected to become effective as of the Effective Date are also described below. Existing employment, compensation and benefit arrangements that are expected to be terminated as of the Effective Date are not described below.

New LINC's executive compensation program will be designed to:

- be competitive with companies of comparable size and complexity across general North American industry;
- recognize the considerable progress made towards improving the financial performance of LINC through the period of instability in 2000, 2001 and 2002;
- reward and retain executives to remain in New LINC's employ through the potentially turbulent period associated with implementing the Plan; and
- align long-term incentive executive gains with the interests of stockholders.

Summary Compensation Table

The following table sets forth the compensation paid or payable by LINC during the fiscal year ended August 31, 2002 to the individual who served as Chief Executive Officer of LINC during that period and the other executive officers of LINC and its subsidiaries who are expected to serve as executive officers of New LINC or in the same position with such subsidiary as of the Effective Date. Kevin E. Benson, the President and Chief Executive Officer, and Douglas A. Carty, the Executive Vice President and Chief Financial Officer, of New LINC as of the Effective Date, were not employed by LINC during its fiscal year 2002, and accordingly, no compensation information for Messrs. Benson and Carty is provided.

		Annual Compensation		Long-Term Compensation	
Name and Principal Position	**Year**	**Salary ($)(1)(2)**	**Bonus ($)**	**Securities under Options Granted (#)**	**All Other Compensation ($)(3)**
John R. Grainger (4)	2002	$624,000	$634,725	0	$19,513
President and Chief	2001	$610,000	$210,000	0	$ 8,951
Executive Officer	2000	$561,618	0	500,000	$ 7,865
Ivan R. Cairns	2002	$324,167	$140,000	0	$ 8,803
Senior Vice President	2001	$320,000	$171,200	0	$ 8,793
and General Counsel	2000	$314,167	0	200,000	$ 7,680
Wayne R. Bishop	2002	$154,018	$ 63,569	0	$ 7,599
Vice President,	2001	$150,781	$ 73,361	0	$ 7,211
Controller	2000	$145,226	$ 20,913	45,000	$ 6,374
D. Geoffrey Mann	2002	$133,759	$ 63,569	0	$ 7,382
Vice President, Treasury	2001	$126,984	$ 43,886	0	$ 5,245
	2000	$123,266	$ 17,852	45,000	$ 7,205

(1) Messrs. Grainger and Cairns are compensated in U.S. dollars. All other compensation amounts for Messrs. Grainger and Cairns have been converted to U.S. dollars based upon average exchange rates per Canadian dollar of $1.5731, $1.5267 and $1.4704 for 2002, 2001 and 2000, respectively.

(2) Messrs. Bishop and Mann are compensated in Canadian dollars. All salary, bonus and other compensation amounts for these individuals have been converted to U.S. dollars based upon average exchange rates per Canadian dollar of $1.5731, $1.5267 and $1.4704 for 2002, 2001 and 2000, respectively.

(3) Includes contributions to Deferred Profit Sharing and Compensation Plans and the cost of Term Life Insurance.

(4) Effective November 26, 2001, Mr. Grainger was appointed President and Chief Executive Officer of Laidlaw Transit. Mr. Grainger served as President and Chief Executive Officer of LINC until September 16, 2002.

Existing Benefit Plans and Agreements of LINC and its Subsidiaries

Supplemental Executive Retirement Plans. LINC sponsors two supplemental executive retirement plans for certain employees of the Laidlaw Companies (collectively, the "SERPs"). LINC has entered into a trust agreement with respect to the Canadian plan and, as of April 1, 2002, had arranged a letter of credit issued by Royal Bank of Canada to such trust in the amount of approximately Cdn $7.3 million (U.S. $4.8 million), of which approximately Cdn $2.9 million is held by the Canadian Customs Revenue Agency and the remainder is held in the trust. As of April 1, 2002, 15 active employees and 11 terminated employees were covered by the Canadian plan and 49 active employees and 26 terminated employees were covered by the U.S. plan. The benefit amount payable at age 65 is the sum of (a) 1.0% of final average earnings up to $150,000 and (b) 1.5% of final average earnings in excess of $150,000, less government pension benefits, multiplied by the participant's years of service with LINC and its affiliates. A participant's final average earnings would be the average of the highest consecutive five years earnings (including salary and bonus, not exceeding the target level) earned by the participant in the last ten years prior to retirement. The form of benefit would be an annuity, guaranteed five years. On September 7, 2001, the Debtors filed a motion seeking authorization from the Bankruptcy Court to assume the SERPs. On September 28, 2001, the Bankruptcy Court approved the motion.

LINC also provides retirement and deferred savings plans pursuant to which LINC will match 50% of the employee's contributions to the plan, provided that the total annual contributions do not exceed the maximum allowable contributions under the relevant income tax law.

Greyhound Lines sponsors a supplemental executive retirement plan for certain of its executive level employees. Pursuant to the terms of the plan, Greyhound Lines makes an annual contribution to each participant's account under the plan in accordance with the following: 20% of annual base salary for the President, the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, any Senior Vice President and any other participants who have completed at least 84 months of service, and 10% of annual base salary for all other participants. Participants vest in their account balances upon completion of five years of service with Greyhound Lines, upon death or disability, or if, within the two-year period following a change in control of Greyhound Lines, a participant's employment is terminated by Greyhound Lines for any reason, the participant's professional duties or authority are substantially diminished by Greyhound Lines or the participant's total compensation payable by Greyhound Lines is reduced and the participant's employment with Greyhound Lines is subsequently terminated, voluntarily or involuntarily. Assets available to pay benefits under the plan are held in a trust. The assets of the trust are subject to the claims of the general creditors of Greyhound Lines. A standby letter of credit has been issued by Royal Bank of Canada to such trust in the amount of $3.0 million.

Greyhound Lines also sponsors a non-qualified deferred compensation plan for its highly compensated employees. Under this plan, participants may elect to defer all or any portion of their base salary on an after tax basis. In addition, participants in the plan may receive a discretionary employer contribution. Each participant may direct the investment of his account under the plan in any of the investment options offered under the plan.

Key Employee Retention Plan. During fiscal 2001, LINC approved phase I of the KERP, which was designed to ensure that the employees of LINC who are critical to LINC's restructuring efforts were provided with sufficient economic incentives and protections to remain with, and fulfill their responsibilities to, LINC through the initial stages of LINC's financial restructuring process. It was anticipated when the KERP initially was put in place that LINC would adopt a supplemental key employee retention program to provide incentives and protections for these individuals through the completion of the financial restructuring process. On September 7, 2001, the Debtors filed a motion seeking Bankruptcy Court approval of phase II of the KERP. On September 28, 2001, the Bankruptcy Court approved the KERP.

Under phase I of the KERP, retention benefits were payable if the employee remained employed with LINC through specified dates, or if LINC terminated the employee's employment without cause before such dates. Pursuant to phase I of the KERP, Mr. Grainger's retention benefit was 12 months of base salary, payable 25% on October 31, 2000, 25% on May 1, 2001 and 50% on October 31, 2001. Each of Messrs. Bishop and Mann received a retention benefit of 75% of 18 months of base salary, payable 25% on October 31, 2000, 25% on May 1, 2001 and 50% on October 31, 2001. Other employees were eligible for retention benefits as follows:

- vice presidents received 75% of 18 months of base salary;
- directors and staff members received 50% of 18 months of base salary;
- managers and professionals received 25% of 18 months of base salary; and
- administrative and clerical employees received 15% of 18 months of base salary.

The total cost of these retention benefits was approximately Cdn $2.0 million (approximately U.S. $1.3 million) for those participants paid in Canadian funds plus $600,000 for those participants paid in U.S. funds.

Under phase II of the KERP, retention benefits are payable to 38 specified employees of the Debtors if any such employee remains employed with LINC through a specified date (described below) or if LINC terminates the employee's employment without cause before such date. Each of Messrs. Bishop, Mann and Cairns will receive a retention benefit of 50% of monthly base salary times months of service credited from November 1, 2001 until the later of the confirmation of the plan of reorganization or the relocation of LINC's corporate headquarters, not in excess of 12 months. Other employees are eligible for retention benefits of 25% or 50% of monthly base salary times months of service credited from November 1, 2001 until the later of the confirmation of the plan of reorganization or the relocation of LINC's corporate headquarters, not in excess of 12 months. As of November 1, 2001, each participant in phase II of the KERP is credited with 3 months of service (which counts toward the 12-month limit). Because LINC did not have a confirmed plan of reorganization in place by June 1, 2002, participants in phase II of the KERP will receive 25% of the retention bonus payable as of that date with the balance being paid on the later of the confirmation of a plan of reorganization or the relocation of LINC's corporate headquarters. The total cost of these retention benefits is estimated to be $1.1 million.

Various affiliates of LINC have also approved retention agreements similar to phase I of the KERP that provide economic incentives for employees to remain with their employers through the initial stages of LINC's financial restructuring process. Retention benefits generally are payable if the employee remains employed through specified dates or if the employee's employer terminates the employee's employment without cause before these dates. The total cost of these additional retention benefits is estimated to be approximately $13.1 million.

Benson Employment Agreement. LINC has entered into an employment agreement with Mr. Benson under which Mr. Benson serves as LINC's President and Chief Executive Officer. Pursuant to the agreement, in addition to his annual salary, Mr. Benson is eligible to participate in the Short Term Incentive Plan. Mr. Benson's target bonus will be 75% of base salary, with a maximum bonus of 150% of base salary. Mr. Benson will also participate in the SERP and be eligible to receive stock options as approved by the compensation committee of the New LINC Board of Directors. Pursuant to the agreement, Mr. Benson will also receive other benefits, including reimbursement of club membership expenses, tax preparation and planning expenses and relocation expenses. If Mr. Benson is terminated without cause, he is entitled to receive his base salary in effect at that time and the continuation of medical insurance, dental insurance and term life insurance for a period of 24 months following termination. In lieu of these benefits, Mr. Benson may be paid an equivalent lump sum cash amount. The agreement requires Mr. Benson to refrain from competing with and soliciting customers of LINC during his employment and for 24 months following his termination without cause. The agreement also prevents Mr. Benson from soliciting any employee of LINC for a period of 24 months following his termination. Mr. Benson is also entitled to certain severance benefits if he is terminated without cause during the two-year period following a change in control of LINC, or if he terminates his employment with LINC during the two-year period upon the occurrence of certain events, including, without limitation, a reduction in the aggregate of his base pay and incentive pay or failure to maintain him in the office or position, or a substantially equivalent office or position, which he held immediately prior to the change in control. On October 7, 2002, LINC filed a motion seeking Bankruptcy Court approval of the employment contract with Mr. Benson. On November 7, 2002, the Bankruptcy Court approved the motion.

Carty Employment Agreement. LINC has entered into an employment agreement with Mr. Carty under which Mr. Carty serves as LINC's Executive Vice President and Chief Financial Officer. Pursuant to the agreement, in addition to his annual salary, Mr. Carty is eligible to participate in LINC's Short Term Incentive Plan. Mr. Carty's target bonus will be 75% of base salary, with a maximum bonus of 150% of base salary. Mr. Carty will also participate in LINC's SERP and be eligible to receive stock options as approved by the compensation committee of the New LINC Board of Directors. Pursuant to the agreement, Mr. Carty will also receive other benefits, including a monthly allowance for automobile and related operating and insurance expenses and reimbursement of club membership expenses, tax preparation and planning expenses, each subject to maximum reimbursement limits, and reasonable relocation expenses. If Mr. Carty is terminated without cause, he is entitled to receive his base salary in effect at that time and the continuation of medical insurance, dental insurance and term life insurance for a period of 24 months following termination. In lieu of these benefits, Mr. Carty may be paid an equivalent lump sum cash amount. In addition, if Mr. Carty is terminated within his first year of employment, LINC must reimburse him for reasonable and actual relocation expenses. The agreement requires Mr. Carty to refrain from competing with and soliciting customers of LINC during his employment and for 24 months following his termination without cause. The agreement also prevents Mr. Carty from soliciting any employee of LINC for a period of 24 months following his termination. Mr. Carty is also entitled to certain severance benefits if he is terminated without cause during the two-year period following a change in control of LINC, or if he terminates his employment with LINC during the two-year period upon the occurrence of certain events, including, without limitation, a reduction in the aggregate of his base pay and incentive pay or failure to maintain him in the office or position, or a substantially equivalent office or position, which he held immediately prior to the change in control.

Grainger Employment Agreement. LINC has entered into an employment agreement with Mr. Grainger. Pursuant to the agreement, in addition to his annual salary, Mr. Grainger is eligible to participate in a CEO Annual Incentive Plan and to receive a restructuring bonus in an amount up to $840,000 depending on the circumstances and timing of the restructuring. In addition to participation in LINC's other benefit programs, Mr. Grainger will receive service credit under LINC's SERP of two years for every year of his service commencing January 1, 2000, and the normal retirement age for Mr. Grainger under the SERP (initially age 65 at which benefits may be commenced without reduction) will be reduced by one year for each year of Mr. Grainger's service. If Mr. Grainger is terminated without cause, he is entitled to receive a lump sum amount equal to 2.5 times his base salary plus 2.5 times the target award under the CEO Annual Incentive Plan and the continuation of other benefits for a period of 30 months after his termination. In lieu of the benefits, Mr. Grainger may be paid an equivalent lump sum cash amount. The agreement requires Mr. Grainger to refrain from competing with and soliciting customers of LINC during his employment and for fifteen months following his termination without cause. The agreement also prevents Mr. Grainger from soliciting any employee of LINC for a period of fifteen months following his termination.

Amendment to Grainger Employment Agreement. On November 26, 2001, Mr. Grainger, LINC and Laidlaw Transit agreed to amend certain terms of Mr. Grainger's existing employment agreement with LINC. Pursuant to the agreement, Mr. Grainger was appointed President and Chief Executive Officer of the operating subsidiary for LINC's passenger services group, Laidlaw Transit, and he agreed to remain President and Chief Executive Officer of LINC pending recruitment of a new President and Chief Executive Officer for LINC. Mr. Grainger's target bonus will continue at the same percentage of base salary as provided in his existing LINC employment agreement, however, his eligibility for bonus compensation will be determined under the terms of LINC's educational services short-term incentive plan. In addition, LINC acknowledged its obligation to continue Mr. Grainger's participation in the SERP as provided in his existing LINC employment agreement, and Laidlaw Transit agreed to provide Mr. Grainger with benefits comparable to those provided to him under his existing LINC employment agreement and such other benefits that Laidlaw Transit maintains for its senior executives. Laidlaw Transit also agreed to reimburse Mr. Grainger for his legal expenses incurred in connection with the amending agreement. Finally, LINC agreed to file a motion with the Bankruptcy Court to seek to assume Mr. Grainger's employment and change of control severance agreements, as amended by the November 26, 2001 agreement, and LINC agreed that it would perform its obligations under those agreements. On December 13, 2001, LINC filed a motion to assume the Grainger agreements. On December 21, 2001, the Bankruptcy Court approved the motion. Mr. Grainger's change in control severance agreement, as amended by the November 26, 2001 agreement, expired on April 15, 2002.

Severance Policy. LINC has a severance policy pursuant to which an employee whose employment is terminated by LINC other than for cause or due to a reduction in workforce is considered for a severance allowance. A severance allowance payable pursuant to the severance policy consists of (i) a severance amount payable for a period (the "Severance Period") at LINC's discretion either as a lump sum or in installments, based on the employee's years of service, age, base salary, and car allowance, (ii) continuation of certain welfare benefits for the shorter of the Severance Period or until the employee obtains alternative employment, and (iii) outplacement services. An employee must execute a general release of claims in order to receive a severance allowance. The aggregate amount of severance benefits available to employees on the Petition Date totaled approximately $2.5 million. However, LINC believes that, because many employees will continue to work for LINC, the actual total payments pursuant to the severance policy will be less than $2.5 million. On September 7, 2001, the Debtors filed a motion seeking authorization from the Bankruptcy Court to assume the severance policy. On September 28, 2001, the Bankruptcy Court approved the motion.

Other Employment and Severance Agreements

Senior officers and other key employees of various affiliates of LINC also have employment or severance agreements with their employers. LINC is a party to certain of these agreements. These agreements provide for severance benefits that would be payable to the employee in the event that his or her employment is terminated following a change in control of his or her employer or, in certain cases, LINC.

Employee Stock Option Plan. LINC has two stock option plans for employees, the 1991 Employee Stock Option Plan and the 1998 Employee Stock Option Plan, which provide for the granting of options, at the discretion of LINC's board of directors, to certain senior employees and officers of LINC. All options are subject to certain conditions of service and, in certain circumstances, a non-competition agreement. As of August 31, 2002, a total of 13,483,241 options to purchase Old Common Stock of LINC were outstanding under the 1991 Employee Stock Option Plan and the 1998 Employee Stock Option Plan at prices ranging from Cdn. $7.625 - $20.30 per share and U.S. $0.875 - $15.25 per share. During the fiscal year ended August 31, 2002, no options were granted under the plans. The 1991 Employee Stock Option Plan and the 1998 Employee Stock Option Plan will terminate and the options granted thereunder will be canceled consistent with the treatment of Class 9B Claims in accordance with the terms of the Plan.

Director Stock Option Plan. At August 31, 2002, an aggregate of 180,000 shares of Old Common Stock of LINC were subject to options outstanding under the Director Stock Option Plan of LINC at prices ranging from Cdn. $14.30 to $19.90 per share and U.S. $8.00 per share. During the fiscal year ended August 31, 2002, no options were granted under the Director Stock Option Plan. The Director Stock Option Plan will terminate and the options granted thereunder will be canceled consistent with the treatment of Class 9B Claims in accordance with the terms of the Plan.

Defined Benefit Pension Plans. Certain of the affiliates of LINC sponsor 13 defined benefit pension plans as follows:

- Greyhound Lines sponsors a defined benefit pension plan for its salaried employees. Benefit accruals were frozen on May 7, 1990.

- Greyhound Lines sponsors a defined benefit pension plan for substantially all of its ongoing hourly rated employees hired before November 1, 1983 (the Amalgamated Transit Union Plan (the "ATU Plan")). The ATU Plan provides retirement benefits to the covered employees based upon a percentage of average final earnings, reduced pro rata for service of less than 15 years.

- Texas, New Mexico and Oklahoma Coaches, Inc. sponsors a defined benefit pension plan for certain of its employees (the "TNM&O Plan"). The TNM&O Plan provides retirement benefits to the covered employees based upon years of service and applicable mandatory employee contributions.

- Vermont Transit Co., Inc. sponsors a defined benefit pension plan for substantially all of its employees. Benefit accruals under the plan were frozen on June 30, 2000.

- Carolina Coach Company sponsors a defined benefit pension plan for certain of its employees (the "Carolina Coach Plan"). The Carolina Coach Plan provides retirement benefits to the covered employees based upon final average compensation, benefit service and primary social security benefit as of the date of determination.

- Carolina Coach Company sponsors a defined benefit pension plan for certain of its employees who are subject to the collective bargaining agreement between Carolina Coach Company and the International Association of Machinists acting through its Local Lodges No. 11 and 1085 (the "Machinists Pension Plan"). The Machinists Pension Plan provides retirement benefits to the covered employees based upon basic compensation and years of benefit service.

- Carolina Coach Company sponsors a defined benefit pension plan for certain of its employees who are subject to the collective bargaining agreement between Carolina Coach Company and Division 1437 of the Amalgamated Transit Union (the "Amalgamated Transit Plan"). The Amalgamated Transit Plan provides benefits to the covered employees based upon basic compensation and years of benefit service.

- Greyhound Canada Transportation Corp. and its subsidiaries sponsor 4 additional defined benefit pension plans covering employees represented by the Canadian Auto Workers and the Amalgamated Transit Union and all non-unionized employees meeting certain eligibility requirements.

As of August 31, 2002, in the aggregate, the fair value of the assets of these pension plans was $749.4 million and the benefit obligation was $805.4 million. As of August 31, 2002, nine of the pension plans have accumulated and projected benefit obligations in excess of plan assets, for which the projected benefit obligation, accumulated benefit obligation and fair value of plan assets are $687.3 million, $685.3 million and $618.7 million, respectively. Based on the current terms of the ATU Plan and current law, it is estimated that LINC or New LINC will be required to make contributions to the ATU Plan through 2007 of between $169 million and $205 million. These estimates are based on a continuation of the freeze of wage and service accruals under the ATU Plan and on various assumptions relating to future discount rates, mortality rates, returns on the investment of the assets of the ATU Plan, and applicable U.S. legal requirements. Pursuant to the terms and conditions of the PBGC Agreement, LINC will be required to contribute an aggregate of $150 million to the Pension Plans by December 2004. See "Operations During the Reorganization Cases — Settlement of Pension Plan Claims." As a result of the contributions under the PBGC Agreement, LINC's required minimum contributions may be reduced. Nevertheless, there is no assurance that the ATU Plan will be able to earn the assumed rate of return, that new regulations or legislation will not result in changes in the prescribed actuarial mortality table or discount rates, that there will not be market driven changes in the discount rates, or that actual experience will not otherwise vary from current circumstances or assumptions, which would result in LINC being required to make contributions in the future that differ significantly from the estimates above, which could have a material adverse effect on LINC's financial condition and results of operations and its ability to fund ongoing operations. See "Risk Factors — Pension Funding Requirements."

In addition, Greyhound Lines contributes to a multiemployer pension plan that covers certain mechanics of Greyhound Lines represented by the International Association of Machinists and Aerospace Workers, and Laidlaw Transit is required to make contributions to two multiemployer pension funds on behalf of certain of its employees who are covered by collective bargaining agreements.

Pension Plans Covered by ERISA. Among the pension plans established and maintained by the Laidlaw Companies for certain of their employees, the Pension Plans (as such term is defined in the Plan) are defined benefit pension plans insured by the PBGC under Title IV of the Employee Retirement Income Security Act, 29 U.S.C. §§ 1301-1461 ("ERISA") and are subject to the minimum funding requirements of Section 302 of ERISA and Section 412 of the Internal Revenue Code, 26 U.S.C. § 412. The PBGC is the United States government agency that administers the mandatory termination insurance program for defined benefit pension plans under ERISA. A defined benefit pension plan is one that provides an employee, upon retirement, a fixed, periodic payment as determined by the terms of the plan. The PBGC guarantees the payment of certain pension benefits upon termination of a defined benefit pension plan. The Debtors and all members of the Debtors' controlled group are obligated to contribute to the Pension Plans the amounts necessary to satisfy ERISA's minimum funding standards. In addition, in the event of a termination of the Pension Plans, the Debtors and all members of the Debtors' controlled group may be jointly and severally liable for the unfunded benefit liabilities of the Pension Plans. The Pension Plans may be terminated only if the statutory requirements of either Section 4041 or 4042 of ERISA are met. The Debtors intend for the Pension Plans to continue. Accordingly, as of the Effective Date, New LINC and the Reorganized Debtors will continue to be contributing sponsors of the Pension Plans, as defined under Section 4001(a)(13) of ERISA and 29 C.F.R. § 4001.2, or members of the contributing sponsor's controlled group, as defined under Section 4001(a)(14) of ERISA and 29 C.F.R. § 4001.2, and as a result will be obligated (with the other members of the controlled group, as so defined) as of the Effective Date to fund the Pension Plans in accordance with the minimum funding standards under Section 302 of ERISA and the PBGC Agreement and to pay all required PBGC insurance premiums under Section 4007 of ERISA. Except as otherwise provided in the PBGC Agreement, no provision of or proceeding within the Reorganization Cases, the Plan, including the releases set forth in Section IV.G of the Plan, or the Confirmation Order shall in any way be construed as discharging, releasing or relieving the Debtors, New LINC, the Reorganized Debtors or any other party, in any capacity, from any liability with respect to the Pension Plans or any other defined benefit pension plan under any law, governmental policy or regulatory provision. Except as otherwise provided in the PBGC Agreement, the PBGC and the Pension Plans shall not be enjoined or precluded from enforcing any such liability by any of the provisions of the Plan or Confirmation. For a description of the PBGC Agreement, see "Operations During the Reorganization Cases — Settlement of Pension Plan Claims."

Other Qualified Retirement Plans. LINC, Laidlaw Transit, Greyhound Lines and EmCare each sponsor one or more defined contribution profit sharing plans for certain of their salaried, hourly and collectively bargained employees. Some of these defined contribution profit sharing plans have salary deferral features and/or matching contribution features.

Employee Stock Purchase Plans. The employee stock purchase plans of LINC permitted all non-unionized hourly and salaried employees of LINC and its subsidiaries meeting certain eligibility requirements to purchase shares of Old Common Stock of LINC at a price equal to 85% of the lower of the fair value of the Old Common Stock of LINC on the first and last days of the stock purchase period. These plans were effectively terminated in January 2000.

Retiree Medical. Laidlaw Transit is required to provide retiree medical benefits to certain of its retirees pursuant to at least one collective bargaining agreement.

New Benefit Plans and Agreements

Notwithstanding anything to the contrary in the Plan, the terms and conditions of the Equity Incentive Plan (including eligibility requirements and the allocation of any New Common Stock or other consideration reserved thereunder) shall be established and determined by New LINC Board of Directors.

The following summarizes the terms of the Equity Incentive Plan. The full text of the Equity Incentive Plan is filed as Exhibit V to the Plan, and the following summary is qualified in its entirety by reference to Exhibit V to the Plan. Capitalized terms used below and not otherwise defined herein have the meanings given to them in the Equity Incentive Plan.

Shares Available Under the Equity Incentive Plan. Subject to adjustment as provided in the Equity Incentive Plan, the number of shares of New Common Stock that may be issued or transferred (i) upon the exercise of Option Rights or Appreciation Rights, (ii) as Restricted Shares and released from substantial risks of forfeiture thereof, (iii) as Deferred Shares, (iv) in payment of Performance Shares or Performance Units that have been earned, (v) as awards to Non-Employee Directors or (vi) in payment of dividend equivalents paid with respect to awards made under the Equity Incentive Plan shall not exceed in the aggregate 5,000,000 shares, plus any shares relating to awards that expire or are forfeited or canceled. Such shares may be shares of original issuance or treasury shares or a combination of the foregoing. Upon the payment of any Option Price by the transfer to New LINC of shares of New Common Stock or upon satisfaction of any withholding amount by means of transfer or relinquishment of shares of New Common Stock, there shall be deemed to have been issued or transferred under the Equity Incentive Plan only the net number of shares of New Common Stock actually issued or transferred by New LINC.

The aggregate number of shares of New Common Stock actually issued or transferred by New LINC upon the exercise of Incentive Stock Options ("ISO") shall not exceed 5,000,000 shares. Further, no participant shall be granted Option Rights for more than 500,000 shares of New Common Stock during any calendar year, subject to adjustments as provided in the Equity Incentive Plan. In no event shall any participant in any calendar year receive more than 500,000 Appreciation Rights, 500,000 Restricted Shares or 500,000 Deferred Shares, subject to adjustments as provided in the Equity Incentive Plan, or receive an award of Performance Shares or Performance Units having an aggregate maximum value as of their respective Dates of Grant in excess of $1,000,000.

Eligibility. Officers and key employees of New LINC and its subsidiaries may be selected by the New LINC Board of Directors to receive benefits under the Equity Incentive Plan. In addition, Non-Employee Directors of New LINC will be eligible for non-discretionary grants of Option Rights as described below under "— Awards of Option Rights to Non-Employee Directors."

Option Rights. Option Rights may be granted which entitle the optionee to purchase New Common Stock at a price not less than 100% of market value per share at the date of grant.

The option price is payable (a) in cash at the time of exercise; (b) by the transfer to New LINC of nonforfeitable unrestricted shares of New Common Stock owned by the optionee having a value at the time of exercise equal to the option price; (c) by surrender of any other award under the Equity Incentive Plan having a value at the time of exercise equal to the option price; or (d) a combination of such payment methods.

Any grant may provide for the automatic grant of additional Option Rights ("Reload Option Rights") to an optionee upon the exercise of Option Rights using shares of New Common Stock as payment. Any Reload Option Rights may cover up to the number of shares of New Common Stock, Deferred Shares, Option Rights or Performance Shares (or the number of shares of New Common Stock having a value equal to the value of any Performance Units) surrendered to New LINC upon exercise in payment of the option price or to meet any withholding obligations. The Reload Option Rights may have an option price that is no less than that which represents the same percentage of the current market value per share at the time of exercise of the Option Rights that the option price of the Option Rights represented of the market value per share at the time such Option Rights were granted.

The New LINC Board of Directors may, at or after the date of grant of any Option Rights (other than the grant of an ISO), provide for the payment of dividend equivalents to the optionee on a current, deferred or contingent basis or may provide that such equivalents be credited against the option price.

No Option Right may be exercisable more than ten years from the date of grant. Unless otherwise specified by the New LINC Board of Directors in an award of Option Rights, each Option Right becomes exercisable to the extent of one-third of the number of shares covered thereby on the first anniversary of the date of grant and to the extent of an additional one-third of the shares on each of the next two successive anniversaries of the date of grant. Option Rights become exercisable in full immediately in the event of a Change in Control.

If an optionee ceases to be an employee of New LINC, other than by reason of disability, death or retirement, the optionee will have until the first to occur of (a) the stated expiration date of the Option Right or (b) the 90th calendar day following the effective date of such termination of employment to exercise Option Rights that had vested and become exercisable as of such effective date of termination of employment. In the event of the optionee's death, disability or retirement, each of the then outstanding Option Rights of such optionee may be exercised at any time within three years after such death, disability or retirement, but in no event after the expiration date of the term of the Option Rights. Each grant of Option Right must be evidenced by an Evidence of Award containing the terms and provisions, consistent with the Equity Incentive Plan, as the New LINC Board of Directors may approve.

Appreciation Rights. Appreciation Rights provide optionees an alternative means of realizing the benefits of Option Rights. An Appreciation Right is a right, exercisable by surrender of the related Option Right, to receive from New LINC an amount equal to 100%, or such lesser percentage as the New LINC Board of Directors may determine, of the spread between the option price and the current value of the shares of New Common Stock underlying the option. Any grant may specify that the amount payable on exercise of an Appreciation Right may be paid by New LINC in cash, in shares of New Common Stock or in any combination thereof, and may either grant to the optionee or retain in the New LINC Board of Directors the right to elect among those alternatives.

Any grant may specify that such Appreciation Right may be exercised only in the event of a Change in Control or other similar transaction or event. Any grant of Appreciation Rights may specify Management Objectives that must be achieved as a condition to exercise such rights. Appreciation Rights must be evidenced by an Evidence of Award containing the terms and provisions, consistent with the Equity Incentive Plan, as the New LINC Board of Directors may approve.

Restricted Shares. A grant of Restricted Shares involves the immediate transfer by New LINC to a participant of ownership of a specific number of shares of New Common Stock in consideration of the performance of services. The participant is entitled immediately to voting, dividend and other ownership rights in such shares. The transfer may be made without additional consideration or in consideration of a payment by the participant that is less than current market value, as the New LINC Board of Directors may determine.

Restricted Shares must be subject to a "substantial risk of forfeiture" within the meaning of Section 83 of the Internal Revenue Code for at least three years. An example would be a provision that the Restricted Shares would be forfeited if the participant ceased to serve New LINC as an officer or key employee during a specified period of years. In order to enforce these forfeiture provisions, the transferability of Restricted Shares will be prohibited or restricted in a manner and to the extent prescribed by the New LINC Board of Directors for the period during which the forfeiture provisions are to continue. The New LINC Board of Directors may provide for a shorter period during which the forfeiture provisions are to apply in the event of a Change in Control of New LINC or other similar transaction or event.

Any grant of Restricted Shares may specify Management Objectives which, if achieved, will result in termination or early termination of the restrictions applicable to such shares. Any such grant must also specify in respect of such specified Management Objectives, a minimum acceptable level of achievement and must set forth a formula for determining the number of Restricted Shares on which restrictions will terminate if performance is at or above the minimum level, but below full achievement of the specified Management Objectives. Restricted Shares must be evidenced by an Evidence of Award containing the terms and provisions, consistent with the Equity Incentive Plan, as the New LINC Board of Directors may approve.

Deferred Shares. A grant of Deferred Shares constitutes an agreement by New LINC to deliver shares of New Common Stock to the participant in the future in consideration of the performance of services, but subject to the fulfillment of such conditions during the Deferral Period as the New LINC Board of Directors may specify. During the Deferral Period, the participant has no right to transfer any rights under his or her award and no right to vote such Deferred Shares, but the New LINC Board of Directors may, at or after the date of grant, authorize the payment of dividend equivalents on such Shares on either a current or deferred or contingent basis, either in cash or in additional shares of New Common Stock. Awards of Deferred Shares may be made without additional consideration or in consideration of a payment by such participant that is less than the market value per share at the date of award.

Deferred Shares must be subject to a Deferral Period of at least one year, as determined by the New LINC Board of Directors at the date of the award, except that the New LINC Board of Directors may provide for a shorter Deferral Period in the event of a Change in Control or other similar transaction or event. Deferred Shares must be evidenced by an Evidence of Awards containing the terms and provisions, consistent with the Equity Incentive Plan, as the New LINC Board of Directors may approve.

Performance Shares and Performance Units. A Performance Share is the equivalent of one share of New Common Stock and a Performance Unit is the equivalent of $1.00. A participant may be granted any number of Performance Shares or Performance Units, subject to the limitations set forth under Available Shares. The participant will be given one or more Management Objectives to meet within a specified period (the "Performance Period"). The specified Performance Period shall be a period of time not less than one year, except in the case of a Change in Control or other similar transaction or event, if the New LINC Board of Directors shall so determine. A minimum level of acceptable achievement will also be established by the New LINC Board of Directors. If by the end of the Performance Period, the participant has achieved the specified Management Objectives, the participant will be deemed to have fully earned the Performance Shares or Performance Units. If the participant has not achieved the Management Objectives, but has attained or exceeded the predetermined minimum level of acceptable achievement, the participant will be deemed to have partly earned the Performance Shares or Performance Units in accordance with a predetermined formula. To the extent earned, the Performance Shares or Performance Units will be paid to the participant at the time and in the manner determined by the New LINC Board of Directors in cash, shares of New Common Stock or any combination thereof. The grant may provide for the payment of dividend equivalents thereon in cash or in New Common Stock on a current, deferred or contingent basis. Performance Shares and Performance Units must be evidenced by an Evidence of Award containing the terms and provisions, consistent with the Equity Incentive Plan, as the New LINC Board of Directors may approve.

Management Objectives. The Equity Incentive Plan requires that the New LINC Board of Directors establish "Management Objectives" for purposes of Performance Shares and Performance Units. When so determined by the New LINC Board of Directors, Option Rights, Appreciation Rights, Restricted Shares and dividend credits may also specify Management Objectives. Management Objectives may be described in terms of either corporation-wide objectives or objectives that are related to the performance of the individual participant or subsidiary, division, department or function within New LINC or a subsidiary in which the participant is employed. Management Objectives applicable to any award to a participant who is, or is determined by the New LINC Board of Directors likely to become, a Covered Employee, shall be based on specified levels of or growth in (i) earnings; (ii) earnings per share; (iii) share price; (iv) total shareholder return; (v) return on invested capital, equity or assets; (vi) operating earnings; (vii) sales growth; and (viii) productivity improvement. Except in the case of such a Covered Employee, if the New LINC Board of Directors determines that a change in the business, operations, corporate structure or capital structure of New LINC, or the manner in which it conducts its business, or other events or circumstances render the Management Objectives unsuitable, the New LINC Board of Directors may modify such Management Objectives, in whole or in part, as the New LINC Board of Directors deems appropriate and equitable.

Awards of Option Rights to Non-Employee Directors. The New LINC Board of Directors may, in its discretion, authorize the granting to Non-Employee Directors of Option Rights and may also authorize the grant or sale of Restricted Shares to Non-Employee Directors. Non-Employee Directors are not eligible to receive any other awards under the Equity Incentive Plan.

Each such Option Right will become exercisable to the extent of one-third of the number of shares covered thereby in each of the three successive years following the grant. However, in the event of a Change in Control of New LINC, the Option Rights would become immediately exercisable in full. Each such Option Right granted under the Equity Incentive Plan will expire ten years from the date of the grant, unless subject to earlier termination pursuant to the Equity Incentive Plan.

In the event of the termination of service on the New LINC Board of Directors by the holder of any such Option Rights, other than by reason of disability or death, the then outstanding Option Rights of such holder may be exercised only to the extent that they were exercisable on the date of such termination and will expire on the earlier of their stated expiration date or 90 days following the termination of the holder's service on the New LINC Board of Directors. In the event of death or disability, each of the then outstanding Option Rights of such holder may be exercised at any time within three years after such death or disability, but in no event after the expiration date of the Option Rights. However, any Option Rights may provide that a Director who has completed a specified period of service on the New LINC Board of Directors or attained a specified age will be entitled to exercise such Option Rights immediately in full at any time after termination until their stated expiration date.

If a Non-Employee Director subsequently becomes an employee of New LINC or a subsidiary while remaining a member of the New LINC Board of Directors, any Option Rights held at that time will not be affected.

Option Rights may be exercised by a Non-Employee Director only by payment in full of the Option Price. Such payment may be in cash, in shares of New Common Stock previously owned by the director for more than six months or a combination of both.

Each grant may provide for the automatic grant of Reload Option Rights to an Optionee upon the exercise of Option Rights (including Reload Option Rights) using shares of New Common Stock. Reload Option Rights will cover up to the number of New Common Stock surrendered to New LINC upon any such exercise in payment of the Option Price. Reload Options may have an Option Price that is no less than that which represents the same percentage of the market value per share at the time of exercise of the Option Rights that the per share Option Price represented of the market value per share at the time the Option Rights being exercised were granted and will be on such other terms as may be specified by the Directors, which may be the same or different from those of the original Option Rights.

Each grant or sale of Restricted Shares to Non-Employee Directors will be upon terms and conditions as described above.

Administration and Amendments. The Equity Incentive Plan is to be administered by the New LINC Board of Directors, except that the New LINC Board of Directors has the authority under the Equity Incentive Plan to delegate any or all of its powers under the Equity Incentive Plan to a committee (or subcommittee thereof) consisting of not less than three Non-Employee Directors within the meaning of Rule l6b-3 and who are "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code.

The New LINC Board of Directors is authorized to interpret the Equity Incentive Plan and related agreements and other documents. The New LINC Board of Directors may make awards to employees under any or a combination of all of the various categories of awards that are authorized under the Equity Incentive Plan, or in its discretion, make no awards.

The Equity Incentive Plan may be amended at any time and from time to time by the stockholders of New LINC. New LINC reserves authority to offer similar or dissimilar benefits in plans that do not require stockholder approval.

The New LINC Board of Directors may provide for special terms for awards to participants who are foreign nationals or who are employed by New LINC or any of its subsidiaries outside of the United States of America as the New LINC Board of Directors may consider necessary or appropriate to accommodate differences in local law, tax policy or custom.

Transferability. Except as otherwise determined by the New LINC Board of Directors, no Option Right or Appreciation Right or other derivative security is transferable by an optionee except, upon death, by will or the laws of descent and distribution. If, however, the optionee is not a director or officer of New LINC, transfer may be made to a fully revocable trust of which the optionee is treated as the owner for federal income tax purposes. Except as otherwise determined by the New LINC Board of Directors, Option Rights and Appreciation Rights are exercisable during the optionee's lifetime only by him or her or by his or her guardian or legal representative.

The New LINC Board of Directors may specify at the Date of Grant that part or all of the shares of New Common Stock that are (i) to be issued or transferred by New LINC upon exercise of Option Rights or Appreciation Rights, upon termination of the Deferral Period applicable to Deferred Shares or upon payment under any grant of Performance Shares or Performance Units or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer under the Equity Incentive Plan, shall be subject to further restrictions on transfer.

Notwithstanding the above, the New LINC Board of Directors may provide for transferability of awards under the Equity Incentive Plan if such provision would not disqualify the exemption for other awards under Rule 16b-3 of the Exchange Act.

Adjustments. The maximum number of shares that may be issued and delivered under the Equity Incentive Plan, the number of shares covered by outstanding Option Rights and Appreciation Rights, and the prices per share applicable thereto, are subject to adjustment in the event of stock dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, spin-offs, reorganizations, liquidations, issuances of rights or warrants, and similar events. In the event of any such transaction or event, the New LINC Board of Directors, in its discretion, may provide in substitution for any or all outstanding awards under the Equity Incentive Plan such alternative consideration as it, in good faith, may determine to be equitable in the circumstances and may require the surrender of all awards so replaced. The New LINC Board of Directors may also make or provide for such adjustments in the numbers of shares specified in the Equity Incentive Plan as the New LINC Board of Directors may determine appropriate to reflect any transaction or event described above.

Change in Control. A definition of "Change in Control" is included in the Equity Incentive Plan, which is filed as Exhibit V to the Plan.

Withholding Taxes. To the extent that New LINC is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a participant or other person under this Plan, and the amounts available to New LINC for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the participant or such other person make arrangements satisfactory to New LINC for payment of the balance of such taxes required to be withheld, which arrangements (in the discretion of the New LINC Board of Directors) may include relinquishment of a portion of such benefit.

Federal Income Tax Consequences. The following is a brief summary of certain of the Federal income tax consequences of certain transactions under the Equity Incentive Plan based on Federal income tax laws in effect as of the date of this Disclosure Statement. This summary is not intended to be complete and does not describe state or local tax consequences.

In general, (i) no income will be recognized by an optionee at the time a non-qualified Option Right is granted; (ii) at the time of exercise of a non-qualified Option Right, ordinary income will be recognized by the optionee in an amount equal to the difference between the option price paid for the shares and the fair market value of the shares, if unrestricted, on the date of exercise; and (iii) at the time of sale of shares acquired pursuant to the exercise of a non-qualified Option Right, appreciation (or depreciation) in value of the shares after the date of exercise will be treated as either short-term or long-term capital gain (or loss) depending on how long the shares have been held.

No income generally will be recognized by an optionee upon the grant or exercise of an ISO. If shares of New Common Stock are issued to the optionee pursuant to the exercise of an ISO, and if no disqualifying disposition of such shares is made by such optionee within two years after the date of grant or within one year after the transfer of such shares to the optionee, then upon sale of such shares, any amount realized in excess of the option price will be taxed to the optionee as a long-term capital gain and any loss sustained will be a long-term capital loss.

If shares of New Common Stock acquired upon the exercise of an ISO are disposed of prior to the expiration of either holding period described above, the optionee generally will recognize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of such shares at the time of exercise (or, if less, the amount realized on the disposition of such shares if a sale or exchange) over the option price paid for such shares. Any further gain (or loss) realized by the participant generally will be taxed as short-term or long-term capital gain (or loss) depending on the holding period.

No income will be recognized by a participant in connection with the grant of a tandem Appreciation Right or a free-standing Appreciation Right. When the Appreciation Right is exercised, the participant normally will be required to include as taxable ordinary income in the year of exercise an amount equal to the amount of cash received and the fair market value of any unrestricted shares of New Common Stock received on the exercise.

The recipient of Restricted Shares generally will be subject to tax at ordinary income rates on the fair market value of the Restricted Shares (reduced by any amount paid by the participant for such Restricted Shares) at such time as the shares are no longer subject to forfeiture or restrictions on transfer for purposes of Section 83 of the Internal Revenue Code ("Restrictions"). However, a recipient who so elects under Section 83(b) of the Internal Revenue Code within 30 days of the date of transfer of the shares will have taxable ordinary income on the date of transfer of the shares equal to the excess of the fair market value of such shares (determined without regard to the Restrictions) over the purchase price, if any, of such Restricted Shares. If a Section 83(b) election has not been made, any dividends received with respect to Restricted Shares that are subject to the Restrictions generally will be treated as compensation that is taxable as ordinary income to the participant.

No income generally will be recognized upon the award of Deferred Shares. The recipient of a Deferred Share award generally will be subject to tax at ordinary income rates on the fair market value of unrestricted Common Shares on the date that such shares are transferred to the participant under the award (reduced by any amount paid by the participant for such Deferred Shares), and the capital gains/loss holding period for such shares will also commence on such date.

No income generally will be recognized upon the grant of Performance Shares or Performance Units. Upon payment in respect of the earn-out of Performance Shares or Performance Units, the recipient generally will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any nonrestricted shares of New Common Stock received.

In limited circumstances where the sale of stock received as a result of a grant or award could subject an officer or director to suit under Section 16(b) of the Exchange Act, the tax consequences to the officer or director may differ from the tax consequence described above. In these circumstances, unless a special election under Section 83(b) of the Internal Revenue Code has been made, the principal difference (in cases where the officer or director would otherwise be currently taxed upon his receipt of the stock) usually will be to postpone valuation and taxation of the stock received so long as the sale of the stock received could subject the officer or director to suit under Section 16(b) of the Exchange Act of 1934, but no longer than six months.

To the extent that a participant recognizes ordinary income in the circumstances described above, New LINC or the subsidiary for which the participant performs services will be entitled to a corresponding deduction provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code and is not disallowed by the $1 million limitation on certain executive compensation under Section 162(m) of the Internal Revenue Code.

Certain Corporate Governance Matters

Introduction

Certain provisions of the New LINC Certificate of Incorporation and the New LINC Bylaws and the provisions of the Rights Agreement described below, together with applicable Delaware state law, may discourage or make more difficult the acquisition of control of New LINC by means of a tender offer, open market purchase, proxy contest or otherwise. These provisions are intended to discourage, or may have the effect of discouraging, certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of New LINC first to negotiate with New LINC. The management of the Debtors believes that these measures, which are substantially similar to the takeover-related measures in effect for numerous other publicly-held companies, enhance New LINC's potential ability to negotiate with the proponent of an unsolicited proposal to acquire or restructure New LINC. The Debtors believe that these benefits outweigh any disadvantages associated with discouraging such proposals because, among other things, negotiation of such proposals could result in an improvement of their terms. In addition, the Debtors believe that these takeover-related measures aid in protecting stockholders from takeover bids that the New LINC Board of Directors has determined to be inadequate. While there necessarily can be no assurance in this regard, the Debtors also believe that the foregoing measures are not likely to have a material impact on market prices for New Common Stock in circumstances other than those described above in the light of, among other factors, the existence of generally comparable measures in effect for other publicly-held companies and management's belief that market prices will be influenced most significantly by New LINC's actual results of operations, general market and economic conditions and other traditional determinants of stock market prices, rather than takeover-related measures and other corporate governance provisions.

Classified Board of Directors, Removal of Directors and Filling Vacancies in Directorships

The New LINC Certificate of Incorporation will provide that the New LINC Board of Directors will be divided into three classes of directors, each of which will serve staggered three-year terms. See "— Management and Board of Directors — Classification of the Board." In addition, the New LINC Certificate of Incorporation will provide that directors may be removed for cause by the vote of the holders representing at least a majority of the outstanding capital stock of New LINC entitled to vote at an election of directors. The New LINC Certificate of Incorporation will provide that any vacancy in the New LINC Board of Directors, whether by reason of an increase in the number of members composing the New LINC Board of Directors, or otherwise, shall be filled by the affirmative vote of a majority of the remaining members of the New LINC Board of Directors, even though less than a quorum. The classification of the New LINC Board of Directors and the limitations on the removal of directors and filling of vacancies may deter a third party from seeking to remove incumbent directors and simultaneously gaining control of the New LINC Board of Directors by filling the vacancies created by such removal with its own nominees.

Stockholder Action and Special Meetings of Stockholders

The New LINC Certificate of Incorporation will not permit stockholders to act by written consent in lieu of a meeting. It will also provide that special meetings of the stockholders may only be called by (a) the Chairman of the Board, (b) the President, (c) the Secretary within ten calendar days after receipt of a written request of a majority of the total number of directors (assuming no vacancies) or (d) persons holding at least 66b% of all shares outstanding and entitled to vote at such meeting. Upon the receipt by New LINC of a written request by any such executive officer or stockholders entitled to call a meeting of stockholders, the New LINC Board of Directors will (a) call a special meeting of the stockholders for the purposes specified in the request for a special meeting and (b) fix a record date for the determination of stockholders entitled to notice of and to vote at such meeting, which record date will not be later than 60 calendar days after the date of receipt by New LINC of the request to call the meeting. No special meeting pursuant to a stockholders' request will be required to be convened if (a) the New LINC Board of Directors calls an annual or special meeting of stockholders to be held not later than 90 calendar days after receipt by New LINC of a proper request by a stockholder to call a meeting and (b) the purposes of such annual or special meeting include the purposes specified in the stockholder's request. The New LINC Bylaws will provide that the business permitted to be conducted at any such meeting will be limited to that business specified in the notice of the meeting given by or at the direction of the Chairman of the Board, the President or a majority of the total number of directors (assuming no vacancies) or that is otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the total number of directors (assuming no vacancies).

Advance Notice Requirements for Stockholder Proposals and Directors Nominations

The New LINC Bylaws will provide that stockholders seeking to bring business before an annual meeting of stockholders or nominate candidates for election as directors at an annual meeting of stockholders must provide timely notice in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at New LINC's principal executive offices not less than 60 calendar days nor more than 90 calendar days prior to the anniversary of the date on which New LINC first mailed its proxy materials for the prior year's annual meeting of stockholders; *provided*, *however*, that in the event that the annual meeting is called for a date that is not within 30 calendar days before or after the anniversary of the prior year's annual meeting, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth calendar day following the day on which public disclosure of the date of the annual meeting was made. The New LINC Bylaws will also specify requirements as to the form and content of a stockholder's notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders. See "— Management and Board of Directors — Director Nomination Procedures."

Authorized But Unissued Shares

The New LINC Certificate of Incorporation will provide that New LINC is authorized to issue 500,000,000 shares of New Common Stock, par value $0.01 per share, and 50,000,000 shares of New LINC Series A Junior Participating Preferred Stock, par value $0.01 per share (the "Preferred Shares"). As of the Effective Date, pursuant to the Plan, LINC and/or New LINC will distribute 31,162,059 shares of New Common Stock to holders of Allowed Unsecured Bank Debt Claims in Class 4, 54,706,359 shares of New Common Stock to holders of Allowed Prepetition Noteholder Claims in Class 5A, 3,405,767 shares of New Common Stock to holders of Allowed 1995 Noteholder Claims in Class 5B and 10,725,815 shares of New Common Stock to holders of Allowed General Unsecured Claims in Class 6 (assuming an aggregate value of Claims in Class 6 of $419,038,259.00). The number of shares of New Common Stock to be distributed to holders of Claims in Class 4 under the Plan will be increased to reflect the Distributable New Common Stock component of the Pro Rata share of Excess Cash, Exit Proceeds and Distributable New Common Stock distributable to holders of such Claims on account of any obligations resulting from amounts drawn upon Letters of Credit prior to the Effective Date. In addition, as of the Effective Date, 3,777,419 shares of New Common Stock will be issued to the Pension Plan Trust pursuant to the PBGC Agreement, and 5,000,000 shares of New Common Stock will be reserved for issuance pursuant to the Equity Incentive Plan. See "Securities To Be Issued Pursuant to the Plan and Post-Reorganization Indebtedness — New Common Stock" for a description of the New Common Stock.

Authorized but unissued shares of New Common Stock under the New LINC Certificate of Incorporation will be available for future issuance without stockholder approval. These additional shares may be used for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of New Common Stock could render more difficult or discourage an attempt to obtain control of New LINC by means of a proxy contest, tender offer, merger or otherwise.

Supermajority Vote Requirements

Delaware law provides generally that the affirmative vote of a majority of the shares entitled to vote on the matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. The New LINC Certificate of Incorporation and the New LINC Bylaws will require the affirmative vote of the holders of at least 66b% of securities entitled to vote on the matter, to amend, repeal or adopt any provision inconsistent with certain provisions, including those provisions relating to:

- the classified board of directors;
- directorship vacancies and removal of directors;
- action by written consent of stockholders;
- special meetings of stockholders; and

- stockholder proposals and nomination of directors.

Rights Agreement

The following description of the Rights Agreement is qualified in its entirety by reference to the Rights Agreement, a copy of which has been Filed as Exhibit XI to the Plan and is available in the Document Reviewing Centers.

Pursuant to the Rights Agreement, which agreement will be approved by the Bankruptcy Court pursuant to the Confirmation Order and become effective as of the Effective Date, each share of New Common Stock issued will be accompanied by one Share Purchase Right. Each Share Purchase Right will provide the holder with the right to purchase one one-hundredth of a Preferred Share at a price of $75.00 per one one-hundredth of a Preferred Share, subject to adjustment in accordance with the terms of the Rights Agreement (the "Purchase Price").

Under the Rights Agreement, the Share Purchase Rights will be evidenced by the New Common Stock share certificates until the earlier of the following (the "Distribution Date"): (a) the close of business on the tenth calendar day following the first date (the "Share Acquisition Date") of public announcement that a person or entity (other than New LINC and its subsidiaries and certain other related persons), together with its affiliates and associates, has acquired beneficial ownership of 15% or more of the outstanding shares of New Common Stock (or in the case of a person or entity that, together with its affiliates and associates, becomes the beneficial owner of 15% or more of the outstanding shares of New Common Stock solely as a result of distributions made pursuant to the Plan on account of Allowed Claims in Classes 4, 5A, 5B and 6, beneficial ownership of an additional 1% or more of the outstanding shares of New Common Stock) (any such person, entity or group being hereinafter called an "Acquiring Person"); or (b) the close of business on the tenth business day (or such later date as may be specified by the New LINC Board of Directors) following the commencement of a tender offer or exchange offer by any person or entity (other than New LINC and its subsidiaries and certain other related persons), the consummation of which would result in beneficial ownership by such person or entity of 15% or more of the outstanding shares of New Common Stock.

Under the Rights Agreement, in the event (a "Flip-in Event") that: (a) any person, entity or group becomes an Acquiring Person; (b) any Acquiring Person or any affiliate or associate thereof merges into or combines with New LINC and New LINC is the surviving corporation; (c) any Acquiring Person or any affiliate or associate thereof effects certain other transactions with New LINC; or (d) during such time as there is an Acquiring Person, New LINC effects certain transactions, in each case as described in the Rights Agreement, then, in each such case, proper provision will be made so that from and after the latest of the Distribution Date, the Share Acquisition Date and the date of the occurrence of such Flip-in Event each holder of a Share Purchase Right, other than Share Purchase Rights that are or were owned beneficially by an Acquiring Person (which, from and after the date of a Flip-in Event, will be void), will have the right to receive, upon exercise thereof at the adjusted Purchase Price, that number of shares of New Common Stock (or, under certain circumstances, an economically equivalent security or securities of New LINC) that at the time of such Flip-in Event have a market value of two times the Purchase Price, as adjusted.

At any time after a person or entity has become an Acquiring Person, in the event (a "Flip-over Event") that: (a) New LINC merges with or into any entity and New LINC is not the surviving corporation; (b) any entity merges with or into New LINC and New LINC is the surviving corporation, but all or part of the New Common Stock is changed or exchanged for stock or other securities of any other entity or cash or any other property; or (c) 50% or more of New LINC's assets or earning power, including securities creating obligations of New LINC, are sold, in each case as described in the Rights Agreement, then, in each such case, proper provision will be made so that each holder of a Share Purchase Right, other than Share Purchase Rights that have become void, will thereafter have the right to receive, upon the exercise thereof at the adjusted Purchase Price, that number of shares of common stock (or, under certain circumstances, an economically equivalent security or securities) of such other entity that at the time of such Flip-over Event have a market value of two times the Purchase Price, as adjusted.

For all purposes under the Rights Agreement, any person or entity that becomes the beneficial owner of 15% or more of the then-outstanding shares of New Common Stock (or in the case of a person or entity, together with its affiliates and associates, that became the beneficial owner of 15% or more of the outstanding shares of New Common Stock solely as a result of distributions made pursuant to the Plan on account of Allowed Claims in

Classes 4, 5A, 5B and 6, becomes the beneficial owner of an additional 1% or more of the then-outstanding shares of New Common Stock) solely as a result of a reduction in the number of shares of New Common Stock outstanding, will not be deemed to have become an Acquiring Person unless and until such time as (a) such person or entity, or any affiliate or associate thereof, becomes the beneficial owner of additional shares of New Common Stock representing 1% or more of the then-outstanding New Common Stock other than as a result of a stock dividend, stock split or similar transaction effected by New LINC in which all holders of New Common Stock are treated equally or (b) any other person or entity that is the beneficial owner of shares of New Common Stock representing 1% or more of the then-outstanding New Common Stock subsequently becomes an affiliate or associate of such person or entity.

New LINC may, at its option, redeem the Share Purchase Rights in whole, but not in part, at a price of $0.01 per Share Purchase Right, subject to adjustment (the "Redemption Price"), at any time prior to the close of business on the later of the Distribution Date and the Share Acquisition Date. Immediately upon any redemption of the Share Purchase Rights, the right to exercise the Share Purchase Rights will terminate and the only right of the holders of Share Purchase Rights will be to receive the Redemption Price. In addition, at any time after the later of the Distribution Date and the Share Acquisition Date and prior to the acquisition by any person, entity or group of affiliated or associated persons or entities of 50% or more of the outstanding shares of New Common Stock, New LINC may, at its option, exchange the Share Purchase Rights (other than any Share Purchase Rights that have become void), in whole or in part, at an exchange ratio of one share of New Common Stock per Share Purchase Right (subject to adjustment).

The Rights Agreement may be amended by New LINC without the approval of any holders of Share Purchase Rights, except that no amendment may be made that decreases the stated Redemption Price to an amount less than $0.01 per Share Purchase Right. The Rights Agreement will expire on the earliest of (a) the close of business on the tenth anniversary of the date on which New LINC's registration statement on Form 10 is declared effective by the SEC, (b) the time at which the Share Purchase Rights are redeemed as provided in the Rights Agreement and (c) the time at which all exercisable Share Purchase Rights are exchanged as provided in the Rights Agreement.

Delaware Section 203

New LINC, as a Delaware corporation, will be subject to the provisions of Section 203 of the DGCL. In general, Section 203 prohibits an "interested stockholder" from engaging in a "business combination" for a period of three years following the date the person became an interested stockholder, unless:

- prior to the date the person became an interested stockholder, the board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction that resulted in the person becoming an interested stockholder, the interested stockholder owned at least 85% of the corporation's voting stock, excluding certain shares owned by corporate insiders and shares issued after the transaction commenced; or

- the business combination is approved by the corporation's board of directors and authorized by the affirmative vote of holders of 66 b % of the outstanding voting stock that is not owned by the interested stockholder.

The term "business combination" is defined generally to include mergers or consolidations between a corporation and an interested stockholder, transactions with an interested stockholder involving the assets or stock of the corporation or its majority-owned subsidiaries and transactions which increase an interested stockholder's percentage ownership of stock. The term "interested stockholder" is defined generally as any stockholder who becomes the beneficial owner of 15% or more of the corporation's voting stock.

Limitation of Liability; Indemnity Arrangements

The New LINC Certificate of Incorporation will limit the liability of the directors of New LINC to the maximum extent permitted by the DGCL. The DGCL provides that a director of a corporation will not be personally liable for monetary damages for breach of that individual's fiduciary duties as a director except for liability for any of the following: (a) a breach of the director's duty of loyalty to the corporation or its stockholders, (b) any act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law, (c) unlawful payments of dividends or unlawful stock repurchases or redemptions or (d) any transaction from which the director derived an improper personal benefit. This limitation of liability does not apply to liabilities arising under federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Section 145 of the DGCL provides that a corporation may indemnify directors and officers, as well as other employees and individuals, against attorneys' fees and other expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person was or is a party or is threatened to be made a party by reason of such person being or having been a director, officer, employee or agent of the corporation. The DGCL provides that Section 145 is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

The New LINC Certificate of Incorporation will provide that New LINC is required to indemnify its directors and officers to the maximum extent permitted by law. The New LINC Bylaws also will require New LINC to advance expenses incurred by an officer or director in connection with the defense of any action or proceeding arising out of that party's status or service as a director or officer of New LINC or as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, if serving as such at New LINC's request. In addition, the New LINC Bylaws will permit New LINC to secure insurance on behalf of any director or officer for any liability arising out of his or her actions in a representative capacity.

It is anticipated that New LINC will enter into indemnification agreements with its directors and its executive officers containing provisions that will obligate New LINC to:

- indemnify, to the maximum extent permitted by Delaware law, those directors and officers against liabilities that may arise by reason of their status or service as directors or officers, except liabilities arising from willful misconduct of a culpable nature;
- advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified; and
- obtain directors' and officers' liability insurance if maintained for other directors or officers.

The management of the Debtors believes that the provisions of the New LINC Certificate of Incorporation described above and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

SECURITIES TO BE ISSUED PURSUANT TO THE PLAN AND POST-REORGANIZATION INDEBTEDNESS

Reorganization Value

The Debtors have been advised by Miller Buckfire Lewis & Co., LLC ("MBL") with respect to the reorganization enterprise value of New LINC, which MBL estimates to range between $2.330 billion to $2.915 billion, with both ends of the range of values calculated net of an amount of $141 million representing MBL's estimate of the present value of the estimated funding obligations for the Pension Plans before giving effect to the PBGC Agreement, as of March 31, 2003. The reorganization equity value was estimated by the Debtors to be $1.324 billion as of an assumed Effective Date of March 31, 2003, after giving effect to the Debtors' operating businesses and the debt balances resulting from the proposed restructuring at and beyond the Effective Date. Such reorganization equity value reflects, among other factors discussed below, current financial market conditions and assumptions and risks related to the Projections. See "New LINC — Projected Financial Information."

The foregoing valuations also reflect a number of assumptions, including a successful reorganization of the Debtors' businesses in a timely manner, the results reflected in the Projections, the utilization of operating losses to offset certain one-time gains, the amount of available cash, market conditions and the Plan becoming effective in accordance with its terms on a basis consistent with the estimates and other assumptions discussed herein.

In preparing the estimated reorganization enterprise value, MBL considered the following factors, among others:

- certain historical financial information of the Debtors for recent years and interim periods;
- certain internal financial and operating data of the Debtors, including financial projections relating to their businesses and prospects;
- discussions with certain members of senior management of the Debtors relating to the Debtors' operations and future prospects;
- publicly available financial data and market values of public companies that MBL deemed generally comparable to the operating businesses of the Debtors;
- the financial terms, to the extent publicly available, of certain acquisitions of companies that MBL deemed generally comparable to the operating businesses of the Debtors;
- certain economic and industry information relevant to the Debtors' operating businesses; and
- certain analyses prepared by other firms retained by the Debtors and such other analyses as MBL deemed appropriate.

Although MBL conducted a review and analysis of the Debtors' businesses, operating assets and liabilities and business plans, MBL assumed and relied on the accuracy and completeness of all publicly available information and financial and other information furnished by the Debtors and by other firms retained by the Debtors. In addition, MBL did not independently verify the assumptions underlying the Projections in connection with such reorganization enterprise valuation. No independent evaluations or appraisals of the Debtors' assets were sought or were obtained in connection therewith.

Based on a review of the MBL analysis, the Debtors have assumed that New LINC's estimated reorganization enterprise value will be $2.764 billion, the approximate mid-point of the reorganization enterprise value range estimated by MBL before consideration of the estimated present value of the Pension Plan funding obligations. In consultation with MBL and its other advisors, after giving effect to the Debtors' operating businesses and the proposed debt restructuring, the Debtors estimated total debt at the Effective Date to have a book value of approximately $1.44 billion, consisting of:

- $96.2 million in borrowings under the revolving credit facility of the Exit Financing Facility;
- $625.0 million of senior secured term indebtedness to be incurred in connection with the Exit Financing Facility, assuming the Debtors distribute $75.0 million in Excess Cash at the Effective Date and reduce the senior secured term indebtedness by a corresponding amount, and subject to increase if distributions of Excess Cash are less than $75.0 million;
- $250.0 million in New LINC Notes; and
- $469.2 million in existing indebtedness of New LINC's operating subsidiaries, including the consolidated minimum pension liability recognized as required under U.S. GAAP.

The estimates of reorganization value and equity value assume that the full amount of the Exit Proceeds will be funded by the Exit Financing Facility and the issuance of the New LINC Notes.

Estimates of reorganization enterprise value and equity value do not purport to be appraisals, nor do they necessarily reflect the values that might be realized if assets were to be sold. The estimates of reorganization enterprise value prepared by MBL assumes that the Reorganized Debtors continue as the owner and operator of their businesses and assets. Such estimates were developed solely for purposes of formulation and negotiation of a plan of reorganization and analysis of implied relative recoveries to creditors thereunder. Such estimates reflect computations of the estimated reorganization enterprise value of New LINC through the application of various valuation techniques and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale or issuance of any securities pursuant to the Plan, which may be significantly different from the amounts set forth herein. The value of an operating business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial conditions and prospects of such a business. As a result, the estimate of reorganization enterprise and equity value set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Because such estimates are inherently subject to uncertainties, none of the Debtors or any other person assumes responsibility for their accuracy.

In addition, the valuation of the New Common Stock is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such New Common Stock upon issuance will depend on, among other things, conditions in the financial markets; the anticipated initial ownership interests of prepetition creditors, some of which may prefer to liquidate their investment rather than hold it on a long-term basis; and other factors that generally influence the valuation. Actual market prices of such New Common Stock may also be affected by the Debtors' history in chapter 11 or by other factors not possible to predict. Accordingly, the reorganization equity value estimated by the Debtors does not necessarily reflect, and should not be construed as reflecting, values that will be attained in the public or private markets. The equity value described in the analysis does not purport to be an estimate of the post-reorganization market trading value. That trading value may be materially different from the reorganization equity value estimated by the Debtors and there can be no assurance that an active trading market will develop for the New Common Stock.

New Common Stock

As of the Effective Date, New LINC will be authorized to issue 500,000,000 shares of New Common Stock, of which: (a) 31,162,059 shares will be distributed to holders of Allowed Unsecured Bank Debt Claims in Class 4; (b) 54,706,359 shares will be distributed to holders of Allowed Prepetition Noteholder Claims in Class 5A; (c) 3,405,767 shares will be distributed to holders of Allowed 1995 Noteholder Claims in Class 5B; (d) 10,725,815 shares will be distributed to holders of Allowed General Unsecured Claims in Class 6 (assuming an aggregate value of Claims in Class 6 of $419,038,259.00); (e) 3,777,419 shares will be issued to the Pension Plan Trust pursuant to the PBGC Agreement; and (f) up to 5,000,000 shares will be reserved for issuance under the Equity Incentive Plan. See "New LINC — Management and Board of Directors — New Benefit Plans and Agreements." The number of shares of New Common Stock to be distributed to holders of Claims in Class 4 under the Plan will be increased to reflect the Distributable New Common Stock component of the Pro Rata share of Excess Cash, Exit Proceeds and Distributable New Common Stock distributable to holders of such Claims on account of any obligations resulting from amounts drawn upon Letters of Credit prior to the Effective Date.

Holders of New Common Stock will be entitled to such dividends as may be declared from time to time by the New LINC Board of Directors out of funds legally available therefor. However, it is not presently anticipated that dividends will be paid on New Common Stock in the foreseeable future. See "Risk Factors — Dividend Policies; Restrictions on Payment of Dividends." Each holder of New Common Stock will be entitled to one vote for each share owned by such holder on all matters submitted to a vote of the stockholders of New LINC. These shares will not be entitled to cumulative voting rights. In the event of a liquidation, dissolution or winding up of New LINC, holders of New Common Stock will be entitled to share equally and ratably in any assets remaining after the payment of all debt and liabilities, subject to the prior rights of holders of the Preferred Shares, if any such shares are outstanding. Holders of New Common Stock will have no preemptive or other subscription or conversions rights. New Common Stock is not subject to redemption.

All of the outstanding shares of New Common Stock to be issued pursuant to the Plan will be, upon such issuance, validly issued, fully paid and nonassessable. Subject to the terms and conditions set forth in the Rights Agreement, each share of New Common Stock issued pursuant to the Plan will be accompanied by a Share Purchase Right. See "New LINC — Certain Corporate Governance Matters — Rights Agreement."

Exit Financing

On or before the Effective Date, the Debtors and the Exit Financing Facility Agent Bank will enter into the Exit Financing Facility. The Debtors currently contemplate that such Exit Financing Facility will be a credit facility consisting of (a) a senior secured revolving credit facility in the amount of not less than $350.0 million with a $150.0 million letter of credit sub-facility, and (b) a senior secured seven year term loan in the anticipated principal amount of $650.0 million (but not less than $575.0 million after giving effect to the Excess Cash Reduction) bearing interest at the rate of LIBOR plus 3.0% per annum, with required aggregate principal repayments of 1.0% of the original principal amount per year, due on the anniversary of the Effective Date, in each of the first six years following the Effective Date, and the outstanding balance of the original principal amount in a balloon payment due at maturity, subject to adjustment for distributions of Excess Cash as discussed below.

The Exit Financing Facility will be guaranteed by New LINC's direct and indirect U.S. subsidiaries, other than Greyhound Lines and its subsidiaries and joint ventures. Borrowings under the Exit Financing Facility will be secured by a first priority lien on all assets of New LINC and the guarantors, with certain exceptions. It is currently anticipated that Citicorp USA, Inc. will act as administrative agent and Salomon Smith Barney Inc. and Credit Suisse First Boston will act as joint lead arrangers. There can be no assurance, however, that any of Citibank USA, Inc., Salomon Smith Barney Inc. or Credit Suisse First Boston will participate in the Exit Financing Facility in such capacities or at all. The Exit Financing Facility will contain usual and customary conditions precedent to its execution, including New LINC's plan of reorganization, management team, and board of directors being satisfactory to the administrative agent. The Exit Financing Facility will also contain usual and customary affirmative and negative covenants for financings of this nature, including maximum leverage ratio, minimum fixed charge coverage ratio and maximum capital expenditures covenants.

New LINC Notes

On or prior to the Effective Date, New LINC will issue the New LINC Notes. The Exit Proceeds will be used to fund the Cash distribution to creditors under the Plan. The Debtors currently contemplate that the aggregate principal amount of the New LINC Notes may be up to $300.0 million, but not less than $225.0 million after giving effect to the Excess Cash Reduction. It is expected that the New LINC Notes will have a term of ten years and accrue interest at a market rate per annum. The New LINC Notes will be issued pursuant to a trust indenture with an indenture trustee to be selected by New LINC.

As discussed in "Overview of the Plan — Summary of Terms of Certain Securities To Be Issued Pursuant to the Plan and Post-Reorganization Indebtedness," all Excess Cash will be distributed Pro Rata to holders of Allowed Claims in Classes 4, 5A and 6. To the extent that any Excess Cash distribution is made, the combined aggregate principal amount of the senior secured term loan of the Exit Financing Facility and the New LINC Notes will be reduced by the aggregate amount of the first $75.0 million of the distribution. The allocation of this reduction, if any, to the principal amount of the senior secured term loan of the Exit Financing Facility or the New LINC Notes will be in the discretion of the Debtors. Accordingly, subject to the amount of consolidated cash of the Debtors as of the Effective Date, the amount of the senior secured term loan of the Exit Financing Facility or the principal amount of the New LINC Notes could be reduced by up to $75.0 million in the aggregate from the $650.0 million and $300.0 million, respectively, amounts indicated above. Such reduction could reduce the amount of the balloon payment due at maturity of the senior secured term loan of the Exit Financing Facility by a corresponding amount. However, in no event will the Exit Proceeds be less than $875.0 million.

RISK FACTORS

The securities to be issued pursuant to the Plan are subject to a number of material risks, including those enumerated below. Except to the extent as indicated, the risk factors enumerated below assume Confirmation and the consummation of the Plan and the transactions contemplated by the Plan and do not include matters that could prevent Confirmation. See "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests," "Overview of the Plan — Conditions to Confirmation and Effective Date of the Plan" and "Voting and Confirmation of the Plan" for discussions of such matters. Prior to voting on the Plan, each holder of Claims entitled to vote should carefully consider the risk factors enumerated or referred to below, as well as all of the information contained in this Disclosure Statement, including the exhibits hereto.

Projections, Business Plan and Reorganization Enterprise Value

The fundamental premise of the Plan is the successful implementation of the Debtors' business plan, as reflected in the Projections. The Projections and reorganization enterprise value are inherently uncertain and are dependent upon the successful implementation of the business plan and the reliability of the other assumptions contained therein. The Projections reflect numerous assumptions, including Confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of New LINC, industry performance, general business and economic conditions and other matters, most of which are beyond the control of New LINC and some of which may not materialize. In addition, unanticipated events and circumstances occurring subsequent to the date of this Disclosure Statement, including unanticipated changes in applicable regulations or U.S. GAAP, may affect the actual financial condition, results of operations and cash flows of the Reorganized Debtors in the future.

The reorganization enterprise value also reflects numerous assumptions and qualifications, including the successful reorganization of the Debtors' businesses in a timely manner, the achievement of the results reflected in the Projections, the existence of pre-reorganization tax attributes that can be used to offset post-reorganization taxable income, the amount of available cash, market conditions and the Plan becoming effective in accordance with its terms. There can be no assurance and no representation or warranty is made, that the estimate of reorganization enterprise value set forth herein will be indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. See "New LINC — Projected Financial Information" and "Securities to be Issued Pursuant to the Plan and Post-Reorganization Indebtedness — Reorganization Value."

Recovery of Performance Bonding Collateral

The Projections assume that of the $87.6 million in performance bonding collateral projected to be outstanding at the Effective Date, 50% is recovered between the Effective Date and August 31, 2003 and the balance is recovered during fiscal 2004, both without the requirement to issue any substitute collateral under any of New LINC's performance bonding facilities.

There is no certainty that the Reorganized Debtors will be able to negotiate the return of any part of the performance bonding collateral outstanding at the Effective Date within the period assumed above without being required to issue substitute collateral. Accordingly, actual cash flows after the Effective Date may be substantially less than projected.

Losses Associated with Safety-Kleen; Claims Related to Safety-Kleen Asserted Against the Debtors

LINC beneficially owns approximately 44% of the outstanding shares of common stock of Safety-Kleen. As a result of several adverse developments, the value of LINC's investment in Safety-Kleen has diminished substantially. In particular, on March 6, 2000, Safety-Kleen announced that it had initiated an internal investigation of its previously reported financial results. The investigation stemmed from allegations of possible accounting irregularities that may have affected Safety-Kleen's previously reported financial results since September 1, 1996. Safety-Kleen also placed certain key executives on administrative leave. On March 9, 2000, Safety-Kleen's auditor, PricewaterhouseCoopers LLP, withdrew its opinions on the financial statements that are subject to the internal investigation. The market value of Safety-Kleen's common stock declined, and Safety-Kleen began to experience other business and operational difficulties and public concerns regarding its ongoing financial viability. On June 9, 2000, Safety-Kleen and 73 of its subsidiaries filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. Safety-Kleen's chapter 11 filings led to a further decline in the market value of its common stock and substantially undermined LINC's ability to recoup any of its investment in Safety-Kleen.

On July 9, 2001, Safety-Kleen restated its previously reported consolidated financial statements for the years ended August 31, 1997 through August 31, 1999. In addition, Safety-Kleen reported consolidated financial statements for the year ended August 31, 2000. On September 26, 2001, Safety-Kleen issued interim consolidated financial statements for the nine months ended May 31, 2001, including financial information for the first, second and third quarters of fiscal 2001. Safety-Kleen reported that it had not restated any quarterly financial results for periods prior to fiscal 2001. LINC has not been provided access to all supporting information for Safety-Kleen's restated consolidated financial statements. As a result, LINC has not been able to assess the basis upon which Safety-Kleen restated its financial statements. Given LINC's varying ownership percentages of Safety-Kleen throughout fiscal 2000, 1999, 1998 and 1997, LINC is unable to accurately determine the impact, if any, that Safety-Kleen's restatement may have on LINC's previously reported results for its fiscal year ended August 31, 2000 and prior years.

Because LINC wrote-off the value of its investment in Safety-Kleen during fiscal 2000, Safety-Kleen’s restated consolidated financial statements and its reported fiscal 2000 results would not result in any adjustments to LINC’s previously reported consolidated balance sheet as of August 31, 2000 nor to any consolidated balance sheets reported for any period ending subsequent to August 31, 2000. However, given the Safety-Kleen restatement and assuming its accuracy, a portion of the losses associated with the impairment of LINC’s investment in Safety-Kleen that were recorded as part of a $660.0 million loss relating to Safety-Kleen, reflected in LINC's consolidated statement of operations for the fiscal year ended August 31, 2000, may be properly allocable to earlier fiscal periods.

While LINC has not restated its previously reported consolidated financial results and has recorded no equity income or loss with respect to its investment in Safety-Kleen since November 30, 1999, if Safety-Kleen reports or provides LINC the required quarterly financial information for the restated fiscal periods and if Safety-Kleen enables LINC to assess the supporting information for its restatements, LINC may be required to restate its consolidated financial statements for the fiscal year ended August 31, 2000 and prior years in the light of Safety-Kleen's restated financial results.

Safety-Kleen's chapter 11 filings may affect LINC's alleged exposure to a number of contingent and disputed liabilities that arose out its original investment in Safety-Kleen.

In addition, Safety-Kleen's announcement of possible accounting irregularities resulted in the initiation of several individual and class action lawsuits against certain of Safety-Kleen's present and former officers and directors and other parties alleging certain violations of securities laws and other theories of recovery as a result of the diminished value of Safety-Kleen's debt securities and common stock (collectively, the "Safety-Kleen Securities Lawsuits"). Plaintiffs in the Safety-Kleen Securities Lawsuits have named LINC and certain of its officers and directors as defendants (collectively, the "Laidlaw Defendants"), asserting that the Laidlaw Defendants were involved in the activities resulting in the alleged accounting irregularities at Safety-Kleen. Since Safety-Kleen's chapter 11 filings, efforts by plaintiffs to assert the claims in the Safety-Kleen Securities Lawsuits against the Laidlaw Defendants have intensified. Pursuant to the Safety-Kleen Settlement Agreement, LINC asked the Bankruptcy Court pursuant to Bankruptcy Code Section 510(b) to subordinate claims brought against the Debtors by owners of equity securities of Safety-Kleen and owners of debt securities of Safety-Kleen. Safety-Kleen sought similar relief in its bankruptcy proceeding. The Debtors also sought subordination of the claims brought by the owners of equity securities of LINC. On August 30, 2002, the Bankruptcy Court entered an order pursuant to Bankruptcy Rule 3013 classifying both claims as subordinated Classes 9A and 9B.

The existing and potential litigation or recovery of claims could have a material adverse effect on New LINC's ability to execute its business strategy and implement the Plan.

Substantial Leverage

The Debtors have consolidated indebtedness that is substantial in relation to their stockholders' equity. As of August 31, 2002, the Debtors' consolidated balance sheet reflected long-term debt and interest-bearing liabilities subject to compromise with an aggregate outstanding principal amount exceeding $3.97 billion, consisting primarily of: (a) approximately $1.16 billion in debt under the Prepetition Credit Facility and (b) approximately $2.04 billion in public bond debt under the Prepetition Indentures and 1995 Indenture. In addition, assuming Confirmation and the consummation of the Plan and the transactions contemplated by the Plan, as set forth in the Projections, the projected consolidated balance sheet of New LINC as of March 31, 2003 reflects long-term liabilities for borrowed money with an aggregate outstanding balance of approximately $1.30 billion (at book value) consisting of: (a) approximately $96.2 million in borrowings under the revolving credit facility of the Exit Financing Facility; (b) approximately $625.0 million of senior secured term indebtedness to be incurred in connection with the Exit Financing Facility, assuming the Debtors distribute not less than $75.0 million in Excess Cash at the Effective Date and reduce the senior secured term indebtedness by $25.0 million, and subject to increase if distributions of Excess Cash are less than $75.0 million or if all or part of the corresponding debt reduction is allocated to the New LINC Notes; (c) $250.0 million in principal amount of the New LINC Notes, assuming the Debtors distribute not less than $75.0 million in Excess Cash at the Effective Date and reduce the principal amount of the New LINC Notes by $50.0 million, and subject to increase if distributions of Excess Cash are less than $75.0 million or if all or part of the corresponding debt reduction is allocated to the Exit Financing Facility; (d) approximately $49.4 million in debt under the Greyhound Facility; (e) approximately $149.6 million in book value of public bond debt at Greyhound Lines after restatement of this obligation under Fresh-Start reporting principles; and (f) approximately $128.3 million in book value of notes payable, capitalized leases and other debt instruments with direct claims in non-Debtor operating subsidiaries of LINC after restatement of these obligations under Fresh-Start reporting principles. Although the Greyhound Facility is and the Exit Financing Facility will be secured, all of the obligations under the Prepetition Credit Facility, the Prepetition Indentures and the 1995 Indenture are unsecured.

As a result of operating losses in the healthcare services businesses, the diminishing value of LINC's investment in Safety-Kleen, reduced operating margins in LINC's core transportation businesses and other factors, LINC has experienced substantial increase in its total indebtedness and its consolidated indebtedness relative to stockholders' equity. By mid-2000, LINC's cash flow from operations became insufficient to meet its significant debt service obligations, while also providing sufficient liquidity to operate its businesses. In May 2000, LINC declared a moratorium on interest payments under the Prepetition Credit Facility, the Prepetition Indentures and the 1995 Indenture.

The degree to which LINC is and will be leveraged could have important consequences to holders of its securities, including:

- an impairment of LINC's ability to obtain additional financing in the future;
- a reduction of funds available to LINC for its operations or for capital expenditures as a result of the dedication of a substantial portion of LINC's cash flow to the payment of principal of and interest on LINC's indebtedness;
- the possibility of additional events of default under financial and operating covenants contained in LINC's debt instruments, which, if not cured or waived, could prevent LINC from paying dividends on the New Common Stock and could have a material adverse effect on LINC;
- a relative competitive disadvantage if LINC is substantially more leveraged than its competitors; and
- an inability to adjust to rapidly changing market conditions and consequent vulnerability in the event of a downturn in general economic conditions or its business because of LINC's reduced financial flexibility.

In addition to its debt service obligations, LINC's operations require substantial capital investment on a continuing basis. LINC's ability to make scheduled debt payments and to fund capital and non-capital expenditures necessary to maintain the condition of LINC's operating assets, as well as to provide capacity for the growth of its business, depends on its financial and operating performance and obtaining additional sources of financing, which, in turn, is subject to prevailing economic conditions and financial, business, competitive, legal and other factors, many of which are beyond LINC's control. Moreover, LINC and its subsidiaries are and will be subject to covenants contained in present and future indebtedness. There can be no assurance that LINC's operating results will be sufficient for payment of LINC's indebtedness or to fund its other expenditures or that LINC will be able to obtain financing to meet such requirements.

Security Interests

The assets of New LINC, including the capital stock of certain of New LINC's subsidiaries, are and will be subject to various liens and security interests. See "Overview of the Plan — Exit Financing Facility and New LINC Notes; Obtaining Cash for Plan Distributions and Transfers of Funds Among the Reorganized Debtors." If a holder of a security interest becomes entitled to exercise its rights as a secured party, it would have the right to foreclose upon, and sell or otherwise transfer, the collateral subject to its security interest, and the collateral accordingly would be unavailable to New LINC or the subsidiary owning the collateral and to other creditors of New LINC or such subsidiary, except to the extent, if any, that such other creditors have a superior or equal security interest in the affected collateral, or the value of the affected collateral exceeds the amount of indebtedness in respect of which such foreclosure rights are exercised.

Effective Subordination as a Result of Holding Company Structure

LINC is a holding company that conducts all of its operations through its subsidiaries. All of LINC's operating income is generated by its subsidiaries. LINC relies on dividends and other advances and transfers of funds from its subsidiaries to provide the funds necessary to meet LINC's debt service obligations, including payment of principal and interest on the indebtedness under the Prepetition Credit Facility, the Prepetition Indentures and the 1995 Indenture. Following consummation of the Plan, New LINC will continue to rely on those same sources to provide the funds necessary to pay principal and interest on the Exit Financing Facility and the New LINC Notes. The ability of LINC's subsidiaries to pay such dividends and make such advances and transfers is subject to applicable state and non-U.S. laws. Further, the Greyhound Facility currently restricts the payment of dividends by the Greyhound Parties to LINC, and any future credit facilities LINC's or New LINC's subsidiaries may enter into may restrict or prohibit distributions, dividends or loans from those subsidiaries to LINC or New LINC. Claims of creditors of LINC's subsidiaries, including general creditors, will generally have priority as to the assets of such subsidiaries over the non-Debtor claims of LINC and the holders of indebtedness of LINC. At August 31, 2002, the third party liabilities of LINC's non-Debtor subsidiaries aggregated approximately $1.22 billion, including $224.7 million of indebtedness for borrowed money, none of which was secured indebtedness. The Exit Financing Facility and the indenture for the New LINC Notes will permit LINC's subsidiaries to incur additional indebtedness in certain circumstances.

Noncomparability of Historical Financial Information

As a result of the consummation of the Plan and the transactions contemplated thereby, New LINC will operate its existing business under a new capital structure. In addition, New LINC will be subject to the Fresh-Start accounting rules, and will report financial results using U.S. GAAP rather than Canadian GAAP. See "New LINC — Restructuring Transactions," "New LINC — Business of New LINC" and "New LINC — Projected Financial Information." Accordingly, the financial condition and results of operations of New LINC from and after the Effective Date will not be comparable to the financial condition or results of operations reflected in the historical financial statements of LINC set forth in Exhibit III to this Disclosure Statement.

Lack of Established Market for New Common Stock; Possible Volatility

No established market exists for the New Common Stock. As a condition to the Effective Date, LINC is required to register the shares of New Common Stock under the Exchange Act and to list those shares on the NYSE. Although it is currently anticipated that the New Common Stock will be approved for listing on the NYSE and the TSX, there can be no assurance that LINC will be successful in listing its securities with either exchange. If LINC is unable to meet these conditions prior to the Effective Date, the Subcommittees may waive such conditions to effectiveness. If the New Common Stock is not listed on either exchange, the liquidity of shares of the New Common Stock would be materially impaired. Moreover, LINC or New LINC, as the case may be, may be unable to maintain such listing because it may not satisfy certain listing criteria, including financial criteria and minimum requirements as to the number of holders of listed securities. There can be no assurance, even if such listing is obtained, that an active market for the New Common Stock will develop or, if any such market does develop, that it will continue to exist or as to the degree of price volatility in any such market that does develop. In addition, the New Common Stock will be issued pursuant to the Plan to holders of Allowed Claims in Classes 4 through 6, some of which may prefer to liquidate their investment rather than hold it on a long-term basis. Accordingly, to the extent that an active trading market for the New Common Stock were to develop, it is anticipated that the market for the

New Common Stock will be volatile, at least for an initial period after the listing. Moreover, although the Plan was developed based upon an assumed value of $13.24 per share of the New Common Stock, such valuation was not an estimate of the prices at which the New Common Stock may trade in the market, and the Debtors have not attempted to make any such estimate in connection with the development of the Plan. In addition, the market price of the New Common Stock may be subject to significant fluctuations in response to numerous factors, including variations in New LINC's annual or quarterly financial results or those of its competitors, changes by financial analysts in their estimates of the future earnings of New LINC, conditions in the economy in general or in the transportation industry in particular or unfavorable publicity. The stock markets also have, from time to time, experienced significant price and volume fluctuations that have been unrelated to the operating performance of companies with publicly-traded securities. See "Securities To Be Issued Pursuant to the Plan and Post-Reorganization Indebtedness — Reorganization Value." No assurance can be given as to the market prices for New Common Stock that will prevail following the Effective Date.

Restricted Resale of the New Common Stock in the United States

The New Common Stock will be offered and distributed pursuant to the Plan without registration under the Securities Act and without qualification or registration under state securities laws pursuant to exemptions from such registration and qualification contained in Section 1145(a) of the Bankruptcy Code. With respect to persons who receive such securities pursuant to the Plan, these Bankruptcy Code exemptions apply to the distribution of such securities under the Plan, and any subsequent sale, exchange, transfer or other disposition of such securities or any interest therein by such persons must comply with U.S. federal and state securities laws. Therefore, subsequent sales, exchanges, transfers or other dispositions of such securities or any interest therein by "underwriters" or "affiliates" would not be exempted by Section 1145 of the Bankruptcy Code from registration under the Securities Act or state securities laws.

In addition, if the New Common Stock is not (a) registered under the Exchange Act because, among other things, the present scope limitation in the auditors' report on LINC’s financial statements prevents such registration or (b) listed on the NYSE or does not otherwise qualify as a "covered security" for purposes of the Securities Act, shares of New Common Stock may not be sold, exchanged, transferred or otherwise disposed of without registration or qualification under state securities laws unless specific exemptions from such registration or qualification requirements are available with respect to such sale, exchange, transfer or other disposition. See "Applicability of Certain U.S. Federal and State Securities Laws — Subsequent Transfers of Securities Under State Securities Laws."

Treatment of Claims; Dilution

A number of Disputed Claims are expected to be material, and the total amount of all Claims, including Disputed Claims, may be materially in excess of the total amount of Allowed Claims assumed in the development of the Plan. The actual ultimate aggregate amount of Allowed Claims in any Class may differ significantly from the estimates set forth in the table under the caption "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests." In addition, the amount of any Disputed Claim that ultimately is allowed by the Bankruptcy Court may be significantly less than the amount of the Disputed Claim asserted by the holder thereof.

Federal Income Tax Claims

The federal income tax returns of LTI for the tax years ended August 31, 1995 through August 31, 2000 are currently being audited by the IRS. On October 28, 2002, the IRS filed an amended proof of claim asserting Priority Tax Claims for federal income taxes and related interest due from LTI in the total amount of approximately $12.5 million. This proof of claim relates to LTI's tax year ended August 31, 1997. LTI has been unable to reach a settlement with the IRS concerning the issue underlying this proof of claim. Furthermore, because the IRS has not completed its audit, there can be no assurance that the IRS may not make new allegations and increase the amount claimed. The Debtors intend to continue to pursue a consensual resolution with the IRS for the resolution of its Priority Tax Claims prior to the Effective Date. As discussed below, however, there can be no assurance that any such Priority Tax Claims will be settled prior to the Effective Date or that any liability for such claims will not adversely affect New LINC subsequent to the Effective Date.

The size of any Priority Tax Claim asserted by the IRS may have an impact on the feasibility of the Plan. As a result, the Effective Date may have to be postponed beyond the deadline of March 31, 2003, established in the

Plan to allow time for all material Priority Tax Claims to be either allowed or estimated at levels that do not raise feasibility issues. If this were to occur, it may be asserted that a condition to the Effective Date has not been satisfied and an order vacating the Confirmation Order in accordance with Section IX.D of the Plan may be obtained. By contrast, if the feasibility of the Plan is not questioned by the IRS or other interested parties and the Effective Date occurs prior to settlement with the IRS of all material Priority Tax Claims, New LINC would be subject to potential material federal tax liability related to Priority Tax Claims. Any such liability could have a material adverse effect on New LINC subsequent to the Effective Date.

Deteriorating Financial Results

Over the past several years, the Debtors have experienced deteriorating financial results in certain of their businesses and investments. In particular in the fiscal year ending August 31, 1999, the Debtors reported a consolidated net loss of approximately $1.12 billion and in the fiscal year ending August 31, 2000, the Debtors reported a loss from operations of $590.0 million and an overall loss of approximately $2.24 billion. These losses continued in fiscal years 2001 and 2002, resulting in a net loss from operations of $1.33 billion and an overall net loss of $599.0 million in fiscal year 2001 and an overall net loss of $124.4 million in fiscal year 2002. Although pursuant to the Plan, New LINC will implement new strategic and operational initiatives intended to enhance revenues and operating income, its operations generally are subject to economic, financial, competitive, legal and other factors, many of which are beyond its control. Accordingly, there can be no assurance that New LINC will be able to implement these initiatives without delay or that these initiatives will return it to profitability.

Potential Loss of Customers

The Debtors' commencement of the chapter 11 case, even in connection with the Plan, could adversely affect the Debtors' relationships with their customers and has already with some customers. Because of concern regarding the Debtors' abilities to perform their obligations under their contracts, the Debtors' existing customers may terminate such contracts. Further, several of LINC's subsidiaries are parties to agreements that permit the customer to cancel its agreement with the subsidiary upon the filing for bankruptcy by the subsidiary's parent company. Consequently, certain contracts of LINC's subsidiaries may be terminated because LINC is a party to the chapter 11 case. Moreover, in the local county ambulatory services business, the local county may terminate the contract upon such bankruptcy filing of any affiliates and fulfill LINC's obligations itself through the use of LINC's equipment. In addition, initiation of new customer relationships may be hindered by the Debtors' chapter 11 case.

Bonding

The education services portion of LINC's contract bus services business is highly dependent on LINC's ability to obtain performance bond coverage sufficient to meet bid requirements imposed by potential customers. LINC's ability to obtain adequate bonding coverages has been adversely affected by LINC's poor financial position and lack of liquidity. Furthermore, many school boards are requiring higher performance bonds from their service providers. Although the Debtors have renewed the Surety Program, given LINC's financial position, it is possible that other companies issuing the performance bonds in favor of LINC will not renew their bonding programs with LINC or will require higher collateral. Although the Plan is intended to facilitate New LINC's access to adequate bonding capacity to meet the requirements of new and existing customers, there can be no assurance that New LINC will obtain access to adequate bonding capacity following consummation of the Plan or that such bonding will be available on terms acceptable to New LINC. If adequate bonding capacity is not available or if the terms of such bonding are too onerous, there would be a material adverse effect on New LINC.

Losses in the Healthcare Services Businesses

Soon after LINC acquired its healthcare services businesses during the 1990's, it began to experience financial difficulties, consistent with general trends in the healthcare industry. For example, the healthcare services businesses are dependent, either directly or indirectly, on reimbursements from the Medicare and Medicaid programs. During the 1990's, the level of Medicare and Medicaid reimbursements have diminished, which had a substantial adverse impact on the operating results of the healthcare services businesses. In particular, budget reform passed by the United States Congress in 1997 significantly affected Medicare and Medicaid reimbursement, including payments for AMR's ambulance transportation activities and payments relating to emergency medical services for medical practices managed by EmCare and its subsidiaries.

These and other challenges faced by LINC's healthcare services businesses have resulted in operating losses in 1999 and 2000. In response to these operating losses, AMR completed an internal restructuring in 1999, closing certain locations, downsizing related operations and incurring a one-time pre-tax charge of $335.0 million. This internal restructuring and the implementation of related business strategies, however, did not fully mitigate the healthcare services businesses' financial difficulties. LINC announced its intention to divest its healthcare services businesses in September 1999; however, in the light of the volatility in the public equity and debt markets with respect to the segment of the healthcare industry in which LINC operates, associated valuation issues and the losses reported by LINC's healthcare services businesses through the end of fiscal 2001, offers received for the healthcare services businesses were below management's view of an acceptable selling price or made by parties with insufficient financing to consummate the transaction. With the uncertainty in the healthcare equity and debt markets, LINC believes that the sale of its healthcare services businesses is no longer in the best interests of its stakeholders. As a result, LINC intends to operate those businesses with a view towards maximizing long-term value. There can be no assurance, however, that any long-term value will be realized from the operation of the healthcare business in the light of current market conditions and the other competitive factors and challenges discussed above.

Decreasing Operating Margins in LINC's Businesses

Although LINC believes that its contract bus services and Greyhound services businesses remain strong, viable and profitable businesses, LINC's contract bus services, healthcare services and Greyhound businesses have experienced a deterioration in operating margins, which has exacerbated the ongoing financial pressures on LINC. Since fiscal 1999, full-year operating margins before depreciation and amortization expense for these businesses have eroded from 14.1% in 1999 to 9.0% in fiscal 2000, 8.7% in fiscal 2001 and 9.5% in fiscal 2002. This decline is attributable in part to increased costs associated with labor shortages in certain areas and rising fuel and insurance claims costs, which LINC has been unable to recoup through price increases. There can be no assurance that these operating margins will return to historical levels or that the operating margins will not decrease further.

Increasing Competitive and External Pressures

Contract Bus Services. Through its non-Debtor subsidiaries LINC competes with several large companies and a substantial number of smaller locally owned operators in the contract bus services business segment. Moreover, most school districts operate their own school bus systems. In acquiring new school bus contracts and maintaining existing business, competition primarily exists in the areas of pricing and service.

Greyhound Services. The inter-city transportation industry is highly competitive. Greyhound's primary sources of competition for passengers are automobile travel, low cost air travel from both regional and national airlines, and, in certain markets, regional bus companies and trains. Airlines have increased their penetration in intermediate-haul markets (450 to 1,000 miles), which has resulted in the bus industry, in general, reducing prices in these markets in order to compete. Additionally, airline discount programs have attracted certain long-haul passengers away from Greyhound. However, these lower airline fares usually contain restrictions and require advance purchase. Typically, Greyhound's customers decide to travel only a short time before their trip and purchase their tickets on the day of travel. Greyhound's everyday low pricing strategy results in "walk-up" fares substantially below comparable airline fares. In instances where Greyhound's fares exceed an airline discount fare, Greyhound believes the airline fares typically are more restrictive and less readily available than travel provided by Greyhound. However, Greyhound has also instituted numerous advance purchase programs, in order to attract the price sensitive customer. Price, destination choices and convenient schedules are the ways in which Greyhound meets this competitive challenge.

The automobile is the most significant form of competition to Greyhound. The out-of-pocket costs of operating an automobile are generally less expensive than bus travel, particularly for multiple persons traveling in a single car.

Although the Greyhound travel services business began to experience improvement after September 11, 2001 as a result of airline passengers seeking alternative forms of transportation, the unrelated October 2001 incident involving a Greyhound passenger adversely affected these operations. The impact to date of these events has been numerous cancellations and a significant decrease in new bookings. Security expenses have also increased dramatically in response to these events. Continued declines in Greyhound's bookings and other Greyhound operations combined with increased security expenses related to these events, could have a material adverse effect on New LINC's financial condition or results of operations.

In December 2001, Golden State was indicted by a federal grand jury in Tucson, Arizona. Also charged were 22 current or former employees or agents of Golden State, including the president and several other top managers. Two of these individuals are also employees or consultants to Greyhound. In September 2002, a superseding indictment was issued adding additional criminal counts against Golden State and certain individual defendants, including two newly indicted defendants. The indictment alleges that the defendants were engaged in a conspiracy, spanning over a two-year period, to transport and harbor illegal aliens within the United States and to launder money. As part of the indictment, the U.S. government has sought a forfeiture of substantially all of Golden State's assets and obtained a restraining order restricting access to bank accounts and restraining all vehicles. The restraining order allows Golden State to continue to operate its business in the ordinary course and the order has been relaxed in certain respects. On August 20, 2002, the U.S. government filed a civil forfeiture action against the parcels of real property owned by Golden State. Effective August 30, 2002, however, Golden State ceased substantially all business operations. Golden State and the individuals have pled, or are expected to plead, not guilty to the charges. No trial date has been set for this case. Golden State is currently in the process of obtaining and assessing the significant volume of evidence amassed by the U.S. government. The indictment and prosecution of these allegations could have a material adverse effect on New LINC's financial condition or results of operations.

Healthcare Services. Through its AMR business unit, LINC competes with several large companies and a substantial number of smaller locally owned operators in the healthcare transportation services industry. Moreover, many municipal, fire and paramedic departments and hospitals operate their own ambulance systems. In acquiring new healthcare transportation contracts and maintaining its business, LINC experiences competition primarily in the areas of pricing and service.

Emergency management services is also subject to vigorous competition. Competition for these services is generally based upon cost, the ability to make available physicians capable of providing high quality care and the reputation of LINC's EmCare business unit among hospitals and physicians. Competition is also based upon the proper utilization of the emergency department, as well as the ability to integrate the emergency department with other hospital departments and to provide value added services.

There can be no assurance that New LINC will be able to compete successfully against these sources of competition or other competitive or external factors.

Seasonality

The education services portion of LINC's contract bus services business historically experiences a significant decline in revenue and operating income in the fourth fiscal quarter because of school summer vacations. In addition, LINC's Greyhound services 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 holiday periods. As a result, Greyhound's cash flows are seasonal in nature with a disproportionate amount of Greyhound's annual cash flows being generated during the peak travel periods. The day of the week on which specific holidays occur, the length of specific holiday periods and the date on which those holidays occur within a fiscal quarter, may also affect Greyhound's results of operations. Therefore, an event that adversely affects ridership during any of these peak periods in any year could have a material adverse effect on LINC's financial condition or results of operations for such year.

Importance of Self-Insurance Authority and Availability of Insurance

The Surface Transportation Board (the "STB") of the United States Department of Transportation ("DOT") has granted Greyhound authority to self-insure its automobile liability exposure for interstate passenger service up to a maximum level of $5.0 million per occurrence. To maintain self-insurance authority, the STB requires Greyhound to maintain a tangible net worth of $10.0 million (as of September 30, 2002, Greyhound's tangible net worth was $34.0 million) and to maintain a $15.0 million trust fund (currently fully funded) to provide security for payment of claims. Subsequent to the self-insurance grant by the STB, 38 states have granted Greyhound the authority to self-insure its intrastate automobile liability exposure.

Insurance coverage and risk management expense are key components of Greyhound's cost structure. The loss of self-insurance authority from the STB or the states, or a decision by Greyhound's insurers to modify Greyhound's program substantially, by increasing cost, reducing availability or increasing collateral, could have a material adverse effect on LINC's financial condition or results of operations.

Professional liability insurance for up to a limit of $1.0 million per occurrence is provided to the majority of physicians who are employed or contracted by companies under service agreements with LINC's emergency management business. LINC has procured the insurance coverage for professional liability claims on a claims-made basis. LINC's previous PHICO Policies, which expired on January 1, 2001, provided an aggregate self-insurance retention for the first $27.0 million of claims incurred and reported during the period October 1, 1997 to January 1, 2001. The self-insurance retention amounts were completely paid as of August 31, 2002. In December 2000, LINC purchased an ERP policy for the PHICO Policies covering claims reported after January 1, 2001, but incurred during the coverage period of the PHICO Policies, for a premium of $18.0 million. The ERP policy has an aggregate limit of $40.0 million. For calendar year 2001, LINC purchased insurance which provides up to $10.0 million of coverage on a first year claims-made basis. Effective January 1, 2002, LINC self-insured professional liability claims for claims incurred during calendar 2001 and reported on or after January 1, 2002 and for claims occurring on or after January 1, 2002. Although the majority of the professional liability insurance available for physicians is provided in this manner, the contracted physicians may obtain their own professional liability insurance directly or through the contracting hospital with LINC's consent.

On February 1, 2002, PHICO was placed into liquidation by the Insurance Commissioner of the Commonwealth of Pennsylvania (the "PHICO Liquidation Order"). The PHICO Liquidation Order will impact pending professional liability claims covered under the PHICO Policies and both pending claims under the ERP and claims not yet reported under the ERP. Those claims pending under the PHICO Policies will be eligible for coverage under individual state guaranty funds, subject to various limitations and exclusions based upon net worth of the insured and the presence of other applicable insurance. The amount of coverage available under each state guaranty fund will vary according to the limits and specific provisions of those funds. Those claims falling within the coverage of the ERP will also be eligible for coverage under the individual state guaranty funds, although the guaranty fund provisions may apply differently to claims under the ERP. Some state guaranty funds may deny coverage for any claims under the ERP brought after March 2, 2002. LINC is pursuing various options in an attempt to maximize insurance coverage for ERP claims, including litigation as necessary. LINC has an estimated $91.0 million in IBNR claims based on reported claim reserves, development factors and actuarial analysis of IBNR related to the PHICO Policies and the ERP. Of this amount, it is estimated that $27.2 million of claim costs as of August 31, 2002 may likely exceed or be excluded from specific state fund guaranty limits or exceed the ERP's $40.0 million aggregate limit and would be borne by LINC. As of August 31, 2002, LINC had fully provided for the amount of the estimated claims costs not covered by the state guaranty funds and the amount of the estimated claims exceeding the ERP's aggregate limit. If LINC's reserves, however, are not sufficient to cover the actual claims costs, it could have a material adverse effect on LINC's or New LINC's financial condition or results of operations.

Pension Funding Requirements

Funding requirements under the defined benefit pension plans maintained by the affiliates of the Debtors, most notably the Greyhound businesses, are mandated under federal legislation based on plan surpluses or shortfalls determined using (a) market values of plan assets and (b) benefit obligations calculated using actuarial mortality tables and discount rates prescribed under legislation passed by the U.S. Congress. To the extent that returns on plan assets are less than expected, changes are made to prescribed discount rates or prescribed actuarial mortality tables that would increase the plan benefit obligations in excess of expected increases, or legislative changes are made that accelerate the required funding of plan shortfalls, the resulting funding requirements could have a material adverse effect on New LINC's financial condition and results of operations and its ability to fund ongoing operations.

In addition, LINC's subsidiaries sponsor 13 defined benefit pension plans, the most significant of which, the ATU Plan, covers approximately 14,000 current and former employees of Greyhound Lines, fewer than 1,000 of which are active employees of Greyhound Lines. The ATU Plan was closed to new participants in 1983 and over 85% of its participants are over the age of 50. Based on the current terms of the ATU Plan and current law, it is estimated that LINC or New LINC will be required to make contributions to the ATU Plan through 2007 of between

$169.0 million and $205.0 million. These estimates are based on a continuation of the freeze of wage and service accruals under the ATU Plan and on various assumptions relating to future discount rates, mortality rates, returns on the investment of the assets of the ATU Plan, and applicable U.S. legal requirements. Pursuant to the terms and conditions of the PBGC Agreement, LINC will be required to contribute an aggregate of $150 million to the Pension Plans by December 2004. See "Operations During the Reorganization Cases — Settlement of Pension Plan Claims." As a result of the contributions under the PBGC Agreement, LINC's required minimum contributions may be reduced. Nevertheless, there is no assurance that the ATU Plan will be able to earn the assumed rate of return, that new regulations or legislation will not result in changes in the prescribed actuarial mortality table or discount rates, that there will not be market driven changes in the discount rates, or that actual experience will not otherwise vary from current circumstances or assumptions, which would result in New LINC being required to make contributions in the future that differ significantly from the estimates above, which could have a material adverse effect on New LINC's financial condition and results of operations and its ability to fund ongoing operations.

Allocation of Fresh Start Asset Values

The Projections assume that the entire excess of the assumed reorganization enterprise value of New LINC over the assumed fair value of New LINC's net assets, in the projected amount of approximately $601.4 million, is allocated to Reorganization Goodwill, and that there is no subsequent impairment in value of the Reorganization Goodwill. Consequently, no amortization of Reorganization Goodwill is reflected in the Projections.

When a detailed valuation of all of New LINC's identifiable assets is undertaken as at the Effective Date, it is likely that a substantial part of the amount reflected in the Projections as Reorganization Goodwill will likely be allocated to identifiable intangible assets such as customer lists and customer contracts that are not currently reflected on LINC's consolidated balance sheet. The fair value of those assets would be amortized to income over their expected useful lives, resulting in substantially lower net income than the amounts reflected in the Projections, although this amortization would have no impact on New LINC's cash flows. If the entire value currently projected to be allocated to Reorganization Goodwill were allocated to identifiable assets with an average expected useful life of ten years, projected earnings before income taxes would be reduced by $60.1 million annually.

Litigation

LINC, certain Debtors and certain non-Debtor affiliates are parties to various lawsuits and governmental proceedings, including several class action lawsuits alleging violations of the federal securities laws. In addition, certain individuals and entities are claiming indemnity rights with respect to these lawsuits and proceedings. The outcome of these lawsuits and proceedings, if adverse to LINC and/or to parties whom LINC is required to indemnify, to the extent such indemnification obligations are not subject to subordination or disallowance, could have a material adverse effect on the results of operations and financial condition of LINC. See "Recovery Actions; Other Legal Proceedings — Other Legal Proceedings" in this Disclosure Statement.

Certain Anti-Takeover Effects

Certain provisions of the New LINC Certificate of Incorporation and the New LINC Bylaws, as well as the DGCL, may have the effect of delaying, deferring or preventing a change in control of New LINC. Such provisions, including those regulating the nomination of directors, limiting who may call special stockholders' meetings and eliminating stockholder action by written consent, together with the Rights Agreement, may make it more difficult for other persons, without the approval of the New LINC Board of Directors, to make a tender offer or otherwise acquire substantial amounts of the New Common Stock or to launch other takeover attempts that a stockholder might consider to be in such stockholder's best interest. See "New LINC — Certain Corporate Governance Matters."

Dividend Policies; Restrictions on Payment of Dividends

New LINC does not anticipate paying any dividends on the New Common Stock in the foreseeable future. In addition, covenants in the Exit Financing Facility and the indenture for the New LINC Notes will restrict the ability of New LINC to pay dividends and may prohibit the payment of dividends and certain other payments. Certain institutional investors may only invest in dividend-paying equity securities or may operate under other restrictions that may prohibit or limit their ability to invest in the New Common Stock.

GENERAL INFORMATION CONCERNING THE PLAN

Confirmation of the Plan and the occurrence of the Effective Date will result in the discharge of certain Claims and Interests and the creation of related injunctions with respect thereto. These legal effects of the Plan are set forth in Article XI of the Plan and are described below.

Discharge of Claims and Termination of Interests; Related Injunction

Except as provided in the Plan or in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Interests under the Plan will be in exchange for, and in complete satisfaction, discharge and release of, all Claims and termination of all Interests arising on or before the Effective Date, including any interest accrued on Claims from the Petition Date. Except as provided in the Plan or in the Confirmation Order, Confirmation will, as of the Effective Date and immediately after cancellation of the LINC Old Common Stock Interests and the Old Preferred Stock of LINC:

- discharge the Debtors from all Claims or other debts that arose on or before the Effective Date, and all debts of the kind specified in Section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (a) a proof of Claim based on such debt is Filed or deemed Filed pursuant to Section 501 of the Bankruptcy Code, (b) a Claim based on such debt is allowed pursuant to Section 502 of the Bankruptcy Code or (c) the holder of a Claim based on such debt has accepted the Plan; and

- terminate all Interests and other rights of equity security holders in the Debtors.

In accordance with the foregoing, except as provided in the Plan or the Confirmation Order, the Confirmation Order will be a judicial determination, as of the Effective Date and immediately after the cancellation of the LINC Old Common Stock Interests and the Old Preferred Stock of LINC and the distribution of the New Common Stock, Cash and Excess Cash, of a discharge of all Claims and other debts and liabilities against the Debtors and a termination of all Interests and other rights of equity security holders in the Debtors, pursuant to Sections 524 and 1141 of the Bankruptcy Code, and such discharge will void any judgment obtained against a Debtor at any time, to the extent that such judgment relates to a discharged Claim or terminated Interest.

Except as provided in the Plan or the Confirmation Order, as of the Effective Date, all entities that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Interest or other right of an equity security holder that is terminated pursuant to the terms of the Plan will be permanently enjoined from taking any of the following actions on account of any such discharged Claims, debts or liabilities or terminated Interests or rights:

- ***commencing or continuing in any manner any action or other proceeding against New LINC, the Debtors, the Reorganized Debtors or their respective property, other than to enforce any right pursuant to the Plan to a distribution;***

- ***enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against New LINC, the Debtors, the Reorganized Debtors or their respective property, other than as permitted pursuant to the above;***

- ***creating, perfecting or enforcing any lien or encumbrance against New LINC, the Debtors, the Reorganized Debtors or their respective property;***

- ***asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to New LINC, the Debtors or the Reorganized Debtors; and***

- ***commencing or continuing any action, in any manner, in any place that does not comply or is inconsistent with the provisions of the Plan.***

As of the Effective Date, all entities that have held, currently hold or may hold any claims (as such term is defined in Section 101(5) of the Bankruptcy Code, including Derivative Claims), obligations, suits, judgments,

damages, demands, debts, rights, causes of action or liabilities that are released pursuant to the Plan will be permanently enjoined from taking any of the following actions against any released entity or its property on account of such released claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities:

- ***commencing or continuing in any manner any action or other proceeding;***
- ***enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order;***
- ***creating, perfecting or enforcing any lien or encumbrance;***
- ***asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any released entity; and***
- ***commencing or continuing any action, in any manner, in any place that does not comply or is inconsistent with the provisions of the Plan.***

By accepting distributions pursuant to the Plan, each holder of an Allowed Claim receiving distributions pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth in Sections XI.B and IV.G.6 of the Plan.

The classification and manner of satisfying all Claims and Interests under the Plan take into consideration all subordination rights, whether arising under general principles of equitable subordination, contract, Section 510(b) of the Bankruptcy Code, Section 510(c) of the Bankruptcy Code or otherwise, that a holder of a Claim or Interest may have against other Claim or Interest holders with respect to any distribution made pursuant to the Plan. All subordination rights that a holder of a Claim may have with respect to any distribution to be made pursuant to the Plan will be discharged and terminated, and all actions related to the enforcement of such subordination rights will be permanently enjoined. Accordingly, distributions pursuant to the Plan to holders of Allowed Claims will not be subject to payment to a beneficiary of such terminated subordination rights or to levy, garnishment, attachment or other legal process by a beneficiary of such terminated subordination rights.

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the subordination rights that a holder of a Claim may have with respect to any Allowed Claim or any distribution to be made pursuant to the Plan on account of any Allowed Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval and determination, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding and determination that such compromise or settlement is in the best interests of New LINC, the Debtors, the Reorganized Debtors and their respective property and Claim and Interest holders and is fair, equitable and reasonable.

Preservation of Rights of Action by New LINC, the Debtors and the Reorganized Debtors

Except as otherwise provided in the Plan, in the Confirmation Order or in any contract, instrument, release or other agreement entered into, or delivered in connection with, the Plan or the Restructuring Transactions, in accordance with Section 1123(b) of the Bankruptcy Code, New LINC and the Reorganized Debtors will retain and may enforce any claims, demands, rights and causes of action that any Debtor or Estate may hold against any entity, including any Recovery Actions, against any person or entity, to the extent not released under Section IV.G of the Plan. New LINC and the Reorganized Debtors or their successors may pursue such retained claims, demands, rights or causes of action, as appropriate, in accordance with the best interests of New LINC and the Reorganized Debtors or their successors holding such claims, demands, rights or causes of action. Without limiting the generality of the foregoing, New LINC and the Reorganized Debtors specifically retain their respective rights to File and pursue any adversary proceedings against any trade creditor or vendor related to debit balances or deposits owed to any Debtor.

Guaranty Coverage Dispute Settlement

The Plan constitutes a compromise and settlement of the Guaranty Coverage Dispute. Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies between and among the Debtors, CIBC, the Lenders, the Prior Lenders, the Prepetition Noteholders and the Indenture Trustees. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the Guaranty Coverage Dispute Settlement and the Bankruptcy Court's finding and determination that the compromise and settlement contained in the Guaranty Coverage Dispute Settlement is in the best interests of the Debtors, the Reorganized Debtors, their Estates, their respective property and Claim and Interest holders and is fair, equitable and reasonable.

On the Effective Date, all Claims arising in connection with the Guaranty Coverage Dispute, other than with respect to the Letters of Credit and the Reserved Claims, shall be compromised in the aggregate amount of $110.0 million as follows: (a) holders of Allowed Claims in Classes 4 and 5A shall receive the Guaranty Coverage Dispute Settlement Distribution; and (b) holders of Allowed Claims in Class 4 shall be entitled to receive 80.0% of the Guaranty Coverage Dispute Settlement Distribution ($88.0 million) and holders of Allowed Claims in Class 5A shall be entitled to receive 20.0% of the Guaranty Coverage Dispute Settlement Distribution ($22.0 million). The treatment of Allowed Claims in Classes 4 and 5A provided in Section III.C of the Plan fully incorporates the Guaranty Coverage Dispute Settlement Distribution described in Section IV.F.2 of the Plan.

The Adjusted Amounts of all of the Unsecured Bank Debt Claims and Prepetition Noteholder Claims against the Debtors, other than the Reserved Claims and Claims with respect to Letters of Credit outstanding on the Effective Date, shall be classified as allowed, general unsecured and unsubordinated claims in Classes 4 and 5A, respectively. Each of the Lenders and the Prepetition Noteholders shall receive distributions under the Plan as set forth in Classes 4 and 5A, respectively, other than the Guaranty Coverage Dispute Settlement Distribution, on a pari passu basis with all holders of Allowed Claims in Class 6. If a Letter of Credit is drawn prior to the Effective Date, the Adjusted Amount of Allowed Claims in Class 4 will be increased in respect of the resulting obligations with respect to such Letters of Credit, as provided in the definition of Adjusted Amount set forth in Section I.A.9 of the Plan. All Letters of Credit outstanding on the Effective Date shall not be compromised but instead, on the Effective Date, shall be terminated and surrendered to the issuer thereof, or the Lenders shall have received back-to-back letters of credit in respect of such outstanding Letters of Credit, in each case having a stated amount equal to 105.0% of the stated amount of such outstanding Letters of Credit and in form and substance satisfactory to the applicable Requisite Lenders and issued by an issuer acceptable to the applicable Requisite Lenders, in each case in the sole discretion of the applicable Requisite Lenders. In connection with any such back-to-back Letters of Credit, the Lenders shall be entitled to receive reimbursement only for the amounts of any post-Effective Date drawings under any Letter of Credit together with any post-Effective Date interest thereon and post-Effective Date costs, expenses or fees in connection therewith (other than commitment fees or other similar credit-based fees as provided in Section 5.06(1) of the Prepetition Credit Facility). The Debtors: (a) agree to use their best efforts, after the Effective Date, to cause all such outstanding Letters of Credit to be terminated, surrendered and replaced; and (b) acknowledge that the issuer thereof shall have no obligation to renew or roll-over any such Letters of Credit upon the expiration thereof.

Nothing contained in Section IV.F or otherwise in the Plan, but in all respects subject to Section IV.G.5 of the Plan, shall prohibit or preclude the Prepetition Noteholders or the Bondholder Class Members from enforcing any rights against any person (other than (a) the Debtors and their direct and indirect subsidiaries, (b) CIBC, the Program Manager, the Bridge Lenders, the Lenders, the Prior Lenders and their respective assignees, officers, directors, affiliates (as defined in Section 101(2) of the Bankruptcy Code), agents or advisors, in each case in connection with extensions of credit and credit accommodations to the Debtors and their direct and indirect subsidiaries under the Prepetition Credit Facility, the Original Credit Agreement and the Bridge Facility only, and (c) the Swap Counterparty) in respect of the Reserved Claims; *provided*, *however*, that any Claims against the Debtors and their direct and indirect subsidiaries covered by available insurance are preserved, but only to the extent of the available insurance coverage; and *provided further* that nothing set forth in Section IV.F.4 of the Plan shall preclude (a) any party from seeking to implement a settlement of any or all of the Reserved Claims through, among other things, the discharge and release of such Reserved Claims under Section IV.G.5 of the Plan and (b) any

Prepetition Noteholder or the Bondholder Class Members from pursuing Reserved Claims against any of the Named Defendants.

Notwithstanding any other provision of the Plan or Confirmation Order, any professionals retained by the Subcommittees will be entitled to payment of reasonable fees and expenses, as Administrative Claims, in accordance with the Cross-Border Protocol and as part of the consideration to be provided to the Lenders and the Prepetition Noteholders in connection with the resolution of the Guaranty Coverage Dispute and the implementation of the Guaranty Coverage Dispute Settlement, as authorized by the Bankruptcy Court Order Authorizing (A) The Amendment of a Trust Agreement and Certain Payments Under Director and Officer Claim Treatment Letter Pursuant to Section 363 of the Bankruptcy Code, and (B) Payment of Subcommittees' Expenses Pursuant to Sections 363 and 105 of the Bankruptcy Code, dated September 28, 2001. In addition, on the Effective Date, the Debtors shall pay Cash in full for all reasonable outstanding fees and expenses of the Administrative Agent arising prior to the Petition Date and through the Effective Date and due and payable in accordance with the terms of the Prepetition Credit Facility.

Releases and Related Injunction

As of the Effective Date, in consideration for the obligations of the Debtors, the Reorganized Debtors, their Estates and New LINC under the Plan and the Cash, New Common Stock and other contracts, instruments, releases, agreements or documents to be entered into, or delivered in connection with, the Plan, (a) each holder of a Claim or Interest that votes in favor of the Plan and (b) each entity that has held, holds or may hold a Claim or Interest or at any time was a creditor or stockholder of any of the Debtors and that does not vote on the Plan or votes against the Plan, to the fullest extent permissible under applicable law, as such law may be extended subsequent to the Effective Date, will be deemed to forever release, waive and discharge all claims (as such term is defined in Section 101(5) of the Bankruptcy Code, including Derivative Claims), obligations, suits, judgments, damages, demands, debts, rights, causes of action, liabilities, rights of contribution and rights of indemnification (other than the right to enforce New LINC's, the Debtors' or the Reorganized Debtors' obligations under the Plan and the contracts, instruments, releases, agreements and documents executed and delivered thereunder), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on, or prior to, the Effective Date in any way relating to a Debtor, the Reorganization Cases or the Plan that such entity has, had or may have against any Debtor, the members of the Creditors' Committee, the members of the Subcommittees, the Lenders, CIBC, the Bridge Lenders, the Prior Lenders, the Program Manager, the Swap Counterparty, the Prepetition Noteholders, the 1995 Noteholders, the Indenture Trustees, Ernst & Young Inc. (in its capacity as Monitor and Information Officer in the CCAA Cases) and each of their respective present or former directors, officers, employees, attorneys, accountants, underwriters, investment bankers, financial advisors and agents, acting in such capacity (which release will be in addition to the discharge of Claims and termination of Interests provided in the Plan and under the Confirmation Order and the Bankruptcy Code); *provided*, *however*, that the release of claims and causes of action provided in Section IV.G.1 of the Plan will not apply to the Debtors' underwriters and auditors or to the Reserved Claims, and the releases set forth in Sections IV.G.3, IV.G.4 and IV.G.5 of the Plan shall govern releases among the releasing and released parties specified therein.

Insofar as the releases and related injunctions described above purport to discharge and release the third-party liabilities of non-Debtors, the staff of the SEC views these provisions of the Plan as being inconsistent with Section 524(e) of the Bankruptcy Code. The staff of the SEC may object to Confirmation of the Plan on these grounds. The Debtors believe that these provisions are permissible under the Bankruptcy Code.

As of the Effective Date, in consideration for the obligations of the Lenders, CIBC, the Bridge Lenders, the Prior Lenders, the Program Manager, the Swap Counterparty, the Prepetition Noteholders, the 1995 Noteholders, the Indenture Trustees and Ernst & Young Inc. (in its capacity as Monitor and Information Officer in the CCAA Cases), the Debtors and their estates, to the fullest extent permissible under applicable law, as such law may be extended subsequent to the Effective Date, will be deemed to forever release, waive and discharge all claims (as such term is defined in Section 101(5) of the Bankruptcy Code, including Derivative Claims), obligations, suits, judgments, damages, demands, debts, rights, causes of action, liabilities, rights of contribution and rights of indemnification, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on, or prior to, the Effective Date in any way relating to a

Debtor, the Reorganization Cases, the Plan, the Prepetition Credit Facility, the Original Credit Agreement, the Bridge Facility, the Prepetition Indentures or the 1995 Indenture that the Debtors have, had or may have against the Lenders, CIBC, the Bridge Lenders, the Prior Lenders, the Program Manager, the Swap Counterparty, the Prepetition Noteholders, the 1995 Noteholders, the Indenture Trustees, Ernst & Young Inc. (in its capacity as Monitor and Information Officer in the CCAA Cases), and each of their respective present or former directors, officers, employees, attorneys, accountants, underwriters, investment bankers, financial advisors and agents, acting in such capacity.

As of the Effective Date, in consideration for the obligations of the Prepetition Noteholders, the 1995 Noteholders and the Indenture Trustees, the Lenders, CIBC, the Bridge Lenders, the Prior Lenders, the Program Manager and the Swap Counterparty, to the fullest extent permissible under applicable law, as such law may be extended subsequent to the Effective Date, will be deemed to forever release, waive and discharge all claims (as such term is defined in Section 101(5) of the Bankruptcy Code, including Derivative Claims), obligations, suits, judgments, damages, demands, debts, rights, causes of action, liabilities, rights of contribution and rights of indemnification, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on, or prior to, the Effective Date in any way relating to a Debtor, the Reorganization Cases, the Plan, the Prepetition Credit Facility, the Original Credit Agreement, the Bridge Facility, the Prepetition Indentures or the 1995 Indenture that the releasing parties under Section IV.G.3 of the Plan have, had or may have against the Prepetition Noteholders, the 1995 Noteholders, the Indenture Trustees and each of their respective present or former directors, officers, employees, attorneys, accountants, underwriters, investment bankers, financial advisors and agents, acting in such capacity.

As of the Effective Date, in consideration for the obligations of the Lenders, CIBC, the Bridge Lenders, the Prior Lenders, the Program Manager and the Swap Counterparty, the Prepetition Noteholders, the 1995 Noteholders and the Indenture Trustees, to the fullest extent permissible under applicable law, as such law may be extended subsequent to the Effective Date, will be deemed to forever release, waive and discharge all claims (as such term is defined in Section 101(5) of the Bankruptcy Code, including Derivative Claims), obligations, suits, judgments, damages, demands, debts, rights, causes of action, liabilities, rights of contribution and rights of indemnification, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on, or prior to, the Effective Date in any way relating to a Debtor, the Reorganization Cases, the Plan, the Prepetition Credit Facility, the Original Credit Agreement or the Bridge Facility that the Prepetition Noteholders, the 1995 Noteholders and the Indenture Trustees have, had or may have against the Lenders, CIBC, the Bridge Lenders, the Prior Lenders, the Program Manager, the Swap Counterparty and each of their respective present or former directors, officers, employees, attorneys, accountants, underwriters, investment bankers, financial advisors and agents, acting in such capacity; *provided*, *however*, that the release of claims and causes of action provided in Section IV.G.4 of the Plan will not apply to the Reserved Claims.

As of the Effective Date, to the extent contemplated by and consistent with the terms of the D&O Claim Treatment Letter, the Debtors will be deemed to forever release, waive and discharge all claims (as such term is defined in Section 101(5) of the Bankruptcy Code, including Derivative Claims), obligations, suits, judgments, damages, demands, debts, rights, causes of action, liabilities, rights of contribution and rights of indemnification, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on, or prior to, the Effective Date in any way relating to a Debtor, the Reorganization Cases, the Plan, the Prepetition Credit Facility, the Original Credit Agreement, the Bridge Facility, the Prepetition Notes, the Prepetition Indentures, the 1995 Notes or the 1995 Indentures that the Debtors have, had or may have against their respective present or former directors, officers or employees, so long as such released person acted honestly and in good faith with a view to the best interests of the Laidlaw Companies in relation to such act, omission, transaction or other occurrence; *provided*, *however*, that any claims against any of the current or former directors, officers or employees of the Debtors and their direct and indirect subsidiaries covered by available insurance are preserved, but only to the extent of the available insurance coverage; and *provided further* that, other than with respect to John R. Grainger, James R. Bullock, Leslie W. Haworth and Peter N.T. Widdrington, the releases provided by Section IV.G.5.a of the Plan shall not apply to any former director, officer or employee of any of the Debtors who is or was a director, officer or employee of any of the Safety-Kleen Entities.

Following the Effective Date and upon the consummation of a settlement agreement resolving any disputes between or among the Debtors and the Safety-Kleen Entities and the Claims of Toronto Dominion (on behalf of itself as a Safety-Kleen Lender and as administrative agent for the Safety-Kleen Lenders), the Lenders, CIBC, the Bridge Lenders, the Prior Lenders, the Program Manager, the Swap Counterparty, the Prepetition Noteholders, the 1995 Noteholders and the Indenture Trustees, solely in such capacity, will be deemed to forever release, waive and discharge all claims (as such term is defined in Section 101(5) of the Bankruptcy Code, including Derivative Claims), obligations, suits, judgments, damages, demands, debts, rights, causes of action, liabilities, rights of contribution and rights of indemnification, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence, other than fraud, gross negligence or willful misconduct, taking place on, or prior to, the Effective Date in any way relating to the disputes so settled between or among the Debtors and the Safety-Kleen Entities and the Claims of Toronto Dominion (on behalf of itself as a Safety-Kleen Lender and as administrative agent for the Safety-Kleen Lenders) that the Lenders, CIBC, the Bridge Lenders, the Prior Lenders, the Program Manager, the Swap Counterparty, the Prepetition Noteholders, the 1995 Noteholders or the Indenture Trustees, solely in such capacity, have, had or may have against the Debtors' respective present or former directors, officers or employees solely with respect to the claims or causes of action that are so settled; *provided, however,* that such settlement must be consented to by the Subcommittees if consummated on or before the Effective Date, and by the New LINC Board of Directors if consummated after the Effective Date; *provided*, *further*, that any claims against any of the Debtors, their direct or indirect subsidiaries and their respective current and former directors, officers or employees covered by available insurance are preserved, but only to the extent of the available insurance coverage; and *provided further* that, other than with respect to John R. Grainger, James R. Bullock, Leslie W. Haworth and Peter N.T. Widdrington, the releases provided by Section IV.G.5.b of the Plan shall not apply to any former director, officer or employee of any of the Debtors who is or was a director, officer or employee of any of the Safety-Kleen Entities.

Following the Effective Date and upon the consummation of a settlement agreement resolving some or all of the Subordinated Litigation Claims, the Lenders, CIBC, the Bridge Lenders, the Prior Lenders, the Program Manager, the Swap Counterparty, the Prepetition Noteholders, the 1995 Noteholders and the Indenture Trustees, solely in such capacity, will be deemed to forever release the Debtors' respective present or former directors, officers or employees from the Subordinated Litigation Claims that are so settled, other than fraud, gross negligence or willful misconduct; *provided, however,* that such settlement must be consented to by the Subcommittees if consummated on or before the Effective Date and by the New LINC Board of Directors if consummated after the Effective Date; *provided*, *further*, that any claims against any of the Debtors, their direct and indirect subsidiaries and their respective current and former directors, officers or employees covered by available insurance are preserved, but only to the extent of the available insurance coverage; and *provided further* that, other than with respect to John R. Grainger, James R. Bullock, Leslie W. Haworth and Peter N.T. Widdrington, the releases provided by Section IV.G.5.c of the Plan shall not apply to any former director, officer or employee of any of the Debtors who is or was a director, officer or employee of any of the Safety-Kleen Entities.

As further provided in Section IX.B of the Plan, the Confirmation Order will permanently enjoin the commencement or prosecution by any person or entity, whether directly, derivatively or otherwise, of any claims (as such term is defined in Section 101(5) of the Bankruptcy Code, including Derivative Claims), obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities released pursuant to the Plan.

The Debtors, New LINC and the Reorganized Debtors, as applicable, are authorized to, and will, take all actions provided for in the D&O Claim Treatment Letter.

The Debtors, New LINC and the Reorganized Debtors, as applicable, are authorized to take all actions provided for in the Safety-Kleen Settlement Agreement and the Bondholder Settlement Agreement.

The Debtors, New LINC and the Reorganized Debtors, as applicable, are authorized to take all actions provided for in the PBGC Agreement. Under the PBGC Agreement, the PBGC has agreed to withdraw, as of the Effective Date, all claims filed by the PBGC with respect to the Pension Plans.

The treatment of the 1995 Noteholder Claims as provided in Section III.C.3 of the Plan and the distributions contemplated thereby shall constitute a compromise and settlement of all Claims against the Estates asserted by the holders of the 1995 Noteholder Claims, which compromise and settlement shall be approved by the Bankruptcy Court as part of the Confirmation Order, pursuant to Bankruptcy Rule 9019.

The Debtors will reimburse Sunrise Partners LLC for reasonable legal and financial advisory fees and expenses up to an aggregate amount of $400,000.00 associated with the dispute between the Debtors and the holders of the 1995 Noteholder Claims concerning the treatment of such Claims under the Plan.

Limitations on Amounts to Be Distributed to Holders of Allowed Insured Claims

Other than with respect to Reserved Claims, distributions under the Plan to each holder of an Allowed Insured Claim will be in accordance with the treatment provided under the Plan for the Class in which such Allowed Insured Claim is classified, but solely to the extent that such Allowed Insured Claim is not satisfied from proceeds payable to the holder thereof under any pertinent insurance policies and applicable law. Nothing set forth in the Plan will constitute a waiver of any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities that any entity may hold against any of the Debtors' insurance carriers.

Cancellation and Surrender of Instruments, Securities and Other Documentation

Except as provided in the Plan or any contract, instrument or other agreement or document entered into or delivered in connection with the Plan, on the Effective Date and concurrently with the applicable distributions to be made pursuant to Article III of the Plan, the Prepetition Indentures, the Prepetition Notes, the 1995 Indenture, the 1995 Notes and all promissory notes or other similar instruments, if any, issued pursuant to the Prepetition Credit Facility will be canceled and of no further force and effect, without any further action on the part of New LINC, any Debtor or Reorganized Debtor. Pursuant to the CCAA Order, the Old Common Stock of LINC and the Old Preferred Stock of LINC shall be deemed canceled and of no further force and effect on the Effective Date. The holders of, or parties to, such canceled instruments, securities and other documentation will have no rights arising from or relating to such instruments, securities and other documentation or the cancellation thereof, except the rights provided under the Plan; *provided*, *however*, that no distribution under the Plan will be made to, or on behalf of, any holder of an Allowed Claim evidenced by such canceled instruments or securities unless and until such instruments or securities are received by the applicable Disbursing Agent to the extent required in Section VI.J of the Plan.

New Tax Sharing Agreement

Subject to the consent of the Subcommittees, as of the Effective Date, the Reorganized Debtors and certain of the other Laidlaw Companies will enter into the New Tax Sharing Agreement substantially in the form of Exhibit IX to the Plan, which agreement will, among other things, allocate among the parties thereto responsibility for any Tax obligations and rights to any Tax benefits arising from and after the Effective Date.

Release of Liens

Except as otherwise provided in the Plan, including Section IV.F.3 of the Plan, or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, on the Effective Date and concurrently with the applicable distributions to be made pursuant to Article III of the Plan, all mortgages, deeds of trust, liens or other security interests against the property of any Estate will be deemed fully released and discharged, and all of the right, title and interest of any holder of such mortgages, deeds of trust, liens or other security interests, including any rights to any collateral thereunder, will revert to New LINC or the applicable Reorganized Debtor and its successors and assigns.

Effectuating Documents; Further Transactions; Exemption from Certain Transfer Taxes

The Chairman of the Board, Chief Executive Officer, President, Executive Vice President, Chief Financial Officer, Senior Vice President, any Vice President or any other such officer (as determined by the New LINC Board of Directors) of New LINC, each Debtor or each Reorganized Debtor will be authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement applicable provisions of the Plan. The Secretary or any Assistant Secretary of New LINC, each Debtor or each Reorganized Debtor will be authorized to certify or attest to any of the foregoing actions. Pursuant to Section 1146(c) of the Bankruptcy Code, the following will not be subject to any stamp tax, real estate transfer tax or similar tax: (a) the issuance, transfer or exchange of New Common Stock; (b) the creation of any mortgage, deed of trust, lien or other security interest; (c) the making or assignment of any lease or sublease; (d) the execution and delivery of the Exit Financing Facility, the issuance and sale of the New LINC Notes, and any contract, instrument, release or other agreement or document contemplated thereby; (e) any Restructuring Transaction; or (f) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including any merger agreements, continuance certificates, agreements of consolidation, restructuring, disposition, liquidation or dissolution, deeds, conveyances, transfers, bills of sale, or assignments executed in connection with any transaction contemplated by the Plan, including any Restructuring Transaction.

Continuation of Debtor Guaranties and Debtor Programs

From and after the Effective Date, New LINC and the Reorganized Debtors will continue to honor the Debtor Guaranties listed on Exhibit III to the Plan. Notwithstanding the entry of the Confirmation Order, the Debtor Guaranties will remain in full force and effect for the remainder of their respective stated terms.

From and after the Effective Date, New LINC and the Reorganized Debtors will continue to honor and perform the Debtor Programs listed on Exhibit IV to the Plan. To the extent that any of the Debtor Programs constitutes an executory contract, the Debtors will assume such Debtor Program pursuant to Section V.A of the Plan.

Cross-Border Issues

The Debtors have coordinated their reorganization efforts between the United States and Canada. One component of these efforts has been the development of the Cross-Border Insolvency Protocol for LINC and its affiliates (the "Protocol"). The Debtors with their counsel in the Reorganization Cases and the CCAA Cases have developed the Protocol, and the Debtors filed a motion to approve the Protocol on the Petition Date (the "Protocol Motion"). The Protocol Motion was approved by the Canadian Court on August 10, 2001 and the Bankruptcy Court on August 20, 2001.

The terms of the Protocol are designed to achieve three core goals. First, the Protocol is designed to harmonize and coordinate activities in the Reorganization Cases and the CCAA Cases (collectively, the "Insolvency Proceedings") before the Bankruptcy Court and the Canadian Court, thereby promoting the orderly and efficient administration of the Insolvency Proceedings. Such coordination is essential and will, among other things, maximize the efficiency of the Insolvency Proceedings, reduce the costs associated with the Insolvency Proceedings and avoid duplication of effort. Second, the Protocol is designed to (a) honor the independence and integrity of the Bankruptcy Court and the Canadian Court as well as other courts and tribunals of the United States and Canada and (b) promote international cooperation and respect for comity among the Bankruptcy Court, the Canadian Court, the Debtors and their creditors and other interested parties in the Insolvency Proceedings. Finally, by providing for appropriate notice to all key constituencies of matters arising in the Insolvency Proceedings, the Protocol is designed to facilitate the fair, open and efficient administration of the Insolvency Proceedings for the benefit of all of the Debtors' creditors and other interested parties.

Executory Contracts and Unexpired Leases

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into in connection with the Plan or as part of the Restructuring Transactions, on the Effective Date, pursuant to Section 365 of the Bankruptcy Code, the applicable Debtor or Debtors will assume, or assume and assign, as indicated, each of the Executory Contracts and Unexpired Leases listed on Exhibit XX to the Plan; *provided, however,* that the Debtors reserve the right, subject to the consent of the Subcommittees, at any time prior to the Effective Date, to amend Exhibit XX to the Plan to: (a) delete any Executory Contract or Unexpired Lease listed therein, thus providing for its rejection pursuant to Section V.C of the Plan; or (b) add any Executory Contract or Unexpired Lease thereto, thus providing for its assumption or assumption and assignment pursuant to Section V.A.1 of the Plan. The Debtors will provide notice of any amendments to Exhibit XX to the Plan to the parties to the Executory Contracts or Unexpired Leases affected thereby and to the parties on the then-applicable service list in the Reorganization Cases (including counsel to each of the Subcommittees). Each contract and lease listed on Exhibit XX to the Plan will be assumed only to the extent that any such contract or lease constitutes, as of the Effective Date, an Executory Contract or Unexpired Lease. Listing a contract or lease on Exhibit XX to the Plan will not constitute an admission by a Debtor or Reorganized Debtor that such contract or lease (including any related agreements as described in Section V.A.2 of the Plan) is an Executory Contract or Unexpired Lease or that a Debtor or Reorganized Debtor has any liability thereunder.

Each Executory Contract and Unexpired Lease listed on Exhibit XX to the Plan, including each Real Property Executory Contract and Unexpired Lease, will include any modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such contract or lease, irrespective of whether such agreement, instrument or other document is listed on Exhibit XX to the Plan, unless any such modification, amendment, supplement, restatement or other agreement is rejected pursuant to Section V.C of the Plan and is listed on Exhibit XXI to the Plan.

As of the effective time of any applicable Restructuring Transaction, any Executory Contract or Unexpired Lease (including any related agreements as described in Section V.A.2 of the Plan) to be held by New LINC, any Reorganized Debtor or another surviving, resulting or acquiring corporation in such Restructuring Transaction, will be deemed assigned to the applicable entity, pursuant to Section 365 of the Bankruptcy Code.

The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumptions and assignments described in Sections V.A and V.E of the Plan, pursuant to Section 365 of the Bankruptcy Code, as of the Effective Date. An order of the Bankruptcy Court entered on or prior to the Confirmation Date will specify the procedures for providing notice to each non-Debtor party to any Executory Contract or Unexpired Lease being assumed or assumed and assigned pursuant to the Plan of: (a) the contract or lease being assumed or assumed and assigned; (b) the Cure Amount Claim, if any, that the applicable Debtor believes it is obligated to pay in connection with such assumption; and (c) the procedures for such party to object to the assumption or assumption and assignment of the applicable contract or lease or the amount of the proposed Cure Amount Claim.

To the extent that such Claims constitute monetary defaults, the Cure Amount Claims associated with each Executory Contract and Unexpired Lease to be assumed or assumed and assigned pursuant to the Plan will be satisfied, pursuant to Section 365(b)(1) of the Bankruptcy Code, at the option of the Debtor assuming such contract or lease or the assignee of such Debtor, if any: (a) by payment of the Cure Amount Claim in Cash on the Effective Date or (b) on such other terms as are agreed to by the parties to such Executory Contract or Unexpired Lease. If there is a dispute regarding (a) the amount of any Cure Amount Claim, (b) the ability of New LINC, the applicable Reorganized Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of Section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to assumption or assumption and assignment of such contract or lease, the payment of any Cure Amount Claim required by Section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order resolving the dispute and approving the assumption. For assumptions of Executory Contracts or Unexpired Leases between the Debtors, the Reorganized Debtor assuming such contract may cure any monetary default (a) by treating such amount as either a direct or indirect contribution to capital or distribution (as appropriate) or (b) through an intercompany account balance in lieu of payment in Cash.

On the Effective Date, except for an Executory Contract or Unexpired Lease that was previously assumed, assumed and assigned or rejected by an order of the Bankruptcy Court or that is assumed or assumed and assigned pursuant to Section V.A of the Plan (including any related agreements assumed or assumed and assigned pursuant to Section V.A.2 of the Plan), each Executory Contract and Unexpired Lease entered into by a Debtor prior to the Petition Date that has not previously expired or terminated pursuant to its own terms will be rejected pursuant to Section 365 of the Bankruptcy Code. The Executory Contracts and Unexpired Leases to be rejected will include the Executory Contracts and Unexpired Leases listed on Exhibit XXI to the Plan. Each contract and lease rejected pursuant to Section V.C of the Plan will be rejected only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. Listing a contract or lease on Exhibit XXI to the Plan will not constitute an admission by a Debtor or Reorganized Debtor that such contract or lease (including related agreements as described in Section V.A.2 of the Plan) is an Executory Contract or Unexpired Lease or that a Debtor or Reorganized Debtor has any liability thereunder. Any Executory Contract and Unexpired Lease entered into by the Debtors prior to the Petition Date and not listed on Exhibit XXI to the Plan and not previously assumed, assumed and assigned or rejected by an order of the Bankruptcy Court will be rejected irrespective of whether such contract is listed on Exhibit XXI to the Plan. The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections, pursuant to Section 365 of the Bankruptcy Code, as of the Effective Date.

Notwithstanding anything in the Bar Date Order to the contrary, if the rejection of an Executory Contract or Unexpired Lease pursuant to Section V.C of the Plan gives rise to a Claim by the other party or parties to such contract or lease, such Claim will be forever barred and will not be enforceable against New LINC, the Debtors, the Reorganized Debtors, their respective successors or their respective properties unless a proof of Claim is Filed and served on the Reorganized Debtors, pursuant to the procedures specified in the Confirmation Order and the notice of the entry of the Confirmation Order or another order of the Bankruptcy Court, no later than 30 days after the Effective Date.

Except as otherwise provided in the Plan or the D&O Claim Treatment Letter, on the Effective Date, in accordance with Section III.D of the Plan, any Allowed Secondary Liability Claim arising from or related to any Debtor's joint or several liability for the obligations under or with respect to: (a) any Executory Contract or Unexpired Lease that is being assumed or deemed assumed pursuant to Section 365 of the Bankruptcy Code by another Debtor; (b) any Executory Contract or Unexpired Lease that is being assumed and assigned to New LINC or another Debtor; or (c) a Reinstated Claim, will be Reinstated. Accordingly, such Allowed Secondary Liability Claims will survive and be unaffected by entry of the Confirmation Order.

Contracts and leases entered into after the Petition Date by any Debtor, and any Executory Contracts and Unexpired Leases assumed by New LINC or any Debtor, will be performed by New LINC or the Debtor or Reorganized Debtor liable thereunder in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order. A Debtor shall not enter into any contract or lease after the Petition Date that is inconsistent with the terms of the Plan.

DISTRIBUTIONS UNDER THE PLAN

General

Except as otherwise provided in Article VI of the Plan, distributions of Cash and New Common Stock to be made on the Effective Date to holders of Claims that are allowed as of the Effective Date will be deemed made on the Effective Date if made on the Effective Date or as promptly thereafter as practicable, but in any event no later than: (a) 60 days after the Effective Date or (b) such later date when the applicable conditions of Section V.B of the Plan (regarding cure payments for Executory Contracts and Unexpired Leases being assumed), Section VI.E.2 of the Plan (regarding undeliverable distributions) or Section VI.J of the Plan (regarding surrender of canceled instruments and securities) are satisfied. Distributions on account of Claims that become Allowed Claims after the Effective Date will be made pursuant to Sections VI.H and VII.C of the Plan. All distributions to holders of Allowed Claims in Classes entitled to distributions under the Plan shall be allocated first to the principal amount of the holder's Allowed Claim and, only if the entire principal amount of the holder's Allowed Claim has been paid, then to any unpaid fees and expenses associated with any such Allowed Claim and then to the unpaid pre-Effective Date interest (if any) on such Allowed Claim.

Methods of Distributions

The method of distributing the consideration provided for in the Plan is set forth in Article VI of the Plan and summarized below.

Distributions to Holders of Claims

LINC, New LINC or such Third Party Disbursing Agents as LINC or New LINC may employ in its reasonable discretion, will make all distributions of Cash, New Common Stock and other instruments or documents required under the Plan; *provided*, *however*, that LINC or New LINC shall make all distributions through CIBC and the Indenture Trustees, respectively, that are provided for in Section VI.E.1 of the Plan. Each Disbursing Agent will serve without bond, and any Disbursing Agent may employ or contract with other entities to make or assist in making the distributions required by the Plan.

Compensation and Reimbursement for Services Related to Distributions

Each Third Party Disbursing Agent providing services related to distributions pursuant to the Plan will receive from New LINC, without further Bankruptcy Court approval, reasonable compensation for such services and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services. These payments will be made on terms agreed to with New LINC and will not be deducted from distributions to be made pursuant to the Plan to holders of Allowed Claims (including any distributions of Cash Investment Yield) receiving distributions from a Third Party Disbursing Agent.

Delivery of Distributions in General

Except as provided in Section VI.E.2 of the Plan, distributions to holders of Allowed Claims will be made by a Disbursing Agent: (a) for Allowed Claims in a Class other than Classes 4 and 5A, at the addresses set forth on the respective proofs of Claim Filed by holders of such Claims; (b) for Allowed Claims in Class 4, to CIBC for distribution to the holders of Allowed Claims in Class 4 in accordance with the Prepetition Credit Facility; (c) for Allowed Claims in Class 5A, to the applicable Indenture Trustee for distribution to the holders of Allowed Claims in Class 5A in accordance with the applicable Prepetition Indenture; (d) at the addresses set forth in any written certification of address change delivered to the Disbursing Agent (including pursuant to a letter of transmittal delivered to a Disbursing Agent) after the date of Filing of any related proof of Claim; or (e) at the addresses reflected in the applicable Debtor's Schedules if no proof of Claim has been Filed and the Disbursing Agent has not received a written notice of a change of address.

Special Provisions for Distributions to Holders of Class 6 General Unsecured Claims

From and after the Effective Date, New Common Stock and Cash to be distributed on account of Allowed Claims in Class 6 (and any Cash generated from dividends, interest or other distributions thereon) (a) will be maintained by, and in the name of, the applicable Disbursing Agent in the Unsecured Claims Reserve in accordance with Section VI.D of the Plan and held in trust pending distribution by the Disbursing Agent for the benefit of the holders of such Claims, (b) will be accounted for separately and (c) will not constitute property of New LINC or any of the Reorganized Debtors, except as otherwise provided in the Plan. The Disbursing Agent will invest any Cash in a manner consistent with the Reorganized Debtors' investment and deposit guidelines. Distributions of Cash on account of each Allowed Claim in Class 6 will include a Pro Rata share of the Cash Investment Yield from such investment of Cash. New Common Stock to be issued and distributed on account of Allowed Claims in Class 6 will be deemed issued as of the Effective Date, irrespective of the date on which it actually is distributed.

Undeliverable or Unclaimed Distributions

If any distribution to a holder of an Allowed Claim is returned to a Disbursing Agent as undeliverable, no further distributions will be made to such holder unless and until the applicable Disbursing Agent is notified by written certification of such holder's then-current address. Subject to Section VI.E.2.c of the Plan, undeliverable distributions will remain in the possession of the applicable Disbursing Agent pursuant to Section VI.E.2.a.i of the Plan until such time as a distribution becomes deliverable. Undeliverable Cash (including dividends or other distributions on account of undeliverable New Common Stock) will be held in segregated bank accounts in the name of the applicable Disbursing Agent for the benefit of the potential claimants of such funds. Any Disbursing Agent holding undeliverable Cash will invest such Cash in a manner consistent with the Reorganized Debtors' investment and deposit guidelines. Undeliverable New Common Stock will be held by the applicable Disbursing Agent for the benefit of the potential claimants of such securities.

Pending the distribution of any Cash and New Common Stock, the applicable Disbursing Agent will cause all New Common Stock held by it in its capacity as Disbursing Agent (*i.e.*, all New Common Stock in the Unsecured Claims Reserve, whether relating to undeliverable distributions or simply undelivered distributions) to be (a) represented in person or by proxy at each meeting of the stockholders of New LINC, (b) voted in any election of directors of New LINC for the nominees recommended by the New LINC Board of Directors and (c) voted with respect to any other matter as recommended by the New LINC Board of Directors.

On each anniversary of the Effective Date that undeliverable distributions are being held on behalf of holders of Allowed Claims, the applicable Disbursing Agent will File with the Bankruptcy Court a list identifying all such holders.

On each Quarterly Distribution Date, the applicable Disbursing Agents will make all distributions that become deliverable to holders of Allowed Claims during the preceding calendar quarter. Each such distribution will include, to the extent applicable: (a) a Pro Rata share of dividends or other distributions, if any, that were previously paid to the Disbursing Agent in respect of any New Common Stock included in such distribution; and (b) a Pro Rata share of the Cash Investment Yield from the investment of any undeliverable Cash (including dividends or other distributions on undeliverable New Common Stock) from the date that such distribution would have first been due had it then been deliverable to the date that such distribution becomes deliverable.

Any holder of an Allowed Claim that does not assert a claim pursuant to the Plan for an undeliverable distribution to be made by a Disbursing Agent within two years after the later of (a) the Effective Date and (b) the last date on which a distribution was deliverable to such holder will have its claim for such undeliverable distribution discharged and will be forever barred from asserting any such claim against New LINC and the Reorganized Debtors or their respective property. In such cases with respect to Allowed Claims in Class 6: (a) unclaimed Cash and New Common Stock will be retained in the Unsecured Claims Reserve for Pro Rata redistribution to holders of Allowed Claims in Class 6, pursuant to Section VI.H.2.b of the Plan and subject to Section VI.D.3 of the Plan; and (b) for purposes of this redistribution, each Allowed Claim in Class 6 for which such distributions are undeliverable will be deemed disallowed in its entirety. In such cases with respect to Allowed Claims in any other Class, unclaimed Cash will be redistributed on a Pro Rata basis to the holders of Allowed Claims in Classes 4, 5A and 6, pursuant to Section VI.H of the Plan, free of any restrictions thereon, and any such Cash held by a Third Party Disbursing Agent will be redistributed in the same manner. All unclaimed shares of New Common Stock shall be returned to New LINC and any such shares of New Common Stock shall cease to be issued and outstanding. Nothing contained in the Plan will require any Debtor, Reorganized Debtor or Disbursing Agent to attempt to locate any holder of an Allowed Claim.

Distribution Record Date

A Disbursing Agent will have no obligation to recognize the transfer of, or the sale of any participation in, any Allowed Claim that occurs after the close of business on the Distribution Record Date and will be entitled for all purposes under the Plan to recognize and make distributions only to those holders of Allowed Claims that are holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date. Pursuant to the Plan, the Distribution Record Date will be the date that is 10 days following the Confirmation Date. In addition, as of the close of business on the Distribution Record Date, the respective transfer registers for the Prepetition Notes and the 1995 Notes, as maintained by the Debtors or the Indenture Trustees, will be closed. The applicable Disbursing Agent will have no obligation to recognize the transfer or sale of any Prepetition Noteholder Claim or 1995 Noteholder Claim that occurs after the close of business on the Distribution Record Date and will be entitled for all purposes under the Plan to recognize and make distributions only to those holders of Prepetition Noteholder Claims or 1995 Noteholder Claims who are holders of such Claims as of the close of business on the Distribution Record Date. Except as otherwise provided in a Final Order of the Bankruptcy Court, the transferees of Claims in Class 6 that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Distribution Record Date will be treated as the holders of such Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to such transfer has not expired by the Distribution Record Date.

Means of Cash Payments

Except as otherwise specified in the Plan, Cash payments made pursuant to the Plan will be in U.S. currency by checks drawn on a domestic bank selected by the applicable Debtor or Reorganized Debtor or, at the option of the applicable Debtor or Reorganized Debtor, by wire transfer from a U.S. bank; *provided, however,* that Cash payments to foreign holders of Allowed Unsecured Trade Debt Claims may be made, at the option of the applicable Debtor or Reorganized Debtor, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

Timing and Calculation of Amounts To Be Distributed

Subject to the provisions of Article VI of the Plan, including Section VI.D.3 of the Plan, which provisions provide for certain subsequent distributions, on the Effective Date, each holder of an Allowed Claim in a Class other than Class 6 will receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class. On each Quarterly Distribution Date, distributions also will be made, pursuant to Section VII.D of the Plan, to holders of Disputed Claims in any such Class that were allowed during the preceding calendar quarter. Such quarterly distributions also will be in the full amount that the Plan provides for Allowed Claims in the applicable Class.

The amount of distributions to be made on the Effective Date (subject to Section VI.A of the Plan) to holders of Allowed Claims in Class 6 on account of such Claims will be made from the Unsecured Claims Reserve and will be calculated as if each Disputed Claim in Class 6 were an Allowed Claim in its Face Amount. On each Quarterly Distribution Date, distributions also will be made, pursuant to Section VI.A.2 of the Plan, to holders of Disputed Claims in Class 6 that were allowed during the preceding calendar quarter. Such quarterly distributions also will be calculated pursuant to the provisions set forth in Section VI.H.2.a of the Plan.

On the fourth Quarterly Distribution Date and each Quarterly Distribution Date thereafter, each holder of a Claim previously allowed in Class 6 will receive an additional distribution from the Unsecured Claims Reserve on account of such Claim in an amount equal to: (a) the amount of Cash and New Common Stock that such holder would have been entitled to receive pursuant to Section VI.H.2.a of the Plan as if such Claim had become an Allowed Claim on the applicable Quarterly Distribution Date, *minus* (b) the aggregate amount of Cash and New Common Stock previously distributed on account of such Claim. Each such additional distribution also will include, on the basis of the amount then being distributed: (a) a Pro Rata share of any dividends or other distributions made on account of the Cash and New Common Stock held in the Unsecured Claims Reserve and (b) a Pro Rata share of the related Cash Investment Yield from the investment of any cash dividends, interest payments or other distributions in the Unsecured Claims Reserve, from the date such Cash was deposited into the Unsecured Claims Reserve to the date that such distribution is made.

Distributions of New Common Stock

Notwithstanding any other provision of the Plan, only whole numbers of shares of New Common Stock will be issued. When any distribution on account of an Allowed Claim in Class 6 would otherwise result in the issuance of a number of shares of New Common Stock that is not a whole number, the actual distribution of shares of such stock will be rounded to the next higher or lower whole number as follows: (a) fractions equal to or greater than ½ will be rounded to the next higher whole number and (b) fractions less than ½ will be rounded to the next lower whole number. The total number of shares of New Common Stock to be distributed on account of Allowed Claims will be adjusted as necessary to account for the rounding provided for in Section VI.H.3 of the Plan. No consideration will be provided in lieu of fractional shares that are rounded down.

De Minimis Distributions

No Disbursing Agent will distribute Cash to the holder of an Allowed Claim in an impaired Class if the amount of Cash to be distributed on account of such Claim is less than $25. Any holder of an Allowed Claim on account of which the amount of Cash to be distributed is less than $25 will have its claim for such distribution discharged and will be forever barred from asserting any such claim against New LINC and the Reorganized Debtors or their respective property. Any Cash not distributed pursuant to Section VI.H.4 of the Plan with respect to Claims in a Class other than Class 6 will be redistributed Pro Rata to the members of Classes 4, 5A and 6, pursuant to Sections VI.H.1 and VI.H.2 of the Plan, free of any restrictions thereon, and any such Cash held by a Third Party Disbursing Agent will be redistributed in the same manner. Any Cash not distributed pursuant to Section VI.H.4 of the Plan with respect to Allowed Claims in Class 6, including dividends, interest payments or other distributions made on account of Cash or New Common Stock held in the Unsecured Claims Reserve, will be retained in the Unsecured Claims Reserve for redistribution Pro Rata to holders of Allowed Claims in Class 6, pursuant to Section VI.H.2.b of the Plan and subject to Section VI.D.3 of the Plan. For purposes of this redistribution, each Allowed Claim in Class 6 for which distributions are less than $25 will have its claim for such distribution discharged and will be forever barred from asserting any such claim against the Unsecured Claims Reserve or otherwise.

Compliance with Tax Requirements

In connection with the Plan and consistent with Section VI.H.5 of the Plan, to the extent applicable, each Disbursing Agent will comply with all Tax withholding and reporting requirements imposed on it by any Governmental Unit, and all distributions pursuant to the Plan will be subject to such withholding and reporting requirements. Each Disbursing Agent will be authorized to take any actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Notwithstanding any other provision of the Plan (other than Sections VI.H.5.c, VI.H.5.d and VI.H.5.f of the Plan), each person receiving a distribution of Cash or New Common Stock pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed on it by any Governmental Unit on account of such distribution, including income, withholding and other Tax obligations. Neither LINC nor New LINC shall withhold any amount from any distribution to (a) CIBC, as set forth in Section VI.E.1 of the Plan, or (b) the applicable Indenture Trustee, as set forth in Section VI.E.1 of the Plan. LINC and New LINC agree to indemnify each Claimant for or against (i) any withholding Tax imposed on amounts distributed to any Claimant pursuant to the Plan (including any withholding Tax imposed on any indemnity payments made pursuant to Section VI.H.5.d of the Plan) other than (A) a backup withholding Tax or (B) a Non-indemnified Tax; and (ii) any Tax (other than withholding Tax) imposed on the receipt of an indemnity payment made under Section VI.H.5.d(i) of the Plan, and any utilization of deductions, net operating losses, capital losses, credits or similar Tax attributes resulting from the receipt of such indemnity payment. If Tax withholding applies to any indemnity payment made under Section VI.H.5.d of the Plan, the amount of such indemnity payment will be increased such that after making the required Tax withholding, the payee receives an amount equal to the amount it would have received had no such Tax withholding been made, no such Tax been paid and any such Tax attributes had not been utilized. If a payment made by LINC or New LINC pursuant to the Plan to or on behalf of a Claimant has been increased by a Gross-Up and the Claimant is able to apply for or otherwise take advantage of any Tax Credit, the Claimant will use commercially reasonable efforts to obtain the Tax Credit (whether by way of reducing taxes payable, receiving a Tax refund or otherwise), and shall repay to LINC or New LINC such amount (not exceeding the Gross-Up), if any, as is reasonably determined in the sole discretion of Claimant to be equal to the net after-Tax value to the Claimant of such Tax Credit. Any such reimbursement shall be *prima facie* evidence of the amount due to LINC or New LINC. Nothing contained in Section VI.H.5.e of the Plan shall interfere with the right of the Claimant to arrange its tax affairs in whatever manner it deems fit; in particular, the Claimant shall not be under any obligation to claim relief from its corporate profits or similar Tax liability in respect of any such Gross-Up payment in priority to any other reliefs, claims, credits or deductions available to it and the Claimant shall not be obligated to disclose to LINC or New LINC any information regarding its tax affairs.

The directors and officers of LINC and New LINC shall be fully indemnified by New LINC (1) for and against any obligation imposed on them by any Governmental Unit on account of any Tax imposed (or on account of any failure to withhold or remit Tax) in respect of distributions made or transactions undertaken pursuant to the Plan and (2) for and against any Tax imposed on them as a result of the receipt of an indemnity payment under Section VI.H.5.f of the Plan.

Without prejudice to the survival of any other agreement of LINC or New LINC under the Plan, the agreements and obligations of LINC and New LINC contained in Sections VI.H.5.c through VI.H.5.f of the Plan, inclusive, shall survive indefinitely.

Surrender of Canceled Instruments or Securities

As a condition precedent to receiving any distribution pursuant to the Plan on account of an Allowed Claim evidenced by the notes, instruments, securities or other documentation canceled pursuant to Section IV.J of the Plan, the holder of such Claim must tender, as specified in Section VI.J of the Plan, the applicable notes, instruments, securities or other documentation evidencing such Claim to the applicable Disbursing Agent, together with any letter of transmittal required by such Disbursing Agent. Pending such surrender, any distributions pursuant to the Plan on account of any such Claim will be treated as an undeliverable distribution pursuant to Section VI.E.2 of the Plan.

Except as provided in Section VI.J.2 of the Plan for lost, stolen, mutilated or destroyed Prepetition Notes and 1995 Notes, each holder of an Allowed Prepetition Noteholder Claim and an Allowed 1995 Noteholder Claim must tender the applicable Prepetition Notes and 1995 Notes to the applicable Disbursing Agent in accordance with a letter of transmittal to be provided to such holders by the Disbursing Agent as promptly as practicable following the Effective Date. The letter of transmittal will include, among other provisions, customary provisions with respect to the authority of the holder of the applicable Prepetition Notes and 1995 Notes to act and the authenticity of any signatures required thereon. All surrendered Prepetition Notes and 1995 Notes will be marked as canceled and delivered to the appropriate Reorganized Debtor.

Any holder of an Allowed Prepetition Noteholder Claim and an Allowed 1995 Noteholder Claim with respect to which the underlying Prepetition Note or 1995 Note, as the case may be, has been lost, stolen, mutilated or destroyed must, in lieu of surrendering such Prepetition Note or 1995 Note, deliver to the applicable Disbursing Agent: (a) evidence satisfactory to the Disbursing Agent of the loss, theft, mutilation or destruction and (b) such security or indemnity as may be required by the Disbursing Agent to hold the Disbursing Agent and New LINC and the Reorganized Debtors, as applicable, harmless from any damages, liabilities or costs incurred in treating such individual as a holder of a Prepetition Note or 1995 Note, as the case may be. Upon compliance with Section VI.J.2 of the Plan by a holder of an Allowed Prepetition Noteholder Claim, such holder will, for all purposes under the Plan, be deemed to have surrendered the applicable Prepetition Note or an Allowed 1995 Noteholder Claim.

Any holder of an Allowed Prepetition Noteholder Claim or an Allowed 1995 Noteholder Claim that fails to surrender or be deemed to have surrendered the applicable Prepetition Notes or 1995 Notes within two years after the Effective Date will have its right to distributions pursuant to the Plan on account of such Prepetition Noteholder Claim or 1995 Noteholder Claim discharged and will be forever barred from asserting any such Claim against New LINC and the Reorganized Debtors or their respective property. In such case, any Cash or New Common Stock held for distribution on account of such Prepetition Noteholder Note Claim or 1995 Noteholder Claim will be treated pursuant to the provisions set forth in Section VI.E.2.c of the Plan with respect to any Cash, and any New Common Stock will be returned to New LINC.

Setoffs

Except with respect to claims of a Debtor or Reorganized Debtor released pursuant to the Plan or any contract, instrument, release or other agreement or document entered into, or delivered in connection with the Plan, or any Claims arising under or with respect to the Prepetition Credit Facility, other than as provided for in Section IV.F.3 of the Plan, the Reorganized Debtors or, as instructed by the applicable Reorganized Debtor, a Third Party Disbursing Agent may, pursuant to Section 553 of the Bankruptcy Code or applicable nonbankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim (before any distribution is made on account of such Claim) the claims, rights and causes of action of any nature that the applicable Debtor or Reorganized Debtor may hold against the holder of such Allowed Claim; *provided, however, that* neither the failure to effect a setoff nor the allowance of any Claim under the Plan will constitute a waiver or release by the applicable Debtor or Reorganized Debtor of any claims, rights and causes of action that the Debtor or Reorganized Debtor may possess against such a Claim holder.

Disputed Claims; Reserves and Estimations

Notwithstanding any other provisions of the Plan, no payments or distributions will be made on account of a Disputed Claim until such Claim becomes an Allowed Claim. In lieu of distributions under the Plan to holders of Disputed Claims in Class 6, if allowed, the Unsecured Claims Reserves will be established on the Effective Date to hold property for the benefit of these Claim holders, as well as holders of Allowed Claims in Class 6. New LINC will fund the Unsecured Claims Reserve with Cash and New Common Stock, as described in Section VI.D.1 of the Plan.

Unsecured Claims Reserves

On the Effective Date, the Reserved Shares and Reserved Cash will be placed in the Unsecured Claims Reserve for the benefit of holders of Allowed Claims in Class 6. The Unsecured Claims Reserve will remain in full force and effect for three years from the Effective Date.

Each holder of an Allowed Claim (or a Disputed Claim that ultimately becomes an Allowed Claim) in Class 6 will have recourse only to the undistributed Cash and New Common Stock held in the Unsecured Claims Reserve for satisfaction of the distributions to which holders of Allowed Claims in Class 6 are entitled under the Plan, and not to New LINC or any Reorganized Debtor, its property or any assets previously distributed on account of any Allowed Claim. Cash dividends, interest payments and other distributions on account of New Common Stock and Cash held in the Unsecured Claims Reserve will be transferred to the Unsecured Claims Reserve concurrently with the transfer of such dividends, interest payments and other distributions to other holders of New Common Stock. Cash held in the Unsecured Claims Reserve as a result of such dividends and other distributions (a) will be deposited in a segregated bank account in the name of the applicable Disbursing Agent and held in trust pending distribution by the Disbursing Agent for the benefit of holders of Claims in Class 6, (b) will be accounted for separately and (c) will not constitute property of New LINC or the Reorganized Debtors, except as otherwise provided in the Plan. The Disbursing Agent will invest the Cash held in the Unsecured Claims Reserve in a manner consistent with the Reorganized Debtors' investment and deposit guidelines. The Disbursing Agent also will place in the Unsecured Claims Reserve the Cash Investment Yield from such investment of Cash.

If on a Quarterly Distribution Date, the Face Amount of Allowed Claims in Class 6 falls below the aggregate amount of Allowed Claims in Class 6 as estimated by the Bankruptcy Court, the amount of New Common Stock and Cash held in the Unsecured Claims Reserve will be reduced to an amount that would be distributable on a Pro Rata basis to holders of Allowed Claims in Class 6 as if the Bankruptcy Court's original estimate had been that reduced Face Amount. In such event, Cash in excess of the amount of the New Common Stock and Cash remaining in the Unsecured Claims Reserve, as reduced, will be redistributed on a Pro Rata basis to the holders of Allowed Claims in Classes 4, 5A and 6. Any excess New Common Stock shall be returned to New LINC and shall cease to be issued and outstanding.

Disallowance of Claims of Parties Holding Property Recoverable Pursuant to a Recovery Action

Notwithstanding any other provisions of the Plan, no payments or distributions will be made on account of any Claims of holders from which property is recoverable pursuant to a Recovery Action. Such Claims will be disallowed in their entirety until such time as such holder has paid the amount or turned over the property that is the subject of the Recovery Action.

Distributions on Account of Disputed Claims Once They Are Allowed

On each Quarterly Distribution Date, the applicable Disbursing Agent will make all distributions on account of any Disputed Claim that has become an Allowed Claim during the preceding calendar quarter. Such distributions will be made pursuant to the provisions of the Plan governing the applicable Class, including the incremental distribution provisions set forth in Section VI.H.2 of the Plan.

Tax Requirements for Income Generated by Unsecured Claims Reserve

The recovery of holders of Allowed Claims in Class 6 consists of the treatment set forth in the Plan and post-Effective Date interest on the Cash portion of such Claims, if any, at a rate determined by the Cash Investment Yield. Therefore, New LINC and the Reorganized Debtors and the holders of all Allowed Claims in Class 6 will treat Cash distributions of the Cash Investment Yield as interest for all income Tax purposes, and New LINC and the applicable Reorganized Debtor will cause such information returns to be issued to such holders consistent with this treatment as may be required by any Governmental Unit. New LINC and the applicable Reorganized Debtor will include in its Tax returns all items of income, deduction and credit of the Unsecured Claims Reserve; *provided*, *however*, that no distribution will be made to New LINC and the applicable Reorganized Debtor out of the Unsecured Claims Reserve as a result of this inclusion. The applicable Disbursing Agent will pay, or cause to be paid, out of the funds held in the Unsecured Claims Reserve, any Tax imposed on the Unsecured Claims Reserve (as opposed to the applicable Reorganized Debtor or the holders of Allowed Claims in Class 6) by any Governmental Unit with respect to income generated by the Cash and New Common Stock held in the Unsecured Claims Reserve. The applicable Disbursing Agent also will file or cause to be filed any Tax or information return related to the applicable Unsecured Claims Reserve that is required by any Governmental Unit.

Objections to Claims or Interests and Authority to Prosecute Objections

All objections to Claims filed prior to the Effective Date must be approved by the Subcommittees and Filed and served on the holders of such Claims by the Claims Objection Bar Date, and, if Filed prior to the Effective Date, such objections will be served on the parties on the then-applicable service list in the Reorganization Cases. If an objection has not been Filed to a proof of Claim or a scheduled Claim by the Claims Objection Bar Date, the Claim to which the proof of Claim or scheduled Claim relates will be treated as an Allowed Claim if such Claim has not been allowed earlier. An objection is deemed to have been timely Filed as to all Tort Claims, thus making each such Claim a Disputed Claim as of the Claims Objection Bar Date. Each such Tort Claim will remain a Disputed Claim until it becomes an Allowed Claim in accordance with Section I.A.14 of the Plan.

Subject to the consent of the Subcommittees, after the Confirmation Date and prior to the Effective Date, only the Debtors or the Reorganized Debtors will have the authority to File, settle, compromise, withdraw or litigate to judgment objections to Claims, including pursuant to any alternative dispute resolution or similar procedures approved by the Bankruptcy Court. After the Effective Date, the Reorganized Debtors may settle or compromise any Disputed Claim without approval of the Bankruptcy Court.

Dissolution of the Creditors' Committee and the Subcommittees

On the Effective Date, the Creditors' Committee will dissolve, and the members of the Creditors' Committee will be released and discharged from all duties and obligations arising from, or related to, the Reorganization Cases. The Professionals retained by the Creditors' Committee and the members thereof will not be entitled to assert any Fee Claim for any services rendered or expenses incurred after the Effective Date, except for services rendered and expenses incurred in connection with any application for allowance of compensation and reimbursement of expenses pending on the Effective Date or Filed and served after the Effective Date pursuant to Section III.A.1.f.ii of the Plan and in connection with any appeal of the Confirmation Order.

On the Dissolution Date, the Subcommittees will dissolve and the members of the Subcommittees will be released and discharged from all duties and obligations arising from or related to the Reorganization Cases. Notwithstanding anything in the Plan to the contrary, the professionals retained by the Subcommittees and the members thereof shall be paid by the Reorganized Debtors for any claim for any services rendered or expenses incurred after the Effective Date, through and including the Dissolution Date in accordance with Section IV.F.5 of the Plan, the Cross-Border Protocol and the provisions of the Bankruptcy Court Order Authorizing (A) The Amendment of a Trust Agreement and Certain Payments Under Director and Officer Claim Treatment Letter Pursuant to Section 363 of the Bankruptcy Code and (B) Payment of Subcommittees' Expenses Pursuant to Sections 363 and 105 of the Bankruptcy Code, dated September 28, 2001.

Limitation of Liability

New LINC, the Debtors, the Reorganized Debtors and their respective directors, officers, employees and professionals, acting in such capacity; CIBC, the Lenders, the Bridge Lenders, the Prior Lenders, the Program Manager, the Swap Counterparty, the Prepetition Noteholders, the 1995 Noteholders and the Indenture Trustees, and their respective directors, officers, employees and professionals, acting in such capacity; the Creditors' Committee and the Subcommittees, their respective members and professionals and each of their respective directors, officers, employees and professionals; and Ernst & Young Inc. (in its capacity as Monitor and Information Officer in the CCAA Cases) and its directors, officers, employees and professionals will neither have nor incur any liability to any entity for any act taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, implementation, Confirmation or consummation of the Plan, the Disclosure Statement, the Restructuring Transactions or any contract, instrument, release or other agreement or document created or entered into, or any other act taken or omitted to be taken, in connection with the Plan; provided, however, that the foregoing provisions will have no effect on: (a) the liability of any entity that would otherwise result from the failure to perform or pay any obligation or liability under the Plan or any contract, instrument, release or other agreement or document to be entered into or delivered in connection with the Plan or (b) the liability of any entity that would otherwise result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct.

Treatment of Letters of Credit Not Issued Under the Prepetition Credit Facility

All letters of credit not issued under the Prepetition Credit Facility outstanding on the Effective Date shall not be compromised but instead, on the Effective Date, shall be terminated and surrendered to the issuer thereof, or the issuing bank shall have received back-to-back letters of credit in respect of such outstanding letters of credit, in each case having a stated amount equal to 105% of the stated amount of such outstanding letters of credit and in form and substance satisfactory to the applicable issuing bank and issued by a new issuer acceptable to the applicable issuing bank, in each case in the sole discretion of the applicable issuing bank. In connection with any such back-to-back letters of credit, the issuing bank shall be entitled to receive reimbursement only for the amounts of any post-Effective Date drawings under any letter of credit together with any post-Effective Date interest thereon and post-Effective Date costs, expenses or fees in connection therewith. The Debtors: (a) agree to use their best efforts, after the Effective Date, to cause all letters of credit not issued under the Prepetition Credit Facility and outstanding on the Effective Date to be terminated, surrendered and replaced; and (b) acknowledge that the issuer thereof shall have no obligation to renew or roll over any such letters of credit upon the expiration thereof.

VOTING AND CONFIRMATION OF THE PLAN

General

To confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of findings concerning the Plan and the Debtors, including that:

- the Plan has classified Claims and Interests in a permissible manner;
- the Plan complies with the applicable provisions of the Bankruptcy Code;
- the Debtors have complied with the applicable provisions of the Bankruptcy Code;
- the Debtors, as proponents of the Plan, have proposed the Plan in good faith and not by any means forbidden by law;
- the disclosure required by Section 1125 of the Bankruptcy Code has been made;
- the Plan has been accepted by the requisite votes of creditors and equity interest holders (except to the extent that cramdown is available under Section 1129(b) of the Bankruptcy Code (see "— Confirmation" and "— Acceptance or Cramdown")), *provided*, *however*, the Debtors waive their right to seek Confirmation of the Plan over the rejection of the Plan by either the holders of Claims in Class 4 or Class 5A;
- the Plan is feasible and Confirmation will not likely be followed by the liquidation or the need for further financial reorganization of the Debtors or the Reorganized Debtors;
- the Plan is in the "best interests" of all holders of Claims or Interests in an impaired Class by providing to creditors or interest holders on account of such Claims or Interests property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a chapter 7 liquidation, unless each holder of a Claim or Interest in such Class has accepted the Plan;
- all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Effective Date;
- the Plan provides for the continuation after the Effective Date of all retiree benefits, as defined in Section 1114 of the Bankruptcy Code, at the level established at any time prior to Confirmation pursuant to Section 1114(e)(1)(B) or 1114(g) of the Bankruptcy Code, for the duration of the period that the applicable Debtor has obligated itself to provide such benefits; and
- the disclosures required under Section 1129(a)(5) concerning the identity and affiliations of persons who will serve as officers and directors of the Reorganized Debtors have been made.

The Plan constitutes a separate plan of reorganization for each Debtor. As such, in order to confirm the Plan as to any Debtor, the Bankruptcy Court will have to find compliance of the Plan with respect to each of the foregoing as to each such Debtor.

Voting Procedures and Requirements for Voting

Pursuant to the Bankruptcy Code, only classes of Claims against, or Interests in, a debtor that are "impaired" under the terms of a plan of reorganization are entitled to vote to accept or reject a plan. A class is "impaired" if the legal, equitable or contractual rights attaching to the Claims or Interests of that class are modified, other than by curing defaults and reinstating maturity. Classes of Claims and Interests that are not impaired are not entitled to vote on the Plan and are conclusively presumed to have accepted the Plan. In addition, Classes of Claims and Interests that receive no distributions under the Plan are not entitled to vote on the Plan and are deemed to have rejected the Plan unless such Class otherwise indicates acceptance. The classification of Claims and Interests is summarized, together with an indication of whether each Class of Claims or Interests is impaired or unimpaired, in "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests."

Pursuant to Section 502 of the Bankruptcy Code and Bankruptcy Rule 3018, the Bankruptcy Court may estimate and temporarily allow a Claim for voting or other purposes. By order of the Bankruptcy Court, certain vote tabulation rules have been approved that temporarily allow or disallow certain Claims for voting purposes only. These tabulation rules are described in the solicitation materials provided with your Ballot.

VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS OR IF YOU HOLD MULTIPLE GENERAL UNSECURED CLAIMS OR UNDER CERTAIN OTHER CIRCUMSTANCES, YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD COMPLETE, SIGN AND RETURN EACH BALLOT YOU RECEIVE.

PLEASE CAREFULLY FOLLOW ALL OF THE INSTRUCTIONS CONTAINED ON THE BALLOT PROVIDED TO YOU. ALL BALLOTS MUST BE COMPLETED AND RETURNED IN ACCORDANCE WITH THE INSTRUCTIONS PROVIDED.

TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY 5:00 P.M., EASTERN TIME, ON FEBRUARY 24, 2003 (OR SUCH OTHER TIME AND DATE IDENTIFIED ON YOUR BALLOT) AT THE ADDRESS SET FORTH ON THE PREADDRESSED ENVELOPE PROVIDED TO YOU. IT IS OF THE UTMOST IMPORTANCE TO THE DEBTORS THAT YOU VOTE PROMPTLY TO ACCEPT THE PLAN.

Votes cannot be transmitted orally. Accordingly, you are urged to return your signed and completed Ballot promptly.

IF ANY OF THE CLASSES OF HOLDERS OF IMPAIRED CLAIMS VOTE TO REJECT THE PLAN, (A) THE DEBTORS MAY SEEK TO SATISFY THE REQUIREMENTS FOR CONFIRMATION OF THE PLAN UNDER THE CRAMDOWN PROVISIONS OF SECTION 1129(b) OF THE BANKRUPTCY CODE, *PROVIDED*, *HOWEVER*, THE DEBTORS HAVE WAIVED THEIR RIGHT TO SEEK CONFIRMATION OF THE PLAN OVER THE REJECTION OF THE PLAN BY EITHER OR BOTH OF THE HOLDERS OF CLAIMS IN CLASS 4 AND CLASS 5A AND, IF REQUIRED, MAY AMEND THE PLAN TO CONFORM TO THE STANDARDS OF SUCH SECTION OR (B) THE PLAN MAY BE MODIFIED OR WITHDRAWN WITH RESPECT TO A PARTICULAR DEBTOR, WITHOUT AFFECTING THE PLAN AS TO OTHER DEBTORS, OR IN ITS ENTIRETY. See "— Acceptance or Cramdown" and "— Alternatives to Confirmation and Consummation of the Plan."

IF YOU ARE ENTITLED TO VOTE AND YOU DID NOT RECEIVE A BALLOT, RECEIVED A DAMAGED BALLOT OR LOST YOUR BALLOT, PLEASE CALL THE DEBTORS' VOTING AGENT, LOGAN & COMPANY, INC., AT (973) 509-3190.

Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on whether the Debtors have fulfilled the Confirmation requirements of Section 1129 of the Bankruptcy Code. The Confirmation Hearing has been scheduled for February 27, 2003 at 10:00 a.m., Eastern time, before the Honorable Michael J. Kaplan, U.S. Bankruptcy Judge for the Western District of New York, in the Judge's usual courtroom at the U.S. District Court for the Western District of New York, Olympic Towers, 300 Pearl Street, Suite 250, Buffalo, New York 14202. The

Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing. Any objection to Confirmation must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or Interest held by the objector. Any such objections must be Filed and served upon the persons designated in the notice of the Confirmation Hearing, in the manner and by the deadline described therein.

Confirmation

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the applicable requirements of Section 1129 of the Bankruptcy Code are met. Among the requirements for Confirmation are that the Plan: (a) is accepted by the requisite holders of Claims and Interests in impaired Classes of such Debtor or, if not so accepted, is "fair and equitable" and "does not discriminate unfairly" as to the nonaccepting Class; (b) is in the "best interests" of each holder of a Claim or Interest in each impaired Class under the Plan for such Debtor; (c) is feasible; and (d) complies with the applicable provisions of the Bankruptcy Code.

Acceptance or Cramdown

A plan is accepted by an impaired class of Claims if holders of at least two-thirds in dollar amount and a majority in number of Claims of that class vote to accept the plan. Only those holders of Claims who actually vote (and are entitled to vote) to accept or to reject a plan count in this tabulation. For purposes of determining whether the requisite approval has been received as to any Debtor, the votes in each Class in respect to each Debtor will be tabulated. In addition to this voting requirement, Section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a Claim or Interest in an impaired class or that the plan otherwise be found by the Bankruptcy Court to be in the best interests of each holder of a Claim or Interest in an impaired class. See "— Best Interests Test; Liquidation Analysis."

The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of Claims has accepted it. These so-called "cramdown" provisions are set forth in Section 1129(b) of the Bankruptcy Code. As indicated above, the Plan may be confirmed under the cramdown provisions if, in addition to satisfying the other requirements of Section 1129 of the Bankruptcy Code, it: (a) is "fair and equitable;" and (b) "does not discriminate unfairly" with respect to each Class of Claims or Interests that is impaired under, and has not accepted, the Plan. The "fair and equitable" standard, also known as the "absolute priority rule," requires, among other things, that, unless a dissenting Class of Unsecured Claims or a Class of Interests receives full compensation for its Allowed Claims or Allowed Interests, no holder of Allowed Claims or Interests in any junior Class may receive or retain any property on account of such Claims or Interests. With respect to a dissenting Class of Secured Claims, the "fair and equitable" standard requires, among other things, that holders either (a) retain their liens and receive deferred cash payments with a value as of the Effective Date equal to the value of their interest in property of the applicable Estate or (b) receive the indubitable equivalent of their Secured Claims. The "fair and equitable" standard has also been interpreted to prohibit any Class senior to a dissenting Class from receiving under a plan more than 100% of its Allowed Claims or Allowed Interests. The Debtors believe that, if necessary, the Plan may be crammed down over the dissent of certain Classes of Claims (other than Classes 4 and 5), in view of the treatment proposed for such Classes. If necessary and appropriate, the Debtors intend to modify the Plan to permit cramdown of dissenting Classes of Claims (other than Classes 4 and 5).

The requirement that the Plan not "discriminate unfairly" means, among other things, that a dissenting Class must be treated substantially equally with respect to other Classes of equal rank. The Debtors do not believe that the Plan unfairly discriminates against any Class that may not accept or otherwise consent to the Plan.

Any Class of Claims or Interests that receives nothing under the Plan are deemed to be dissenting Classes. As a result, in addition to any Class that does not vote to accept the Plan, the Debtors will, to the extent required, seek to use the "cramdown" provisions described above in respect to the Claims and Interests.

Subject to the conditions set forth in the Plan, a determination by the Bankruptcy Court that the Plan, as it applies to any particular Debtor, is not confirmable pursuant to Section 1129 of the Bankruptcy Code will not limit or affect: (a) the confirmability of the Plan as it applies to any other Debtor; or (b) the Debtors' ability to modify the Plan, as it applies to any particular Debtor, to satisfy the provisions of Section 1129(b) of the Bankruptcy Code.

Modification or Revocation of the Plan

Except as otherwise provided in the Guaranty Coverage Dispute Settlement Agreement, subject to the restrictions on modifications set forth in Section 1127 of the Bankruptcy Code and subject to the consent of the Subcommittees, the Debtors or the Reorganized Debtors, as applicable, reserve the right to alter, amend or modify the Plan before its substantial consummation. Except as otherwise provided in the Guaranty Coverage Dispute Settlement Agreement and subject to the consent of the Subcommittees, the Debtors also reserve the right to revoke or withdraw the Plan as to any or all of the Debtors prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan as to any or all of the Debtors, or if Confirmation as to any or all of the Debtors does not occur, then, with respect to such Debtors, the Plan will be null and void in all respects, and nothing contained in the Plan will:

- constitute a waiver or release of any Claims by or against, or any Interests in, such Debtors; or
- prejudice in any manner the rights of any Debtors or any other party.

Substantive Consolidation

The Debtors reserve the right to seek the entry of an order of the Bankruptcy Court providing for the substantive consolidation of some or all of the Debtors for the purpose of implementing the Plan, including for purposes of voting, Confirmation and distributions to be made under the Plan, subject to the right of any party in interest to object to such relief.

Best Interests Test; Liquidation Analysis

Notwithstanding acceptance of the Plan by each impaired Class, to confirm the Plan, the Bankruptcy Court must determine that the Plan is in the best interests of each holder of a Claim or Interest in any such impaired Class who has not voted to accept the Plan. Accordingly, if an impaired Class does not unanimously accept the Plan, the "best interests" test requires that the Bankruptcy Court find that the Plan provides to each member of such impaired Class a recovery on account of the member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the applicable Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

To estimate what members of each impaired Class of Claims or Interests would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code, the Bankruptcy Court must first determine the aggregate dollar amount that would be available if each of the Reorganization Cases were converted to a chapter 7 case under the Bankruptcy Code and each of the respective Debtor's assets were liquidated by a chapter 7 trustee (the "Liquidation Value"). The Liquidation Value of a Debtor would consist of the net proceeds from the disposition of the assets of the Debtor, augmented by any cash held by the Debtor.

The Liquidation Value available to holders of Unsecured Claims and Interests would be reduced by, among other things: (a) the Claims of secured creditors to the extent of the value of their collateral; (b) the costs, fees and expenses of the liquidation, as well as other administrative expenses of the Debtor's chapter 7 case; (c) unpaid Administrative Claims of the Reorganization Cases; and (d) Priority Claims and Priority Tax Claims. The Debtors' costs of liquidation in chapter 7 cases would include the compensation of trustees, as well as of counsel and of other professionals retained by such trustees, asset disposition expenses, applicable Taxes, litigation costs, Claims arising from the operation of the Debtors during the pendency of the chapter 7 cases and all unpaid Administrative Claims incurred by the Debtors during the Reorganization Cases that are allowed in the chapter 7 cases. The liquidation itself would trigger certain Priority Claims, such as Claims for severance pay, and would likely accelerate the payment of other Priority Claims and Priority Tax Claims that would otherwise be payable in the ordinary course of business. These Priority Claims and Priority Tax Claims would be paid in full out of the net liquidation proceeds, after payment of Secured Claims, before the balance would be made available to pay Unsecured Claims or to make any distribution in respect of Interests. The Debtors believe that the liquidation also would generate a significant increase in Unsecured Claims, such as Tax and other governmental Claims.

Based on the liquidation analyses set forth in Exhibit IV of this Disclosure Statement, the Debtors believe that holders of Claims will receive greater value as of the Effective Date under the Plan than such holders would receive under a chapter 7 liquidation.

In actual liquidations of the Debtors, distributions to holders of Claims would be made substantially later than the Effective Date assumed in connection with the Plan. This delay would materially reduce the amount determined on a present value basis available for distribution to creditors, including holders of Unsecured Claims. The hypothetical chapter 7 liquidations of the Debtors are assumed to commence on April 1, 2003 and to be completed, including the wind-up of the Debtors' captive insurance subsidiaries, by October 2013.

In summary, the Debtors believe that chapter 7 liquidations of the Debtors would result in substantial diminution in the value to be realized by holders of Claims, as compared to the proposed distributions under the Plan, because of, among other factors:

- the failure to realize the maximum going concern value of the Debtors' assets;
- the substantial negative impact of conversion to a chapter 7 case and subsequent liquidation on the employees and customers of the Debtors;
- additional costs and expenses involved in the appointment of trustees, attorneys, accountants and other professionals to assist such trustees in the chapter 7 cases;
- additional expenses and Claims, some of which would be entitled to priority in payment, which would arise by reason of the liquidation and from the rejection of unexpired real estate leases and other Executory Contracts and Unexpired Leases in connection with a cessation of the Debtors' operations; and
- the substantial time that would elapse before entities would receive any distribution in respect of their Claims.

Consequently, the Debtors believe that the Plan will provide a substantially greater ultimate return to holders of Claims than would chapter 7 liquidations.

Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that Confirmation not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors (unless such liquidation or reorganization is proposed in the Plan). For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared the Projections. See "New LINC — Projected Financial Information." Based upon the Projections, the Debtors believe that their reorganization under the Plan will meet the feasibility requirements of the Bankruptcy Code.

Compliance with Applicable Provisions of the Bankruptcy Code

Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Debtors have considered each of these issues in the development of the Plan and believe that the Plan complies with all provisions of the Bankruptcy Code.

Alternatives to Confirmation and Consummation of the Plan

The Debtors have evaluated numerous alternatives to the Plan, including alternative structures and terms of the Plan, the liquidation of the Debtors and delaying the adoption of any plan of reorganization and the pursuit of various litigation strategies. While the Debtors have concluded that the Plan is the best alternative and will maximize recoveries by holders of Claims, if the Plan is not confirmed, the Debtors, individually or collectively, or (subject to the Debtors' exclusive periods under the Bankruptcy Code to File and solicit acceptances of a plan or plans of reorganization) any other party in interest in the Reorganization Cases could attempt to formulate and propose a different plan or plans of reorganization. Further, if no plan of reorganization can be confirmed, the Reorganization Cases may be converted to chapter 7 cases. In a liquidation case under chapter 7 of the Bankruptcy Code, a trustee or trustees would be elected or appointed to liquidate the assets of each Debtor. The proceeds of the liquidation would be distributed to the respective creditors of the Debtors in accordance with the priorities established by the Bankruptcy Code. For further discussion of the potential impact on the Debtors of the conversion of the Reorganization Cases to chapter 7 liquidations, see "— Best Interests Test; Liquidation Analysis." The Debtors believe that Confirmation and consummation of the Plan is preferable to the alternatives described above.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

General

A DESCRIPTION OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN IS PROVIDED BELOW. THE DESCRIPTION IS BASED ON THE INTERNAL REVENUE CODE, TREASURY REGULATIONS ISSUED THEREUNDER, JUDICIAL DECISIONS, AND IRS AND ADMINISTRATIVE DETERMINATIONS, ALL AS IN EFFECT ON THE DATE HEREOF. CHANGES IN ANY OF THESE AUTHORITIES, OR CHANGES IN THE INTERPRETATIONS OF ANY OF THESE AUTHORITIES, WHICH MAY HAVE RETROACTIVE EFFECT, MAY CAUSE THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND ARE SUBJECT TO SIGNIFICANT UNCERTAINTIES. NO RULING HAS BEEN REQUESTED FROM THE IRS; NO OPINION HAS BEEN REQUESTED FROM COUNSEL CONCERNING ANY U.S. TAX CONSEQUENCE OF THE PLAN; AND NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT.

THE DESCRIPTION DOES NOT COVER ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTORS OR HOLDERS OF CLAIMS. FOR EXAMPLE, THE DESCRIPTION DOES NOT ADDRESS ISSUES OF SPECIAL CONCERN TO CERTAIN TYPES OF TAXPAYERS, SUCH AS DEALERS IN SECURITIES, LIFE INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, TAX EXEMPT ORGANIZATIONS, AND FOREIGN TAXPAYERS (OTHER THAN CERTAIN ISSUES OF CONCERN TO NON-U.S. HOLDERS OF NEW COMMON STOCK), NOR DOES IT ADDRESS TAX CONSEQUENCES TO HOLDERS OF STOCK INTERESTS IN LINC. IN ADDITION, THE DESCRIPTION IS LIMITED TO U.S. FEDERAL INCOME TAX CONSEQUENCES AND DOES NOT DISCUSS U.S. STATE TAX CONSEQUENCES OR NON-U.S. TAX CONSEQUENCES UNDER CANADIAN OR OTHER FOREIGN TAX LAWS.

FOR THESE REASONS, THE DESCRIPTION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PLAN.

Characterization of the Plan

For U.S. federal income tax purposes, the Restructuring Transactions pursuant to which LIL will acquire the assets of LINC (other than the stock of LIL), the continuation of LIL into the United States as a Delaware corporation and LINC's distribution of Cash and New Common Stock to LINC's creditors should be treated as a reorganization under Section 368(a)(1)(G) of the Internal Revenue Code of each of LINC and LIL.

Consequences to the Debtors

The discharge of a debt obligation for an amount less than its adjusted issue price (in most cases, the amount received by the debtor upon incurring the obligation, with certain adjustments) generally gives rise to cancellation of indebtedness ("COD") income, which must be included in the debtor's gross income. However, COD income is not included in the gross income of a debtor in a chapter 11 case if the discharge is granted by the court or is pursuant to a plan approved by the court. The Plan, if approved, would enable the Debtors to exclude from gross income any COD income that is triggered by the Plan.

If COD income is excluded from gross income in a chapter 11 case, certain tax attributes specified by the Internal Revenue Code, which otherwise could be of value to the debtor, are reduced. In most cases, the aggregate amount of the reduction is equal to the principal amount of the indebtedness forgiven. The tax attributes subject to reduction (and the order of reduction) are:

- NOLs and NOL carryovers;
- the general business credit and credit carryover;
- the minimum tax credit and credit carryover;
- capital losses and capital loss carryovers;
- the tax basis of the debtor's depreciable and nondepreciable assets, but not in an amount greater than the excess of the aggregate tax bases of the property held by the debtor immediately after the discharge over the aggregate of the debtor's liabilities immediately after the discharge; and
- foreign tax credits and credit carryovers.

Attribute reduction is calculated after the tax for the year of discharge has been determined.

A debtor may elect to avoid the prescribed order of attribute reduction and instead reduce the basis of depreciable property first. The Debtors do not plan to make this election. In the case of affiliated corporations filing a consolidated return (such as LTI and its subsidiaries), the attribute reduction rules generally should apply separately to the particular corporation whose debt is being discharged, not to the entire consolidated group without regard to the identity of the particular debtor. The IRS has taken the position, however, that consolidated NOLs must be reduced irrespective of the source of those losses, and a relatively recent decision of the U.S. Supreme Court could be interpreted as supporting the IRS's position. The current IRS position as to the impact of the attribute reduction rules on other tax attributes of consolidated group members is unclear.

Carryovers under Section 163(j) of the Internal Revenue Code are not among the tax attributes expressly specified by the Internal Revenue Code or applicable Treasury Regulations for reduction as a result of an exclusion of COD income from gross income. Accordingly, the projected financial information assumes that LTI's carryovers under Section 163(j) of the Internal Revenue Code will not be subject to any such reduction. See "New LINC — Projected Financial Information — Principal Assumptions for the Projections — Income Taxes."

To the extent, if any, that NOLs and NOL carryforwards generated by LTI and its consolidated subsidiaries prior to the Effective Date are available as deductions after the Effective Date, the ability of New LINC and LTI to utilize such deductions would be limited by Section 382 of the Internal Revenue Code. Generally, under that section, the yearly limitation on New LINC's and LTI's ability to utilize such deductions would be equal to the product of (a) the applicable long-term tax exempt rate and (b) the lesser of the value of (i) the loss corporation's stock immediately after implementation of the Plan and (ii) the loss corporation's assets immediately prior to implementation of the Plan. It is uncertain whether New LINC or LTI would be considered to be the loss corporation for this purpose. LTI's carryovers under Section 163(j) of the Internal Revenue Code that could otherwise be claimed as deductions by LTI during the five-year period following the Effective Date also will be subject to this limitation, together with LTI's pre-Effective Date NOLs and NOL carryforwards, if any.

Consequences to Holders of Claims

The federal income tax consequences of the Plan to a holder of a Claim will depend, in part, on whether the Claim constitutes a "tax security" for federal income tax purposes, what type of consideration was received in exchange for the Claim, whether the holder is a resident of the United States for federal income tax purposes, whether the holder reports income on the accrual or cash basis, whether the holder has taken a bad debt deduction or worthless security deduction with respect to the Claim, and whether the holder receives distributions under the Plan in more than one taxable year.

Definition of Securities

There is no precise definition of the term "security" under the federal income tax law. Rather, all facts and circumstances pertaining to the origin and character of a claim are relevant in determining whether it is a security. Nevertheless, courts generally have held that corporate debt evidenced by a written instrument and having an original maturity of ten years or more will be considered a tax security.

Holders of Claims are urged to consult their tax advisors with respect to the possible treatment of their Claims as tax securities.

Holders of Claims Constituting Tax Securities

Under the Plan, holders of Allowed Claims possibly constituting tax securities will receive a combination of Cash and New Common Stock in satisfaction of their Claims. A holder of an Allowed Claim constituting a tax security who receives Cash and New Common Stock in satisfaction of his Claim generally should recognize gain on the receipt of the Cash and New Common Stock equal to the lesser of (a) the gain realized, if any, with respect to the Claim and (b) the amount of Cash received (except that amounts, if any, allocable to interest on the Claim will be treated as interest income). The amount of gain realized by the holder with respect to the Claim should equal the excess of (a) the sum of the Cash and the fair market value of the New Common Stock on the date of distribution by LINC, less any amounts allocable to interest on the Claim, over (b) the holder's basis in the Claim. Any gain recognized will be capital or ordinary, depending on the status of the Claim in the holder's hands, including whether the Claim constitutes a market discount bond in the holder's hands.

Holders of Allowed Claims constituting tax securities who receive Cash and New Common Stock under the Plan in either partial or full satisfaction of their Claims generally should not be permitted to recognize any loss on the satisfaction of their Claims under the Plan.

A holder's aggregate tax basis in the New Common Stock received under the Plan in respect of a Claim constituting a tax security, apart from amounts allocable to interest, generally should equal the holder's basis in the Claim, decreased by the amount of any Cash received by the holder, and increased by the amount of any gain recognized by the holder as described above. The holding period for any New Common Stock received under the Plan in respect of a Claim constituting a tax security, apart from amounts allocable to interest, generally should include the holding period of the Claim surrendered. A holder's tax basis in New Common Stock allocable to interest will equal the fair market value of the New Common Stock on the date of distribution by LINC, and the holding period of such stock will begin on the day after the day of receipt.

Holders of Claims Not Constituting Tax Securities; Holders of Claims Against LTI or Laidlaw One

A holder of a Claim not constituting a tax security, and any holder of a Claim against LTI or Laidlaw One, should recognize gain or loss equal to the amount realized in satisfaction of his Claim minus his tax basis in the Claim. The holder's amount realized for this purpose generally will equal the sum of the Cash and the fair market value of the New Common Stock on the date of distribution by LINC, less any amount allocable to interest on his Claim.

Any gain or loss recognized by a holder of a Claim not constituting a tax security will be capital or ordinary depending on the status of the Claim in the holder's hands, including whether or not the Claim constitutes a market discount bond in the holder's hands. Such a holder's tax basis for any New Common Stock received under the Plan generally should equal its fair market value on the date of distribution by LINC. The holding period for any New Common Stock received under the Plan by a holder of a Claim not constituting a tax security generally should begin on the day following the day of receipt.

Non-U.S. Holders of New Common Stock

For purposes of the discussion under this heading, a "Non-U.S. Holder" is a holder of New Common Stock that is, for U.S. federal income tax purposes, (a) a nonresident alien individual, (b) a corporation organized or created under non-U.S. law, (c) an estate that is not taxable in the United States on its worldwide income or (d) a trust that either is not subject to primary supervision over its administration by a U.S. court or not subject to the control of a U.S. person with respect to all substantial decisions of the trust.

This discussion under this heading does not address tax consequences to any Non-U.S. Holder that would be subject to U.S. federal income taxation on a net basis on income or gain realized with respect to New Common Stock because such income or gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States.

New LINC will be required to withhold U.S. tax at a 30% rate (or lower rate if a U.S. income tax treaty applies) to payments of dividends, if any, on New Common Stock owned by a Non-U.S. Holder.

A Non-U.S. Holder generally will not be subject to U.S. federal income tax (and generally no tax will be withheld) with respect to gain realized on the sale of New Common Stock unless (a) the Non-U.S. Holder is an individual who is present in the United States for a period or periods aggregating 183 or more days in the taxable year of the disposition and, generally, either has a "tax home" or an "office or other fixed place of business" in the United States, or (b) the Non-U.S. Holder is subject to tax pursuant to the provisions of U.S. federal income tax law applicable to certain expatriates.

Dividend Income Earned by the Unsecured Claims Reserve

Pursuant to the Plan, Cash, shares of New Common Stock to be distributed on account of Allowed Claims in Class 6 will be held by an Unsecured Claims Reserve until distribution is required by the Plan. Therefore, it is possible that the Unsecured Claims Reserve will receive earnings on cash it invests and cash dividends or other distributions from New LINC on the shares of New Common Stock that the Unsecured Claims Reserve holds. Any earnings and Cash thus received would be reinvested pursuant to the Plan, thereby generating additional income.

Amounts earned by an escrow account, settlement fund, or similar fund are subject to current tax, but Treasury Regulations addressing the tax treatment of reserve accounts like an Unsecured Claims Reserve in a bankruptcy setting have not yet become effective. Therefore, depending on the facts (and the interpretation given to those facts), reserve accounts like the Unsecured Claims Reserve might be treated for tax purposes under current law as separately taxable trusts, grantor trusts treated as owned by either the corporate transferor or the creditor beneficiaries, or in some other fashion.

The IRS has issued a proposed Treasury Regulation that would cause reserve accounts like the Unsecured Claims Reserves to be treated as "qualified settlement funds" for federal income tax purposes, which, in turn, would have the consequence of causing income earned by those accounts to be subject to a separate, entity-level tax. The proposed Treasury Regulation is not currently in effect and will only become effective prospectively once it is promulgated in final form. In the interim, the proposed Treasury Regulation provides that the IRS will not challenge any reasonable, consistently-applied method for reporting income earned by a reserve account like an Unsecured Claims Reserve.

Against this background, the Debtors have determined to treat the Unsecured Claims Reserve as a grantor trust of which the Reorganized Debtors are the grantors, and therefore will treat income earned by the Unsecured Claims Reserve as income of the Reorganized Debtors. To assure that this income is fully subject to tax, the Reorganized Debtors will waive whatever right they might otherwise have to claim a dividends-received deduction with respect to any dividends paid to the Unsecured Claims Reserve on account of undistributed New Common Stock. Any income earned by the Unsecured Claims Reserve will be treated by the Reorganized Debtors as offset dollar-for-dollar on a current basis by an interest deduction to the Reorganized Debtors reflecting their obligations under the Plan to pay any income earned by the Unsecured Claims Reserve on account of Cash and New Common Stock to holders of Allowed Claims.

Certain Other Tax Considerations for Holders of Claims

Receipt of Pre-Effective Date Interest

The Plan provides that each holder's recovery is being received first in exchange for the principal amount of the holder's Allowed Claim, not the unpaid pre-Effective Date interest (if any) on such Allowed Claim. This treatment is not certain, however, and a holder of a Claim that was not previously required to include in its taxable income any accrued but unpaid pre-Effective Date interest on the Claim may be treated as receiving taxable interest (to the extent any consideration it receives under the Plan is properly allocable to such interest for federal income tax purposes). A holder previously required to include in its taxable income any accrued but unpaid interest on a Claim may be entitled to recognize a deductible loss to the extent that such interest is not satisfied under the Plan.

Receipt of Dividend and Interest Income Earned by the Unsecured Claims Reserve

As described above (see "— Consequences to Holders of Claims" and "— Dividend and Interest Income Earned by the Unsecured Claims Reserve"), it is possible that the Unsecured Claims Reserve will receive earnings on its assets. When that Cash is distributed to a holder of an Allowed Claim, the Reorganized Debtors will treat the Cash as taxable interest income to the holder, and will file information returns reflecting that treatment.

Reinstatement of Claims

Holders of Claims generally should not recognize gain, loss, or other taxable income upon the Reinstatement of their Claims under the Plan. Taxable income, however, may be recognized by those holders if they are considered to receive interest, damages, or other income in connection with the Reinstatement or if the Reinstatement is considered for tax purposes to involve a substantial modification of the Claim.

Bad Debt Deduction

A holder who, under the Plan, receives in respect of a Claim an amount less than the holder's tax basis in the Claim may be entitled in the year of receipt (or in an earlier year) to a bad debt deduction. The rules governing the timing and amount of bad debt deductions place considerable emphasis on the facts and circumstances of the holder, the obligor, and the instrument with respect to which a deduction is claimed. Holders of Claims therefore are urged to consult their tax advisors with respect to their ability to take such a deduction.

Information Reporting and Backup Withholding

Under the Internal Revenue Code's backup withholding rules, a holder of a Claim may be subject to backup withholding at a 30% rate during the years 2002 through 2003 (and at a 29% rate during the years 2004 through 2005; and at a 28% rate thereafter) with respect to distributions or payments made pursuant to the Plan unless that holder (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact, or (b) provides a correct taxpayer identification number and certifies under penalties of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax. Holders of Claims may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSEQUENCES OF CONSUMMATION OF THE PLAN

General

A DESCRIPTION OF CERTAIN CANADIAN FEDERAL INCOME TAX CONSEQUENCES OF THE CONSUMMATION OF THE PLAN IS PROVIDED BELOW. THE DESCRIPTION IS BASED ON THE PROVISIONS OF THE INCOME TAX ACT (CANADA) AND THE REGULATIONS THERETO (THE "ACT"), THE PUBLISHED ADMINISTRATIVE AND INTERPRETIVE POSITIONS OF THE CANADA CUSTOMS AND REVENUE AGENCY, PROPOSED AMENDMENTS TO THE ACT AND CASE LAW PUBLISHED OR REPORTED AS AT THE DATE OF THIS DISCLOSURE STATEMENT. CHANGES IN ANY OF THESE AUTHORITIES, OR CHANGES IN THE INTERPRETATIONS OF ANY OF THESE AUTHORITIES, WHICH MAY HAVE RETROACTIVE EFFECT, MAY CAUSE THE CANADIAN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW. MOREOVER, NO ADVANCE INCOME TAX RULING HAS BEEN REQUESTED FROM THE CANADA CUSTOMS AND REVENUE AGENCY; NO LEGAL OPINION HAS BEEN REQUESTED FROM

COUNSEL CONCERNING ANY TAX CONSEQUENCE OF THE PLAN; AND NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT.

THIS DESCRIPTION DOES NOT COVER ALL ASPECTS OF CANADIAN FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTORS OR HOLDERS OF CLAIMS OR INTERESTS. IN PARTICULAR, THIS DESCRIPTION DOES NOT ADDRESS THE CONSEQUENCES OF EACH ASPECT OF THE RESTRUCTURING TRANSACTIONS DESCRIBED IN EXHIBIT X TO THE PLAN OR ANY OTHER SIMILAR TRANSACTIONS UNDERTAKEN PRIOR TO THE RESTRUCTURING TRANSACTIONS.

FOR THESE REASONS, THE DESCRIPTION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE CANADIAN FEDERAL, PROVINCIAL AND LOCAL AND NON-CANADIAN CONSEQUENCES OF THE PLAN.

Settlement of Debt

The settlement of LINC's commercial debt obligations (as defined in the Act) for an amount (the "Settlement Amount") that may be less than the full amount owed by LINC (the "Outstanding Indebtedness") (the difference between the Settlement Amount and the Outstanding Indebtedness being hereinafter referred to as the "Forgiven Amount") may result in the application of the Canadian debt forgiveness rules. Under these rules, the Forgiven Amount will reduce certain tax attributes of LINC in the order prescribed by the Act.

LINC believes that its tax attributes will exceed the Forgiven Amount and accordingly will not be required to include any amount in income as a result of the settlement.

Consequences of Debtor Restructuring Transactions

Pursuant to the Restructuring Transactions, the unrealized capital gains and capital losses on property of LINC and LIL will be recognized. However, LINC believes that the losses realized as a result of the Restructuring Transactions will exceed the gains so realized by a significant amount.

Certain Federal Income Tax Consequences to Holders of Claims

Resident Holders

The following is a summary of certain Canadian federal income tax considerations generally applicable to a holder of indebtedness or shares of LINC who, at all relevant times, for purposes of the Act and any applicable tax treaty or convention (a) is or is deemed to be a resident of Canada, (b) holds such indebtedness or shares, as the case may be, as capital property and (c) deals at arm's length and is not affiliated with LINC (a "Resident Holder"). This summary does not address the considerations applicable to Resident Holders that are "financial institutions" (as defined in the Act) and assumes that no amount on account of interest is received by a Resident Holder of indebtedness.

A Resident Holder of indebtedness who receives New Common Stock and Cash in full or partial satisfaction of the outstanding principal amount of such holder's indebtedness will be treated as having disposed of its indebtedness for proceeds of disposition equal to the sum of the Cash and the aggregate fair market value of the New Common Stock so received. Generally, such disposition will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition related thereto, exceed (or are less than) the adjusted cost base to the Resident Holder, immediately before the disposition, of the indebtedness. A Resident Holder of indebtedness who has previously included in income amounts in respect of interest on such indebtedness may be entitled to a deduction in respect of any such interest not so received to the extent and under the circumstances set out in the Act.

A Resident Holder of shares of LINC will not receive any amount under the Plan in respect of its shares and, accordingly, will realize a capital loss equal to the adjusted cost base of its LINC shares immediately before the disposition. Such capital loss may be reduced by the amount of dividends previously received in respect of the LINC shares (or in respect of shares for which the LINC shares were substituted) to the extent and under the circumstances set out in the Act.

Non-Resident Holders

The following is a summary of certain Canadian federal income tax considerations generally applicable to a holder of indebtedness or shares of LINC who, at all relevant times, for purposes of the Act and any applicable income tax treaty or convention (a) is not and is not deemed to be a resident of Canada, (b) holds such indebtedness or shares, as the case may be, as capital property, (c) deals at arm's length and is not affiliated with LINC and (d) does not use or hold and is not deemed to use or hold the indebtedness or shares in carrying on a business in Canada (a "Non-Resident Holder"). This summary does not address the considerations relevant to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere or a Non-Resident Holder to whom the indebtedness or shares of LINC are taxable Canadian property (as defined in the Act). This summary assumes that no amount on account of interest is received by a Non-Resident Holder of indebtedness.

A Non-Resident Holder of indebtedness or shares of LINC will not realize any Canadian federal tax consequences as a result of the Plan.

APPLICABILITY OF CERTAIN U.S. FEDERAL AND STATE SECURITIES LAWS

General

No registration statement will be filed under the Securities Act or any state securities laws with respect to the offer and distribution under the Plan of the New Common Stock. The Debtors believe that, subject to certain exceptions described below, various provisions of the Bankruptcy Code exempt from federal securities registration requirements (i) the offer and distribution of such securities pursuant to the Plan; and (ii) subsequent transfers of such securities. In addition, various provisions of the Bankruptcy Code exempt from state securities registration requirements the offer and distribution of such securities pursuant to the Plan. As discussed below, however, the ability to effect subsequent transfers of such securities under state securities laws without registration or qualification under such laws may be limited in circumstances where the securities are not registered under the Exchange Act because, among other things, the present scope limitation in the auditors' report on LINC's financial statements may prevent such registration, or do not constitute "covered securities" for purposes of the Securities Act (i.e., not listed on the NYSE or the American Stock Exchange (the "Amex") or quoted on the Nasdaq National Market).

Bankruptcy Code Exemptions from Registration Requirements

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act and state securities laws if three principal requirements are satisfied: (a) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, an affiliate participating in a joint plan with the debtor or a successor to the debtor under the plan; (b) the recipients of the securities must hold a prepetition or administrative expense claim against the debtor or an interest in the debtor; and (c) the securities must be issued entirely in exchange for the recipient's claim against, or interest in, the debtor, or principally in such exchange and partly for cash or property. The Debtors believe that the offer and sale of the New Common Stock under the Plan satisfies the requirements of Section 1145(a)(1) of the Bankruptcy Code as interpreted in prior bankruptcy cases and by the SEC in various no-action letters and, therefore, are exempt from registration under the Securities Act and state securities laws.

Subsequent Transfers of Securities Under Federal Securities Laws

In general, all resales and subsequent transactions in the New Common Stock distributed under the Plan will be exempt from registration under the Securities Act pursuant to Section 4(1) of the Securities Act, unless the holder thereof is deemed to be an "affiliate" of New LINC or an "underwriter" with respect to such securities. Rule 144 under the Securities Act defines "affiliate" of an issuer as any person directly or indirectly through one or more intermediaries controlling, controlled by or under common control with the issuer. Section 1145(b) of the Bankruptcy Code defines four types of "underwriters":

- persons who purchase a claim against, an interest in, or a claim for administrative expense against, the debtor with a view to distributing any security received in exchange for such a claim or interest ("accumulators");

- persons who offer to sell securities offered under a plan for the holders of such securities ("distributors");

- persons who offer to buy securities from the holders of such securities, if the offer to buy is (1) with a view to distributing such securities and (2) made under a distribution agreement; and

- a person who is an "issuer" with respect to the securities, as the term "issuer" is defined in Section 2(11) of the Securities Act.

With respect to the definition of an underwriter under Section 2(11) of the Securities Act, an "issuer" includes any "affiliate" of the issuer. Whether or not any particular person would be deemed to be an "affiliate" of New LINC or an "underwriter" with respect to any security to be issued pursuant to the Plan would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any person would be deemed to be an "affiliate" of New LINC or an "underwriter" with respect to any security to be issued pursuant to the Plan.

Rule 144 under the Securities Act provides an exemption from registration under the Securities Act for certain limited public resales of unrestricted securities by "affiliates" of the issuer of such securities. Rule 144 allows a holder of unrestricted securities that is an "affiliate" of the issuer of such securities to sell, without registration, within any three-month period a number of shares of such unrestricted securities that does not exceed the greater of 1% of the number of outstanding securities in question or the average weekly trading volume in the securities in question during the four calendar weeks preceding the date on which notice of such sale was filed pursuant to Rule 144, subject to the satisfaction of certain other requirements of Rule 144 regarding the manner of sale, notice requirements and the availability of current public information regarding the issuer. The Debtors believe that, pursuant to Section 1145(c) of the Bankruptcy Code, the New Common Stock to be issued pursuant to the Plan will be unrestricted securities for purposes of Rule 144.

In connection with prior bankruptcy cases, the staff of the SEC has taken the position that resales by accumulators and distributors of securities distributed under a plan of reorganization that are not "affiliates" of the issuer are exempt from registration under the Securities Act if effected in "ordinary trading transactions." The staff of the SEC has indicated in this context that a transaction may be considered an "ordinary trading transaction" if it is made on an exchange or in the over-the-counter market and does not involve any of the following factors:

(a) either (i) concerted action by the recipients of securities issued under a plan in connection with the sale of such securities or (ii) concerted action by distributors on behalf of one or more such recipients in connection with such sales;

(b) the use of informational documents concerning the offering of the securities prepared or used to assist in the resale of such securities, other than a bankruptcy court-approved disclosure statement and supplements thereto and documents filed with the SEC pursuant to the Exchange Act; or

(c) the payment of special compensation to brokers and dealers in connection with the sale of such securities designed as a special incentive to the resale of such securities (other than the compensation that would be paid pursuant to arms' length negotiations between a seller and a broker or dealer, each acting unilaterally, not greater than the compensation that would be paid for a routine similar-sized sale of similar securities of a similar issuer).

The Debtors have not sought the views of the SEC on this matter, and, therefore, no assurance can be given regarding the proper application of the "ordinary trading transaction" exemption described above. Any persons intending to rely on such exemption are urged to consult their own counsel as to the applicability thereof to any particular circumstances.

In addition, if the New Common Stock is not listed on the NYSE or other national securities exchange or approved for quotation on a national automated quotation system as of the Effective Date, persons who are accumulators or distributors may not be able to take advantage of the SEC position with respect to such resales as they will be unable to effect "ordinary trading transactions" in the New Common Stock until the New Common Stock is so listed or quoted.

GIVEN THE COMPLEX NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN "AFFILIATE" OF NEW LINC OR "UNDERWRITER" WITH RESPECT TO THE NEW COMMON STOCK TO BE ISSUED PURSUANT TO THE PLAN, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN SUCH SECURITIES AND RECOMMEND THAT HOLDERS OF CLAIMS CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

Subsequent Transfers of Securities Under State Securities Laws

Under the Plan, as a condition to the Effective Date, the New Common Stock is required to be approved for listing on the NYSE, subject to official notice of issuance. If the New Common Stock is listed on the NYSE or the Amex or quoted on the Nasdaq National Market (i.e., a "covered security" for purposes of the Securities Act), the New Common Stock will be generally freely tradeable under state securities laws, as state securities laws generally provide registration exemptions for subsequent transfers by a bona fide owner for the owner's own account and subsequent transfers to institutional or accredited investors. However, if the New Common Stock is not registered under the Exchange Act because, among other things, the present scope limitation in the auditors' report on LINC's financial statements prevents such registration, any such listing or quotation will be unavailable. If the Debtors are unable to cause the New Common Stock to be listed on a national securities exchange or quoted on the Nasdaq National Market prior to the Effective Date, the Subcommittees may waive this condition. Accordingly, if the New Common Stock is not listed on either the NYSE or the Amex or quoted on the Nasdaq National Market, the New Common Stock will not be freely tradeable under state securities laws unless there is an available exemption from registration under such laws. In addition, if the New Common Stock is not registered under the Exchange Act, the availability of such exemptions from registration could be adversely affected. It is possible, however, that the registration exemptions for subsequent transfers to institutional or accredited investors may enable holders of New Common Stock distributed under the Plan to effect secondary market transactions in such securities without registration under state securities laws. Moreover, a majority of states provide an exemption from registration for secondary market transactions under the so-called "manual exemption" if financial and other information about an issuer is published in certain manuals published by Moody's Investors Services, Inc. or Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. If necessary, the Reorganized Debtors intend to provide the necessary information in order to be able to take advantage of such manual exemptions.

Certain Transactions by Stockbrokers

Under Section 1145(a)(4) of the Bankruptcy Code, stockbrokers effecting transactions in the New Common Stock, prior to the expiration of 40 days after the first date on which such securities were bona fide offered to the public by New LINC or by or through an underwriter are required to deliver to the purchaser of such securities a copy of this Disclosure Statement (and supplements hereto, if any, if ordered by the Bankruptcy Court) at or before the time of delivery of such securities to such purchaser. In connection with prior bankruptcy cases, the staff of the SEC has taken so-called "no-action" positions with respect to noncompliance by stockbrokers with such requirement in circumstances in which the debtor was, and the reorganized debtor was to continue to be, subject to, and in compliance with, the periodic reporting requirements of the Exchange Act.

The views of the SEC on this matter, however, have not been sought by the Debtors, and, therefore, no assurance can be given regarding the possible consequences of noncompliance by stockbrokers with the disclosure statement delivery requirements of Section 1145(a)(4). Stockbrokers are urged to consult their own counsel with respect to such requirements.

APPLICABILITY OF CERTAIN CANADIAN SECURITIES LAWS

The following trades of securities contemplated under the Plan will be subject to the applicable securities laws of the provinces and territories of Canada in which persons entitled to receive such securities reside:

- the issuance of New Common Stock by New LINC, in its own capacity and acting on behalf of LINC, LTI or Laidlaw One;
- the distribution of New Common Stock by LINC;
- the issuance of the New LINC Notes by New LINC;
- any issuance of New LINC securities under the Equity Incentive Plan; and
- subsequent transfers made by the recipients of such securities.

Such trades will be made pursuant to exemptions from applicable dealer registration and prospectus requirements of applicable Canadian securities laws or pursuant to discretionary orders and/or rulings from applicable Canadian provincial securities regulatory authorities. Although there can be no assurance that the required discretionary orders or rulings will be obtained, based on relief granted in similar circumstances to other public companies, including past CCAA restructurings, the Debtors believe that such discretionary relief or rulings are obtainable. Obtaining such discretionary relief or rulings from applicable Canadian regulatory authorities in form and substance acceptable to the Subcommittees is a condition to the occurrence of the Effective Date under the Plan, unless the condition is waived by the Subcommittees.

Persons resident in a province of Canada who are entitled to receive such securities pursuant to such exemptions or discretionary relief are advised that they will not be entitled to rights that would have been afforded to them had such securities been distributed pursuant to a prospectus including rights of rescission and damages.

If at the time of any subsequent transfer in Canada of the New Common Stock, the seller holds a sufficient number of any securities of New LINC to affect materially its control, a prospectus will be required to be delivered to the purchaser(s) unless a prospectus exemption is then available for such transfer. For these purposes, the holding by any person or combination of persons of more than 20% of the voting securities of a company in the absence of evidence to the contrary, shall be deemed to affect materially the control of LINC.

ADDITIONAL INFORMATION

Any statements in this Disclosure Statement concerning the provisions of any document are not necessarily complete, and in each instance reference is made to such document for the full text thereof. Certain documents described or referred to in this Disclosure Statement have not been attached as exhibits because of the impracticability of furnishing copies of these documents to all recipients of this Disclosure Statement. All of the exhibits and schedules to the Plan (once Filed with the Bankruptcy Court) and this Disclosure Statement are available for inspection during regular business hours at the Document Reviewing Centers located at: (a) the offices of Jones Day, 77 West Wacker, Suite 3500, Chicago, Illinois 60601; (b) the offices of Jones Day, 222 East 41st Street, New York, New York 10017; (c) the offices of Goodmans LLP, 250 Yonge Street, Suite 2400, Toronto, Ontario, Canada M5B 2M6; or (d) any other location designated by the Debtors, and may be obtained from the copy services identified in the notice of the Confirmation Hearing.

RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that the Confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all holders of Claims in voting Classes to vote to accept the Plan and to evidence their acceptance by duly completing and returning their Ballots so that they will be received on or before the Voting Deadline.

Dated: January 23, 2003

Respectfully submitted,

LAIDLAW USA, INC.

By: /s/ Ivan R. Cairns
Name: IVAN R. CAIRNS
Title: Senior Vice President and Secretary

LAIDLAW INC. (for itself and on behalf of the Laidlaw Subsidiary Debtors)

By: /s/ Ivan R. Cairns
Name: IVAN R. CAIRNS
Title: Senior Vice President and General Counsel

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ATTORNEYS FOR DEBTORS AND DEBTORS IN POSSESSION

EXHIBIT I

LAIDLAW USA, INC. AND ITS DEBTOR AFFILIATES

1. Laidlaw USA, Inc.
2. Laidlaw Inc.
3. Laidlaw International Finance Corporation
4. Laidlaw Investments Ltd.
5. Laidlaw One, Inc.
6. Laidlaw Transportation, Inc.

EXHIBIT II

**THIRD AMENDED JOINT PLAN OF REORGANIZATION
OF LAIDLAW USA, INC.
AND ITS DEBTOR AFFILIATES**

EXHIBIT III

LAIDLAW INC. ANNUAL INFORMATION FORM FOR THE YEAR ENDED AUGUST 31, 2002

EXHIBIT IV

LIQUIDATION ANALYSIS

Section 1129(a) of the Bankruptcy Code states that the Bankruptcy Court may confirm a plan of reorganization only if certain requirements are met. One of these requirements is that each nonaccepting holder of an allowed claim or interest in an impaired class must receive or retain under the plan on account of such claim or interest property having a value as of the effective date of the plan at least equal to the value that such holder would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code on the effective date. See "Voting and Confirmation of the Plan — Best Interests Test; Liquidation Analysis" in the Disclosure Statement for a more detailed discussion of these requirements of the Bankruptcy Code. Capitalized terms used herein that are not otherwise defined have the meanings assigned to them in the Disclosure Statement.

Set forth below is a liquidation analysis (the "Analysis") for the Debtors assuming hypothetical liquidations under chapter 7 of the Bankruptcy Code and under the Bankruptcy and Insolvency Act in which court-appointed trustees liquidate the assets of the estates of the Debtors (collectively the "Estates"), including LINC's and LTI's direct and indirect ownership interests in their respective operating subsidiaries. Underlying the Analysis are a number of estimates and assumptions that are inherently subject to significant contingencies and uncertainties, including many of which that would be beyond the control of the Debtors. Accordingly, there can be no assurance that the values assumed in the Analysis would be realized if the Estates were in fact liquidated, nor can there be any assurance that the Bankruptcy Court will accept such analyses or concur with such assumptions in making its determinations under Section 1129(a) of the Bankruptcy Code. In addition, any liquidation that would be undertaken would necessarily take place in the future and under circumstances that cannot presently be predicted. Accordingly, while the Analysis is necessarily presented with numerical specificity, if the Estates were in fact liquidated, the actual liquidation proceeds would vary from the amounts set forth below. *Such actual liquidation proceeds could be materially lower or higher than the amounts set forth below and no representation or warranty can be or is being made with respect to the actual proceeds that could be received in a chapter 7 liquidation and/or Canadian bankruptcy proceedings. The liquidation valuations have been prepared solely for purposes of estimating the proceeds available in chapter 7 liquidations and/or Canadian bankruptcy proceedings, as applicable, of the Estates and do not represent values that may be appropriate for any other purpose. Nothing contained in these valuations is intended or may constitute a concession or admission of the Debtors for any other purpose.*

The principal assumptions used in the Analysis include the following:

1. Basis of Presentation

The structure of the intercompany loans and investments within the Laidlaw group of companies has created a number of situations in which legal entities within that group directly or indirectly have mutual equity or debt investments in one another. This structure creates a high degree of interdependence between the realizations of individual Debtors' estates and the realizations of other Debtors' estates, as well as between the validity of third party claims in individual Debtors' estates and the realizations of other Debtors' estates. In particular, realizations in the estates of Laidlaw One, LIFC and LIL, whose only assets are shares or debt of the Laidlaw Companies, are directly or indirectly dependent on realizations in LTI and LINC and on the amount and validity of certain third party claims in LTI.

In addition, certain of the creditors of LINC have asserted claims in other Debtors, and vice versa. In particular, the Plan provides that the first $110.0 million of cash distributions from the Estates will be shared 80/20 between holders of Allowed Claims in Classes 4 and 5A. This provision resulted from the negotiated resolution of the dispute between LINC and the Lenders and Prepetition Noteholders regarding the validity, enforceability and effect of an arrangement pursuant to which LTI guaranteed LINC's obligations under the Prepetition Credit Facility with the Lenders. Furthermore, the Plan also provides that the holders of Allowed Claims in Class 5B will receive a greater recovery than the holders of Allowed Claims in Classes 4, 5A and 6. This provision resulted from the negotiated resolution of a dispute regarding the structural priority of the 1995 Noteholder Claims. These resolutions were agreed to by the Lenders, the Prepetition Noteholders, and the 1995 Noteholders (as applicable) in the context of a chapter 11 proceeding by the Debtors, but in a chapter 7 liquidation and/or Canadian bankruptcy proceeding it might be necessary to resort to arbitration or litigation to resolve the Guaranty Coverage Dispute and the 1995 Noteholder dispute.

It is also possible that other contingent Claims may ultimately be asserted against various Debtors during the course of chapter 7 or chapter 11 proceedings.

The Debtors believe that it is not possible at this time to reasonably estimate any ultimate reallocation of distributions among creditor groups based upon such possible causes of action given, among other factors, (a) the complex legal, factual and remedial issues involved; (b) the substantial period of time that would be required to arbitrate or litigate such matters to conclusion; and (c) the potential for such arbitration or litigation to materially interfere with or prevent the actual consummation of a liquidation and distribution within the liquidation period described below.

In the light of the uncertainty from the above factors, and to facilitate comparison to the Plan, the Debtors have not attempted to reflect any realizations to individual Debtors' estates, but have instead prepared a theoretical assumed distribution analysis assuming the net liquidation proceeds from the Estates are distributed on the basis reflected in the Plan with the exception of the payments under the PBGC Agreement, as discussed below under "Estimated Liquidation Proceeds."

2. Estimated Liquidation Proceeds

Except as otherwise indicated, the Analysis assumes that (a) the business and assets of LTI's direct and indirect operating subsidiaries and LINC's direct and indirect operating subsidiaries (collectively, the "Operating Units") would be sold on an expedited basis as going concerns, (b) certain non-core real estate properties of LINC would be sold on an expedited basis and (c) the Debtors' captive insurance operations would be wound up over a period of ten years following the last such sale. Liquidation proceeds for going concern sales of the Operating Units were estimated, in part, based on estimates by Ernst & Young Inc. ("EYI"), in its capacity as restructuring accountants and financial advisors to the Debtors, of the net proceeds that could be realized from the sale in liquidation of each Operating Unit. Based on such estimates and estimates of (a) the net proceeds from the sale in liquidation of the non-core real estate assets of the Debtors and (b) the estimated net present value of the distribution or payment of residual assets or liabilities of the Debtors' insurance operations after satisfying all outstanding claims in an extended-term wind-up, the net after-tax proceeds of such liquidation of the assets of LINC and LTI would range from $1.28 billion to $1.79 billion**.**

In arriving at estimates of going concern liquidation values of the Operating Units, key factors considered by EYI included:

- the estimated ordinary-course enterprise values of the Operating Units reflected in MBL's estimated reorganization enterprise value of New LINC, as described in "Securities To Be Issued Pursuant to the Plan and Post-Reorganization Indebtedness — Reorganization Value" in the Disclosure Statement;

- the relative attractiveness of each Operating Unit to applicable potential buyers;

- the impact on the market for transportation and healthcare services businesses of presenting all of the Operating Units to the market concurrently in circumstances in which potential bidders would know that it was anticipated that all of the Operating Units would be sold in liquidation by trustees over a relatively short period of time, and that the seasonality of the business of certain Operating Units would make it critical that those businesses be sold within known time periods;

- the pre-sale impact and potential post-sale impact on operations of the Operating Units as a result of disruptions related to the public liquidation of the Debtors' estates and, in particular, the potential post-sale impact on the contract bus services business of those operations being offered for sale in liquidation shortly before the part of the year when expiring school busing contracts are tendered for bid; and

- the limited number of strategic buyers due to the significantly greater size of the Operating Units than most of their major competitors, as well as known financial difficulties for a number of major competitors that might limit the ability of those competitors to transact.

EYI's estimates assume that all of the Operating Units are sold complete with all operating assets and do not reflect the practical difficulties, if any, of (a) combining, or separating and re-combining, assets that may be held by various legal entities or (b) any limitations on the assignment and assumption of contracts and leases.

EYI's estimates assume that neither the payments to be made under the PBGC Agreement nor any pension funding contributions based on current minimum funding requirements under ERISA are made to the Pension Plans during the period prior to the sale of the Greyhound businesses. Instead, EYI has assumed that the estates of the Debtors would be jointly responsible for any pension shortfall at the date of sale of the Greyhound businesses, and has deducted estimates of this shortfall from the sale proceeds of the Operating Units. EYI has assumed under the low estimate that the shortfall at the date of sale of the Greyhound businesses would be approximately equal to the projected net incremental consolidated minimum pension liability of $191.9 million that would be recognized under U.S. GAAP at March 31, 2003 (as discussed in the Disclosure Statement under "New LINC — Projected Financial Information — Principal Assumptions for the Projections — U.S. GAAP Adjustments Included in Plan Confirmation Adjustments"), and has assumed under the high estimate that there would be no shortfall at the sale date.

The Debtors believe that each of the factors summarized above and in "Voting and Confirmation of the Plan — Best Interests Test; Liquidation Analysis" in the Disclosure Statement, as well as certain of the other factors summarized below, individually or in combination, would have an adverse effect on the realizations that could be obtained in chapter 7 and/or Canadian bankruptcy liquidations of the Estates. The Debtors believe, in the light of these uncertainties and in the absence of comparable situations, that the total liquidation proceeds would reflect significant discounts from the values that would exist in the absence of these factors.

3. Nature and Timing of the Liquidation Process

For purposes of preparing the Analysis: (a) the liquidation process was assumed to commence on April 1, 2003; (b) the Operating Units were assumed to be sold during the period from April 1, 2003 through October 31, 2003, with the first sale assumed to be completed in June 2003, based on the Debtors' view of the relative marketability of the Operating Units and on the status of the Debtors' previous attempts to sell the healthcare services businesses; (c) all non-core assets in LINC were assumed to be sold by April 30, 2003; (d) distributions from the liquidations, other than from the wind-up of the captive insurance operations, were assumed to be made in their entirety by August 31, 2004; and (e) the captive insurance operations were assumed to be wound up over a period of ten years ending October 2013, with the non-trust portion of the residual assets available to the estate of LINC in the first year of the wind-up and a portion of the remainder available annually beginning in October 2008. Depending upon actual circumstances, the seven-month sale period or the ten-year captive insurance wind-up period (collectively, the "Liquidation Period") could be longer or shorter than assumed, although the Debtors believe a significantly shorter sale period is unlikely.

4. Impact on the Debtors' Operations of Conversion to a Chapter 7/Canadian Bankruptcy Liquidation

The Analysis assumes that, during the seven-month sale period for the Operating Units, the Debtors would be able to continue to finance their operations using the projected opening cash position at April 1, 2003, plus projected operating cash flow and assumed proceeds from the sale of other Operating Units.

The Debtors believe that the conversion to a chapter 7/bankruptcy liquidation and the resulting pendency of sales of the Operating Units would also adversely impact Operating Unit management and employee morale and compensation costs, customer willingness to retain existing service contracts in force or to enter into new contracts and vendor willingness to provide goods and services and extend trade credit. Accordingly, the assumed operating results of the Debtors for the sale period were adjusted to reflect the Debtors' estimates of the effects of these factors.

5. Certain Tax Matters

The Analysis assumes that (a) there would be no gain realized on the sale of the Debtors' Operating Units as a result of the deterioration in the realizable value of those operations under a liquidation process and the comparatively high value for the tax basis of the shares of the Operating Units and (b) the liquidation of the Debtors would be structured in such a manner as to utilize the net operating losses during the Liquidation Period and the Debtors' significant existing non-capital loss carryforwards to offset the Debtors' aggregate liquidation income during the Liquidation Period. Consequently, no tax provision has been ascribed to net earnings during the Liquidation Period and no tax benefit has been accrued for the administration costs of the liquidation.

No value has been ascribed to any unused net capital losses of the Debtors or their Operating Units in the Analysis as it has been assumed that the availability of these losses would not materially change the estimated liquidation proceeds due to (a) the relative uncertainty of any prospective purchaser's ability to utilize such losses, as a result of change in control provisions under U.S. and Canadian tax law, (b) the nominal value that a prospective purchaser would likely assign to the loss carryforwards on a present value basis and (c) purchasers' general lack of willingness to pay any sort of premium in a forced liquidation scenario.

6. Additional Liabilities and Reserves

The Debtors believe that there would be certain actual and contingent liabilities and expenses for which provision would be required in any chapter 7/bankruptcy liquidation before distributions could be made to holders of Claims in addition to the reorganization expenses that would be incurred in a chapter 11/CCAA reorganization, including (a) Administrative Claims and other liabilities (including retirement, vacation pay and other employee-related administrative costs and liabilities) that would be funded from operations if the businesses of the Debtors were reorganized as going concerns; (b) certain administrative costs; and (c) escrow and hold-back amounts that purchasers of Operating Units and certain other assets presumably would require in connection with disposition transactions if the Debtors were in liquidation. It is recognized that if the Debtors were actually liquidated, reserves would be established for all or a portion of these amounts, with any excess reserves to be distributed at the final conclusion of the wind-up of the affairs of the Debtors. In the Analysis, escrow and holdback amounts could not be estimated with certainty and, accordingly, sales proceeds of the Operating Units are assumed to be calculated net of all holdbacks under the simplifying assumption that no holdback amounts would be received.

The Analysis does not include any increase in assumed costs for additional rejections of executory contracts and leases. However, the Debtors believe that the liability for such costs could be significantly higher than the liability assumed in the development of the Plan. A liquidation of the Estates might result in the rejection of additional executory contracts and unexpired real property leases that could not be assumed and assigned in a chapter 7/Canadian bankruptcy liquidation, but that would not be rejected under the Plan. The exclusion of these assets from the Debtors' Estates would further impair realizable values from Operating Unit sales; however, no such decrease in values is included in the Analysis.

7. Other Assumptions

Various other specific assumptions relevant to the following Analysis are set forth in the accompanying notes:

($U.S. millions)

	Low	High
Net proceeds from asset sales (1)	816	1,304
Approximate investable cash at beginning of Liquidation Period (2)	344	344
Net cash flow from operations during Liquidation Period (3)	188	188
Interest Income (4)	41	63
Gross Proceeds	1,389	1,898
Less trustee and other chapter 7 administrative costs (5)	103	103
Less severance costs (6)	5	5
Less priority claims (7)	—	—
Liquidation proceeds available for Claims	1,281	1,790
Less federal and state income taxes (8)	—	—
Net proceeds available for Unsecured Claims	1,281	1,790

(1) Consists of assumed proceeds of the sale in liquidation of the Operating Units on a going concern basis, plus assumed proceeds on the sale of non-operating real estate and the net present value of the assumed net residual assets (shortfall) from the wind-up of the Debtors' captive insurance operations. Proceeds are net of estimated selling costs of 3% and 2% of gross realizations under the low and high estimates, respectively.

(2) Based on projected bank balances as at March 31, 2003.

(3) Consists of projected pre-sale net cash flow from the various Operating Units during the Liquidation Period as described above, net of head office expenses that are assumed to continue, in declining amounts, for approximately ten months after the last Operating Unit sale to facilitate an orderly wind-up of the Debtors' operations.

(4) Includes interest at the rate of 2.5% (low estimate) to 3.0% (high estimate) annually through September 2004 on the aggregate amount of the assumed beginning investable cash balance, operating cash flow and asset disposition proceeds, net of estimated trustee and other administrative costs.

(5) Consists of estimated fees and costs of financial advisors and legal counsel related to the disposition of the Operating Units and completing the administration of the liquidation, including an estimated $13.2 million in chapter 11 professional fees that are assumed to be unpaid when the cases are converted but paid during the chapter 7 liquidation. The chapter 7 administrative costs are assumed to continue, in declining amounts, for approximately eleven months after the last assumed sale of LINC's non-core assets as the administration is completed.

(6) Represents the assumed payment of severance costs of head office personnel to secure employee co-operation throughout the Liquidation Period.

(7) The chapter 7 filing is assumed to occur at the holding company level; therefore, it has been assumed that there would be no significant priority claims as such claims would reside in the Operating Units and become the purchaser's responsibility on the sale of the Operating Unit.

(8) Assumes no gain realized on the sale of the Operating Units as a result of the deterioration in value under a liquidation sale process and the comparatively high value for the tax basis of the shares and debt of the Operating Units. The liquidation is assumed to be structured in such a manner as to utilize the net operating losses during the Liquidation Period and the significant existing non-capital loss carryforwards to offset the Debtors' aggregate liquidation income during the Liquidation Period. Consequently, no tax provision has been ascribed to net earnings during the Liquidation Period and no tax benefit has been accrued for the administration costs of the liquidation.