

APPLICATION FOR APPROVAL OF TRANSFER OF CAPITAL STOCK
TRANSPORTATION COMMON CARRIER

RECEIVED

AUG 10 1999

BEFORE THE PENNSYLVANIA PUBLIC UTILITY, TRANSPORTATION AND COMMUNICATIONS COMMISSION
SECRETARY'S BUREAU

Application for approval to transfer
all of the capital stock of
(all or part)
PROGRESSIVE TRANSPORTATION SERVICES, INC.
(Name of Certificated Carrier)
held by COACH USA, INC.
(Name(s) of seller)
to STAGECOACH HOLDINGS PLC
(Name(s) of buyer)

PUC USE ONLY
Docket No. 115892
Folder No. F5000

SEE INSTRUCTIONS BEFORE COMPLETING APPLICATION

- Progressive Transportation Services, Inc.
(Full and correct name of Certificated Carrier)
- Docket number of Certificated Carrier is A- 00115892
- Seller(s) name is: Coach USA, Inc.
One Riverway, Suite 600
(Business Street Address) (P. O. Box, if any)
Houston TX 77056-1930 (713) 888-0104
(City) (State) (Zip) (Telephone)
- Seller(s) attorney (for this application) is:
John A. Vuono, Esq. 2310 Grant Building
Vuono & Gray, LLC Pittsburgh, PA 15219-2383 (412) 471-1800
(Name) (Address) (Telephone)
- Buyer(s) name is:- Stagecoach Holdings plc¹
20 Charlotte Street
(Business Street Address) (P. O. Box, if any)
Perth PHI 5LL Scotland
(City) (State) (Zip) (Telephone)

¹ See Jurisdictional Statement and Explanatory Statement attached hereto as Supplements 13-5 and 13-6, respectively.

ORIGINAL

6. Buyer(s) attorney (for this application) is:

William C. Sippel, Esq.	Two Prudential Plaza, 45th Floor	
Oppenheimer Wolff & Donnelly	180 North Stetson Avenue	
	Chicago, IL 60601-6710	(312) 616-1800
<u>(Name)</u>	<u>(Address)</u>	<u>(Telephone)</u>

7. Capital Stock of Certificated Carrier:

a) Number of authorized shares: 1,000 shares

b) Par or stated value per share: \$1.00

c) Number of shares outstanding: 1 share

d) Shareholder(s)	Number held
<u>Coach USA, Inc.</u>	<u></u>
<u></u>	<u></u>
<u></u>	<u></u>
<u></u>	<u></u>

e) Number of shares redeemed or held as treasury stock: N/A

8. Stock Transaction:

Seller(s)	#Sold	Buyer(s)	#Bought
<u>Coach USA, Inc.</u>	<u>1 share</u>	<u>Stagecoach Holdings plc</u>	<u>1 share</u>
<u>See Explanatory Statement (Supplement 13-6)</u>			
<u></u>	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>

9. If buyer and/or seller are in control of or affiliated with each other or with any other carrier, state name of carrier(s), docket number(s) and nature of control or affiliation:

See Explanatory Statement (Supplement 13-6)

10. Consideration for the transfer of capital stock is (if nominal, explain):

See Explanatory Statement (Supplement 13-6)

11. The consideration will be paid as follows:

See Explanatory Statement (Supplement 13-6)

12. The reason(s) for the proposed transfer is/are:

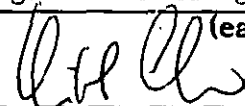
See Explanatory Statement (Supplement 13-6)

13. Attach the following to the completed application:

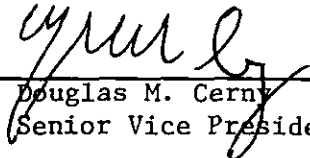
- A statement containing a brief corporate history of the Certificated Carrier, the purpose for which it was created, a description of the service it furnishes to the public and a description of the territory in which it operates. (Supplement 13-1)
- Statement of Financial Condition (Income Statement and Balance Sheet) for THE BUYER AND THE SELLER. (Supplements 13-2 and 13-3, respectively)
- Sales Agreement (Bilateral) (Supplement 13-4)
- Verified Statement for Philadelphia taxicab companies. (Not Applicable)
- Jurisdictional Statement (Supplement 13-5)
- Explanatory Statement (Supplement 13-6)
- Surface Transportation Board Application (Supplement 13-7)

WHEREFORE, Buyer and Seller request that the Commission approve the Application.

Buyer sign here: Stagecoach Holdings plc July 28, 1999
(each partner must sign) (Date)

(Corporate Seal) By: 
Keith Cochrane
Group Finance Director

Seller sign here: Coach USA, Inc. August 4, 1999

(Corporate Seal) By: 
Douglas M. Cerny
Senior Vice President

THIS MUST BE COMPLETED BY NOTARY PUBLIC
AFFIDAVIT OF BUYER (Natural Person)

COMMONWEALTH OF PENNSYLVANIA :
: ss:
_____ County :

_____, being duly sworn (affirmed) according to law, deposes and says that the facts above set forth are true and correct; or are true and correct to the best of his knowledge, information and belief and he expects to be able to prove the same at the hearing hereof.

Signature of Affiant

Sworn and subscribed before me this _____
day of _____ 19 ____
My Commission Expires _____

Signature of Official Administering Oath

AFFIDAVIT OF CERTIFICATED CARRIER (Corporation)

STATE OF TEXAS
~~COMMONWEALTH OF PENNSYLVANIA~~ :
: ss:
Harris _____ County :

Douglas M. Cerny _____, being duly sworn (affirmed) according to law, desposes and says that he is Vice President of Progressive Transportation Service, Inc
(Office of Affiant) (Name of Corporation)

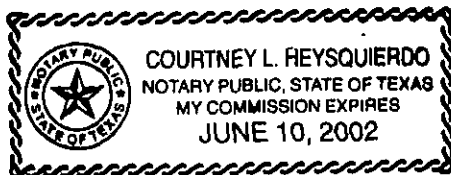
that he is authorized to and does make this affidavit for it; and that the facts set forth are true and correct; or are true and correct to the best of his knowledge, information and belief and that he expects the said Progressive Transportation Service, Inc. to be able to prove the
(Name of Corporation)

same at the hearing hereof.

Sworn and subscribed before me this 4th
day of August 19 99
My Commission Expires June 10th, 2002

Douglas M. Cerny
Signature of Affiant
Douglas M. Cerny

Courtney L. Heysquierdo
Signature of Official Administering Oath



THIS MUST BE COMPLETED BY NOTARY PUBLIC
AFFIDAVIT OF SELLER (Natural Person)

COMMONWEALTH OF PENNSYLVANIA :

: ss:

_____ County :

_____, being duly sworn (affirmed) according to law, deposes and says that the facts above set forth are true and correct; or are true and correct to the best of his knowledge, information and belief and he expects to be able to prove the same at the hearing hereof.

Signature of Affiant

Sworn and subscribed before me this _____

day of _____ 19 _____

My Commission Expires _____

Signature of Official Administering Oath

AFFIDAVIT OF BUYER/SELLER (Corporation)

STATE OF TEXAS

~~COMMONWEALTH OF PENNSYLVANIA~~ :

: ss:

Harris _____ County :

Douglas M. Cerny _____, being duly sworn (affirmed) according to law, desposes and says that he is Senior Vice President of Coach USA, Inc.
(Office of Affiant) (Name of Corporation)

that he is authorized to and does make this affidavit for it; and that the facts set forth are true and correct; or are true and correct to the best of his knowledge, information and belief and that he expects the said Coach USA, Inc. to be able to prove the
(Name of Corporation)

same at the hearing hereof.

[Handwritten Signature]

Signature of Affiant
Douglas M. Cerny

Sworn and subscribed before me this 4th

day of August 19 99

My Commission Expires June 10, 2002

[Handwritten Signature]

Signature of Official Administering Oath

VERIFICATION

STAGECOACH HOLDINGS plc/SCH HOLDINGS CORP.

I, Keith Robertson Cochrane, Group Finance Director of Stagecoach Holdings plc and President of SCH Holdings Corp., verify under penalty of perjury, under the laws of the United States of America, that all information supplied in connection with this application, as it relates to Stagecoach Holdings plc and SCH Holdings Corp., is true and correct. Further, I certify that I am qualified and authorized to file this application. I know that willful misstatements or omissions of material facts constitute Federal criminal violations punishable under 18 U.S.C. 1001 by imprisonment up to five years and fines up to \$10,000 for each offense. Additionally, these misstatements are punishable as perjury under 18 U.S.C. 1621, which provides for fines up to \$2,000 or imprisonment up to five years for each offense.

Dated this 28th day of July, 1999.



Keith Robertson Cochrane

SUPPLEMENT 13-1

PROGRESSIVE TRANSPORTATION SERVICES, INC.

ESSENTIAL INFORMATION

Progressive Transportation Services, Inc. ("Progressive") is a New York corporation having its principal office at 1 Progressive Drive, Horsehead, NY 14845.

The corporation was formed pursuant to the New York Corporation Law and is authorized to perform any and all lawful acts.

Progressive is a motor common carrier of passengers. It holds a Certificate of Public Convenience issued by the Pennsylvania Public Utility Commission on May 27, 1999 at Docket No. A-00115892. It is authorized, inter alia, to transport persons in group and party service between certain points in Pennsylvania. A copy of its presently effective Certificate of Public Convenience is attached hereto as Supplement 13-1A. Progressive also holds interstate authority at Docket No. MC-247074.

Prior to the issuance of the above operating authority, Coach USA, Inc. acquired all of the issued and outstanding shares of stock in applicant.

The management of Progressive has had many years of experience in providing passenger transportation service. The existing management personnel will continue in their same management capacities with Progressive under the control of Stagecoach Holdings plc.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

IN THE MATTER OF THE APPLICATION OF: A-00115892

Progressive Transportation Service, Inc.

The Pennsylvania Public Utility Commission hereby certifies that after an investigation and/or hearing, it has, by its report and order made and entered, found and determined that the granting of the application is necessary or proper for the service, accommodation, convenience and safety of the public and hereby issues to the applicant this **CERTIFICATE OF PUBLIC CONVENIENCE** evidencing the Commission's approval to operate.

In Witness Whereof, The PENNSYLVANIA PUBLIC UTILITY COMMISSION has caused these presents to be signed and sealed, and duly attested by its Secretary at its office in the city of Harrisburg this 27th day of May, 1999.



James G. M. Nulty
Secretary



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

May 20, 1999

IN REPLY PLEASE
REFER TO OUR FILE

A-00115892

25

WILLIAM A GRAY
ATTORNEY AT LAW
2310 GRANT BUILDING
PITTSBURGH PA 15219-2383

Re: A-00115892 - Application of Progressive Transportation Service, Inc.,
1 Progressive Drive, Horsehead, NY 14845. 800-388-9892.

To Whom It May Concern:

Your application for the right to provide common carrier service, transporting persons in group and party service, using vehicles seating more than 15 passengers, including the driver, has been reviewed.

It has been determined that the following requirements must be met before service may be provided within Pennsylvania. **You may not operate until these requirements are satisfied.**

YOU ARE ADVISED: THAT YOU MUST FILE A FORM E, AS EVIDENCE OF BODILY INJURY AND PROPERTY DAMAGE LIABILITY INSURANCE. You must contact your insurance agent/broker so that the required evidence of permanent insurance will be filed with this Commission.

FAILURE TO FILE THE ABOVE REQUIRED EVIDENCE OF INSURANCE WITHIN SIXTY (60) DAYS OF THE DATE OF THIS LETTER CAN RESULT IN THE DISMISSAL OF THE APPLICATION AND REQUIRE THE FILING OF A NEW APPLICATION AND FILING FEE.

You may want to operate prior to filing permanent proof of insurance. *Temporary proof of insurance consists of one of the following:*

- a. A copy of the declaration page of the insurance policy; or
- b. A copy of a valid binder of insurance.

Temporary proof of insurance is only good for 60 days from the date of this letter. You may begin operating only after your notification that the temporary proof of insurance has been accepted.

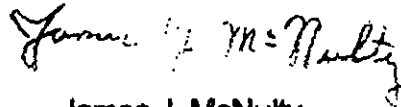
Upon the filing of an acceptable Form E, a certificate of public convenience will be issued authorizing the following right:

To transport, as a motor common carrier, persons in group and party service, operating vehicles seating more than fifteen passengers, including the driver, between points in Pennsylvania.

If you have not previously submitted a copy of a current satisfactory safety rating from the U.S. Department of Transportation or another state with safety regulations comparable to Pennsylvania, you must demonstrate safety fitness by completing a Safety Fitness Review which will be scheduled by a PUC enforcement officer within 180 days of the date your certificate of public convenience is issued/entered.

Failure to submit to the Safety Fitness Review will result in dismissal of your application, and require the filing of a new application and filing fee.

Very truly yours,



James J. McNulty
Secretary

cc: Document folder
Progressive Transportation Service, Inc.
1 Progressive Drive
Horsehead, NY 14845

Contact: Insurance (717-787-1227)
Safety (717-772-2254)

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14D-1

Tender Offer Statement

Pursuant to Section 14(d)(1) of the Securities Exchange Act of 1934
and

Statement on

SCHEDULE 13D

Under the Securities Exchange Act of 1934

Coach USA, Inc.

(Name of Subject Company)

Stagecoach Holdings plc

and

SCH Holdings Corp.

(Bidder)

Common Stock, par value \$0.01 per share

(Title of Class of Securities)

18975L106

(CUSIP Number of Class of Securities)

Keith Cochrane

Charlotte House

20 Charlotte Street

Perth PH15LL

Scotland

Telephone: +44-1738-442-111

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

Copies to:

Michael O. Wolfson, Esq.

99 Bishopgate, 21st Floor

London EC2M 3YH

Telephone: +44-207-422-4000

CALCULATION OF FILING FEE

Transaction Valuation*	Amount of Filing Fee**
\$1,314,470,220	\$262,895

* Based on the offer to purchase all of the outstanding shares of Common Stock of the Subject Company at a purchase price of \$42.00 cash per share, 25,420,777 shares outstanding, 4,034,645 shares issuable upon the exercise of outstanding options, 40,000 shares issuable upon the exercise of outstanding warrants, 1,757,845 shares issuable upon conversion of convertible subordinated notes outstanding and 63,643 shares issuable in respect of certain securities of a subsidiary of the Subject Company.

** 1/50 of 1% of Transaction Valuation.

Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid:

Form or Registration No.:

Filing Party:

Date Filed:

STAGECOACH HOLDINGS PLC

CERTAIN FINANCIAL DATA

Because the only consideration in the Offer and Merger is cash, and in view of the amount of consideration payable in relation to the financial capability of Parent and its affiliates, Purchaser believes the financial condition of Parent and its affiliates is not material to a decision by a holder of Shares whether to sell, tender or hold Shares pursuant to the Offer. Set forth below is a summary of certain consolidated financial information with respect to Parent for the fiscal years ended April 30, 1998 and 1999. The consolidated financial information is stated in pounds sterling. Such information is provided for supplemental information purposes only and is neither intended nor required to comply with the requirements of the Exchange Act. On June 17, 1999, *The Wall Street Journal* reported that, as of June 16, 1999, one pound sterling equalled 1.5878 U.S. dollars. The following information was prepared in accordance with accounting principles generally accepted in the United Kingdom and has not been reconciled to generally accepted accounting principles in the United States.

	<u>Year Ended April 30,</u>	
	<u>£</u> <u>1999</u>	<u>£</u> <u>1998</u>
	(unaudited)	
	(in millions of pounds, except per share data)	
Consolidated Income Statement Data		
Group turnover	1,548.4	1,347.0
Total operating profit (including shares of joint ventures and associates)	274.7	216.3
Profit on ordinary activities before income taxes	210.1	155.7
Profit/(loss) for the year	158.4	113.5
Earnings per ordinary share(1)	12.0p	9.5p
Dividends per ordinary share	3.0p	2.4p
Consolidated Balance Sheet Data		
Fixed assets	2,105.8	1,520.1
Current assets	516.4	331.0
Creditors — amounts falling due within one year	(706.3)	(600.0)
Net current liabilities	189.9	269.0
Total assets less current liabilities	1,915.9	1,251.1
Creditors — amounts falling due after more than one year	(950.8)	(741.7)
Provisions	(234.1)	(239.3)
Net assets	731.0	270.1
Equity shareholders' funds	731.0	269.8
Minority interests	0.0	0.3
Capital employed	731.0	270.1

(1) All earnings per share data has been restated to reflect the subdivision of Parent shares on October 19, 1998, from 2.5p to 0.5p.

9. **Source and Amount of Funds.** Purchaser will require approximately \$1.35 billion to (i) purchase the Shares (on a fully diluted basis) pursuant to the Offer and the Merger and (ii) pay fees and expenses to be incurred in connection with the completion of the Offer and the Merger. All of the funds required to finance the foregoing will be furnished to Purchaser by Parent. Parent will obtain such funds from the proceeds from its working capital and other corporate funds and a \$2.25 billion credit facility among Parent and its wholly-owned subsidiaries, including Purchaser, and Credit Suisse First Boston, J.P. Morgan Securities Ltd., The Royal Bank of Scotland plc and The Governor and Company of The Bank of Scotland, as arrangers (together, the "Banks"), and certain other financial institutions. Parent and the Banks entered into a Commitment Letter regarding the credit facility on June 11, 1999. The credit facility will include three facilities — two term loan facilities and one revolving facility. One term loan has a principal amount of \$1.0 billion, repayable on termination on December 31, 2000. The second term loan has a principal amount of \$750.0 million, repayable

by equal, semi-annual installments, beginning six months from the signing of the credit facility and terminating five years from the signing of the credit facility. The third facility is a \$500.0 million revolving credit facility, repayable on termination five years from the signing of the credit facility. The facilities will bear interest at a rate equal to the aggregate of either the London inter-bank offered rate, the Euribor rate or the Paris inter-bank offered rate plus 0.75 to 1.125 per cent per annum depending upon the amounts outstanding under the particular facilities and whether Parent completes an equity offering by December 31, 1999. The credit facility will include customary covenants and events of default. Parent intends to refinance any borrowings that will be made under the credit facility by means of equity and/or debt capital markets offerings. The term loans will be used to finance the Offer and the Merger and to refinance certain existing borrowings of Parent and the Company. The revolving loan will be used to refinance certain existing borrowings and for general corporate purposes.

10. Background of the Offer; Contacts with the Company. In November 1998, Lawrence K. King, Chairman of the Board and Chief Executive Officer of the Company, contacted Mr. Brian Souter, Executive Chairman of Parent, concerning the possibility of certain strategic opportunities the two companies might be able to pursue jointly.

In March 1999, Mr. King contacted Mr. Souter to request a meeting to discuss Parent's acquisition strategy in North America and ways in which the two companies might be able to work together to pursue this strategy.

On April 26, 1999, Mr. King, Mr. John Mercadante, Jr., President of the Company, and Mr. Frank P. Gallagher, Executive Vice President and Chief Operating Officer of the Company, met with Mr. Souter and Mr. Keith Cochrane, Group Finance Director of Parent, in Perth, Scotland to discuss Parent's acquisition strategy in North America, ways in which Parent and the Company might work together as part of that strategy, the motor coach operating market in North America and other strategic matters.

On May 17, 1999, Mr. Souter met with Mr. King and certain other Company management team members in Houston, Texas and expressed an interest in acquiring the Company or merging the Company into Parent.

On May 24, 1999, Mr. King and Mr. Souter and other representatives of their respective companies discussed a possible structure for a business combination transaction between Parent and the Company, involving consideration consisting of cash and Parent equity securities to be paid to the Company's stockholders in a merger. Mr. Souter indicated, however, that Parent did not want to be involved in an auction of the Company, and therefore needed a period of four weeks of exclusivity during which it could conduct due diligence and, assuming satisfaction with the results thereof, negotiate and enter into a definitive transaction agreement with the Company.

The next day, Mr. Cochrane and representatives of Parent's legal and financial advisors met in Houston, Texas, with Mr. King, Mr. Mercadante and certain other executives of the Company, and the Company's legal advisors, to discuss the terms of Parent's transaction proposal and the terms of a confidentiality and standstill agreement and exclusivity agreement proposed by Parent. Mr. King informed Mr. Cochrane that the Company had received a proposal for a transaction from another company, and that the Company could not enter into an exclusivity agreement until the Company's Board of Directors and its financial advisor had considered Parent's and the other company's proposals. A Company Board of Directors meeting was scheduled for the next morning. Mr. King also asked for clarification of the terms of Parent's proposal.

On May 26, 1999 before the Company's Board of Directors meeting, Parent submitted a written proposal for a business combination transaction involving equity securities of Parent and the opportunity for Company shareholders to receive up to 50% of their consideration in cash, at an increased valuation for the Company from the valuation that was indicated on May 24. Parent's ongoing interest in the Company was subject to the condition that Parent would have an exclusive period to conduct a due diligence investigation of the Company.

After the Company's Board meeting, Mr. King informed Mr. Cochrane that the Company was interested in pursuing a transaction with Parent, but that the Board and its financial advisor would need time to consider valuation and other matters before the Company would be willing to consider an exclusivity arrangement with Parent. The Company advised Parent it would be willing to enter into a confidentiality and standstill

APPENDIX 1: INFORMATION ON STAGECOACH

Description

UK Bus

Stagecoach has approximately a 16% share of the UK bus market. The company has a fleet of 7,500 buses with an average age of seven years, the lowest in the industry. In 1998, the UK bus business was restructured from nineteen individual companies into three regions.

Overseas Bus

Outside the UK Stagecoach runs bus services in Sweden, Finland, Portugal, New Zealand (in conjunction with ferries), Australia, Hong Kong and China.

Train Operations

Stagecoach holds two UK rail franchises - South West Trains, which is the biggest single franchise in the UK, and the Island Line. Both franchises were awarded for seven years in 1996. In 1998, Stagecoach purchased a 49% shareholding in Virgin Rail Group, operator of the West Coast Main Line and CrossCountry franchises, both of which run to 2012.

Porterbrook

Porterbrook is one of three rolling stock companies which currently own the entire fleet of UK railway stock. Porterbrook provides rolling stock under operating leases to eighteen of the twenty-five UK train operating companies and carries out heavy maintenance on the rolling stock.

Prestwick Airport

Stagecoach acquired Prestwick Airport in April 1998. Prestwick currently handles over 600,000 passengers per annum and 52,000 freight tonnes per annum.

Road King

Stagecoach acquired a minority stake in Road King, a Chinese toll road operator, in April 1998.

Stagecoach Summary Group Profit and Loss Accounts
Presented under UK GAAP

(£ million)	Years ended 30 April	
	1998	1999 (unaudited)
Group Turnover	1,347.0	1,548.4
Total Operating Profit (including share of joint ventures and associates)	216.3	274.7
Profit on ordinary activities before taxation	155.7	210.1
Profit/(loss) for the year	113.5	158.4
Earnings per ordinary share (basic)	9.5p	12.0p
Dividends per ordinary share	2.4p	3.0p

1998 EPS revised to take into account subdivision of ordinary shares from 2.5p to 0.5p on 19 October 1998.

Stagecoach Summary Group Balance Sheets
Presented under UK GAAP

(£ million)	Years ended 30 April	
	1998	1999 (unaudited)
Fixed assets	1,520.1	2,105.8
Current assets	331.0	516.4
Creditors: amounts falling due within one year	(600.0)	(706.3)
Net current liabilities	(269.0)	(189.9)
Total assets less current liabilities	1,251.1	1,915.9
Creditors: amounts falling due after more than one year	(741.7)	(950.8)
Provisions	(239.3)	(234.1)
Net assets	270.1	731.0
Equity shareholders' funds	269.8	731.0
Minority interests	0.3	0.0
Capital employed	270.1	731.0

1998 figures revised to reflect Financial Reporting Standard Numbers 11 and 12.

SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM 10-Q

(Mark One)



Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
 For the quarterly period ended March 31, 1999 or



Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
 For the transition period from _____ to _____

Commission File Number: **0-28056**

COACH USA, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
 incorporation or organization)

76-0496471

(I.R.S. Employer Identification No.)

**One Riverway, Suite 500
 Houston, Texas**

(Address of principal executive offices)

77056

(Zip Code)

Registrant's telephone number, including area code: **(713) 888-0104**

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

Yes No

The number of shares of Common Stock of the Registrant, par value \$0.01 per share, outstanding at May 7, 1999 was 25,429,490.

COACH USA, INC.
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 1999
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COACH USA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts In Thousands, Except Share Data)

	<u>December 31,</u> 1998	<u>March 31,</u> 1999 (Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,267	\$ 8,079
Accounts receivable, net of allowance of \$5,330 and \$5,149	76,748	75,782
Inventories	35,196	37,769
Notes receivable, current portion	4,856	5,160
Prepaid expenses and other current assets	<u>23,749</u>	<u>30,416</u>
Total current assets	148,816	157,206
PROPERTY AND EQUIPMENT, net	574,313	596,349
NOTES RECEIVABLE, net of allowance of \$500 and \$500	23,658	24,571
GOODWILL, net	404,992	406,344
OTHER ASSETS, net	<u>27,464</u>	<u>19,457</u>
Total assets	<u>\$1,179,243</u>	<u>\$1,203,927</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term obligations	\$ 23,072	\$ 16,059
Current maturities of convertible subordinated notes	12,415	13,250
Accounts payable and accrued liabilities	<u>138,757</u>	<u>144,056</u>
Total current liabilities	174,244	173,365
LONG-TERM OBLIGATIONS, net of current maturities	372,482	405,453
SENIOR SUBORDINATED NOTES	150,000	150,000
CONVERTIBLE SUBORDINATED NOTES, net of current maturities	66,339	61,348
DEFERRED INCOME TAXES	<u>65,136</u>	<u>63,957</u>
Total liabilities	<u>828,201</u>	<u>854,123</u>
 COMMITMENTS AND CONTINGENCIES		
 STOCKHOLDERS' EQUITY:		
Preferred stock \$.01 par, 500,000 shares authorized, 1 share issued and-outstanding	-	-
Common stock \$.01 par, 100,000,000 shares authorized, 25,412,130 and 25,427,140 shares issued and outstanding, respectively	254	254
Additional paid-in capital	258,709	259,003
Cumulative other comprehensive income	(961)	(904)
Retained earnings	<u>93,040</u>	<u>91,451</u>
Total stockholders' equity	<u>351,042</u>	<u>349,804</u>
Total liabilities and stockholders' equity	<u>\$1,179,243</u>	<u>\$1,203,927</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

COACH USA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended	
	March 31.	
	<u>1998</u>	<u>1999</u>
REVENUES	\$ 149,983	\$ 201,599
OPERATING EXPENSES	<u>117,980</u>	<u>155,946</u>
Gross profit	32,003	45,653
GENERAL AND ADMINISTRATIVE EXPENSES	18,814	26,038
AMORTIZATION EXPENSE	<u>1,439</u>	<u>2,687</u>
Operating income	11,750	16,928
INTEREST EXPENSE	<u>7,745</u>	<u>10,990</u>
INCOME BEFORE INCOME TAXES, EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	4,005	5,938
PROVISION FOR INCOME TAXES	<u>1,562</u>	<u>2,375</u>
INCOME BEFORE EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	2,443	3,563
EXTRAORDINARY ITEMS, net of income taxes	(88)	-
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, net of income taxes	<u>-</u>	<u>(5,152)</u>
NET INCOME (LOSS)	<u>\$ 2,355</u>	<u>\$ (1,589)</u>
BASIC EARNINGS PER COMMON SHARE:		
INCOME BEFORE EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	\$.11	\$.14
EXTRAORDINARY ITEMS	-	-
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	<u>-</u>	<u>(.20)</u>
NET INCOME (LOSS)	<u>\$.11</u>	<u>\$ (.06)</u>
DILUTED EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE:		
INCOME BEFORE EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	\$.11	\$.14
EXTRAORDINARY ITEMS	(.01)	-
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	<u>-</u>	<u>(.20)</u>
NET INCOME (LOSS)	<u>\$.10</u>	<u>\$ (.06)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

COACH USA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in Thousands)

	Comprehensive Income	Common Stock		Additional Paid-In Capital	Cumulative Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
		Shares	Amount				
BALANCE AT DECEMBER 31, 1997		21,818	\$ 218	\$ 121,534	\$ (479)	\$ 39,282	\$ 160,555
Issuance of Common Stock:							
Acquisition of Purchased Companies		331	3	7,906	-	-	7,909
Exercise of stock options and warrants		280	3	7,688	-	-	7,691
Conversion of convertible subordinated notes		683	7	23,158	-	-	23,165
Proceeds from sale of Common Stock		2,300	23	98,423	-	-	98,446
Comprehensive income:							
Other comprehensive income:							
Foreign currency translation adjustments	\$ (223)	-	-	-	(223)	-	(223)
Minimum pension liability	(259)	-	-	-	(259)	-	(259)
Net income	53,758	-	-	-	-	53,758	53,758
Comprehensive income	<u>\$ 53,276</u>	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 1998		25,412	\$ 254	\$ 258,709	\$ (961)	\$ 93,040	\$ 351,044
Issuance of Common Stock:							
Exercise of stock options		15	-	294	-	-	294
Comprehensive income:							
Other comprehensive income:							
Foreign currency translation adjustments	\$ 57	-	-	-	57	-	57
Net loss	(1,589)	-	-	-	-	(1,589)	(1,589)
Comprehensive income	<u>\$ (1,532)</u>	-	-	-	-	-	-
BALANCE AT MARCH 31, 1999 (unaudited)		<u>25,427</u>	<u>\$ 254</u>	<u>\$ 259,003</u>	<u>\$ (904)</u>	<u>\$ 91,451</u>	<u>\$ 349,800</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

COACH USA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	1998	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 2,355	\$ (1,589)
Adjustments to reconcile net income (loss) to net cash provided by operating activities -		
Depreciation and amortization	11,117	16,559
(Gain) loss on sale of assets	(251)	28
Deferred income tax provision (benefit)	1,702	(4,614)
Effect of cumulative change in accounting principle	-	8,588
Changes in operating assets and liabilities, net of effect of Purchased Companies -		
Accounts receivable, net	(4,681)	1,026
Inventories	(3,176)	(5,017)
Prepaid expenses and other current assets	2,247	(6,623)
Accounts payable and accrued liabilities	(8,109)	2,847
Other	54	(785)
Net cash provided by operating activities	1,258	10,420
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(35,340)	(32,744)
Proceeds from sales of property and equipment	3,180	2,277
Cash consideration paid for Purchased Companies, net of cash acquired	(18,385)	(1,123)
Increase in notes receivable	(1,693)	(1,217)
Net cash used in investing activities	(52,238)	(32,807)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term obligations	(30,253)	(12,621)
Proceeds from issuance of long-term obligations	80,249	34,469
Proceeds from issuance of Common Stock	1,463	294
Net cash provided by financing activities	51,459	22,142
EFFECT OF EXCHANGE RATE CHANGES	24	57
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	503	(188)
CASH AND CASH EQUIVALENTS, beginning of period	3,648	8,267
CASH AND CASH EQUIVALENTS, end of period	\$ 4,151	\$ 8,079
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 11,365	\$ 14,123
Cash paid for income taxes	6,676	350
Assets acquired under capital leases	-	1,081
Convertible subordinated notes and other notes issued for Purchased Companies	9,626	-

The accompanying notes are an integral part of these condensed consolidated financial statements.

COACH USA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION

In September 1995, Coach USA, Inc. ("Coach USA" or the "Company") was founded to create a national company providing motorcoach transportation services, including charter and tour services, and related passenger ground transportation services.

In May 1996, Coach USA acquired, simultaneously with the closing of its initial public offering, six established businesses. Through March 31, 1999, the Company has acquired over 70 additional passenger ground transportation businesses. Of these additional businesses acquired, 22 were accounted for as poolings-of-interests. The remaining businesses acquired were accounted for as purchases and are referred to herein as the "Purchased Companies" (see Note 5).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Coach USA and the Purchased Companies since their respective dates of acquisition.

Interim Condensed Consolidated Financial Information

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures, normally included in annual financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the interim consolidated financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

It is suggested that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in Coach USA's Annual Report on Form 10-K for the year ended December 31, 1998, as filed with the SEC.

Seasonality

The timing of certain holidays, weather conditions and seasonal vacation patterns may cause the Company's quarterly results of operations to fluctuate significantly. The Company expects to realize higher revenues, operating income and net income during the second and third quarters and lower revenues and net income during the first and fourth quarters.

COACH USA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -
(Continued)

Reclassifications

Certain reclassifications have been made in prior periods to conform with the current presentation. All significant intercompany transactions have been eliminated in consolidation.

Foreign Currency Translation

The Company's Canadian subsidiaries maintain their books and records in Canadian dollars. Assets and liabilities of these operations are translated into U.S. dollars at the exchange rate in effect at the end of each accounting period, and income statement accounts are translated at the average exchange rate prevailing during the period. Gains and losses resulting from such translation are reported as an element of comprehensive income and as a separate component of stockholders' equity. Gains and losses from transactions in foreign currencies are reported in other income and are not significant.

Cumulative Other Comprehensive Income

As of March 31, 1999, the components of cumulative other comprehensive income include \$0.3 million related to a minimum pension liability and \$0.6 million in cumulative foreign currency translation adjustments. In addition, comprehensive income for the three months ended March 31, 1998 was \$2.4 million.

New Accounting Pronouncements

The Company has adopted Statement of Financial Accounting Standard (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information". SFAS No. 131 superseded the business segment disclosure requirements previously in effect under SFAS No. 14. SFAS No. 131, among other things, establishes standards regarding the information a company is required to disclose about its operating segments and provides guidance regarding what constitutes a reportable operating segment.

In April 1998, the American Institute of Certified Public Accountants issued SOP 98-5, "Reporting on the Costs of Start-Up Activities". The effective date of this pronouncement is for fiscal years beginning after December 15, 1998. At adoption, SOP 98-5 requires the Company to write off any unamortized start-up costs as a cumulative change in accounting principle and expense all future start-up costs as they are incurred. The Company has adopted SOP 98-5 effective January 1, 1999. The adoption of SOP 98-5 resulted in a non-recurring, non-cash, after-tax charge of approximately \$5.2 million.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued in June 1998 and requires companies to recognize all derivative instruments as assets or liabilities in the balance sheet and to measure those instruments at fair value. SFAS No. 133 must be adopted by the Company no later than January 1, 2000, although earlier application is permitted. The Company is currently evaluating the potential impact of implementing SFAS No. 133.

COACH USA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -
(Continued)

3. NET INCOME PER COMMON SHARE

Earnings per share amounts are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period. The weighted average number of shares used to compute basic and diluted earnings per share for the three months ended March 31, 1998 and 1999 are illustrated below (in thousands):

	Three Months Ended March 31,	
	1998	1999
Net income (loss):		
Net income for basic earnings per share - income available to common stockholders	\$ 2,355	\$ (1,589)
Effect of convertible subordinated notes under the "if converted" method - interest expense addback, net of taxes ⁽¹⁾	-	-
Net income (loss) for diluted earnings per share - income available to common stockholders	<u>\$ 2,355</u>	<u>\$ (1,589)</u>
Weighted average shares:		
Weighted average shares outstanding for basic earnings per share	22,024	25,421
Effect of dilutive stock options and warrants	599	333
Effect of convertible subordinated notes under the "if converted" method - weighted average convertible shares issuable ⁽¹⁾	-	-
Weighted average shares outstanding for diluted earnings per share	<u>22,623</u>	<u>25,754</u>

(1) All convertible subordinated notes outstanding as of March 31, 1998 and 1999 are anti-dilutive for purposes of determining earnings per share. As such, they have been excluded from the calculation for the respective periods presented.

4. LONG TERM OBLIGATIONS

Revolving Credit Facilities

In August 1998, the Company amended and restated its revolving credit agreement. The credit agreement provides for revolving credit facilities totaling \$425 million through a bank syndicate and allows for an additional \$80 million of debt outside the credit facilities, in addition to fully subordinated debt. The revolving credit facilities consist of two tranches. Tranche "A" is a \$300 million credit facility that matures in August 2001, at which time all amounts then outstanding become due. Tranche "B" is a \$125 million credit facility that provides for a 364 day term which may be renewed or converted to a two-year term loan. The proceeds of the facilities are to be used for working capital, capital expenditures and acquisitions, including refinancing of indebtedness related to acquisitions. The facilities are secured by substantially all of the assets of the Company. Interest on outstanding borrowings is charged, at the Company's option, at the bank's prime rate, or the London Interbank Offered Rate ("LIBOR") plus 0.50% to 1.25%, as determined by the ratio of the Company's funded debt to cash flow, as defined. A commitment fee is payable on the unused portion of the facilities. Under the terms of the credit agreement, the Company must

COACH USA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -
(Continued)

maintain certain minimum financial ratios. The credit agreement prohibits the payment of cash dividends. As of March 31, 1999, the Company had a total of \$421.5 million outstanding under the revolving and other outside credit facilities and had utilized \$21.8 million of the facilities for letters of credit securing certain insurance obligations and performance bonds, resulting in a borrowing availability of \$61.7 million under the revolving and other outside credit facilities.

Convertible Subordinated Notes

As of March 31, 1999, the Company had outstanding \$74.6 million of convertible subordinated notes issued to certain former owners of the Purchased Companies as partial consideration of the acquisition purchase price. The notes bear interest at a weighted average interest rate of 4.58% and are convertible by the holder into shares of Common Stock, at any time after one year of issuance.

5. BUSINESS COMBINATIONS

Purchases

During 1998, the Company acquired several businesses in transactions accounted for as purchases. The aggregate consideration paid in these transactions was \$186.7 million in cash, net of cash acquired, approximately 331,000 shares of the Company's Common Stock, \$49.7 million in subordinated notes convertible into approximately 971,000 shares of Common Stock and \$18.4 million of other subordinated notes payable. The accompanying condensed consolidated balance sheet as of March 31, 1999, includes certain preliminary allocations of the respective purchase prices and is subject to final adjustment. The preliminary allocations resulted in goodwill recognized of \$258.6 million, representing the excess of the purchase price over the fair value of the net assets acquired.

During the three months ended March 31, 1999, the Company acquired additional businesses in transactions accounted for as purchases. The aggregate consideration paid in these transactions was \$1.3 million in cash, net of cash acquired. The accompanying condensed consolidated balance sheet as of March 31, 1999, includes certain preliminary allocations of the respective purchase prices and is subject to final adjustment. The preliminary allocations resulted in goodwill recognized of \$1.4 million, representing the excess of the purchase price over the fair value of the net assets acquired.

The *Pro Forma for Purchased Companies* data below gives pro forma effect to the acquisition of the Purchased Companies as if those acquisitions occurred on January 1, 1998, and gives further pro forma effect to (i) certain reductions in salaries and benefits to the former owners of the Purchased Companies which were agreed to in connection with the acquisitions of the Purchased Companies (collectively, the "Compensation Differential"), (ii) the amortization of goodwill, (iii) interest expense attributable to cash expended and convertible subordinated and other notes issued in connection with the acquisition of the Purchased Companies, (iv) an adjustment to record the interest savings related to the repayment of debt from proceeds of the secondary offering of Common Stock completed in May 1998, as if the offering had been completed at the beginning of all periods presented, and (v) income tax adjustments attributable to the above adjustments (in thousands, except per share data).

COACH USA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -
(Continued)

Pro Forma for Purchased Companies:

	Three Months Ended March 31.	
	1998	1999
	(unaudited)	
Revenues	\$ 194,838	\$ 202,099
Income before extraordinary items and cumulative effect of change in accounting principle	2,231	3,617
Diluted earnings per share before extraordinary items and cumulative effect of change in accounting principle09	.14

The pro forma results presented above are not necessarily indicative of actual results which might have occurred had the operations and management teams of the Company and the Purchased Companies been combined at the beginning of the periods presented.

6. COMMITMENTS AND CONTINGENCIES

Claims and Lawsuits

The Company is subject to certain claims and lawsuits arising in the normal course of business, most of which involve claims for personal injury and property damage incurred in connection with its operations. The Company maintains various insurance coverages in order to minimize financial risk associated with the claims. The Company is also subject to routine litigation regarding contracts and employment claims. The Company has provided for certain of these actions in the accompanying interim condensed consolidated financial statements. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters will not be material to the Company's financial position or results of operations.

Regulatory Matters

The Surface Transportation Board (STB) must approve or exempt any consolidation or merger of two or more regulated interstate motorcoach operators or the acquisition of one such operator by another. As of May 7, 1999, the STB had approved or exempted from regulatory approval requirements each of the acquisition transactions involving federally-regulated interstate motorcoach operators entered into by the Company through August 1998. There can be no assurance that the Company will be able to obtain such approval or exemption with respect to the acquisitions completed after August 1998 or future acquisitions.

Estimated Insurance Claims

The primary casualty risks in the Company's operations are bodily injury and property damage to third parties and workers' compensation. The Company has commercial liability insurance policies that provide coverage by the insurance company, subject to deductibles ranging from \$5,000 to \$1,000,000, with a majority of claims being made against the motorcoach operations, where the per incident deductible is \$1,000,000. As such, any claim within the deductible per incident would be the financial obligation of the Company.

The accrued insurance claims, included in accounts payable and accrued liabilities on the accompanying condensed consolidated balance sheet, represents management's estimate of the Company's potential claims

COACH USA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -
(Continued)

costs in satisfying the deductible provisions of its insurance policies for claims occurring through March 31, 1999. The accrual is based on known facts and historical trends. Management believes such accrual to be adequate.

7. INDUSTRY AND GEOGRAPHIC AREA SEGMENT INFORMATION

The Company's operations consist of providing motorcoach transportation services and taxicab services. The motorcoach service segment has operations in the United States and Canada. The taxicab service segment has operations in the United States only. The motorcoach transportation segment consists of several similar services including charter and tour, sightseeing, airport service, special destination, commuter services, outsourcing and privatization contracts, and paratransit operations.

The tables below reflect certain information relating to the Company's operations by segment and then by geographic concentration. Substantially all revenues represent sales from unaffiliated customers. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. For purposes of this presentation, general corporate expenses have been allocated between operating segments on a pro rata basis based on revenue (in thousands).

	Three Months Ended	
	March 31,	
	1998	1999
	(unaudited)	
BY SEGMENT:		
Revenues:		
Motorcoach Transportation	\$ 126,048	\$ 171,953
Taxicab Services	<u>23,935</u>	<u>29,646</u>
Total	<u>\$ 149,983</u>	<u>\$ 201,599</u>
Operating Profit:		
Motorcoach Transportation	\$ 8,398	\$ 12,312
Taxicab Services	<u>3,352</u>	<u>4,616</u>
Total	<u>\$ 11,750</u>	<u>\$ 16,928</u>
BY GEOGRAPHIC AREA:		
Revenues:		
United States	\$ 142,879	\$ 194,660
Canada	<u>7,104</u>	<u>6,939</u>
Total	<u>\$ 149,983</u>	<u>\$ 201,599</u>

COACH USA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -
(Continued)

8. SUPPLEMENTAL GUARANTOR INFORMATION

The Company's payment obligations under the Senior Subordinated Notes are jointly and severally guaranteed by all domestic subsidiaries (the Guarantors) of the Company. The following unaudited condensed consolidating balance sheet, statement of income and statement of cash flows presents the combined financial statements of the Guarantors and non-guarantor subsidiaries. Separate financial statements and other disclosures concerning the Guarantors are not deemed material to investors. Information as of March 31, 1999 and for the three months then ended has been omitted as the total assets and pre-tax income of the non-guarantor subsidiaries is less than 3% of the consolidated total.

COACH USA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -
(Continued)

Condensed Consolidating Balance Sheet
As of March 31, 1998
(In Thousands)
(Unaudited)

ASSETS	Coach USA, Inc.	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
CURRENT ASSETS:					
Cash and cash equivalents	\$ -	\$ 4,610	\$ (459)	\$ -	\$ 4,151
Accounts receivable, net of allowance	-	46,639	2,787	-	49,426
Inventories	-	24,502	1,655	-	26,157
Notes receivable, current portion	-	4,497	-	-	4,497
Prepaid expenses and other current assets	-	21,304	1,486	-	22,790
Total current assets	-	101,552	5,469	-	107,021
PROPERTY & EQUIPMENT, net	-	445,976	14,960	-	460,936
NOTES RECEIVABLE, net of allowance	-	10,240	-	-	10,240
GOODWILL, net	-	164,688	9,326	-	174,014
INTERCOMPANY & INVESTMENTS IN SUBSIDIARIES					
	504,560	-	-	(504,560)	-
OTHER ASSETS, net	7,039	10,406	380	-	17,825
Total assets	\$ 511,599	\$ 732,862	\$ 30,135	\$ (504,560)	\$ 770,036
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Current maturities of long-term obligations	\$ -	\$ 5,352	\$ 9,340	\$ -	\$ 14,692
Current maturities of convertible subordinated notes	-	8,330	-	-	8,330
Accounts payable and accrued liabilities	3,899	84,826	4,862	-	93,588
Total current liabilities	3,899	98,508	14,202	-	116,610
LONG-TERM OBLIGATIONS, net of current maturities	186,043	471,695	10,058	(433,046)	234,750
SENIOR SUBORDINATED NOTES	150,000	-	-	-	150,000
CONVERTIBLE SUBORDINATED NOTES, net of current maturities	-	51,596	-	-	51,596
DEFERRED INCOME TAXES	-	42,965	2,458	-	45,423
Total liabilities	339,942	664,764	26,719	(433,046)	598,379
STOCKHOLDERS' EQUITY:					
Preferred stock	-	-	-	-	-
Common stock	222	80	5	(85)	222
Additional paid-in capital	130,253	55,442	1,668	(57,110)	130,253
Cumulative other comprehensive income	(455)	-	(455)	455	(455)
Retained earnings	41,637	12,576	2,198	(14,774)	41,637
Total stockholders' equity	171,657	68,098	3,416	(71,514)	171,657
Total liabilities and stockholders' equity	\$ 511,599	\$ 732,862	\$ 30,135	\$ (504,560)	\$ 770,036

COACH USA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -
(Continued)

Condensed Consolidating Statement of Income
For the Three Months Ended March 31, 1998
(In Thousands)
(Unaudited)

	<u>Coach U.S.A. Inc.</u>	<u>Guarantor Subsidiaries</u>	<u>Nonguarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
REVENUES	\$ -	\$ 142,812	\$ 7,171	\$ -	\$ 149,983
OPERATING EXPENSES	<u>-</u>	<u>110,514</u>	<u>7,466</u>	<u>-</u>	<u>117,980</u>
Gross profit	-	32,298	(295)	-	32,003
GENERAL AND ADMINISTRATIVE EXPENSES	18	(7,960)	836		18,814
AMORTIZATION EXPENSE	<u>372</u>	<u>997</u>	<u>70</u>	<u>-</u>	<u>1,439</u>
Operating income	(390)	13,341	(1,201)	-	11,750
INTEREST EXPENSE	-	7,356	389		7,745
EQUITY IN INCOME OF SUBSIDIARIES	<u>2,745</u>	<u>-</u>	<u>-</u>	<u>(2,745)</u>	<u>-</u>
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	2,355	5,985	(1,590)	(2,745)	4,005
PROVISION FOR INCOME TAXES	<u>-</u>	<u>2,215</u>	<u>(653)</u>	<u>-</u>	<u>1,562</u>
INCOME BEFORE EXTRAORDINARY ITEMS	2,355	3,770	(937)	(2,745)	2,443
EXTRAORDINARY ITEMS, net of income taxes	<u>-</u>	<u>(88)</u>	<u>-</u>	<u>-</u>	<u>(88)</u>
NET INCOME	<u>\$ 2,355</u>	<u>\$ 3,682</u>	<u>\$ (937)</u>	<u>\$ (2,745)</u>	<u>\$ 2,355</u>

COACH USA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Condensed Consolidating Statement of Cash Flows
For the Three Months Ended March 31, 1998
(In Thousands)
(Unaudited)

	Coach USA, Inc.	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	\$ 2,355	\$ 3,682	\$ (937)	\$ (2,745)	\$ 2,355
Adjustments to reconcile net income -					
Depreciation and amortization	372	10,577	168		11,117
Equity in income of subsidiaries	(2,745)	-	-	2,745	-
Gain on sale of assets	-	(88)	(163)		(251)
Deferred income tax provision	-	2,118	(417)		1,702
Changes in operating assets and liabilities, net of effect of Purchased Companies -					
Accounts receivable, net	-	(5,191)	510		(4,681)
Inventories	-	(2,992)	(184)		(3,176)
Prepaid expenses and other current assets	-	2,087	160		2,247
Accounts payable and accrued liabilities	(3,993)	(3,079)	(1,037)		(8,109)
Other	123	4	(73)		54
Net cash provided by operating activities	<u>(3,888)</u>	<u>7,119</u>	<u>(1,973)</u>	<u>-</u>	<u>1,258</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to property and equipment	-	(34,598)	(742)		(35,340)
Proceeds from sales of property and equipment	-	2,899	281		3,180
Cash consideration paid for Purchased Companies, net	(18,385)	-	-		(18,385)
Increase in notes receivable	-	(1,693)	-		(1,693)
Net cash used in investing activities	<u>(18,385)</u>	<u>(33,392)</u>	<u>(461)</u>	<u>-</u>	<u>(52,238)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Intercompany activity	(45,890)	45,890	-		-
Principal payments on long-term obligations	-	(29,915)	(338)		(30,253)
Proceeds from issuance of long-term obligations	76,320	1,862	2,067		80,249
Proceeds from issuance of Common Stock	1,463	-	-		1,463
Proceeds from issuance of Common Stock	-	-	-		-
Net cash provided by financing activities	<u>31,893</u>	<u>17,837</u>	<u>1,729</u>	<u>-</u>	<u>51,459</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>-</u>	<u>-</u>	<u>24</u>	<u>-</u>	<u>24</u>
NET INCREASE (DECREASE) IN CASH	9,620	(8,436)	(681)	-	503
CASH AND CASH EQUIVALENTS.					
beginning of period	<u>(9,620)</u>	<u>13,046</u>	<u>222</u>	<u>-</u>	<u>3,648</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ -</u>	<u>\$ 4,610</u>	<u>\$ (459)</u>	<u>\$ -</u>	<u>\$ 4,151</u>

COACH USA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -
(Continued)

9. SUBSEQUENT EVENTS

Subsequent to March 31, 1999, the Company acquired several taxicab operations and two additional motorcoach businesses. The aggregated consideration paid in these transactions was \$7.4 million in cash and \$2.1 million in convertible subordinated notes convertible into approximately 52,000 shares of the Company's Common Stock. These subsequent acquisitions were accounted for as purchases.

PART I, ITEM 2
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Introduction

Disclosure Regarding Forward-Looking Statements

The Company's disclosure and analysis in this report contains some forward-looking statements. The forward-looking statements give current expectations or forecasts of future events. These statements are identified by the fact that they do not relate strictly to historical or current facts. They use words such as "expect," "intend," "plan," "believe," and other words and terms of similar meaning in connection with any discussion of our future operating or financial performance. In particular, these include statements relating to future actions, future trends, future performance or results of current and anticipated operations, sales efforts, expenses, the outcome of contingencies such as legal proceedings, and financial results. From time to time, the Company also may provide oral or written forward-looking statements in other materials the Company releases to the public.

Any or all of the forward-looking statements in this report and in any other public statements the Company makes may turn out to be wrong. They can be affected by inaccurate assumptions the Company might make or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially.

The Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You should, however, read any further disclosures the Company makes on related subjects in the Company's 10-Q, 8-K and 10-K reports to the SEC including the cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to the Company's business. The factors that the Company thinks could cause actual results to differ materially from expected and historical results include: a limited combined operating history, the ability to execute the Company's acquisition strategy, capital availability and acquisition financing, the effects of leverage, seasonality of the motorcoach business, fluxuations in fuel prices and taxes, increases in insurance costs and claims, competition, labor relations, reliance on governmental funding, impact of governmental regulation, and environmental liabilities. Other factors besides those listed could also adversely affect the Company. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

The Company was founded in September 1995 to create a nationwide provider of motorcoach and other ground transportation services. Today, the Company is the leading provider of motorcoach, airport ground transportation and taxicab services in North America with operations in over 120 cities in over 30 states and Canada. From the initial public offering in May 1996 through March 31, 1999, the Company has completed over 70 acquisitions. Several of these acquisitions were accounted for as poolings-of-interests while the remainder were accounted for as purchases. As a result, the consolidated financial statements, including the historical results discussed below, include our historical financial statements (including the Pooled Companies) for all periods presented at historical cost, as if the Pooled Companies had always been members of the same operating group and include the historical financial statements of the Purchased Companies since their respective dates of acquisition.

The Company continues to realize savings by consolidating certain general, administrative and purchasing functions and reducing insurance expenses. In addition, the Company continues to realize savings from its ability to borrow at lower interest rates than the acquired companies. These savings are partially offset by the costs of being a public company and the incremental costs related to the corporate

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS - (Continued)**

management group. Neither these savings nor the costs associated therewith, for the periods prior to the initial public offering or the date of the respective subsequent acquisitions, have been included in the financial information discussed below. As a result, historical results may not be comparable to, or indicative of, future performance.

The Company's motorcoach revenues are derived from fares charged to individual passengers and fees charged under contracts and other arrangements to provide motorcoach services. Taxicab operation revenues are derived from fees charged to independent taxicab operators. Operating expenses consist primarily of salaries and benefits for motorcoach drivers and mechanics, depreciation, maintenance, fuel, oil, insurance and direct tour expenses. General and administrative expenses consist primarily of administrative salaries and benefits, marketing, communications and professional fees.

Results of Operations (Unaudited)

	Three Months Ended			
	March 31.			
	<u>1998</u>		<u>1999</u>	
Revenues	\$ 149,983	100.0%	\$ 201,599	100.0%
Operating expenses	<u>117,980</u>	<u>78.7</u>	<u>155,946</u>	<u>77.4</u>
Gross profit	32,003	21.3	45,653	22.6
General and administrative expenses	18,814	12.5	26,038	12.9
Amortization expense	<u>1,439</u>	<u>1.0</u>	<u>2,687</u>	<u>1.3</u>
Operating income	11,750	7.8	16,928	8.4
Interest expense	<u>7,745</u>	<u>5.2</u>	<u>10,990</u>	<u>5.5</u>
Income before income taxes and extraordinary items and cumulative effect of change in accounting principle	4,005	2.7	5,938	2.9
Provision for income taxes	<u>1,562</u>	<u>1.0</u>	<u>2,375</u>	<u>1.2</u>
Income before extraordinary items and cumulative effect of change in accounting principle	<u>\$ 2,443</u>	<u>1.6%</u>	<u>\$ 3,563</u>	<u>1.8%</u>

The historical results above include the results of the Company, for all periods presented, and the Purchased Companies from their respective dates of acquisition.

Historical results for the three months ended March 31, 1998 compared to 1999

Revenues increased by 34.4% to \$201.6 million for the three months ended March 31, 1999. The increase in revenues was primarily due to the incremental revenues of certain Purchased Companies acquired in 1998 of \$43.3 million and additional revenues of approximately \$8.3 million related to the expansion of privatization and outsourcing services and continued internal growth in the charter, tour and taxicab operations.

Operating expenses increased 32.2% to \$155.9 million for the three months ended March 31, 1999, from \$118.0 million for the three months ended March 31, 1998. The increase in operating expenses was primarily due to the acquisition of the Purchased Companies in 1998. However, operating expenses as a percentage of revenues decreased from 78.7% for the three months ended March 31, 1998 to 77.4% for the three months ended March 31, 1999. This improvement is primarily attributable to lower maintenance parts costs as a result of new equipment purchases and savings from the continued implementation of our

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

national parts buying program, lower insurance costs and a decline in fuel and oil costs as a result of lower fuel prices.

General and administrative expenses increased 38.4% to \$26.0 million for the three months ended March 31, 1999, from \$18.8 million for the three months ended March 31, 1998. The increase in general and administrative expenses was primarily due to the acquisition of the Purchased Companies in 1998 and the additional costs of the corporate management group required to execute corporate strategy and to manage the consolidated group of companies. In addition, as a percentage of revenues, general and administrative expenses increased from 12.5% for the three months ended March 31, 1998 to 12.9% for the three months ended March 31, 1999. This increase is primarily due to certain companies acquired during the second and third quarter of 1998 that historically operate with higher levels of general and administrative expenses as compared to the Company on a consolidated basis.

Interest expense increased \$3.2 million for the three months ended March 31, 1999, as compared to the three months ended March 31, 1998, due to higher levels of debt resulting from cash paid, debt assumed and convertible subordinated and other notes issued in connection with the acquisition of certain Purchased Companies in 1998 and 1999, and additional equipment and other capital purchases. This increase was partially offset by lower rates under the Company's revolving credit facilities.

Net income before extraordinary items and cumulative effect of change in accounting principle increased during the three months ended March 31, 1999 as compared to the three months ended March 31, 1998, primarily due to the acquisitions of the Purchased Companies and the effects of increased purchasing power on lowering certain operating costs and lower fuel prices.

Liquidity and Capital Resources

Net cash provided by operating activities was \$10.4 million for the three months ended March 31, 1999. Capital expenditures during the period, net of trade-ins and proceeds from sales of property and equipment, totaled \$30.4 million. The majority of the capital expenditures were for the purchase of motorcoach equipment for fleet additions.

In August 1998, the Company amended and restated its revolving credit agreement. The credit agreement provides for revolving credit facilities totaling \$425 million through a bank syndicate and allows for an additional \$80 million of debt outside the credit facilities, in addition to fully subordinated debt. The revolving credit facility consist of two tranches. Tranche "A" is a \$300 million credit facility that matures in August 2001, at which time all amounts then outstanding become due. Tranche "B" is a \$125 million credit facility that provides for a 364 day term which may be renewed or converted to a two-year term loan. The proceeds of the facilities are to be used for working capital, capital expenditures and acquisitions, including refinancing of indebtedness related to acquisitions. The facilities are secured by substantially all of the assets of the Company. Interest on outstanding borrowings is charged, at the Company's option, at the bank's prime rate, or the London Interbank Offered Rate ("LIBOR") plus 0.50% to 1.25%, as determined by the ratio of the Company's funded debt to cash flow, as defined. A commitment fee is payable on the unused portion of the facilities. Under the terms of the credit agreement, the Company must maintain certain minimum financial ratios. The credit agreement prohibits the payment of cash dividends. As of May 6, 1999, the Company had a total of \$436.2 million outstanding under the revolving and other outside credit facilities and had utilized \$21.8 million of the facilities for letters of credit securing certain

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

insurance obligations and performance bonds, resulting in a borrowing availability of \$47.0 million under the revolving and other outside credit facilities.

In May 1999, the Company announced its intention to offer \$150 million to \$200 million of senior subordinated notes in order to improve the Company's financial flexibility and provide further resources for its acquisition program. Proceeds from the debt offering would be used to reduce indebtedness under the Company's revolving credit facilities. The Company has not signed a definitive agreement with an underwriter at this time, therefore the Company can not guarantee that it will be successful in completing any offering of debt securities.

Management believes that the Company's revolving credit facility, its cash flows from operations, and shares of Common Stock available under its shelf registration statement will provide sufficient liquidity or acquisition currency to execute the Company's acquisition and internal growth plans for the next twelve months. Should the Company accelerate its acquisition program, the Company may need to seek additional financing through the public or private sale of equity or debt securities. There can be no assurance that the Company could secure such financing if and when it is needed or on terms the Company deems acceptable.

Year 2000 Issues

We have assessed our Year 2000 issues and have developed a plan to address both the information technology ("IT") and non-IT systems issues. The plan involves the replacement or modification of some of the existing operating and financial computer systems utilized by our operating subsidiaries. We have not developed any computer systems we use in our business; consequently, we believe our Year 2000 issues relate to systems that different vendors have developed and sold to us.

We have contacted the vendors that provide our phone systems, computer systems, fueling systems and motorcoaches. We have received confirmation from our major vendors of motorcoaches, motorcoach parts and equipment, telephone systems, computer systems and fueling systems that their products are Year 2000 compliant. Further, we have replaced many computer systems that are not Year 2000 compliant in the normal course of updating various systems used at the operating subsidiaries. At this time, the replacement of the systems which are not Year 2000 compliant is over fifty-five percent complete and the amount expended to date is approximately \$520,000. We believe that the cost to replace the remaining non-compliant systems or the cost to update the systems in 1999 should not exceed \$280,000, which costs will be paid for with cash flows from operations.

In the worst case scenario, if the replacements and modifications are not completed, the operating subsidiaries may experience temporary problems with certain computer systems that contain date critical functions. We believe that any temporary disruptions would not be material to our overall business or results of operations. As a contingency plan, immediately prior to January 1, 2000, we intend to print all reservations booked in our systems, we intend to fill our vehicles' fuel tanks, and we intend to take other reasonably necessary steps so that we can operate "manually" until such time as any temporary Year 2000 problems related to our operations are cured.

As we acquire companies, we attempt to assess Year 2000 issues relating to their operating systems and vehicles. Since our acquisition program is ongoing, our assessment of potential Year 2000 issues is not complete. As such, there can be no assurance that the systems of newly acquired companies, or the systems of vendors and other third party relationships on which we may rely, will be made Year 2000 compliant in

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS - (Continued)**

a timely manner or that any such failure to be Year 2000 compliant by another company would not have a material adverse effect on our business or results of operations.

PART I, ITEM 3
QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Quantitative and Qualitative Disclosure About Market Risk

The Company is exposed to market risk primarily from interest rates and certain commodity prices. Management is actively involved in monitoring exposure to market risks and continues to develop and utilize appropriate risk management techniques. As such, the Company may enter into certain derivative financial instruments such as interest rate caps or swaps and commodity forward contracts. The Company does not use derivative financial instruments for trading or to speculate on changes in interest rates or commodity prices.

The sensitivity analyses below, which hypothetically illustrates the Company's potential market risk exposure, estimates the effects of hypothetical sudden and sustained changes in the applicable market conditions on 1999 earnings. The sensitivity analyses presented do not consider any additional actions management may take to mitigate exposure to such changes. The market changes, assumed to occur as of March 31, 1999, include a 100 basis point change in market interest rates and a 10% increase in the spot market price for diesel fuel. The hypothetical changes and assumptions may be different from what actually occurs in the future.

- *Interest Rates.* As of March 31, 1999, the Company had no derivative financial instrument to manage interest rate risk. As such, the Company is exposed to earnings and fair value risk due to changes in interest rates with respect to its long-term obligations. As of March 31, 1999, approximately 53.5% of its long-term obligations were floating rate obligations. The detrimental effect on annual earnings of the hypothetical 100 basis point increase in interest rates described above would be approximately \$3.5 million before income taxes. This effect is primarily due to the floating rate borrowings under the Company's revolving credit facilities. As of March 31, 1999, the fair value of the Company's fixed-rate debt is approximately \$297.4 million based upon discounted future cash flows using incremental borrowing rates and current market prices. Market risk, estimated as the potential increase in the fair value of the Company's fixed-rate debt resulting from a hypothetical 100 basis point decrease in interest rates, was approximately \$0.7 million as of March 31, 1999.

- *Commodity Prices.* The Company's results of operations are impacted by changes in the price of diesel fuel. Diesel fuel accounts for approximately 4.5% of annual operating expenses. Based on the Company's 1999 projected fuel consumption, a \$0.05 change in the average price per gallon of diesel fuel would impact annual fuel expense by approximately \$0.6 million, after the effect of hedging instruments currently in place. In order to offset its exposure to a potential change in price for diesel fuel, the Company has entered into certain commodity forward contracts for NYMEX #2 heating oil. NYMEX #2 heating oil has a high degree of correlation to diesel fuel. This fuel hedging strategy could result in the Company not benefiting from certain fuel price declines. As of March 31, 1999, the Company had hedged over 70% of its remaining projected 1999 fuel consumption. The potential change in the fair value of these commodity forward contracts, assuming a 10% change in the underlying commodity price, would be approximately \$1.3 million as of March 31, 1999. This amount excludes the offsetting impact of the price risk inherent in the physical purchase of the underlying commodity.

COACH USA, INC.
PART II - OTHER INFORMATION - (Continued)

Item 1. *Legal Proceedings.*

None.

Item 2. *Changes in Securities.*

None.

Item 3. *Defaults Upon Senior Securities.*

None.

Item 4. *Submission of Matters to a Vote of Security Holders.*

None.

Item 5. *Other Information.*

None.

Item 6 *Exhibits and Reports on Form 8-K.*

(a) Exhibits.

27 - Financial Data Schedule.

(b) Reports on Form 8-K.

None.

SIGNATURE

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

COACH USA, INC.

Dated: May 14, 1999

By:
Name:
Title:

LAWRENCE K. KING
Lawrence K. King
Chairman of the Board and
Chief Executive Officer

Dated: May 14, 1999

By:
Name:
Title:

RAYMOND K. TURNER
Raymond K. Turner
Vice President of Finance and
Corporate Controller
(Principal Accounting Officer)

AGREEMENT AND PLAN OF MERGER

dated as of June 12, 1999

among

STAGECOACH HOLDINGS plc.

SCH HOLDINGS CORP.,

SCH ACQUISITION CORP.

and

COACH USA, INC.

(A COMPLETE COPY OF THIS DOCUMENT IS INCLUDED
AS EXHIBIT 3 TO THE SURFACE TRANSPORTATION BOARD
APPLICATION WHICH IS ATTACHED HERETO AS SUPPLEMENT 13-7)

SUPPLEMENT 13-5

JURISDICTIONAL STATEMENT

As explained in more detail in the Explanatory Statement, Stagecoach Holdings plc (“Stagecoach”), a public limited company organized under the laws of Scotland, has entered into an Agreement and Plan of Merger, a copy of which is attached as Supplement 13-4, to acquire all of the issued and outstanding stock of Coach USA, Inc. (“Coach”). Stagecoach is a non-carrier which presently has no operations in the United States and does not control nor does it have any affiliated interest in any carrier, including any carrier providing passenger transportation service in Pennsylvania.

Coach is a Delaware corporation which is not a carrier, but which controls a number of motor carriers. As pertinent to this filing, Coach controls the following eight carriers, including the applicant herein, which hold intrastate operating authority issued by the Pennsylvania Public Utility Commission (“Pa. PUC”) and interstate operating authority issued by the Interstate Commerce Commission (“ICC”) or the Federal Highway Administration (“FHWA”), as applicable, at the following respective docket numbers:

<u>Carrier</u>	<u>Pa. PUC Dkt. No.</u>	<u>ICC /FHWA Dkt. No.</u>
Airlines Acquisitions Co., Inc., t/d/b/a Airlines Transportation Company	A-00108743	MC-223575
Airport Limousine Service, Inc., t/d/b/a Checker Cab	A-00112577	MC-315702
Blue Bird Coach Lines, Inc.	A-00088807	MC-108531

Butler Motor Transit, Inc.	A-00058709	MC-126876
Central Cab Company	A-00101803	MC-133058
Leisure Time Tours, Inc.	A-00107216	MC-142011
Progressive Transportation Service, Inc.	A-00115892	MC-247074
Transportation Management Services, Inc. t/d/b/a Lenzner Coach Lines	A-00112590	MC-237433

As authorized interstate carriers, the above entities are subject to regulation under the Interstate Commerce Act. For that reason, it is the position of the parties that the proposed transaction is not subject to the approval of any state regulatory agency. In that connection, 49 U.S.C. §14303 which governs the consolidation, merger and acquisition of control of interstate motor carriers of passengers provides in subparagraph (f) (49 U.S.C. §14303(f)) for the following exemption from state regulation:

(f) Effect of approval. A carrier or corporation participating in or resulting from a transaction approved by the Board under this section, or exempted by the Board from the application of this section pursuant to section 13541, may carry out the transaction, own and operate property, and exercise control or franchises acquired through the transaction without the approval of a State authority. A carrier, corporation, or person participating in the approved or exempted transaction is exempt from the antitrust laws and from all other law, including State and municipal law, as necessary to let that person carry out the transaction, hold, maintain, and operate property, and exercise control or franchises acquired through the transaction.

On June 22, 1999, the parties filed with the Surface Transportation Board (“STB”) an application seeking approval of the proposed transaction pursuant to 49 U.S.C.

§14303.¹ A copy of the STB application is attached as Supplement 13-7. It is the position of the parties that upon the approval of the application by the STB such action will preempt any otherwise applicable state requirements with respect to the approval and the implementation of the proposed transaction.

In that connection, the STB has held that whenever interstate jurisdiction is exercised in connection with transactions of this type, 49 U.S.C. §14303(f) “specifically preempts any state action that would interfere with the consummation of a Board approved or exempted merger, consolidation or acquisition of control, regardless of the extent of the participating carriers’ operations in intrastate commerce”.²

The STB has consistently confirmed the federal preemption of state jurisdiction in prior Coach proceedings.³

Notwithstanding what the parties believe to be a clear and unequivocal statutory mandate, the Pa. PUC has taken the position that “for housekeeping purposes”, it wants to be apprised of any changes in the ownership, management and control of its certificated carriers so that its files concerning shareholders, officers and directors, etc. will remain current. We have suggested that the same objective can be accomplished by

¹ Stagecoach Holdings plc--Control--Coach USA, Inc., et al. STB Finance Docket No. MC-F-20948.

² Colorado Mountain Express, Inc. and Airport Shuttle Colorado, Inc., d/b/a Aspen Limousine Service, Inc.--Consolidation and Merger--Colorado Mountain Express, STB Finance Docket No. MC-F-20902 (Served February 28, 1997).

³ See, Notre Capital Ventures II, LLC and Coach USA, Inc.--Control Exemption--Arrow Stage Lines, Inc., et al., STB Finance Docket No. 32876 (Sub No. 1) (Served May 3, 1996); Coach USA, Inc.--Control Exemption--American Sightseeing Tours, Inc., et al., STB Finance Docket NO. 33073 (Served November 8, 1996).

means of the filing of an informational copy of the STB application and the subsequent submission of the STB decision.

At the request of the Pa. PUC staff, and as a courtesy in view of the “housekeeping” interests of the PUC, the parties are submitting an information-only filing. This filing is submitted with the understanding that the parties do not believe or acknowledge that the approval of the PA. PUC is either necessary (since any such approval requirement is expressly preempted by federal law) or appropriate with respect to the transfer of control of carriers that hold federal operating authority. The parties want to make clear that this filing is being made as an accommodation to the Pa. PUC and solely to satisfy its record keeping requirements. By doing so, the parties do not waive any rights which they have to contest the jurisdiction of the Pa. PUC at some later time and reserve the position which they have consistently followed, i.e., that the federal government has preempted any state oversight of transactions of this type.

/9456

SUPPLEMENT 13-6

PROGRESSIVE TRANSPORTATION SERVICES, INC.

EXPLANATORY STATEMENT

The Commission's form to be used in connection with the transfer of the capital stock of a certificated carrier does not appear to contemplate the situation where the carrier is a subsidiary of a holding company whose stock is being transferred. For that reason, this Explanatory Statement is being prepared in order to provide the Commission with relevant facts for its information.

I. THE PARTIES

1. Coach USA, Inc. ("Coach").

Coach is a Delaware corporation which has its headquarters at One Riverway, Suite 500, Houston, TX 77056-1921. Coach is not a carrier but controls seventy-six motor carriers of passengers that hold interstate operating authority issued by the Federal Highway Administration (or the Interstate Commerce Commission) and are subject to regulation under the Interstate Commerce Act. Coach also controls several bus, van and taxicab companies which are not subject to federal regulation. Certain of the carriers controlled by Coach also hold intrastate operating authority in various states, including Pennsylvania.

The stock of Coach has been publicly held and traded on the New York Stock Exchange. Its strong financial condition is demonstrated by its Form 10-Q financial

report filed with the Securities and Exchange Commission for the quarterly period ending March 31, 1999, a copy of which is attached hereto as Supplement 13-3. Since its founding in 1996, Coach has grown to become the largest operator of tour and charter bus companies in the United States.

As pertinent to this filing, Coach controls the following ten carriers that hold operating authority issued by the Pa. PUC at the indicated docket numbers (“the Controlled Pennsylvania Carriers”):

<u>Name of Carrier</u>	<u>Pa. PUC Docket No.</u>
Airlines Acquisitions Co., Inc. t/d/b/a Airlines Transportation Company	A-00108743
Airport Limousine Service, Inc. t/d/b/a Checker Cab	A-00112577
Blue Bird Coach Lines, Inc.	A-00088807
Butler Motor Transit, Inc.	A-00058709
Central Cab Company	A-00101803
Leisure Times Tours, Inc.	A-00107216
Lenzner Transit, Inc.	A-00112257
Progressive Transportation Service, Inc.	A-00115892
Transportation Management Services, Inc., t/d/b/a Lenzner Coach Lines	A-00112590
Yellow Cab Company of Pittsburgh	A-00049926

The details concerning Coach’s control of the specific carrier which is the subject of this filing, including the date and docket number of the decision of the Commission

authorizing Coach’s control of the carrier, are set forth in the Essential Information contained in Supplement 13-1.

The following are the officers of Coach:

Lawrence King	Chief Executive Officer
John Mercadante, Jr.	President
Douglas M. Cerny	General Counsel Senior Vice President Corporate Secretary
Frank P. Gallagher	Chief Operating Officer Executive Vice President
Robert D. Womack	Chief Financial Officer

The Board of Directors of Coach consists of the following:

Frank V. Atlee, III	Gerald Mercadante
Frank P. Gallagher	John Mercadante, Jr.
Steve Harter	Barnett Rukin
William J. Lynch	Paul M. Verrochi
Lawrence King (Chairman of the Board)	

2. Stagecoach Holdings plc (“Stagecoach”).

Stagecoach is a public limited company organized under the laws of Scotland. Its principal executive offices are located at Charlotte House, 20 Charlotte St., Perth PH1 5LL, Scotland. Stagecoach was formed in 1980 and registered as a public limited company in 1991.

Stagecoach, with operations in eight countries, is one of the world’s largest providers of passenger transportation services through the operation of bus and train

services. Its principal business consists of five separate divisions, including the U.K.-based division that provides significant bus and rail passenger service in the United Kingdom. That division currently operates over 7,000 buses and coaches through seventeen regional bus companies in the U.K. In addition, the overseas bus division operates approximately 5,000 buses and coaches through operating companies or joint ventures in Scandinavia, Hong Kong, New Zealand, Portugal, Australia and China. Stagecoach and its subsidiaries employ over 36,500 persons worldwide.

Stagecoach does not own any bus or transportation interests in the United States and for the purposes of this transaction is a non-carrier.

For the fiscal year ended April 30, 1999, Stagecoach had total revenue of over \$2.475 billion and net income (after tax) of \$253,300,000.¹ Stagecoach is listed on the London Stock Exchange and has a current market capitalization (as of June 18, 1999) of \$5.086 billion. There is attached as Supplement 13-2 an excerpt from the Schedule 14D-1 statement filed with the Securities and Exchange Commission in connection with this transaction which contains additional pertinent financial information concerning Stagecoach.

Stagecoach has recently formed two wholly-owned subsidiaries for the purpose of effectuating this transaction, namely SCH Holdings Corp. ("Holding Sub") and SCH Acquisition Corp. ("Merger Sub"). The latter is a wholly-owned subsidiary of Holding Sub. Both entities are Delaware corporations and neither has any interest in any regulated carrier or other business in the United States and for the purposes of this

¹ All dollar figures are based on a conversion ratio of £1:\$1.60.

transaction are non-carriers. The structure of the proposed transaction is described in greater detail below.

The following are the officers of Stagecoach:

Brian Souter	Executive Chairman
Mike Kinski	Group Chief Executive
Keith Cochrane	Group Finance Director
Ann Gloag	Executive Director
Barry Hinkley	Executive Director
Brian Cox	Executive Director
Derek Scott	Company Secretary

The Board of Directors of Stagecoach consists of the following:

Brian Souter	Brian Cox
Keith Cochrane	Ewan Brown
Ann Gloag	Barry Sealey
Barry Hinkley	Robert Speirs
Mike Kinski	

3. Progressive Transportation Services, Inc. ("Progressive").

Progressive is a motor common carrier of passengers which holds a Certificate of Public Convenience issued by the Commission at Docket No. A-00115892. Progressive is authorized to transport persons in group and party service between points in Pennsylvania. It also holds interstate operating authority at Docket No. MC-247074.

A brief history of Progressive, a description of the services it currently provides and a copy of its operating authority are set forth in Supplement 13-1 attached hereto.

The following are the officers of Progressive:

Lawrence King	Chief Executive Officer Chief Financial Officer
Thomas J. Freeman	President
Douglas M. Cerny	Vice President Corporate Secretary
Carl D. Berman	Secretary/Treasurer
Raymond K. Turner	Assistant Corporate Secretary
Michael Sanchez	Assistant Corporate Secretary
Stephanie Thomas	Assistant Corporate Secretary

The Board of Directors of Progressive consists of the following:

Douglas M. Cerny

Lawrence King

John Mercadante, Jr.

II. THE PROPOSED TRANSACTION

On June 12, 1999, Coach entered into an Agreement and Plan of Merger (the "Agreement") with Stagecoach, Holding Sub and Merger Sub (collectively, "Buyers") pursuant to which Holding Sub has made a cash tender offer to purchase up to all of the outstanding capital stock of Coach at a price of Forty-two (\$42.00) Dollars per share. A copy of the Agreement and Plan of Merger is attached hereto as Supplement 13-4.

The Agreement provides, *inter alia*, that as long as more than fifty (50%) percent of the shares of Coach are tendered by the expiration date of the tender offer on July 26, 1999, and certain other conditions specified in the Agreement are met, Holding Sub will

purchase the tendered Coach shares and immediately tender those shares in equal amounts into five (5) independent voting trusts.

After the completion of the offer, Merger Sub will be merged with and into Coach, with Coach being the surviving entity. Thereafter, Coach will be merged with and into Holding Sub, with Holding Sub being the surviving corporation. If more than eighty (80%) percent of the stock of Coach is tendered in response to the offer, the first of these mergers may be unnecessary. In that event, Coach would be merged directly into Holding Sub, with the latter being the surviving corporation. If more than ninety (90%) percent of the stock of Coach is tendered in response to the offer, the latter merger will likely occur on the same day as the completion of the offer and the stock of the merged entity (rather than the tendered stock of Coach) will be placed in the five (5) independent voting trusts. Under any of these arrangements, upon the consummation of the Coach/Holding Sub merger, the name of Holding Sub will be changed to "Coach USA, Inc.". As a result of these transactions, Coach will become a wholly-owned subsidiary of Stagecoach.²

Immediately upon the consummation of each merger described above, all of the stock of the merged entity will be transferred into five (5) independent voting trusts. The

² The Agreement allows Stagecoach to alter the structure of the transaction as circumstances warrant, provided that the material terms of the transaction are not affected.

shares will be held in these trusts pending approval of the transaction by the Surface Transportation Board (“STB”). Upon final STB approval of the proposed transaction, the trusts will be dissolved and Stagecoach will assume direct control of Coach.

On June 22, 1999, Coach and Stagecoach filed an application with the STB for approval of the transaction pursuant to 49 U.S.C. §14303. The proceeding is captioned STAGECOACH HOLDINGS PLC--CONTROL--COACH USA, INC., et al., Finance Docket No. MC-F-20948. Although a copy of the application was served on the Commission simultaneously with the filing with the STB, a complete copy of the application is attached as Supplement 13-7.

By decision issued July 22, 1999, a copy of which is attached hereto as Appendix A, the STB has tentatively approved the transaction subject to public comments which are due on or before September 7, 1999.

III. EFFECT OF THE TRANSACTION

The proposed transaction will not result in the transfer of any operating authority held by carrier nor any of the other Controlled Pennsylvania Carriers, nor in any change in the essential nature of the services provided by those carriers. There also will be no substantial change in the organizational and strategic plans of Coach. It is currently intended that Coach management as well the management of the Controlled Pennsylvania Carriers will largely remain in place. These carriers will continue to be operated as separate companies in the manner in which they are operated today. In essence, the transaction will result in a change in the ownership of Coach, but will not directly or

immediately result in any change in Coach's current operations or the operations of the Controlled Pennsylvania Carriers, other than as described herein and in the Agreement.

For the reasons set forth in the Jurisdictional Statement attached hereto as Supplement 13-5, it is the position of the parties that upon the approval of the transaction by the STB, action by this Commission is neither necessary nor appropriate. This filing is being made as an accommodation to the Commission and for notice purposes only.

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SERVICE DATE - JULY 22, 1999

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FR-4915-00-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

{STB Docket No. MC-F-20948}

Stagecoach Holdings plc — Control — Coach USA, Inc., et al.

AGENCY: Surface Transportation Board.

ACTION: Notice Tentatively Approving Finance Application.

SUMMARY: Stagecoach Holdings plc (Stagecoach), a noncarrier that does not control any U.S. carriers, filed an application under 49 U.S.C. 14303 to acquire control of Coach USA, Inc. (Coach), a noncarrier; its 7 noncarrier regional management subsidiaries (the management companies);¹ and the 79 motor passenger subsidiaries (the operating carriers) controlled by Coach through the management companies. Persons wishing to oppose the application must follow the rules under 49 CFR 1182.5 and 1182.8.² The Board has tentatively approved the transaction, and, if no opposing comments are timely filed, this notice will be the final Board action.

DATES: Comments must be filed by September 7, 1999. Applicants may file a reply by September 20, 1999. If no comments are filed by September 7, 1999, this notice is effective on that date.

ADDRESSES: Send an original and 10 copies of any comments referring to STB Docket No. MC-F-20948 to: Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, send one copy of comments to applicants' representatives: William C. Sippel, Oppenheimer Wolff & Donnelly (Illinois), Two Prudential Plaza, 45th Floor, 180 North Stetson Avenue, Chicago, IL 60601-6710; and Betty Jo Christian, Steptoe & Johnson LLP, 1330 Connecticut Avenue, N.W., Washington, DC 20036.

¹ The management companies are: Coach USA North Central, Inc.; Coach USA Northeast, Inc.; Coach USA South Central, Inc.; Coach USA Southeast, Inc.; Coach USA West, Inc.; Coach Canada, Inc.; and Yellow Cab Service Corporation.

² Revised procedures governing finance applications filed under 49 U.S.C. 14303 were adopted in Revisions to Regulations Governing Finance Applications Involving Motor Passenger Carriers, STB Ex Parte No. 559 (STB served Sept. 1, 1998).

FOR FURTHER INFORMATION CONTACT: Beryl Gordon, (202) 565-1600. [TDD for the hearing impaired: (202) 565-1695.]

SUPPLEMENTARY INFORMATION: Stagecoach is a public limited company organized under the laws of Scotland with no bus or other transportation interests in the United States. With operations in eight other countries, however, Stagecoach is one of the world's largest providers of passenger transportation services.³ It had annual revenues for the fiscal year ending April 30, 1999, of \$2.475 billion.

Coach is a Delaware corporation that controls the operating carriers⁴ through the

³ Stagecoach's principal business consists of divisions that provide significant bus and rail passenger services in the United Kingdom, and an overseas division that operates buses in Scandinavia, Hong Kong, New Zealand, Portugal, Australia, and China.

⁴ Air Travel Transportation, Inc. (MC-166420); Airlines Acquisition Co., Inc. (MC-223575); Airport Bus of Bakersfield (MC-163191); Airport Limousine Service, Inc. (MC-315702); America Charters, Ltd. (MC-153814); ASTI, Inc. (MC-252353); Americoach Tours, Ltd. (MC-212649); Antelope Valley Bus, Inc. (MC-125057); Arrow Line, Inc. (MC-1934); Arrow Stage Lines, Inc. (MC-29592); Autocar Connoisseur, Inc. (MC-166643); Bayou City Coaches, Inc. (MC-245246); Black Hawk-Central City Ace Express, Inc. (MC-273611); Blue Bird Coach Lines, Inc. (MC-108531); Bonanza Bus Lines, Inc. (MC-13028); Browder Tours, Inc. (MC-236290); Brunswick Transportation Company d/b/a The Maine Line (MC-109495); Butler Motor Transit, Inc. (MC-126876); California Charters, Inc. (MC-241211); Cape Transit Corp. (MC-161678); Central Cab Company (MC-133058); Chenango Valley Bus Lines, Inc. (MC-141324); Clinton Avenue Bus Company (MC-223062); Colonial Coach Corp. (MC-39491); Community Coach, Inc. (MC-76022); Community Transit Lines, Inc. (MC-145548); Desert Stage Lines, Inc. (MC-140919); El Expreso, Inc. (MC-244195); Erie Coach Lines Company (MC-127027); Gad-About Tours, Inc. (MC-198451); GL Bus Lines, Inc. (MC-180074); Gray Line Air Shuttle, Inc. (MC-218255); Gray Line New York Tours, Inc. (MC-180229); Gray Line Tours of Southern Nevada (MC-127564); Grosvenor Bus Lines, Inc. (MC-157317); Gulf Coast Transportation, Inc. (MC-201397); H.A.M.L. Corp. (MC-195792); Hudson Transit Corporation (MC-133403); Hudson Transit Lines, Inc. (MC-228); International Bus Services, Inc. (MC-155937); Kansas City Executive Coach, Inc. (MC-203805); Keeshin Charter Services, Inc. (MC-118044); Keeshin Transportation, LP (MC-263222); Kerrville Bus Company, Inc. (MC-27530); K-T Contract Services, Inc. (MC-218583); Leisure Time Tours, Inc. (MC-142011); Metro Cars, Inc. (MC-276823); Mini Coach of Boston (MC-231090); Mountaineer Coach, Inc. (MC-229627); Niagara Scenic Bus Lines, Inc. (MC-30787); Olympia Trails Bus Co., Inc. (MC-138146); Orange, Newark, Elizabeth Bus, (continued...)

management companies. Coach also controls several non-federally regulated bus, van, and taxicab companies.⁵

Stagecoach has formed two wholly owned subsidiaries for the purpose of effectuating the proposed transaction: SCH Holdings Corp. (Holdings); and SCH Acquisition Corp. (Acquisition), a wholly owned subsidiary of Holdings. Both of these companies are Delaware corporations, with no interest in any regulated carrier. Pursuant to an agreement among Stagecoach, Holdings, Acquisition, and Coach, Holdings has undertaken a cash tender offer for up to all of the outstanding shares of Coach. Upon satisfaction of certain conditions and completion of the tender offer, Acquisition will be merged with and into Coach, with Coach as the surviving entity. Coach will then be merged with and into Holdings, with Holdings as the surviving entity, and, upon completion of that merger, the name of Holdings will be changed to Coach USA, Inc. If more than 80% of the stock of Coach is tendered in response to the tender offer, the first of these mergers may be unnecessary.⁶ After completion of these mergers, Coach will be a subsidiary of Stagecoach.⁷

⁴(...continued)

Inc. (MC-206227); P&S Transportation, Inc. (MC-255382); Pawtuxet Valley Bus Lines (MC-115432); PCSTC, Inc. (MC-184852); Pittsburgh Transportation Charter Services, Inc. (MC-319195); Powder River Transportation Services, Inc. (MC-161531); Progressive Transportation Services, Inc. (MC-247074); Red & Tan Charter, Inc. (MC-204842); Red & Tan Tours (MC-162174); Rockland Coaches, Inc. (MC-29890); Ross Tours, Inc. (MC-175674); Salt Lake Coaches, Inc. (MC-347528); Stardust Tours, Inc. d/b/a Gray Line Tours of Memphis (MC-318341); Suburban Management Corp. (MC-264527); Suburban Trails, Inc. (MC-149081); Suburban Transit Corp. (MC-115116); Syracuse and Oswego Coach Lines, Inc. (MC-117805); Texas Bus Lines, Inc. (MC-37640); Tippett Travel, Inc. d/b/a Marie's Charter Bus Lines (MC-174043); Transportation Management Services, Inc. (MC-237433); Trentway-Wagar, Inc. (MC-126430); Tucker Transportation Co., Inc. (MC-223424); Utica-Rome Bus Co., Inc. (MC-7914); Valen Transportation, Inc. (MC-212398); Van Nortwick Bros., Inc. (MC-149025); Wisconsin Coach Lines, Inc. (MC-123432); Worthen Van Service, Inc. (MC-142573); and 2948-7238 Quebec, Inc. d/b/a Visite Touristique de Quebec (MC-302514).

⁵ The appropriate filing has been made under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C. 18a, with respect to that portion of the transaction that involves Stagecoach's control of non-federally regulated entities.

⁶ Applicants have indicated that the structure of the transaction may be altered as future circumstances warrant. For example, an additional holding company or U.S. limited partnership may be placed in the corporate chain between Stagecoach and Coach.

(continued...)

The transaction will not result in any transfer of operating authority held by any of the operating carriers or in any change in the essential nature of the services provided by those carriers. The management of Coach is expected to remain largely in place, and Stagecoach does not currently plan to change the manner in which Coach is operated.

Applicants submit that granting the application will be consistent with the public interest and will have no adverse effects on the adequacy of transportation to the public, fixed charges, or the interests of employees. Applicants also submit that the proposed transaction will have no adverse effect on competition, because it will not result in the consolidation of any currently independent motor passenger carriers. On the contrary, applicants believe that the transaction will significantly benefit the traveling public and employees through efficiency savings and innovations that will result from the combination of the financial and management resources of Stagecoach and Coach. Specifically, it is anticipated that by providing Coach access to Stagecoach's significant resources and global transportation management expertise, the transaction will enable Coach to expand its carrier acquisition program and to improve the level and amount of services already offered to the operating carriers. Further, it is anticipated that fixed charges may be reduced as a result of Stagecoach's ability to refinance Coach's existing debt on more favorable terms. Each of these benefits, applicants contend, will translate into benefits for the traveling public in the form of improved and more competitive bus services.

Applicants state that Coach and its subsidiaries will continue to observe current collectively bargained agreements and that no layoffs are anticipated as a consequence of the transaction.

Applicants certify that: (1) the aggregate gross operating revenues from interstate operations of the operating companies exceeded \$2 million during the 12-month period ending December 31, 1998; (2) none of the operating carriers holds an unsatisfactory safety rating from the U.S. Department of Transportation; (3) each has sufficient liability insurance; (4) none of the parties is domiciled in Mexico nor owned or controlled by persons of that country; and (5) approval of the transaction will not significantly affect either the

⁶(...continued)

Applicants have requested that the control authority granted herein include any such intermediate entities. Applicants have represented that any such change will not affect the material terms of the transaction, and that they will inform the Board of any changes in the present arrangement.

⁷ Pending Board action on this application, the stock will be held in independent voting trusts.

quality of the human environment or the conservation of energy resources. Additional information may be obtained from the applicants' representatives.

Under 49 U.S.C. 14303(b), we must approve and authorize a transaction we find consistent with the public interest, taking into consideration at least: (1) the effect of the transaction on the adequacy of transportation to the public; (2) the total fixed charges that result; and (3) the interest of affected carrier employees.

On the basis of the application, we find that the proposed acquisition of control is consistent with the public interest and should be authorized. If any opposing comments are timely filed, this finding will be deemed to be vacated and, unless a final decision can be made on the record as developed, a procedural schedule will be adopted to reconsider the application.⁴ If no opposing comments are filed by the expiration of the comment period, this decision will take effect automatically and will be the final Board action.

Board decisions and notices are available on our website at "WWW.STB.DOT.GOV."

This decision will not significantly affect either the quality of the human environment or the conservation of energy resources.

It is ordered:

1. The proposed acquisition of control is approved and authorized, subject to the filing of opposing comments.
2. If timely opposing comments are filed, the findings made in this decision will be deemed as having been vacated.
3. This decision will be effective on September 7, 1999, unless timely opposing comments are filed.
4. A copy of this notice will be served on: (1) the U.S. Department of Justice, Antitrust Division, 10th Street & Pennsylvania Avenue, N.W., Washington, DC 20530; and (2) the U.S. Department of Transportation, Office of Motor Carriers-HIA 30, 400 Virginia Avenue, S.W., Suite 600, Washington, DC 20004.

⁴ Under revised 49 CFR 1182.6(c), a procedural schedule will not be issued if we are able to dispose of opposition to the application on the basis of comments and the reply.

Decided: July 15, 1999.

**By the Board, Chairman Morgan, Vice Chairman Clyburn, and Commissioner
Burkes.**

**Vernon A. Williams
Secretary**

SUPPLEMENT 13-7

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. MC-F-20948

STAGECOACH HOLDINGS PLC
-- CONTROL --
COACH USA, INC., et al.

**VERIFIED APPLICATION
OF
STAGECOACH HOLDINGS PLC**

Betty Jo Christian
David H. Coburn
Steptoe & Johnson LLP
1330 Connecticut Avenue, N.W.
Washington, DC 20036
(202) 429-3000

**ATTORNEYS FOR
COACH USA, INC.**

William C. Sippel
Thomas J. Litwiler
Oppenheimer Wolff & Donnelly (Illinois)
Two Prudential Plaza, 45th Floor
180 North Stetson Avenue
Chicago, Illinois 60601-6710
(312) 616-1800

**ATTORNEYS FOR
STAGECOACH HOLDINGS PLC**

Dated: June 22, 1999

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. MC-F-20948

STAGECOACH HOLDINGS PLC
-- CONTROL --
COACH USA, INC., et al.

**VERIFIED APPLICATION
OF
STAGECOACH HOLDINGS PLC**

Pursuant to 49 U.S.C. § 14303 and the Board's rules at 49 C.F.R. Part 1182, Stagecoach Holdings plc ("Stagecoach") hereby seeks approval for its acquisition of control of Coach USA, Inc. ("Coach"), seven regional management subsidiaries of Coach (the "Management Companies")¹ and the Coach-controlled motor passenger carrier subsidiaries subject to federal regulation under the Interstate Commerce Act.² Stagecoach is a United Kingdom based non-carrier which presently has no operations in the United States. Its proposed acquisition of Coach thus presents no competitive issues of any kind, while enhancing Coach's ability to build upon its success in strengthening the motor passenger carriers it has acquired and thereby improving service to the traveling public.

Stagecoach is one of the largest passenger transportation providers in the United Kingdom, and an entity with interests in transportation firms in several other nations. By

¹ The Management Companies are Coach USA North Central, Inc.; Coach USA Northeast, Inc.; Coach USA South Central, Inc.; Coach USA Southeast, Inc.; Coach USA West, Inc.; Coach Canada, Inc. and Yellow Cab Service Corporation.

² A list of these seventy-six motor passenger carriers, and of three additional carriers for which Coach control applications are pending at the Board, is attached as Exhibit 1.

combining its strengths as a global provider of transit and motorcoach services with those of Coach. Stagecoach believes that the proposed transaction will strengthen Coach's financial position and result in improved and more efficient bus service for the U.S. traveling public. These public interest benefits will come largely in the form of the additional financial resources and management capabilities and experience that will be made available to Coach following the consummation of the proposed transaction. The transaction clearly satisfies the criteria of Section 14303, and should be approved as required by that statute.

Applicants submit the following information in support of the proposed transaction and in accordance with the requirements of 49 C.F.R. § 1182.2(a):

SECTION 1182.2(a)(1)

IDENTIFICATION OF PARTIES

Stagecoach Holdings plc

Stagecoach is a public limited company organized under the laws of Scotland. Its principal executive offices are located at Charlotte House, 20 Charlotte Street, Perth PH1 5LL, Scotland. It was formed in 1980 and registered as a public limited company in 1991.

Stagecoach, with operations in eight countries, is one of the world's largest providers of passenger transportation services through the operation of bus and train services. Stagecoach also has been a leader in providing transit services pursuant to privatization programs. Stagecoach's business consists of five operating divisions: (1) U.K. Bus Division, (2) Overseas Bus Division, (3) Rail Division, (4) Porterbrook Leasing Division and (5) Aviation Division. Stagecoach also holds strategic investments in Road King Infrastructure Limited and Virgin Rail Group Limited.

The U.K. Bus Division currently operates over 7,000 buses and coaches through 17 regional bus companies in the U.K. The Overseas Bus Division operates approximately 5,000 buses and coaches through operating companies or joint ventures in Scandinavia, Hong Kong, New Zealand, Portugal, Australia and China. The Rail Division operates three rail franchises in the U.K.: South West Trains, Island Line and the Sheffield Supertram. Porterbrook Leasing Company Ltd owns more than 3,700 units of rolling stock, which it leases to 18 rail operating companies in the U.K. Stagecoach, through its Prestwick Aviation Holdings Limited subsidiary, also owns and operates Glasgow Prestwick International Airport. Stagecoach holds a 30% equity interest (on a fully-diluted basis) in Road King, which operates toll highways in China, and a 49% equity interest in Virgin Rail, which operates two rail franchises in the U.K. Stagecoach owns no bus or other transportation interests in the United States.

For the fiscal year ended April 30, 1999, Stagecoach had total revenues of over \$2.475 billion and net after tax income of \$253.3 million. Stagecoach is listed on the London Stock Exchange, and has a current market capitalization (as of June 18, 1999) of \$5.086 billion.³ Stagecoach and its subsidiaries employ over 36,500 persons worldwide.

Stagecoach has formed two new wholly-owned subsidiaries for the purpose of effectuating the proposed transaction: SCH Holdings Corp. ("Holdings") and SCH Acquisition Corp. ("Acquisition"), a wholly-owned subsidiary of Holdings. Both are Delaware corporations, and neither has any interest in any regulated carrier or other business in the United States. The structure of the proposed transaction is described in greater detail below.

³ All dollar figures are based on a conversion ratio of £1:\$1.60.

A Verification from Keith Cochrane, Group Finance Director for Stagecoach, verifying the facts regarding Stagecoach and authorizing the filing of this Application with the Board is attached hereto.

Coach USA, Inc.

Coach is a Delaware corporation with headquarters at 1 Riverway, Suite 500, Houston, TX, 77056-1921. Coach is not a carrier, but controls seventy-six motor carriers of passengers (and has pending applications at the Board to obtain control of three additional motor passenger carriers) that hold interstate operating authority issued by the Federal Highway Administration (or the Interstate Commerce Commission) and are subject to regulation under the Interstate Commerce Act (collectively, the "Operating Carriers"). Information regarding each of these carriers is provided in Exhibit 1. Coach also controls several non-federally regulated bus, van and taxicab companies.

Since its founding in 1996, Coach has grown to be the largest operator of tour and charter bus companies in the United States. Coach's control of those motor carriers which are subject to federal regulatory jurisdiction has been exempted or approved by the Board in a series of prior Board proceedings that are summarized in Exhibit 2. Each of those Operating Carriers continues to be under the day to day operational control of its own management, which is in most cases the same management team that was in place prior to Coach's acquisition of control.

Coach has recently undertaken a corporate restructuring intended to transfer direct control of each of its Operating Carriers to one of the seven Management Companies, which are organized primarily on a regional basis. Coach has obtained final Board authority to transfer or assign control of certain Operating Carriers to three of the newly-established Management

Companies.⁴ Coach is currently seeking, through a series of pending applications, Board authority to transfer control of each of the remaining Operating Carriers to one of five Management Companies.⁵ The Management Companies are designed to enhance the effectiveness of the services that until now Coach has provided to the Operating Carriers and to facilitate strategic planning with respect to future acquisitions and the utilization of resources by the Operating Carriers.

A Verification from Douglas M. Cerny, Vice President, General Counsel and Corporate Secretary for Coach, verifying the facts regarding Coach and authorizing the filing of this Application with the Board is attached hereto.

⁴ See Coach USA, Inc. and Yellow Cab Service Corporation -- Control -- Motor Carrier of Passengers, Finance Docket No. MC-F-20936 (STB served November 19, 1998, effective as of January 4, 1999); Coach USA, Inc. and Coach Canada, Inc. -- Control and Continuance in Control -- Autocar Connaisseur, Inc.; Erie Coach Lines Company, and Trentway-Wagar, Inc., Finance Docket No. MC-F-20938 (STB served December 17, 1998, effective as of February 1, 1999); Coach USA, Inc. and Coach USA North Central, Inc. -- Control -- Central Cab Company and Mountaineer Coach, Inc., Finance Docket No. MC-F-20939 (STB served November 20, 1998, effective as of January 4, 1999).

⁵ See Finance Docket No. MC-F-20931, Coach USA, Inc. and Coach USA North Central, Inc. -- Control -- Motor Carrier of Passengers; Finance Docket No. MC-F-20932, Coach USA, Inc. and Coach USA Northeast, Inc. -- Control -- Motor Carrier of Passengers; Finance Docket No. MC-F-20933, Coach USA, Inc. and Coach USA South Central, Inc. -- Control -- Motor Carrier of Passengers; Finance Docket No. MC-F-20934, Coach USA, Inc. and Coach USA Southeast, Inc. -- Control -- Motor Carrier of Passengers; Finance Docket No. MC-F-20935, Coach USA, Inc. and Coach USA West, Inc. -- Control -- Motor Carrier of Passengers. Each of these applications is awaiting final Board action following the submission of comments on January 4, 1999. Coach replied to those comments on January 19, 1999.

SECTION 1182.2(a)(2)

DESCRIPTION OF OPERATING AUTHORITIES

The "MC" number reflecting the interstate operating authority issued to each of the Coach Operating Carriers by the Federal Highway Administration or the former Interstate Commerce Commission is indicated in the first column of Exhibit 1 hereto. That exhibit also includes a summary description of the operating authority held by each carrier.⁶ No existing operating authority will be transferred, and no new operating authority will be sought, as a result of the proposed transaction. As indicated above, Stagecoach has no American operations, and neither it nor any subsidiary holds U.S. motor carrier operating authority.

SECTION 1182.2(a)(3)

DESCRIPTION OF PROPOSED TRANSACTION

On June 12, 1999, Stagecoach, Holdings, Acquisition, and Coach entered into an Agreement and Plan of Merger (the "Agreement"). A copy of the Agreement is attached hereto as Exhibit 3. As relevant, the Agreement provides that Holdings will undertake a cash tender offer ("Offer") for up to all of the outstanding shares of Coach. Holdings commenced the Offer on June 18, 1999. Provided that more than 50% of the shares of Coach voting stock (on a fully-diluted basis) are tendered by the expiration of the Offer on July 26, 1999 (or such extended date as may be set pursuant to the Agreement) and certain other conditions specified in the Agreement

⁶ Copies of the operating authorities for each of the Operating Carriers were submitted as attachments to the respective applications filed at the Board for Coach's control of those carriers.

are met. Holdings will complete the Offer and immediately deposit the tendered Coach shares in equal amounts in five independent voting trusts.⁷

After completion of the Offer, Acquisition will be merged with and into Coach, with Coach as the surviving entity. Finally, Coach will be merged with and into Holdings, with Holdings as the surviving corporation. If more than 80% of the stock of Coach is tendered in response to the Offer, the first of these mergers may be unnecessary, and Coach would be merged directly into Holdings, again with Holdings as the surviving corporation. Under either scenario, upon consummation of the Coach/Holdings merger the name of Holdings will be changed to Coach USA, Inc. As a result of these transactions, Coach will become a wholly-owned subsidiary of Stagecoach.⁸

Immediately upon consummation of each merger described above, 20% of the issued and outstanding stock of the company surviving the merger will be transferred to each of the five independent voting trusts. The shares will be held in these trusts pending Board action on this Application. Upon final Board approval of the proposed transaction, the trusts will be dissolved and Stagecoach will assume direct control of Coach. A more detailed description of the transaction may be found in the attached Agreement.

⁷ By letter dated June 15, 1999 and pursuant to the Board's regulations at 49 C.F.R. § 1013, Stagecoach has requested informal Board review of the adequacy of the trust agreements to insulate Stagecoach and Holdings from unlawful control.

⁸ The Agreement allows Stagecoach to alter the structure of the transaction as circumstances warrant, provided that the material terms of the transaction are not affected. An additional holding company or U.S. limited partnership, for example, could be placed in the corporate chain between Stagecoach and Coach. Applicants request that the control authority granted herein include any such intermediate entities. Applicants will notify the Board if any such change is made in the arrangements described herein.

The proposed transaction will not result in any transfer of operating authority held by any of the Operating Carriers, nor in any change in the essential nature of the services provided by those Operating Carriers. There also will be no substantial change in the organizational and strategic plans of Coach, including the activities undertaken or proposed to be undertaken by any of the Management Companies. Coach management, as well as the management of the Management Companies and Operating Carriers, will remain largely in place, and Coach and the entities it controls will continue to be operated as separate companies in the manner in which they are operated today. The transaction, in other words, will result in a change of ownership of Coach, but will not directly or immediately result in any change in Coach's current operations, other than as described here.⁹

SECTION 1182.2(a)(4)

AFFILIATED MOTOR PASSENGER CARRIERS

Information regarding the Operating Carriers and their respective operations is provided in Exhibit 1. Except for the Operating Carriers, each of which is wholly owned (directly or indirectly) by Coach, neither Coach nor Stagecoach is affiliated with any other motor passenger carriers subject to regulation by the Board.

The current corporate structures of Coach and Stagecoach are described above. As indicated there, Coach has recently created the regional Management Companies, which will

⁹ For the Board's information, the parties have filed an application under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C. § 18a ("HSR Act"), with respect to that portion of the transaction that involves Stagecoach's control of non federally-regulated entities. Further, a copy of this Application is concurrently being served on the Federal Trade Commission and the U.S. Department of Justice pursuant to the exemption from HSR filing requirements for regulated carrier transactions set forth at 15 U.S.C. § 18a(c)(6).

be inserted between Coach and the Operating Carriers on the corporate chain and are intended to enhance effective management, coordination and strategic planning within the nationwide Coach system.

SECTION 1182.2(a)(5)

JURISDICTIONAL THRESHOLD

The aggregate gross operating revenues of the Operating Carriers during the twelve-month period ending December 31, 1998 was approximately \$713 million and thus well in excess of the \$2 million jurisdictional threshold of 49 U.S.C. § 14303(g).

SECTION 1182.2(a)(6)

ENVIRONMENTAL AND ENERGY FACTORS

The proposed transaction contemplates only a change in ownership of an entity that controls motor carriers and will not result in any carrier operational changes. Accordingly, there will be no significant effect on the quality of the human environment or the conservation of energy resources, and the transaction is exempt from the Board's environmental reporting requirements. 49 C.F.R. § 1105.6(c)(2)(i) and (ii); see, e.g., Notre Capital Ventures II, LLC and Coach USA, Inc. -- Control Exemption -- Arrow Stage Lines, et al., Finance Docket No. 32876 (Sub-No. 1) (STB served May 3, 1996) ("Coach/Arrow") at 7.

SECTION 1182.2(a)(7)

PUBLIC INTEREST CONSIDERATIONS

Under Section 14303(b), the Board is required to approve and authorize a control transaction subject to its jurisdiction when it finds that the transaction is consistent with the

public interest. In undertaking a public interest review of this transaction, Section 14303(b) requires that the Board consider the transaction from the perspective of (1) the effect of the transaction on the adequacy of transportation to the public, (2) the total fixed charges resulting from the transaction and (3) the interest of carrier employees. As discussed below, the proposed Stagecoach/Coach control transaction readily satisfies the public interest test as to each factor.

Adequacy of Transportation to the Public

The Board has previously approved, as consistent with the public interest, Coach's applications and petitions for exemption allowing it to control motor passenger carriers on the ground that such control would allow those carriers, and through them the traveling public, to benefit from the financial resources, centralized services (including legal and accounting services) and expertise in a variety of different areas that Coach is able to make available. Coach's control of the Operating Carriers has enabled those Carriers to draw on Coach's financial strength and to take advantage of various efficiencies offered by Coach's size, such as lower equipment purchase costs, more favorable debt service rates, and lower insurance premiums. Coach also supplies carriers with expertise and assistance on matters such as compliance with federal motor carrier safety and other laws. In addition, Coach-controlled carriers have the opportunity to share vehicles with other carriers which may have or need extra equipment, thus allowing for the most productive use of equipment and other resources. Further, through national marketing and enhanced name recognition, Coach carriers are able to benefit competitively and prospective users are able to gain the assurance that they are dealing with a "known quantity."

These and like benefits have allowed Coach-controlled carriers to become stronger competitors in the markets in which they operate. In turn, the Operating Carriers have

been better able to improve the quality and expand the scope of their service to the traveling public. Coach has also been able to pursue an active carrier acquisition program allowing it to extend these and other benefits offered by Coach ownership to a growing number of carriers and to their passengers.

By approving the proposed acquisition of control of Coach (and the various entities it controls) by Stagecoach, the Board will facilitate effectuation of Coach's strategic plan to acquire additional carriers and to extend to them the same benefits that the Operating Carriers now receive. The substantial additional financial resources that Stagecoach will make available to Coach will permit Coach to consider acquisition transactions that it has not heretofore pursued and will enhance Coach's ability to expand the benefits it offers to additional regions of the United States and Canada where it does not now control any carriers. Coach will also have access to additional resources that can be used to acquire non federally-regulated transportation providers, such as taxicab companies and transit providers, and to take advantage of Stagecoach's substantial experience in the privatization of public transit services. The traveling public will in turn benefit as additional regulated and other passenger carriers are able to take advantage of the economies of scale and other efficiencies that Coach can offer to the entities it controls.

By enhancing Coach's access to new capital, Stagecoach's financial resources will benefit the existing Operating Carriers as well. Stagecoach has a substantial record of reinvestment in its operations, and now has, for example, the most modern fleet of buses in the United Kingdom. It is likewise anticipated that the additional resources that Stagecoach will provide can be used to fulfill Coach's ongoing capital needs, e.g., to facilitate the purchase of new equipment and reduce interest expenditures.

Aside from Stagecoach's financial resources, Stagecoach also will be able to provide Coach with additional transportation management resources and expertise that will assist in planning and implementing future transactions and improving operations at existing Coach subsidiaries. The experience gained from Stagecoach's ownership and management of passenger transportation providers in other nations and Stagecoach's strong record of public transit service innovation in such areas as ticketing, network development and integrated transport will all serve to supplement Coach's own expertise and benefit the operations of the Coach-controlled carriers in the United States.

The proposed transaction will have no adverse impact on competition. As noted above, Stagecoach is not a carrier and holds no interests in any carrier that operates in the United States. Thus, its control of Coach will not result in any consolidation of competing groups of carriers, or any issues of reduced competition. Any future acquisitions of additional motor passenger carriers by Coach will, of course, be subject to Board review at that time. After completion of the proposed transaction, Coach will continue to operate in a motorcoach business that is highly competitive, as the Board and its predecessor have repeatedly recognized. Barriers to entry are relatively low and there is not only substantial intramodal competition from the literally thousands of motorcoach operators in the United States, but also significant intermodal competition from passenger cars, railroads and airlines. More particularly, the carriers controlled by Coach focus primarily on providing regional (rather than national) transportation services, and each carrier competes with a large array of other transportation providers and services in the region in which it operates.

As the Interstate Commerce Commission noted in the proceeding in which it authorized Greyhound's purchase of Trailways:

[B]us passengers, even those with limited access to air, Amtrak, or private auto will continue to be protected from unreasonable rates by the market discipline of intermodal competition since remaining bus firms must set rates and service to attract passengers who do have these options.

GLI Acquisition Company -- Purchase -- Trailways Lines, Inc., 4 I.C.C.2d 591, 602 (1988). The Board has reaffirmed this finding in proceedings involving prior Coach acquisitions, and the finding remains fully applicable to this proceeding. See, e.g., Coach/Arrow, supra, at 6 (discussing the competitiveness of the bus industry). Coach, with the managerial and financial support of Stagecoach, will have to compete aggressively and efficiently in order to remain a successful participant in this market.

In short, the proposed transaction will make Coach a stronger company, and by that means will allow Coach to improve further the services and efficiencies offered to the Operating Carriers and to extend those benefits to additional carriers. The ultimate beneficiary will be the traveling public.

Fixed Charges

Stagecoach will acquire Coach's stock through the tender offer described above. Coach will not incur additional debt as a result of the transaction, and it is anticipated that Coach's existing debt will be refinanced on more favorable terms utilizing Stagecoach's creditworthiness and greater access to capital. Nor will the proposed transaction have any material adverse effect on the Management Companies or any of the Operating Carriers. The impact on Coach's fixed charges should thus be positive, allowing Coach to reduce its leverage and interest obligations.

Impact on Carrier Employees

Stagecoach's acquisition of control of Coach and its subsidiaries will have no adverse impact on carrier employees. The proposed transaction will not affect collectively bargained agreements that are in place today and will not result in the displacement of any Operating Carrier employees. Indeed, Coach employees should benefit from the enhanced efficiency, competitive position and access to capital that the proposed transaction is expected to provide. As indicated above, the Coach businesses will continue to be run by existing management, with Stagecoach input at strategic and policy levels.

SECTION 1182.2(a)(8)

SAFETY FITNESS RATINGS

By its verification included herewith, Coach certifies that the U.S. Department of Transportation safety fitness rating of each of the Coach Operating Carriers is accurately set forth in Exhibit 1. As shown there, none of the motor passenger carriers involved in this proceeding holds an unsatisfactory rating.

SECTION 1182.2(a)(9)

INSURANCE REQUIREMENTS

Not applicable. No party will acquire any operating rights as a result of the proposed transaction. Nonetheless, Coach certifies that each of the Operating Carriers maintains insurance in the manner and to the extent required by the regulations of the Federal Highway Administration.

SECTION 1182.2(a)(10)

MEXICAN OWNERSHIP

Not applicable. No party will acquire any operating rights as a result of the proposed transaction. Applicants certify that Stagecoach, Coach and each of their respective carrier affiliates is neither domiciled in Mexico nor owned or controlled by citizens of that country.

SECTION 1182.2(a)(11)

OPERATING AUTHORITY HELD BY INDIVIDUAL

Not applicable. The proposed transaction will not result in the transfer of operating authority to an individual who will hold that authority in his or her own name. No such individual holders of operating authority are involved in the proposed transaction.

SECTION 1182.3(a)(1)

SERVICE REQUIREMENTS

The proposed transaction will have no impact on any of the intrastate operations conducted by any of the Operating Carriers. Nonetheless, a copy of this application is being served for informational purposes on the regulatory authorities in each state in which any of the Operating Carriers hold authority to provide intrastate service, as reflected on the attached certificate of service.

Applicants note that, pursuant to the provisions of 49 U.S.C. § 14303(f), Board approval of this application will serve to preempt any otherwise applicable state requirement with respect to the acquisition of control described herein and the implementation of the proposed transaction. See Colorado Mountain Express, Inc. and Airport Shuttle Colorado, Inc.,

d/b/a Aspen Limousine Service, Inc. -- Consolidation and Merger -- Colorado Mountain Express.
Finance Docket No. MC-F-20902 (STB served February 28, 1997) (noting that once interstate jurisdiction is established over carrier participants, Section 14303(f) "specifically preempts any state action that would interfere with the consummation of a Board approved or exempted merger, consolidation or acquisition of control, regardless of the extent of the participating carriers' operations in intrastate commerce.").

WHEREFORE, for the reasons described above, the Board should grant this Application for Stagecoach's acquisition of control of Coach, the Management Companies and Coach's motor passenger carrier subsidiaries.

Respectfully submitted,

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**ATTORNEYS FOR
COACH USA, INC.**

**ATTORNEYS FOR
STAGECOACH HOLDINGS PLC**

Dated: June 22, 1999

COACH USA, INC. OPERATING CARRIERS

Name of Affiliate	Description of Interstate Operations	State Authority	Safety Rating
Air Travel Transportation, Inc. (MC-166420) (controlled by Coach USA, Inc.)	Charter and special operations beginning and ending at points in AL, FL, GA, NC, SC and TN to points in the U.S.	GA	None
Airlines Acquisition Co., Inc. (MC-223575) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	PA	Satisfactory
Airport Bus of Bakersfield (MC-163191) (controlled by Coach USA, Inc.)	Charter and special operations between points in Kern County, CA and points in AR, CA, CO, ID, MT, NV, NM, OR, UT, WA and WY.	CA	Satisfactory
Airport Limousine Service, Inc. (MC-315702) (controlled by Coach USA, Inc. and Yellow Cab Service Corp.)	Charter and special operations between points in the U.S.	PA	None
America Charters, Ltd. (MC-153814) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	NC	Conditional
ASTI, Inc. (MC-252353) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.		Satisfactory
Americoach Tours, Ltd. (MC-212649) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	TN	Satisfactory
Antelope Valley Bus, Inc. (MC-125057) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	CA	Satisfactory
Arrow Line, Inc. (MC-1934) (controlled by Coach USA, Inc.)	Regular route operations between points in CT and RI.	CT, NY, MA	Satisfactory

Name of Affiliate	Description of Interstate Operations	State Authority	Safety Rating
Arrow Stage Lines, Inc. (MC-29592) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.		Satisfactory
Autocar Connaisseur, Inc. (MC-166643) (controlled by Coach USA, Inc. and Coach Canada, Inc.)	Charter and special operations beginning and ending at points on U.S./Canada border to points in the U.S.	PQ, ON	Satisfactory
Bayou City Coaches, Inc. (MC-245246) (controlled by Coach USA, Inc.)	Regular route operations between points in TX.	TX, NM	Satisfactory
Black Hawk-Central City Ace Express, Inc. (MC-273611) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	CO	Satisfactory
Blue Bird Coach Lines, Inc. (MC-108531) (controlled by Coach USA, Inc.)	Regular route operations between points in PA and NY, OH and GA; charter and special operations between points in the U.S.	NY, PA, NJ, OH, ON	Satisfactory
Bonanza Bus Lines, Inc.* (MC-13028) (controlled by Coach USA, Inc.)	Regular route operations between points in RI, CT, MA, VT and NY; charter and special operations between points in the U.S.	RI, CT, MA	Satisfactory
Browder Tours, Inc. (MC-236290) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	TN	Satisfactory
Brunswick Transportation Company d/b/a The Maine Line (MC-109495) (controlled by Coach USA, Inc.)	Regular route operations between points in ME and MA; charter and special operations between points in the U.S.	ME	Satisfactory

* An application for control of this carrier by Coach USA, Inc. and Coach USA Northeast, Inc. is pending at the Board.

Name of Affiliate	Description of Interstate Operations	State Authority	Safety Rating
Butler Motor Transit, Inc. (MC-126876) (controlled by Coach USA, Inc.)	Regular route operations between points in PA; charter and special operations between points in the U.S.	PA	Satisfactory
California Charters, Inc. (MC-241211) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	CA	Satisfactory
Cape Transit Corp. (MC-161678) (controlled by Coach USA, Inc.)	Regular route operations between points in MD, NJ, PA, and VA; charter and special operations to points in the U.S.	NJ	Satisfactory
Central Cab Company (MC-133058) (controlled by Coach USA, Inc. and Coach USA North Central, Inc.)	Charter and special operations between points in the U.S.	PA, WV, OH	Satisfactory
Chenango Valley Bus Lines, Inc. (MC-141324) (controlled by Coach USA, Inc.)	Regular route operations between points in NY, PA and NJ; charter and special operations between points in the U.S.	NY	Satisfactory
Clinton Avenue Bus Company (MC-223062) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.		None
Colonial Coach Corp. (MC-39491) (controlled by Coach USA, Inc.)	Regular route operations between NJ and PA; charter and special operations from Philadelphia, PA to points in NJ, NY, DE, MD and VA.	NJ	Satisfactory
Community Coach, Inc. (MC-76022) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	NJ, NY	Satisfactory
Community Transit Lines, Inc. (MC-145548) (controlled by Coach USA, Inc.)	Regular and charter and special operations between points in NJ and NY.		Satisfactory

Name of Affiliate	Description of Interstate Operations	State Authority	Safety Rating
Desert Stage Lines, Inc. (MC-140919) (controlled by Coach USA, Inc.)	Charter and special operations beginning and ending in CA to points in AZ, NV, NM and UT.		Satisfactory
El Expreso, Inc. (MC-244195) (controlled by Coach USA, Inc.)	Regular route operations between points in TX, between points in TX and FL, between points in AL and GA, between points in FL.	TX	Satisfactory
Erie Coach Lines Company (MC-127027) (controlled by Coach USA, Inc. and Coach Canada, Inc.)	Charter and special operations between points on U.S./Canada border to points in the U.S.	ON	Conditional
Gad-About Tours, Inc. (MC-198451) (controlled by Coach USA, Inc.)	Charter and special operations from points in OH to points in the U.S.	OH	Satisfactory
GL Bus Lines, Inc. (MC-180074) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	NY	None
Gray Line Air Shuttle, Inc. (MC-218255) (controlled by Coach USA, Inc.)	Regular route operations between points in NJ and NY; charter and special operations to points in the U.S.	NY	Satisfactory
Gray Line New York Tours, Inc. (MC-180229) (controlled by Coach USA, Inc.)	Regular route operations between points in NY and NJ; charter and special operations between points in the U.S.		None
Gray Line Tours of Southern Nevada (MC-127564) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	NV	Satisfactory
Grosvenor Bus Lines, Inc. (MC-157317) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	CA	Conditional

Name of Affiliate	Description of Interstate Operations	State Authority	Safety Rating
Gulf Coast Transportation, Inc. (MC-201397) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	TX	Satisfactory
H.A.M.L. Corp. (MC-194792) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	NJ	None
Hudson Transit Corporation (MC-133403) (controlled by Coach USA, Inc.)	Regular route operations between points in NY; charter and special operations between points in the U.S.	NY	None
Hudson Transit Lines, Inc. (MC-228) (controlled by Coach USA, Inc.)	Regular route operations between points in NY and NJ; charter and special operations between points in the U.S.	NY, NJ	Satisfactory
International Bus Services, Inc. (MC-155937) (controlled by Coach USA, Inc.)	Regular route operations between points in NY and NJ; charter and special operations between points in the U.S.	NY, NJ	Satisfactory
Kansas City Executive Coach, Inc. (MC-203805) (controlled by Coach USA, Inc. and Yellow Cab Service Corp.)	Charter and special operations beginning and ending in Kansas City, MO to points in KS, NE, AR, OK, NV, MN, IA, CO, TN, IL, NM, TX, IN, AZ and KY.	MO	Satisfactory
Keeshin Charter Services, Inc. (MC-118044) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.		Satisfactory
Keeshin Transportation, LP (MC-263222) (controlled by Coach USA, Inc.)	Charter and special operations between points in IL and points in the U.S.		Satisfactory
Kerrville Bus Company, Inc. (MC-27530) (controlled by Coach USA, Inc.)	Regular route operations between points in TX, between TX and AR, between LA and AZ, between AR and TN, between LA and MS; charter and special operations between points in the U.S.	TX, MS	Satisfactory

Name of Affiliate	Description of Interstate Operations	State Authority	Safety Rating
K-T Contract Services, Inc. (MC-218583) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	NV	Satisfactory
Leisure Time Tours, Inc. (MC-142011) (controlled by Coach USA, Inc.)	Regular route operations between points in NJ, NY, CT, MD and DE; charter and special operations between points in the U.S.	NJ, NY, PA	Satisfactory
Metro Cars, Inc. (MC-276823) (controlled by Coach USA, Inc. and Yellow Cab Service Corp.)	Charter and special operations between points in the U.S.	MI	Conditional
Mini Coach of Boston (MC-231090) (controlled by Coach USA, Inc.)	Charter and special operations from Medford, MA to points in the U.S.		Conditional
Mountaineer Coach, Inc. (MC-229627) (controlled by Coach USA, Inc. and Coach USA North Central, Inc.)	Charter and special operations between points in the U.S.	WV	None
Niagara Scenic Bus Lines, Inc. (MC-30787) (controlled by Coach USA, Inc.)	Regular route operations between points in NY and PA.	NY, ON	Satisfactory
Olympia Trails Bus Co., Inc. (MC-138146) (controlled by Coach USA, Inc.)	Regular route operations between points in NY and NJ; charter and special operations to points in the U.S.	NY, NJ	Satisfactory
Orange, Newark, Elizabeth Bus, Inc. (MC-206227) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	NJ	Satisfactory

Name of Affiliate	Description of Interstate Operations	State Authority	Safety Rating
P&S Transportation, Inc. (MC-255382) (controlled by Coach USA, Inc.)	Charter and special operations to points in the U.S.		Satisfactory
Pawtuxet Valley Bus Lines (MC-115432) (controlled by Coach USA, Inc.)	Charter and special operations between MA, CT and RI and points in the U.S.	RI, CT, NB	Satisfactory
PCSTC, Inc. (MC-184852) (controlled by Coach USA, Inc.)	Charter and special operations beginning and ending in points in CA, AZ and NV to points in the U.S.	CA	Satisfactory
Pittsburgh Transportation Charter Services, Inc. (MC-319195) (controlled by Coach USA, Inc. and Yellow Cab Service Corp.)	Charter and special operations between points in the U.S.		None
Powder River Transportation Services, Inc. (MC-161531) (controlled by Coach USA, Inc.)	Regular route operations to points in WY, MT, SD, NE, UT, NM, TX, and CO; charter and special operations to points in the U.S.	WY, CO	Satisfactory
Progressive Transportation Services, Inc. (MC-247074) (controlled by Coach USA, Inc.)	Regular route operations between points in NY and PA; charter and special operations between points in the U.S.	NY	None
Red & Tan Charter, Inc. (MC-204842) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.		None
Red & Tan Tours (MC-162174) (controlled by Coach USA, Inc.)	Regular route operations between points in NY and NJ; charter and special operations between points in the U.S.	NY, NJ	Satisfactory

Name of Affiliate	Description of Interstate Operations	State Authority	Safety Rating
Rockland Coaches, Inc. (MC-29890) (controlled by Coach USA, Inc.)	Regular route operations between points in NY and NJ; charter and special operations between points in the U.S.	NJ	Satisfactory
Ross Tours, Inc. (MC-175674)	Charter and special operations between points in the U.S.	MS	None
Salt Lake Coaches, Inc. (MC-347528) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.		None
Stardust Tours, Inc. d/b/a Gray Line Tours of Memphis (MC-318341) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	TN	None
Suburban Management Corp. (MC-264527) (controlled by Coach USA, Inc.)	Regular route operations between points in NY and NJ.		None
Suburban Trails, Inc. (MC-149081) (controlled by Coach USA, Inc.)	Regular route operations between points in NJ and NY; charter and special operations between points in the U.S.	NJ	Satisfactory
Suburban Transit Corp. (MC-115116) (controlled by Coach USA, Inc.)	Regular route operations between points in NJ and NY; charter and special operations between points in the U.S.	NJ	Satisfactory
Syracuse and Oswego Coach Lines, Inc. (MC-117805) (controlled by Coach USA, Inc.)	Regular route operations between points in NY; charter and special operations to points in the U.S.	NY	Satisfactory

* An application for control of this carrier by Coach USA, Inc. and Yellow Cab Service Corp. is pending at the Board.

Name of Affiliate	Description of Interstate Operations	State Authority	Safety Rating
Texas Bus Lines, Inc. (MC-37640) (controlled by Coach USA, Inc.)	Regular route operations between points in TX, between points in LA and MS; charter and special operations between points in the U.S.	TX	Satisfactory
Tippett Travel, Inc. d/b/a Marie's Charter Bus Lines (MC-174043) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.		None
Transportation Management Services, Inc. (MC-237433) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.	PA, OH	None
Trentway-Wagar, Inc. (MC-126430) (controlled by Coach USA, Inc. and Coach Canada, Inc.)	Regular route operations between Buffalo, NY, the Canadian border and points in the U.S.; charter and special operations between points in the U.S.	ON	Satisfactory
Tucker Transportation Co., Inc. (MC-223424) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.		Satisfactory
Utica-Rome Bus Co., Inc. (MC-7914) (controlled by Coach USA, Inc.)	Regular route operations between points in NY; charter and special operations to points in the U.S.	NY	Satisfactory
Valen Transportation, Inc. (MC-212398) (controlled by Coach USA, Inc.)	Regular route operations between points in CA, between point in NV and AZ, between points in AZ.	CA	Satisfactory
Van Nortwick Bros., Inc. (MC-149025) (controlled by Coach USA, Inc.)	Charter and special operations to points in the U.S.	NJ	Satisfactory
Wisconsin Coach Lines, Inc. (MC-123432) (controlled by Coach USA, Inc.)	Charter and special operations between points in the U.S.		Satisfactory

Name of Affiliate	Description of Interstate Operations	State Authority	Safety Rating
Worthen Van Service, Inc. (MC-142573) (controlled by Coach USA, Inc.)	Charter and special operations between points in WY, MT, ND, NE, CO, and SD.	WY	None
2948-7238 Quebec, Inc. d/b/a Visite Touristique de Quebec (MC-302514)*	Charter and special operations between points in the U.S.	PQ	None

* An application for control of this carrier by Coach USA, Inc. and Coach Canada, Inc. is pending at the Board.

**SUMMARY OF COACH ACQUISITION PROCEEDINGS
AT SURFACE TRANSPORTATION BOARD**

DOCKET NUMBER and <u>ACQUIRED COMPANIES</u>	<u>DECISION SERVED</u>	<u>EFFECTIVE DATE</u>
<p><u>Finance Docket No. 32876 (Sub. No. 1)</u></p> <p>Arrow Stage Lines, Inc. (MC-29592)</p> <p>Cape Transit Corp. (MC-161678)</p> <p>Community Coach, Inc. (MC-76022)</p> <p>Community Transit Lines, Inc. (MC-145548)</p> <p>Grosvenor Bus Lines, Inc. (MC-157317)</p> <p>H.A.M.L. Corp. (MC-194792)</p> <p>Leisure Time Tours (MC-142011)</p> <p>Suburban Management Corp. (MC-264527)</p> <p>Suburban Trails, Inc. (MC-149081)</p> <p>Suburban Transit Corp. (MC-115116)</p>	5/3/96	5/3/96
<p><u>Finance Docket No. 33073</u></p> <p>K-T Contract Services, Inc. (MC-218583)</p> <p>American Sightseeing Tours, Inc. d/b/a ASTI (MC-252353)</p> <p>California Charters, Inc. (MC-241211)</p> <p>Texas Bus Lines, Inc. (MC-37640)</p> <p>Gulf Coast Transportation, Inc. d/b/a Gray Line Tours of Houston (MC-201397)</p>	11/8/96	11/8/96

DOCKET NUMBER and <u>ACQUIRED COMPANIES</u>	DECISION <u>SERVED</u>	<u>EFFECTIVE DATE</u>
<p><u>Finance Docket No. 33343</u></p> <p>Progressive Transportation Services, Inc. (MC-247074)</p> <p>Powder River Transportation Services, Inc. (MC-161531)</p> <p>Worthen Van Service, Inc. (MC-142573)</p> <p>PCSTC, Inc. (MC-184852)</p>	<p>5/15/97</p>	<p>5/15/97</p>
<p><u>Finance Docket No. 33377</u></p> <p>Airport Bus of Bakersfield (MC-163191)</p> <p>Antelope Valley Bus, Inc. (MC-125057)</p> <p>Desert Stage Lines, Inc. (MC-140919)</p> <p>Bayou City Coaches, Inc. (MC-245246)</p> <p>Kerrville Bus Company, Inc. (MC-27530)</p> <p>Red & Tan Charter, Inc. (MC-204842)</p> <p>Red & Tan Tours (MC-162174)</p> <p>Rockland Coaches, Inc. (MC-29890)</p>	<p>5/15/97</p>	<p>5/15/97</p>
<p><u>Finance Docket No. 33393</u></p> <p>America Charters Ltd. (MC-153814)</p>	<p>10/3/97</p>	<p>10/3/97</p>

DOCKET NUMBER and <u>ACQUIRED COMPANIES</u>	<u>DECISION SERVED</u>	<u>EFFECTIVE DATE</u>
<u>Finance Docket No. MC-F-20916</u> Americoach Tours, Ltd. (MC-212649) Keeshin Charter Services, Inc. (MC-118044) Keeshin Transportation, LP (MC-263222) Niagara Scenic Bus Lines, Inc. (MC-30787) Pawtuxet Valley Bus Lines (MC-115432)	2/27/98	4/13/98
<u>Finance Docket No. MC-F-20917</u> Airport Limousine Service, Inc. (MC-315702) Black Hawk-Central City Ace Express, Inc. (MC-273611)	3/13/98	4/27/98
<u>Finance Docket No. MC-F-20918</u> Metro Cars Inc. (MC-276823)	4/10/98	5/25/98

DOCKET NUMBER and <u>ACQUIRED COMPANIES</u>	DECISION <u>SERVED</u>	<u>EFFECTIVE DATE</u>
<p><u>Finance Docket No. MC-F-20921</u></p> <p>Blue Bird Coach Lines, Inc. (MC-108531)</p> <p>Butler Motor Transit, Inc. (MC-126876)</p> <p>Gad-About Tours, Inc. (MC-198451)</p> <p>P&S Transportation, Inc. (MC-255382)</p> <p>Pittsburgh Transportation Charter Services, Inc. (MC-319195)</p> <p>Syracuse and Oswego Coach Lines, Inc. (MC-117805)</p> <p>Tippett Travel, Inc. (MC-174043)</p> <p>Tucker Transportation Company, Inc. (MC-223424)</p> <p>Utica-Rome Bus Co., Inc. (MC-7914)</p>	<p>6/19/98</p>	<p>8/3/98</p>
<p><u>Finance Docket No. MC-F-20923</u></p> <p>Kansas City Executive Coach, Inc. (MC-203805)</p> <p>Le Bus, Inc. (MC-210900)</p>	<p>7/24/98</p>	<p>9/8/98</p>

DOCKET NUMBER and <u>ACQUIRED COMPANIES</u>	<u>DECISION SERVED</u>	<u>EFFECTIVE DATE</u>
<p><u>Finance Docket No. MC-F-20926</u></p> <p>Brunswick Transportation Company d/b/a The Maine Line (MC-109495)</p> <p>Mini Coach of Boston (MC-231090)</p> <p>Olympia Trails Bus Co., Inc. (MC-138146)</p> <p>Stardust Tours, Inc. d/b/a Gray Line Tours of Memphis (MC-318341)</p> <p>Valen Transportation, Inc. (MC-212398)</p>	<p>8/14/98</p>	<p>9/28/98</p>
<p><u>Finance Docket No. MC-F-20927</u></p> <p>Chenango Valley Bus Lines, Inc. (MC-141324)</p> <p>Colonial Coach Corp. (MC-39491)</p> <p>GL Bus Lines, Inc. (MC-180074)</p> <p>Gray Line Air Shuttle, Inc. (MC-218255)</p> <p>Gray Line New York Tours, Inc. (MC-180229)</p> <p>Hudson Transit Corporation (MC-133403)</p> <p>Hudson Transit Lines, Inc. (MC-228)</p> <p>International Bus Services, Inc. (MC-155937)</p>	<p>8/28/98</p>	<p>10/13/98</p>

DOCKET NUMBER and <u>ACQUIRED COMPANIES</u>	DECISION <u>SERVED</u>	<u>EFFECTIVE DATE</u>
<u>Finance Docket No. MC-F-20928</u> Salt Lake Coaches, Inc. (MC-347528)	10/19/98	10/19/98
<u>Finance Docket No. MC-F-20930</u> Clinton Avenue Bus Company (MC-223062) Orange, Newark, Elizabeth Bus, Inc. (MC-206227) Wisconsin Coach Lines, Inc. (MC-123432)	9/25/98	11/9/98
<u>Finance Docket No. MC-F-20931</u> Coach USA, Inc. and Coach North Central, Inc. -- Control -- Nine Motor Passenger Carriers*	11/19/98	pending
<u>Finance Docket No. MC-F-20932</u> Coach USA, Inc., and Coach USA Northeast, Inc. -- Control -- 30 Motor Passenger Carriers•	11/19/98	pending

* By this application, Coach requested authority jointly with a wholly-owned Management Company subsidiary to allow that subsidiary to also control the carriers previously under Coach's sole control.

DOCKET NUMBER and <u>ACQUIRED COMPANIES</u>	DECISION <u>SERVED</u>	<u>EFFECTIVE DATE</u>
<u>Finance Docket No. MC-F-20933</u> Coach USA, Inc., and Coach USA South Central, Inc. -- Control -- Eight Motor Passenger Carriers*	11/19/98	pending
<u>Finance Docket No. MC-F-20934</u> Coach USA, Inc., an Coach USA Southeast, Inc. -- Control -- Seven Motor Passenger Carriers*	11/19/98	pending
<u>Finance Docket No. MC-F-20935</u> Coach USA, Inc., and Coach USA West, Inc. -- Control -- 14 Motor Passenger Carriers*	11/19/98	pending
<u>Finance Docket No. MC-F-20936</u> Coach USA, Inc., and Yellow Cab Service Corporation -- Control -- Four Motor Passenger Carriers*	11/19/98	01/04/99
<u>Finance Docket No. MC-F-20937</u> Coach USA, Inc., and Coach USA Northeast, Inc. Bonanza Bus Lines, Inc. (MC-13028)	11/20/98	pending

* By this application, Coach requested authority jointly with a wholly-owned Management Company subsidiary to allow that subsidiary to also control the carriers previously under Coach's sole control.

DOCKET NUMBER and <u>ACQUIRED COMPANIES</u>	DECISION <u>SERVED</u>	<u>EFFECTIVE DATE</u>
<u>Finance Docket No. MC-F-20939</u> Coach USA, Inc. and Coach USA North Central, Inc. Central Cab Company (MC-133058) Mountaineer Coach, Inc. (MC-229627)	11/20/98	01/04/99
<u>Finance Docket No. MC-F-20938</u> Coach USA, Inc. and Coach Canada, Inc. Autocar Connaissanceur, Inc. (MC-166643) Erie Coach Lines Company (MC-127027) Trentway-Wagar, Inc. (MC-126430)**	12/17/98	02/01/99
<u>Finance Docket No. MC-F-20943</u> Coach USA, Inc. and Coach Canada, Inc. Autocar Connaissanceur, Inc. (MC-166643)***	01/27/99	03/15/99

** Coach achieved control of Trentway-Wagar, Inc. on 11/17/87 in Finance Docket No. 33428. By this application, Coach Canada obtained authority to also control Trentway-Wagar, Inc.

*** Coach USA, Inc. and Coach Canada, Inc. previously acquired Autocar in MC-F-20938. By this application, Coach USA, Inc. and Coach Canada, Inc. sought authority to obtain control of a new corporate entity that succeeded to the operating authority previously issued to Autocar.

DOCKET NUMBER and <u>ACQUIRED COMPANIES</u>	DECISION <u>SERVED</u>	<u>EFFECTIVE DATE</u>
Finance Docket No. MC-F-20945 Coach USA, Inc., and Yellow Cab Service Corporation Ross Tours, Inc. (MC-175674)	05/14/99	06/28/99 (assuming no comments are filed by that date)
Finance Docket No. MC-F-20946 Coach USA, Inc. and Coach Canada, Inc. 2948-7238 Quebec Inc. (Visite Touristique de Quebec (VTQ)) (MC-302514)	05/14/99	06/28/99 (assuming no comments are filed by that date)

AGREEMENT AND PLAN OF MERGER

dated as of June 12, 1999

among

STAGECOACH HOLDINGS plc,

SCH HOLDINGS CORP.,

SCH ACQUISITION CORP.

and

COACH USA, INC.

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of June 12, 1999, among STAGECOACH HOLDINGS plc, a public limited company organized under the laws of Scotland ("Parent"), SCH HOLDINGS CORP., a Delaware corporation and a wholly owned subsidiary of Parent ("Holding Sub"), SCH ACQUISITION CORP., a Delaware corporation and a wholly owned subsidiary of Holding Sub ("Merger Sub"), and COACH USA, INC., a Delaware corporation (the "Company").

WHEREAS, the Board of Directors of the Company has (i) determined that this Agreement and the transactions contemplated hereby, including the \$42.00 (such amount, or such higher amount as may be paid per Share pursuant to the Offer, the "Per Share Price") to be paid for each outstanding share (collectively, the "Shares") of Common Stock, par value \$0.01 per share (the "Company Common Stock"), in the Offer (as defined in Section 1.1) and the Merger (as defined in Section 1.5), is advisable and fair to and in the best interests of the stockholders of the Company, (ii) approved this Agreement and the transactions contemplated hereby and (iii) resolved to recommend acceptance of the Offer, and adoption of this Agreement, by such stockholders;

WHEREAS, the Boards of Directors of Parent, Holding Sub and Merger Sub have approved, and deem it in the best interests of their respective shareholders to consummate, the Offer, the Merger and the other transactions contemplated hereby, upon the terms and subject to the conditions set forth herein;

WHEREAS, the Board of Directors of the Company has approved the transactions contemplated by this Agreement, including the transactions contemplated by the various Tender Agreements executed as of the date hereof between Parent, Holding Sub and certain stockholders of the Company (the "Tender Agreements"), in accordance with the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL").

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, the parties hereto agree as follows:

ARTICLE I

THE OFFER AND THE MERGER

Section 1.1 The Offer. (a) Parent shall cause Holding Sub to, and Holding Sub shall, as soon as practicable after the date hereof, but in any event within five business days after the public announcement of the execution hereof, commence (within the meaning of Rule 14d-2(a) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), a tender offer (the "Offer") for all of the outstanding Shares at a per share price equal to the Per Share Price, net to the sellers thereof in cash, subject to the conditions set forth in Annex I hereto (the "Offer Conditions") including the Minimum Condition (as defined therein) and the termination provisions of Article VII hereof. Holding Sub shall consummate the Offer on the terms and subject to the conditions provided in this Section 1.1. Subject to the terms and conditions of this

Agreement, the obligation of Holding Sub to accept for payment Shares tendered pursuant to the Offer shall be subject to the satisfaction or waiver by Holding Sub of the Offer Conditions.

(b) The Offer shall be made by means of an offer to purchase which shall contain as conditions only the Minimum Condition and the other conditions set forth in Annex I hereto, and, subject to the succeeding sentence, shall otherwise contain, and be entirely consistent with, the terms and conditions of the Offer as described in this Agreement. Each of Holding Sub and Parent expressly reserves the right, in its sole discretion, to waive any such condition and make any other changes to the terms of the Offer, provided that, without the consent of the Company, neither Parent nor Holding Sub shall (i) amend or waive the Minimum Condition or the condition (the "HSR Condition") relating to the termination or expiration of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), or the condition (the "STB Condition") relating to the receipt of a favorable informal advisory opinion regarding the Voting Trust Agreement (as defined in Section 1.4) or an approval of Parent's and Holding Sub's acquisition of the federally regulated carriers controlled by the Company from the United States Surface Transportation Board (the "STB"), (ii) amend any other condition of the Offer as set forth herein or in Annex I hereto, (iii) reduce the Per Share Price, (iv) change the form of consideration to be paid in the Offer (other than by adding cash consideration), (v) reduce the maximum number of Shares to be purchased in the Offer, or (vi) amend any other term of the Offer in a manner which is adverse to the holders of Shares. The Per Share Price shall be net to the sellers in cash, without interest, subject to reduction only for any applicable federal back-up withholding taxes. Notwithstanding the foregoing, Holding Sub may, without the consent of the Company, subject to the Company's right to terminate this Agreement pursuant to Article VII, (i) extend the Offer on one or more occasions for up to ten business days for each such extension beyond the then-scheduled expiration date (the initial scheduled expiration date being 20 business days following commencement of the Offer), if at the then-scheduled expiration date of the Offer any of the conditions to Holding Sub's obligation to accept for payment and pay for the Shares shall not be satisfied or waived, until such time as such conditions are satisfied or waived, and, at the request of the Company, Holding Sub shall, subject to Parent's right to terminate this Agreement pursuant to Article VII, **extend the Offer** for additional periods up to but not later than January 31, 2000, but shall not be required to so extend if any of the conditions not satisfied or earlier waived on the then-scheduled expiration date are one or more of the Minimum Condition or the conditions set forth in paragraphs (a), (c) or (d) of Annex I hereto, provided that (x) if the only condition not satisfied is the Minimum Condition, the satisfaction or waiver of all other conditions shall have been publicly disclosed at least five business days before termination of the Offer and (y) if paragraph (a) or (d) of Annex I hereto has not been satisfied and the failure to so satisfy can be remedied, the Offer shall not be terminated unless the failure is not remedied within 10 business days after Parent has furnished the Company with written notice of such failure, (ii) extend the Offer for any period required by any rule, regulation, interpretation or position of the Securities and Exchange Commission (the "SEC") or the staff thereof applicable to the Offer, and (iii) extend the Offer for an aggregate period of not more than five business days beyond the latest expiration date that would otherwise be permitted under clause (i) or (ii) of this sentence if there shall not have been tendered sufficient Shares so that the Merger could be effected without a meeting of the Company's stockholders in accordance with Section 253 of the DGCL. Subject to the terms of the Offer, including the Offer Conditions, Holding Sub shall

accept for payment and pay for all Shares duly tendered at the earliest time at which it is permitted to do so under applicable provisions of the Exchange Act; provided that, as set forth above, Holding Sub shall have the right, in its sole discretion, to extend the Offer for up to five business days notwithstanding the prior satisfaction of the Offer Conditions, in order to attempt to satisfy the requirements of Section 253 of the DGCL. It is agreed that the Offer Conditions other than the Minimum Condition, the HSR Condition, the STB Condition and the condition contained in clause (c) of Annex I are solely for the benefit of Holding Sub and that all Offer Conditions may be asserted by Holding Sub regardless of the circumstances resulting in a condition not being satisfied (except for any action or inaction by Holding Sub, Merger Sub or Parent constituting a breach of this Agreement) and, except with respect to the Minimum Condition, the HSR Condition, the STB Condition and the condition contained in clause (c) of Annex I, may be waived by Holding Sub, in whole or in part at any time and from time to time, in its sole discretion.

(c) On the date of commencement of the Offer, Parent and Holding Sub, with the cooperation of, and prior review thereof by, the Company, shall file with the SEC a Schedule 14D-1 (the "Schedule 14D-1") with respect to the Offer that will contain or will incorporate by reference the Offer (or portions thereof) and forms of the related letter of transmittal and summary advertisement (which documents, together with any supplements or amendments thereto, are referred to herein collectively as the "Offer Documents"). The Schedule 14D-1, and all amendments and supplements thereto, shall comply as to form in all material respects with the provisions of all applicable federal securities laws. Parent, Holding Sub, and the Company with respect to information supplied by it for use in the Schedule 14D-1 or the Offer Documents, agree promptly to correct the Schedule 14D-1 or the Offer Documents if and to the extent that any of them shall have become false or misleading in any material respect or any event occurs which should be set forth in an amendment or supplement to the Schedule 14D-1, and Holding Sub shall take all steps necessary to cause the Schedule 14D-1 as so corrected or supplemented to be filed with the SEC and such Offer Documents as so corrected to be disseminated to holders of Shares and any other holders of securities of the Company (if any), in each case as and to the extent required by applicable federal securities laws. In addition, Parent and Holding Sub agree to promptly provide the Company and its counsel in writing with any comments Parent, Holding Sub or their counsel may receive from time to time from the SEC or its staff regarding the Schedule 14D-1 or the Offer Documents.

Section 1.2 Company Action. (a) The Board of Directors of the Company has received the opinion of Morgan Stanley & Co. Incorporated (the "Company Financial Advisor") to the effect set forth in Section 3.19. The Company has been authorized by the Company Financial Advisor to permit, subject to its prior review and consent (such consent not to be unreasonably withheld), the inclusion of such opinion and appropriate references thereto in the Offer Documents and in the Schedule 14D-9 referred to below and the Proxy Statement referred to in Section 5.11. The Company hereby consents to the inclusion in the Offer Documents of the recommendation of the Company's Board of Directors described in Section 3.4, unless the Company's Board of Directors determines in good faith, only after receipt of and based upon advice from outside legal counsel to the Company, that it is required by fiduciary duties under applicable law to make an Adverse Change in the Company Recommendation (as defined in Section 5.11) in response to a Superior Proposal (as defined in Section 5.5).

(b) The Company agrees to file with the SEC and mail to its stockholders contemporaneously with the commencement of the Offer a Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9") which shall reflect the actions of the Board of Directors referred to above and shall comply in all material respects with the provisions of applicable federal securities laws. The Company, and Parent, Holding Sub and Merger Sub with respect to information supplied by either of them for use in the Schedule 14D-9, agree promptly to correct the Schedule 14D-9 if and to the extent that it shall have become false or misleading in any material respect, and the Company shall take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the SEC and mailed to holders of Shares and any other holders of securities of the Company (if any) to the extent required by applicable federal securities laws. The Schedule 14D-9 shall contain the recommendation of the Board of Directors of the Company that the holders of Shares accept the Offer, unless and until the Company's Board of Directors determines in good faith, only after receipt of and based upon advice from outside legal counsel to the Company, that it is required by fiduciary duties under applicable law to make an Adverse Change in the Company Recommendation in response to a Superior Proposal. In addition, the Company agrees to promptly provide Parent and their counsel in writing with any comments the Company or its counsel may receive from time to time from the SEC or its staff with respect to the Schedule 14D-9.

(c) The Company shall promptly furnish Parent or Holding Sub with a list of the record holders of Shares and their addresses, as well as mailing labels containing the names and addresses of the record holders of Shares and lists of securities positions of Shares held in stock depositories, each as of the most recent practicable date, and shall furnish Parent or Holding Sub with such additional information, including updated lists of holders of Shares, mailing labels and lists of securities positions, and other assistance as Parent, Holding Sub or their agents may reasonably request for the purpose of disseminating the Offer Documents and communicating with the record and beneficial holders of Shares with respect thereto.

Section 1.3 Directors Following the Offer. (a) Effective upon the payment by Holding Sub for the Shares tendered pursuant to the Offer in accordance with the terms of this Agreement, and subject to the provisions of the Interstate Commerce Act, as amended by the ICC Termination Act (the "ICA"), and the rules, regulations and practices of the STB, the Company shall be required to use its reasonable best efforts as set forth in Section 1.3(c) to cause to be appointed to the Board of Directors of the Company an individual designated by Parent, who shall be identified as a suitable candidate by Parent prior to the consummation of the Offer and who shall not be a director, officer or employee of Parent and shall be reasonably satisfactory to the Board of Directors of the Company. The Company's obligations to appoint such individual to the Board of Directors of the Company shall be subject to the provisions of the ICA and the rules, regulations and practices of the STB.

(b) Promptly upon the later of (x) payment by Holding Sub for the Shares tendered pursuant to the Offer in accordance with the terms of this Agreement and (y) the date on which Parent is lawfully permitted to assume control over the Company's common carrier motor-coach subsidiaries pursuant to STB approval or exemption (the later of (x) and (y), the "Control Date"), Parent shall be entitled to designate a number of directors on the Board of Directors of

the Company (including any designated pursuant to Section 1.3(a)) equal to the product of the total number of the directors on such Board (after giving effect to the directors elected pursuant to this sentence) multiplied by the percentage that such number of Shares owned by Holding Sub and its affiliates bears to the number of Shares outstanding, rounded to the nearest whole number, but in no event less than a majority.

(c) At the time specified in Section 1.3(a) or (b), as the case may be, the Company shall, upon request of Parent, use its reasonable best efforts promptly either to increase the size of the Board of Directors of the Company or, at the Company's election or at Parent's request, secure the resignations of such number of its incumbent directors as is necessary to enable Parent's designees pursuant to Section 1.3(a) or (b), as the case may be, to be so elected or appointed to the Company's Board, and shall cause Parent's designees to be so elected or appointed. The Company will use its reasonable best efforts to cause directors designated by Parent pursuant to Section 1.3(b) to constitute the same percentage as is on the board (but in any event at least one Parent designee) (i) of each committee of the Board of Directors, (ii) of each board of directors of each subsidiary of the Company and (iii) of each committee of each such board, in each case only to the extent permitted by law and the rules of the New York Stock Exchange (the "NYSE") to the extent applicable. Notwithstanding the foregoing, until the Effective Time (as defined in Section 1.6 hereof), the Company and Parent shall use all reasonable best efforts to retain as members of the Company's Board of Directors at least two directors who are directors of the Company on the date hereof and who are not designated by Parent or employees of the Company or its subsidiaries (the "Independent Directors").

(d) The Company's obligations to appoint designees to the Board of Directors pursuant to Section 1.3(b) shall be subject to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder. The Company shall promptly take all actions required pursuant to Section 14(f) and Rule 14f-1 in order to fulfill its obligations under this Section 1.3 and shall include in the Schedule 14D-9 or a separate Rule 14f-1 information statement mailed to stockholders promptly after the commencement of the Offer such information with respect to the Company and its officers and directors as is required under Section 14(f) and Rule 14f-1 to fulfill its obligations under this Section 1.3. Parent or Holding Sub will supply to the Company and be solely responsible for any information with respect to itself and its nominees, officers, directors and affiliates required by Section 14(f) and Rule 14f-1.

(e) Notwithstanding anything in this Agreement to the contrary, in the event that Parent's designees are appointed or elected pursuant to this Section 1.3, after the payment for the Shares pursuant to the Offer and prior to the Effective Time, the affirmative vote of a majority of the Independent Directors (who shall act as an independent committee of the Board of Directors for this purpose) shall be required, and alone shall be sufficient, to take action by the Company to (i) amend or terminate this Agreement, (ii) exercise or waive any of the Company's rights or remedies hereunder, (iii) extend the time for performance of Parent's and Merger Sub's respective obligations hereunder, or (iv) approve any other action by the Company that could adversely affect the interests of the stockholders of the Company (other than Parent, Holding Sub and their affiliates) with respect to the transactions contemplated hereby.

Section 1.4 Voting Trust. The parties agree that, (i) immediately upon the purchase by Parent, Holding Sub or their affiliates of shares of the Company Common Stock pursuant to the Offer or otherwise, such shares shall be deposited in one or more separate, independent, irrevocable voting trusts (collectively, the "Voting Trust") in accordance with the terms and conditions of one or more voting trust agreements (collectively, the "Voting Trust Agreement") substantially in the form attached hereto as Exhibit A and (ii) upon consummation of the Merger, all outstanding shares of the Surviving Corporation shall be deposited in the Voting Trust. Subject to applicable law and to the rules, regulations and practices of the STB, the Voting Trust Agreement may be modified or amended at any time by Parent in its sole discretion; provided that (i) prior to the Effective Time, the Voting Trust Agreement may not be modified or amended without the prior written approval of the Company unless such modification or amendment is not inconsistent with this Agreement and is not adverse to the Company or its stockholders and would not reasonably be expected to have an adverse effect on receipt of a favorable informal advisory opinion from the STB and (ii) the Voting Trust Agreement may not be modified or amended without the prior written approval of the Company if such modification or amendment would reasonably be expected to increase the liability exposure of the Board of Directors of the Surviving Corporation under applicable law. No power of Parent or Holding Sub provided for in the Voting Trust Agreement may be exercised in a manner which violates this Agreement. Parent, in consultation with the Company, shall use its reasonable best efforts to take, or cause to be taken, all actions necessary, proper or advisable to obtain a favorable informal advisory opinion from the STB staff to the effect that the Voting Trust effectively insulates Parent from any violation of the ICA and STB rules or policies against unauthorized acquisition of control of regulated carriers. In furtherance and not in limitation of the foregoing, Parent and the Company agree that: (i) Parent shall make any filings required by the STB with respect to the Voting Trust and the Company shall make any filings reasonably required by Parent with respect thereto; (ii) Parent shall consult with the Company in connection with any discussions or proceedings initiated by Parent with the STB with respect to the Voting Trust; provided that the Company shall not initiate any such discussions or proceedings without Parent's prior written consent; and (iii) Parent, with the Company's consent, shall change or modify the terms of the Voting Trust Agreement to the extent required by the STB as a condition to the issuance of such advisory opinion, so long as the required changes or modifications do not, in the aggregate, materially affect Parent's rights thereunder. Any trustee of the Voting Trust appointed by Parent and Holding Sub pursuant to the Voting Trust Agreement (a "Trustee") shall be reasonably satisfactory to the Board of Directors of the Company.

Section 1.5 The Merger. Upon the terms and subject to the conditions of this Agreement, and in accordance with the DGCL, at the Effective Time, Merger Sub shall be merged with and into the Company (the "Merger"). As a result of the Merger, the separate corporate existence of Merger Sub shall cease and the Company shall continue as the surviving corporation of the Merger (the "Surviving Corporation").

Section 1.6 Effective Time. As soon as practicable after the satisfaction or waiver of the conditions set forth in Article VI, the parties hereto shall cause the Merger to be consummated by filing this Agreement or a certificate of merger (the "Certificate of Merger") with the Secretary of State of the State of Delaware, in such form as required by, and executed in accordance with the relevant provisions of, the DGCL. The date and time of the filing of the

Certificate of Merger with the Secretary of State of the State of Delaware (or such later time as shall be agreed to in writing by the parties hereto and is specified in the Certificate of Merger) will be the "Effective Time". At or prior to the Effective Time, a closing shall be held at the offices of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017, or such other place as the parties shall agree.

Section 1.7 Effects of the Merger. The Merger shall have the effects set forth in the applicable provisions of the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the properties, rights, privileges, immunities, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

Section 1.8 Certificate of Incorporation; By-laws. (a) At the Effective Time, the Certificate of Incorporation of the Surviving Corporation shall be amended to be identical to the Certificate of Incorporation of Merger Sub as in effect immediately prior to the Effective Time; provided that (i) the name of the Surviving Corporation shall be the name of the Company; (ii) *the number of shares of authorized common stock shall be equal to the number of shares of authorized Company Common Stock set forth in the Certificate of Incorporation of the Company as in effect immediately prior to the Effective Time; and* (iii) the Certificate of Incorporation of the Surviving Corporation shall include the provisions of Articles Seven and Eight of the Certificate of Incorporation of the Company as in effect on the date hereof.

(b) At the Effective Time and without any further action on the part of the Company or Merger Sub, the By-laws of Merger Sub shall be the By-laws of the Surviving Corporation and thereafter may be amended or repealed in accordance with their terms or the Certificate of Incorporation of the Surviving Corporation and as provided by law.

Section 1.9 Directors and Officers. The directors of Merger Sub (if the Effective Time follows the Control Date) or the Company (if the Effective Time precedes the Control Date), in either case immediately prior to the Effective Time, shall be the initial directors of the Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and By-laws of the Surviving Corporation, and the officers of the Company immediately prior to the Effective Time shall be the initial officers of the Surviving Corporation, in each case until their resignation or removal or until their respective successors are duly elected or appointed (as the case may be) and qualified.

Section 1.10 Subsequent Merger. Following the Effective Time, at Parent's election, the Surviving Corporation shall be merged with and into Holding Sub (the "Subsequent Merger"). The Subsequent Merger shall be effected on the terms and have the effects as are set forth on Annex II hereto.

Section 1.11 Right to Revise Structure of Merger. At Parent's election, the Merger may alternatively be structured so that the Company is merged with and into Merger Sub, Holding Sub or another direct or indirect wholly owned subsidiary of Parent, or another direct or indirect wholly owned subsidiary of Parent is merged with and into the Company; provided.

however, that no such change shall (i) alter or change the amount or kind of the consideration to be issued to the Company's stockholders in the Merger as set forth in Article II hereof or the treatment of the holders of the Company Stock Options (as hereinafter defined), (ii) materially impede or delay consummation of the Merger, or (iii) release Parent from any of its obligations hereunder: provided, however, that the Company shall be deemed not to have breached any of its representations and warranties and covenants herein if and to the extent such breach would have been attributable to such election. In the event of such an election, the Company agrees to execute any appropriate documentation as may be reasonably requested by Parent to reflect such election.

ARTICLE II

CONVERSION OF SHARES; STOCKHOLDERS MEETING

Section 2.1 Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of Merger Sub, the Company or the holders of any of the following securities:

(a) Each Share (other than any Shares to be canceled pursuant to Section 2.1(b) and any Dissenting Shares (as defined in Section 2.3(a)) shall be canceled, extinguished and converted automatically into the right to receive an amount per share in cash equal to the Per Share Price (the "Merger Consideration") payable to the holder thereof, without interest, upon surrender of the certificate that prior to the Merger represented such Share in the manner provided in Section 2.4, less any required withholding taxes.

(b) Each Share held in the treasury of the Company and each Share owned by Parent, Holding Sub or any other direct or indirect subsidiary of Parent or of the Company (including the Shares held in the Voting Trust), in each case immediately prior to the Effective Time, shall be canceled and retired without any conversion thereof and no payment or distribution shall be made with respect thereto.

(c) (i) The shares of common stock of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and become equal to a number of identical validly issued, fully paid and nonassessable shares of common stock of the Surviving Corporation as is equal to the number of Shares immediately prior to the Effective Time, and (ii) each share of preferred or other capital stock of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and become one validly issued, fully paid and nonassessable share of identical preferred or other capital stock of the Surviving Corporation and, in the case of each of (i) and (ii), if the Effective Time precedes the Control Date, each such share shall be deposited in the Voting Trust.

(d) Each share of Series A Voting Preferred Stock, par value \$.01 per share (the "Voting Preferred Stock"), of the Company outstanding immediately prior to the

Effective Time shall be cancelled and retired without any conversion thereof and no payment or distribution shall be made with respect thereto.

Section 2.2 Treatment of Company Stock Options. (a) Upon the consummation of the Offer, except as otherwise agreed between the Company and any holder of any Company Stock Option, each then outstanding employee stock option and any other stock or stock-based right and each then outstanding director stock option and any other stock or stock-based right (each, a "Company Stock Option"), whether or not then vested or exercisable, shall be (or, if not previously vested and exercisable, shall become), consistent with the plans and agreements applicable to such Company Stock Options, vested and exercisable and such Company Stock Options immediately thereafter shall be canceled by the Company, and each holder of a canceled Company Stock Option with an exercise price that is less than the Per Share Price shall be entitled to receive at the consummation of the Offer or as soon as practicable thereafter (or if the grant of the Company Stock Option does not qualify as an exempt acquisition pursuant to Rule 16b-3 under the Exchange Act, the date six months and one day following the grant of such Company Stock Option, if later) from the Company (and, if necessary, Parent shall provide funds to the Company sufficient for such payments) in consideration for the cancellation of such Company Stock Option an amount in cash equal to the product of (i) the number of shares of Company Common Stock previously subject to such Company Stock Option and (ii) the excess, if any, of the Per Share Price over the exercise price per share of Company Common Stock previously subject to such Company Stock Option.

(b) The Company shall use its reasonable best efforts to take all such actions as are reasonably necessary to provide that (i) no further issuance, transfer or grant of any capital stock of the Surviving Corporation or any interest in respect of any capital stock of the Surviving Corporation shall be made on or after the consummation of the Offer under any Company Plan and (ii) following the consummation of the Offer, no holder of a Company Stock Option or any participant in any Company Plan shall have the right thereunder to acquire any capital stock of the Surviving Corporation.

Section 2.3 Dissenting Shares. (a) Notwithstanding anything in this Agreement to the contrary, shares of Company Common Stock that are issued and outstanding immediately prior to the Effective Time and which are held by stockholders who have not voted in favor of or consented to the Merger and who shall have delivered a written demand for appraisal of such shares of Company Common Stock in the time and manner provided in Section 262 of the DGCL and shall not have failed to perfect or shall not have effectively withdrawn or lost their rights to appraisal and payment under the DGCL (the "Dissenting Shares") shall not be converted into the right to receive the Merger Consideration, but shall be entitled to receive the consideration as shall be determined pursuant to Section 262 of the DGCL; provided, however, that if such holder shall have failed to perfect or shall have effectively withdrawn or lost his, her or its right to appraisal and payment under the DGCL, such holder's shares of Company Common Stock shall thereupon be deemed to have been converted, at the Effective Time, into the right to receive the Merger Consideration set forth in Section 2.1(a) of this Agreement, without any interest thereon, less any required withholding taxes.

(b) The Company shall give Parent (i) prompt notice of any demands for appraisal pursuant to Section 262 received by the Company, withdrawals of such demands, and any other instruments served pursuant to the DGCL and received by the Company and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under the DGCL. The Company shall not, except with the prior written consent of Parent, make any payment with respect to any such demands for appraisal or offer to settle or settle any such demands.

Section 2.4 Surrender of Shares; Stock Transfer Books. (a) Prior to the Effective Time, Parent shall designate a bank or trust company (which shall be reasonably satisfactory to the Company) to act as agent for the holders of Shares in connection with the Merger (the "Paying Agent") to receive and disburse the Merger Consideration to which holders of Shares shall become entitled pursuant to Section 2.1(a). At or prior to the Effective Time, Parent or Holding Sub will make available to the Paying Agent sufficient funds to make all payments pursuant to Section 2.4(b). Such funds shall be invested by the Paying Agent as directed by Parent, provided that such investments shall be in obligations of or guaranteed by the United States of America, in commercial paper obligations rated A-1 or P-1 or better by Moody's Investors Service, Inc. or Standard & Poor's Rating Services, respectively, or in deposit accounts, certificates of deposit, bank repurchase or reverse repurchase agreements or banker's acceptances of, or Eurodollar time deposits purchased from, commercial banks with capital exceeding \$500 million. Any net profit resulting from, or interest or income produced by, such investments will be payable to the Surviving Corporation or Parent, as Parent directs.

(b) As soon as practicable after the Effective Time, the Surviving Corporation shall cause to be mailed to each record holder as of the Effective Time of an outstanding certificate or certificates which immediately prior to the Effective Time represented Shares (the "Certificates"), a form of letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Paying Agent) and instructions for use in effecting the surrender of the Certificates for payment of the Merger Consideration therefor. Upon surrender to the Paying Agent of a Certificate, together with such letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, and such other documents as may be required pursuant to such instructions, the holder of such Certificate shall be entitled to receive in exchange therefor the Merger Consideration for each Share formerly represented by such Certificate, and such Certificate shall then be canceled. No interest shall be paid or accrued for the benefit of holders of the Certificates on the Merger Consideration payable upon the surrender of the Certificates. If payment of the Merger Consideration is to be made to a person other than the person in whose name the surrendered Certificate is registered, it shall be a condition of payment that the Certificate so surrendered shall be properly endorsed or shall be otherwise in proper form for transfer and that the person requesting such payment shall have paid any transfer and other taxes required by reason of the payment of the Merger Consideration to a person other than the registered holder of the Certificate surrendered or shall have established to the satisfaction of the Parent that such tax either has been paid or is not applicable.

(c) At any time following six months after the Effective Time, the Surviving Corporation shall be entitled to require the Paying Agent to deliver to it any funds (including any

interest and other income received with respect thereto) which had been made available to the Paying Agent and which have not been disbursed to holders of Certificates, and thereafter such holders shall be entitled to look to the Surviving Corporation (subject to abandoned property, escheat or other similar laws) only as general creditors thereof with respect to the Merger Consideration payable upon due surrender of their Certificates. If any Certificates shall not have been surrendered immediately prior to the date on which any Merger Consideration in respect of such certificate would escheat to or become the property of any Governmental Entity (as defined below), any such Merger Consideration shall, to the extent permitted by applicable law, become the property of the Surviving Corporation, free and clear of all claims or interest of any person previously entitled thereto. Notwithstanding the foregoing, none of the Surviving Corporation, Parent or the Paying Agent shall be liable to any holder of a Certificate for Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(d) At the close of business on the day of the Effective Time, the stock transfer books of the Company shall be closed and thereafter there shall be no further registration of transfers of shares of Company Common Stock on the records of the Company. From and after the Effective Time, the holders of Certificates evidencing ownership of Shares outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such Shares except as otherwise provided for herein or by applicable law. All cash paid upon the surrender for exchange of Certificates in accordance with the terms of this Article II shall be deemed to have been in full satisfaction of all rights pertaining to the shares of Company Common Stock exchanged theretofore represented by such Certificates.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent, Holding Sub and Merger Sub that, except as set forth in the disclosure schedule (the "Disclosure Schedule") delivered to Parent by the Company at the time of execution of this Agreement, it being agreed that disclosure of any item on the Disclosure Schedule shall be deemed to be disclosed with respect to the Section of this Agreement to which such item is correspondingly numbered and all other Sections of this Agreement to which the relevance of such item is reasonably apparent from the face of the Disclosure Schedule:

Section 3.1 Organization, Standing and Corporate Power. (a) Each of the Company and each of its Significant Subsidiaries (within the meaning of Rule 1-02 of Regulation S-X of the SEC) is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated and has the requisite corporate power and authority to carry on its business as now being conducted. Each of the Company and each of its subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed, individually or in the aggregate, could not reasonably be expected to have a Material

Adverse Effect. For the purposes of this Agreement, a "Material Adverse Effect" or a "Material Adverse Change" shall mean an effect or change that either individually or in the aggregate with all other such effects or changes is or would be materially adverse to the business, assets, operations, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole, or would prevent, hinder or materially delay the consummation of the transactions contemplated by this Agreement; provided that (i) any adverse effect or change after the date hereof resulting from or relating to general business or economic conditions shall be disregarded, (ii) any adverse effect or change after the date hereof resulting from or relating to conditions generally affecting the industry in which the Company competes shall be disregarded, (iii) any adverse effect or change resulting from or relating to the announcement or pendency of the Offer, the Merger or any other transaction contemplated by this Agreement (other than any default of the Company under the Credit Agreement or any related agreement, the Senior Subordinated Notes, or the terms of any other indebtedness of the Company or its subsidiaries resulting from such announcement or pendency or from the negotiation, execution or announcement of this Agreement) shall be disregarded, and (iv) any adverse effect or change resulting from compliance with any limitation on the Company's and its subsidiaries' operations imposed by this Agreement shall be disregarded.

(b) Prior to the date of this Agreement, the Company has delivered to Parent complete and correct copies of the Company's Certificate of Incorporation and the By-laws and has made available complete and correct copies of the certificates of incorporation and by-laws (or other organizational documents) of each of its subsidiaries, in each case as in effect on the date of this Agreement.

Section 3.2 Subsidiaries. Section 3.2 of the Disclosure Schedule lists all direct or indirect subsidiaries of the Company. Except as set forth in Section 3.2 of the Disclosure Schedule, all the outstanding shares of capital stock of each such subsidiary have been validly issued and are fully paid and nonassessable and are owned (of record and beneficially) by the Company and/or one or more of its wholly owned subsidiaries, free and clear of all pledges, claims, liens, charges, encumbrances and security interests of any kind or nature whatsoever (collectively, "Liens"), other than Liens pursuant to the Credit Agreement and related documents. Except as set forth in Section 3.2 of the Disclosure Schedule, the Company does not own, directly or indirectly, any capital stock or other ownership interest in any corporation, partnership, business association, joint venture or other entity.

Section 3.3 Capital Structure. (a) The authorized capital stock of the Company consists of (i) 100,000,000 shares of Company Common and (ii) 500,000 shares of preferred stock, par value \$.01 per share (the "Preferred Stock"). As of the close of business on June 7, 1999 there were: (i) 25,367,387 shares of Company Common Stock issued and outstanding (including no shares held in the treasury of the Company); (ii) 4,087,755 shares of Company Common Stock issuable upon exercise of outstanding Company Stock Options (with an average exercise price of \$25.2533 for all such Company Stock Options), of which 4,012,755 shares are issuable under Company Stock Options at an exercise price below the Merger Consideration (the average exercise price for all such Company Stock Options being \$24.8971), in all cases without taking into account Company Stock Options forfeited after March 30, 1999; (iii) 728,374 shares of Company Common Stock reserved for issuance upon exercise of authorized but unissued

Company Stock Options; (iv) 63,643 shares of Company Common Stock issuable upon redemption by the holders of the 63,643 outstanding Dividend Access Shares, par value \$.01 per share (the "Dividend Access Shares"), of 3376249 Canada Inc., a Canadian corporation (the "Canadian Subsidiary"); (v) 1,737,845 shares of Company Common Stock issuable upon conversion by the holders of the \$76,692,809 in aggregate principal amount of outstanding convertible subordinated notes of the Company (the "Convertible Subordinated Notes") (with a weighted average conversion price of \$46.31 for all such Convertible Subordinated Notes), of which \$31,367,000 in aggregate principal amount have conversion prices less than the Merger Consideration (the weighted average conversion price thereof being \$35.395) and are convertible into 887,714 shares of Company Common Stock; (vi) one share of Voting Preferred Stock issued and outstanding with total voting power equal to the number of outstanding Dividend Access Shares; and (vii) 40,000 shares of Company Common Stock issuable upon the exercise of outstanding warrants with a per share exercise price of \$26.00 and an expiration date of July 26, 1999 (the "Warrants"). No shares of Company Common Stock have been issued since June 7, 1999 except for any issued pursuant to the Company Stock Options described above. Except as set forth above, no shares of capital stock or outstanding other equity securities of the Company are issued, reserved for issuance or outstanding. All outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable and were not issued in violation of, and are not entitled to, preemptive rights. Except as set forth above, there are no outstanding bonds, debentures, notes or other indebtedness or other securities of the Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which stockholders of the Company may vote. Except as set forth above, there are no outstanding securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which the Company or any of its subsidiaries is a party or by which any of them is bound obligating the Company or any of its subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other equity or voting securities of the Company or of any of its subsidiaries or obligating the Company or any of its subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking.

(b) Other than as set forth above or in Section 3.3 of the Disclosure Schedule, (i) there are no outstanding contractual obligations, commitments, understandings or arrangements of the Company or any of its subsidiaries to repurchase, redeem or otherwise acquire or make any payment in respect of any shares of capital stock of the Company or any of its subsidiaries and (ii) there are no voting trusts or other agreements or understandings to which the Company or any of its subsidiaries is a party with respect to the voting of the capital stock of the Company or any of its subsidiaries.

(c) The Company and the Company's Board of Directors have taken all actions necessary and required under the terms of the Warrants to provide that, effective simultaneously with the Effective Time, each Warrant will be exercisable solely for a sum in United States Dollars equal to the Per Share Price, without any interest thereon, and will no longer entitle the holder thereto to receive any capital stock of the Surviving Corporation. True and complete copies of the documentation effecting the aforementioned actions have been provided to Parent prior to the date hereof.

(d) As of June 12, 1999, except as disclosed in the Company's proxy statement relating to its 1999 Annual Meeting of Stockholders, to the knowledge of the Company: (i) no person or group (within the meaning of Section 13(d)(3) of the Exchange Act) has beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of more than 5% of the outstanding Company Common Stock and (ii) no person has made any filing under the HSR Act with respect to the Company or the Company Common Stock.

(e) As of June 7, 1999, the only outstanding indebtedness for borrowed money of the Company and its subsidiaries was (i) \$150,000,000 in aggregate principal amount of 9-3/8% Senior Subordinated Notes Due 2007 (the "Senior Subordinated Notes"), (ii) the Convertible Subordinated Notes, (iii) debt under the credit agreement dated as of August 14, 1998 among the Company, NationsBank, N.A., as Agent and the financial institutions named therein (the "Credit Agreement") of \$398,000,000, and (iv) other indebtedness not exceeding \$100,000,000, the sources of which, and amounts attributable to each such source, are set forth in Section 3.3(e) of the Disclosure Schedule (the "Other Indebtedness"). True and complete copies of the Senior Subordinated Notes, the Convertible Subordinated Notes, and the Credit Agreement (in each case, together with any related agreements) have been made available to Parent prior to the date hereof. Other than under the Credit Agreement and the Senior Subordinated Notes, no indebtedness for borrowed money of the Company or its subsidiaries is on terms which include any restriction upon the incurrence of indebtedness for borrowed money by the Company or any of its subsidiaries or restricts the ability of the Company or any of its subsidiaries to grant any Liens on its properties or assets.

Section 3.4 Authority: Noncontravention. (a) The Company has the requisite corporate and other power and authority to enter into this Agreement and, subject to obtaining the Company Stockholder Approval (as defined in Section 3.4(c)) (if required under the DGCL), to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company, subject, in the case of the Merger, to the Company Stockholder Approval (if required under the DGCL). This Agreement has been duly executed and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

(b) The Board of Directors of the Company, at a meeting duly called and held, has by unanimous vote of the entire board (i) determined that this Agreement and the transactions contemplated hereby, including the Offer and the Merger, are advisable and fair to and in the best interests of the stockholders of the Company and has taken all actions necessary to render the provisions of Section 203 of the DGCL inapplicable to this Agreement, the Offer, the Merger and the Tender Agreements, and (ii) resolved to recommend that the stockholders of the Company tender their Shares in the Offer and adopt this Agreement.

(c) The affirmative vote of a majority of the voting power of the outstanding shares of the Company Common Stock and the Voting Preferred Stock, voting together as a single class (the "Company Stockholder Approval"), is the only vote of the holders of any class or series of the Company's or its subsidiaries' securities necessary to approve this Agreement, the

Merger and the other transactions contemplated hereby. Each of the directors of the Company has committed to tender Shares owned by such director in the Offer and not to withdraw such Shares (and the Company will furnish to Parent written Tender Agreements from Mr. Frank AtLee, William Lynch, Paul Verrochi and Barnett Rukin as promptly as practicable after the date hereof and in any event no later than the date on which the Offer is commenced).

(d) Except as disclosed in Section 3.4 of the Disclosure Schedule, the execution and delivery of this Agreement does not, and the consummation of the transactions contemplated by this Agreement and compliance with the provisions hereof will not, conflict with, or result in any breach or violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of, "put" right with respect to or other imposition of any obligation, or to loss of any benefit under (each, a "Violation"), or result in the creation of any Lien upon any of the properties or assets of the Company or any of its subsidiaries under, (i) the Certificate of Incorporation or By-laws of the Company or the comparable organizational documents of any of its subsidiaries, (ii) any loan or credit agreement, note, note purchase agreement, bond, mortgage, indenture, lease or other contract, agreement, instrument, permit, concession, franchise or license (any of the foregoing, a "Contract") applicable to the Company or any of its subsidiaries or their respective properties or assets or (iii) subject to the Filings and Approvals referred to in Section 3.4(e), any judgment, order, decree, arbitration award, statute, law, ordinance, rule or regulation ("Laws") applicable to the Company or any of its subsidiaries or their respective properties or assets, other than, in the case of clauses (ii) and (iii), any such Violations and Liens that could not, individually or in the aggregate, reasonably be reasonably be expected to have a Material Adverse Effect.

(e) No consent, approval, order or authorization ("Approvals") of or from, or registration, declaration, filing or notice ("Filings") with or to, any Federal, national, state or local government or any court, administrative agency or commission or other governmental authority or agency, domestic or foreign (a "Governmental Entity") or third party is required by, of or with respect to the Company or any of its subsidiaries in connection with the execution and delivery of this Agreement by the Company or the consummation by the Company of the transactions contemplated hereby except for (i) filing of a premerger notification and report form under the HSR Act, the filing of any applicable pre-merger notification under the Canada Competition Act and obtaining a "no action" letter or similar approval ("Competition Act Approval") and the filing of an application for review and an approval under the Investment Canada Act ("Investment Canada Approval"), if applicable, and such Canadian federal, provincial, territorial or municipal regulatory authorities as may be applicable, (ii) the filing with the SEC of (x) the Schedule 14D-9, (y) if the Company Stockholder Approval is required under the DGCL, a proxy or information statement relating thereto (such proxy or information statement, as amended or supplemented from time to time, the "Proxy Statement") and (z) a Current Report on Form 8-K under the Exchange Act, as may be required in connection with this Agreement and the transactions contemplated by this Agreement, (iii) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware and appropriate documents with the relevant authorities of other states in which the Company is qualified to do business, (iv) the applicable requirements of the ICA and the rules and regulations of the STB; (v) required filings with and notifications to the NYSE; (vi) the Approvals and Filings set forth in Section 3.4 of the Disclosure Schedule, and (vii) such other Approvals and Filings the failure of which to obtain or

make could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 3.5 SEC Documents: Financial Statements: Undisclosed Liabilities. (a) The Company has filed all required reports, schedules, forms, statements and other documents with the SEC since May 14, 1996 (collectively, and in each case including all exhibits and schedules thereto and documents incorporated by reference therein, the "SEC Documents"). As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such SEC Documents, and none of the SEC Documents (including any and all financial statements included therein) filed after January 1, 1998 (the "Recent SEC Documents") as of their respective dates contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except to the extent revised or superseded by a subsequent filing with the SEC (a copy of which has been provided to Parent prior to the date of this Agreement). None of the Company's subsidiaries has been required to file any reports, schedules, forms, statements or other documents with the SEC.

(b) The consolidated financial statements of the Company included in the Recent SEC Documents (the "Financial Statements") complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, were prepared in accordance with generally accepted accounting principles (except, in the case of unaudited consolidated quarterly statements, as permitted by Form 10-Q of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present, in all material respects, the consolidated financial position of the Company and its subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited quarterly statements, to normal year-end audit adjustments in amounts not material individually or in the aggregate).

(c) Except as set forth in the Financial Statements and except as disclosed in Section 3.5 of the Disclosure Schedule, at the date of the most recent audited financial statements of the Company included in the Recent SEC Documents, neither the Company nor any of its subsidiaries had, and since such date neither the Company nor any of such subsidiaries has incurred, any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) other than those which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 3.6 Offer Documents, Etc. Neither:

(i) the information supplied by the Company for inclusion or incorporation by reference in the Offer Documents (including any corrected information supplied by the Company), at the date filed with the SEC or distributed to the Company's stockholders, or at the consummation of the Offer; nor

(ii) the Schedule 14D-9, at the date filed with the SEC or distributed to the Company's stockholders, or at the consummation of the Offer

will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, provided, however, that no representation is made by the Company with respect to statements made in the Schedule 14D-9 in conformity with written information supplied by Parent, Holding Sub or Merger Sub expressly for inclusion therein. The Schedule 14D-9 and the Proxy Statement will comply in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder. The information supplied by the Company (including any corrected information supplied by the Company) for inclusion in the Parent Circular (as defined in Section 4.2(e)), or any amendment thereof or supplement thereto, at the date filed with the LSE or distributed to Parent's shareholders or at the time of the Parent Shareholders Meeting, will be substantially in accordance with the facts and will not omit anything material likely to affect the import of such information.

Section 3.7 Absence of Certain Changes or Events. Except as disclosed on Section 3.7 of the Disclosure Schedule, since January 1, 1999, the Company has conducted its business only in the ordinary course consistent with past practice, and there is not and has not been: (i) any Material Adverse Change; or (ii) any condition, event or occurrence which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 3.8 Litigation: Labor Matters: Compliance with Laws. (a) Except as disclosed in the Recent SEC Documents, there is no suit, action, proceeding or investigation pending, or to the knowledge of the Company threatened, against or affecting the Company or any of its subsidiaries and to the knowledge of the Company there is no basis for any such suit, action, proceeding or investigation, nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against the Company or any of its subsidiaries, other than any of the foregoing that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) Except as disclosed in Section 3.8(b) of the Disclosure Schedule or as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect: (i) neither the Company nor any of its subsidiaries is, or within the past three years was, the subject of any proceeding asserting that it or any subsidiary has committed an unfair labor practice or seeking to compel it to bargain with any labor organization as to wages or conditions of employment; (ii) there is no, and during the past three years has not been any, strike, work stoppage or other labor dispute involving it or any of its subsidiaries pending or, to its knowledge, threatened; (iii) no action, suit, complaint, charge, arbitration, inquiry, proceeding or investigation by or before any court, governmental agency, administrative agency or commission brought by or on behalf of any employee, prospective employee, former employee, retiree, labor organization or other representative of the Company's employees is pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries; (iv) no grievance is pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries; and (v) neither the Company nor any of its subsidiaries is a party to, or otherwise

bound by, any consent decree with, or citation by, any government agency relating to employees or employment practices.

(c) The conduct of the business of each of the Company and each of its subsidiaries complies, and during the past three years has complied, with all Laws applicable thereto, except for violations or failures so to comply, if any, that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(d) Except for any of the following as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect: (i) each of the Company and its subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders, including all motor carrier operating authorities from Governmental Entities (collectively, the "Company Permits"), that are necessary to own, lease and operate the properties of the Company and its subsidiaries and to carry on their business as owned, leased, operated or carried on as of the date of this Agreement; (ii) the Company Permits are in full force and effect; and (iii) there is no action, proceeding or investigation pending or, to the knowledge of the Company, threatened regarding suspension or cancellation of any of the Company Permits.

Section 3.9 Employee Benefit Plans.

(a) Except for Subsidiary Plans (as hereafter defined), Section 3.9 of the Disclosure Schedule contains a true and complete list of each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (including, without limitation, multiemployer plans within the meaning of ERISA Section 3(37)), stock purchase, stock option, severance, employment, change-in-control, fringe benefit, collective bargaining, bonus, incentive, deferred compensation and all other employee benefit plans, agreements, programs, policies or other arrangements relating to employment, benefits or entitlements, whether or not subject to ERISA (including any funding mechanism therefor now in effect or required in the future as a result of the transaction contemplated by this Agreement or otherwise), whether formal or informal, oral or written, legally binding or not under which any employee or former employee of the Company has any present or future right to benefits or under which the Company has any present or future liability. All such plans, agreements, programs, policies and arrangements shall be collectively referred to as the "Company Plans"; provided, however, that any Company Plan sponsored or maintained by any subsidiary of the Company which could not, individually or in the aggregate, reasonably be expected to result in material liability to the Company shall be called a "Subsidiary Plan".

(b) Except as set forth in Section 3.9 of the Disclosure Schedule, with respect to each Company Plan other than a Subsidiary Plan, the Company has delivered to Parent prior to the date hereof a current, accurate and complete copy (or, to the extent no such copy exists, an accurate description) thereof and, to the extent applicable, (i) any related trust agreement, annuity contract or other funding instrument; (ii) the most recent determination letter; (iii) any summary plan description and other written communications (or a description of any oral communications) by the Company to its employees concerning the extent of the benefits provided under a Company Plan; and (iv) for the three most recent years (I) the Form 5500 and attached schedules;

(II) audited financial statements; (III) actuarial valuation reports; and (IV) attorney's response to an auditor's request for information.

(c) Except as set forth in Section 3.9 of the Disclosure Schedule, (i) each Company Plan has been established and administered in accordance with its terms, and in compliance with the applicable provisions of ERISA, the Internal Revenue Code of 1986, as amended (the "Code"), and other applicable laws, rules and regulations (including the applicable laws, rules and regulations of any foreign jurisdiction), in each case, in all material respects; and (ii) each Company Plan which is intended to be qualified within the meaning of Code Section 401(a) is so qualified and has received a favorable determination letter as to its qualification and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification; provided, however, with respect to any Subsidiary Plan, the foregoing representations shall only be made to the best knowledge of the Company.

(d) Except to the extent that each of the following, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, or as disclosed in the Recent SEC Reports filed prior to the date hereof, (i) no Company Plan has incurred any "accumulated funding deficiency" as such term is defined in ERISA Section 302 and Code Section 412 (whether or not waived); (ii) no event or condition exists which could be deemed a reportable event within the meaning of ERISA Section 4043 which could result in a liability to the Company or any member of its Controlled Group and no condition exists which could subject the Company or any member of its Controlled Group to a fine under ERISA Section 4971; (iii) with respect to any Company Plan, no actions, suits or claims (other than routine claims for benefits in the ordinary course) are pending or, to the knowledge of the Company, threatened, no facts or circumstances exist which could give rise to any such actions, suits or claims and the Company will promptly notify Parent in writing of any pending claims or, to the knowledge of the Company, any threatened claims arising between the date hereof and the Effective Time of the Merger; (iv) neither the Company nor any other party has engaged in a prohibited transaction, as such term is defined under Code Section 4975 or ERISA Section 406, which would subject the Company or Parent to any taxes, penalties or other liabilities under the Code or ERISA; (v) no event has occurred and no condition exists that would subject the Company, either directly or by reason of its affiliation with any member of its Controlled Group (defined as any organization which is a member of a controlled group of organizations within the meaning of Code Sections 414(b), (c), (m) or (o)), to any tax, fine or penalty imposed by ERISA, the Code or other applicable laws, rules and regulations (including the applicable laws, rules and regulations of any foreign jurisdiction); (vi) all insurance premiums required to be paid and all contributions required to be made under the terms of any Company Plan, the Code, ERISA or other applicable laws, rules and regulations (including the applicable laws, rules and regulations of any foreign jurisdiction) as of the Effective Time of the Merger have been or will be timely paid or made prior thereto and adequate reserves have been provided for on the Company's balance sheet for any premiums (or portions thereof) and for all benefits attributable to service on or prior to the Effective Time of the Merger; (vii) for each Company Plan with respect to which a Form 5500 has been filed, no change has occurred with respect to the matters covered by the most recent Form since the date thereof; (viii) no Company Plan provides for an increase in benefits on or after the Effective Time of the Merger; (ix) as of the Effective Time of the Merger, the Company and each member of its Controlled Group have made all required premium payments when due

to the PBGC; (x) neither the Company nor any member of its Controlled Group is subject to any liability to the PBGC for any plan termination occurring on or prior to the Effective Time of the Merger; (xi) no amendment has occurred which has required or could require the Company or any member of its Controlled Group to provide security pursuant to Code Section 401(a)(29); and (xii) neither the Company nor any member of its Controlled Group has engaged in a transaction which could subject it to liability under ERISA Section 4069.

(e) With respect to each of the Company Plans which is not a multiemployer plan within the meaning of Section 4001(a)(3) of ERISA but is subject to Title IV of ERISA (or a substantially similar provision of a foreign jurisdiction), as of the Effective Time of the Merger, except as disclosed in Section 3.9 of the Disclosure Schedule, the assets of each such Company Plan are at least equal in value to the present value of the accrued benefits (vested and unvested) of the participants in such Company Plan on a termination and projected basis, based on the actuarial methods and assumptions indicated in the most recent actuarial valuation reports.

(f) With respect to any multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) to which the Company or any member of its Controlled Group has any liability or contributes (or has at any time contributed or had an obligation to contribute): (i) the Company and each member of its Controlled Group has or will have, as of the Effective Time of the Merger, made all contributions to each such multiemployer plan required by the terms of such multiemployer plan or any collective bargaining agreement; (ii) neither the Company nor any member of its Controlled Group has incurred any withdrawal liability under Title IV of ERISA or, to the Company's knowledge, would be subject to such liability if, as of the Effective Time of the Merger, the Company or any member of its Controlled Group were to engage in a complete withdrawal (as defined in ERISA Section 4203) or partial withdrawal (as defined in ERISA Section 4205) from any such multiemployer plan; (iii) no such multiemployer plan is in reorganization or insolvent (as those terms are defined in ERISA Sections 4241 and 4245, respectively); and (iv) neither the Company nor any member of its Controlled Group has engaged in a transaction which could subject it to liability under ERISA Section 4212(c).

(g) Except as set forth in Section 3.9(g) of the Disclosure Schedule or as it relates to a Subsidiary Plan where the liability, individually or in the aggregate, could not reasonably be expected to result in material liability to the Company, no Company Plan exists which could result in the payment to any Company employee of any money or other property or accelerate or provide any other rights or benefits to any Company employee as a result of the transaction contemplated by this Agreement, whether or not such payment would constitute a parachute payment within the meaning of Code Section 280G.

Section 3.10 Taxes. Except as disclosed in Section 3.10 of the Disclosure Schedule: (i) the Company and each of its subsidiaries have prepared in good faith and duly and timely filed (taking into account any extension of time within which to file) all material Tax Returns required to be filed by any of them and all such filed Tax Returns are complete and accurate in all material respects; (ii) the Company and each of its subsidiaries have paid all Taxes whether or not shown as due on such filed Tax Returns, (iii) the Company and each of its subsidiaries has withheld and paid all material taxes required to be withheld from amounts owing to any employee, creditor or third party; (iv) there are no pending or threatened in writing

material audits, examinations, investigations or other proceedings in respect of Taxes or Tax matters relating to the Company or any of its subsidiaries; (v) there are no material unresolved questions or claims concerning the Company's or any of its subsidiaries' Tax liability and there are no material deficiencies or claims for any Taxes that have been proposed, asserted or assessed against the Company or any of its subsidiaries; (vi) neither the Company nor any of its subsidiaries has any liability with respect to Taxes which exceeds by any material amount the amounts accrued in respect thereof that are reflected in the Financial Statements (as defined below); (vii) there are no material Liens for Taxes upon the assets of the Company or any of its subsidiaries, other than Liens for current Taxes not yet due and payable and Liens for Taxes that are being contested in good faith by appropriate proceedings; (viii) neither the Company nor any of its subsidiaries has agreed to or is required to make any adjustment under Section 481(a) of the Code (or any predecessor provision) or pursuant to any similar provision of foreign, state or local law and no amounts that are economically attributable to Taxable periods ending on or prior to the Closing Date will be required, for U.S. federal income tax purposes, to be taken into account in Taxable periods beginning after the Closing Date which, in each case, could materially increase Taxable income or reduce Taxable loss of the Company or any subsidiary in any Taxable period ending after the Closing Date. For purposes hereof, (i) "Tax" (including, with correlative meaning, the terms "Taxes" and "Taxable") means all federal, state, local and foreign income, profits, franchise, gross receipts, environmental, customs duty, capital stock, severance, stamp, payroll, sales, employment, unemployment disability, use, property, withholding, excise, production, value added, occupancy and other taxes, duties or assessments of any nature whatsoever, together with all interest, penalties, fines and additions to tax imposed with respect to such amounts and (ii) "Tax Return" means all returns and reports (including elections, claims, declarations, disclosures, schedules, estimates, computations and information returns) required to be supplied to a Tax authority in any jurisdiction relating to Taxes.

Section 3.11 Environmental Matters. (a) Other than exceptions to any of the following that could not, individually or in any aggregation, reasonably be expected to have a Material Adverse Effect: (i) the Company and each of its subsidiaries complies and has complied with all applicable Environmental Laws, and possesses and complies with and has possessed and complied with all Environmental Permits required under such laws; (ii) to the knowledge of the Company, there are no past, present, or anticipated future events, conditions, circumstances, practices, plans, or legal requirements that could be expected to prevent the Company or any of its subsidiaries from (or increase the burden on the Company or any of its subsidiaries of) complying with applicable Environmental Laws or obtaining, renewing, or complying with all Environmental Permits required under such laws; (iii) no modification, revocation, reissuance, alteration, transfer, or amendment of any Environmental Permits held by the Company or any of its subsidiaries, and no review by, or approval of, any third party of such Environmental Permits, is required in connection with the execution or delivery of this Agreement or the consummation of the transactions contemplated hereby or the continuation of the business of the Company or any of its subsidiaries following such consummation; (iv) there are and have been no Materials of Environmental Concern, or other conditions, at any property owned, operated, or otherwise used by the Company or any of its subsidiaries now or, to the knowledge of the Company, in the past (including, without limitation, with respect to assets or businesses formerly owned, leased or operated by the Company or any of its subsidiaries), or at any other location, that could give rise to any liability of the Company or any of its subsidiaries

under any Environmental Law or result in costs to the Company or any of its subsidiaries arising out of any Environmental Law; (v) no judicial, administrative, or arbitral proceeding (including any notice of violation or alleged violation) under any Environmental Law to which the Company or any of its subsidiaries is, or to the knowledge of the Company will be, named as a party is pending or, to the knowledge of the Company, threatened, nor is the Company the subject of any investigation or the recipient of any request for information in connection with any such proceeding or potential proceeding; (vi) none of the Company or any of its subsidiaries has entered into or agreed to any consent decree, order or agreement under any Environmental Law, and none of the Company or any of its subsidiaries is subject to any material judgment, decree, order or other material requirement relating to compliance with any Environmental Law or to Materials of Environmental Concern; and (vii) none of the Company or any of its subsidiaries has assumed or retained, by contract or by operation of law, any liabilities or obligations under any Environmental Laws or with respect to any Materials of Environmental Concern.

(b) The Company has provided to Parent prior to the date hereof true and complete copies of all material Environmental Reports.

(c) For purposes of this Agreement, the terms below are defined as follows:

"Environmental Laws" means any and all laws, rules, orders, regulations, statutes, ordinances, guidelines, codes, decrees, or other legally enforceable requirement (including, without limitation, common law) of any foreign government, the United States, or any state, local, municipal or other governmental authority, regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or of human health, or employee health and safety.

"Environmental Permits" means any and all permits, licenses, registrations, approvals, notifications, exemptions and any other authorization required under any Environmental Law in order to continue the business and operations of the Company and each of its subsidiaries and maintain the possession of each of their assets, as they are and have been operated or possessed, as the case may be.

"Environmental Report" means any report, study, assessment, audit, or other similar document in the possession or control of the Company or any of its subsidiaries that addresses any issue of actual or potential noncompliance with, actual or potential liability under or cost arising out of, or actual or potential impact on business in connection with, any Environmental Law or any proposed or anticipated change in or addition to Environmental Law, that may in any way affect the Company or any of its subsidiaries.

"Materials of Environmental Concern" means any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products, polychlorinated biphenyls, urea-formaldehyde insulation, asbestos, pollutants, contaminants, radioactivity, and any other substances of any kind, whether or not any such substance is defined as hazardous or toxic under any Environmental Law, that is regulated pursuant to or could give rise to liability under any Environmental Law.

Section 3.12 Contracts. Neither the Company nor any of its subsidiaries is, or has received any notice or has any knowledge that any other party is, or would with the passage of time or the giving of notice or both be, in default in any respect under any Contract to which it or any of its subsidiaries is a party or by which it or any such subsidiary is bound, except for those defaults which could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Except as set forth in Section 3.12 of the Disclosure Schedule, neither the Company nor any of its subsidiaries is subject to or bound by any exclusive dealing arrangement or other Contract containing covenants which limit the ability of the Company or any subsidiary to compete in any line of business or with any person or which involve any restriction of geographical area in which, or method by which, the Company or any subsidiary may carry on its business.

Section 3.13 No Rights Plan. Neither the Company nor any of its subsidiaries has any stockholder rights plan, preferred stock purchase plan or similar arrangement.

Section 3.14 Intellectual Property. Section 3.14 of the Disclosure Schedule sets forth all material patents, copyrights and trademarks owned or used by the Company and its subsidiaries and all other Intellectual Property which is registered or filed with, or has been submitted to, any Governmental Entity, and the nature of the Company's or such subsidiary's rights therein and thereto. The Company and its subsidiaries own and possess all Intellectual Property rights necessary for them to conduct their business as it is currently conducted and consistent with past practice, other than any failures thereof which could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

For purposes of this Agreement "Intellectual Property" shall mean all rights, privileges and priorities provided under U.S., state and foreign law relating to intellectual property, including without limitation all:

(i) (A) inventions, discoveries, processes, formulae, designs, methods, techniques, procedures, machines, manufactures, concepts, developments, technology, new and useful improvements thereof and know-how relating thereto, whether or not patented or eligible for patent protection; (B) copyrights and copyrightable works, including computer applications, programs, software, databases and related items; (C) trademarks, service marks, trade names, and trade dress, the goodwill of any business symbolized thereby, and all common-law rights relating thereto; and (D) trade secrets and other confidential information; and

(ii) all registrations, applications, recordings, and licenses or other similar agreements related to the foregoing.

Section 3.15 Year 2000. The Company and its subsidiaries have adopted a plan of testing and replacement (the "Y2K Plan") for the purpose of assuring that all computer hardware, software, databases, automated systems and other computer and telecommunications equipment owned or licensed by the Company and its subsidiaries ("Systems") can be used prior to, during and after the calendar year 2000 A.D., and will operate during each such time period, either on a stand-alone basis or by interacting or interoperating with third-party software

(provided that such third-party software is Y2K Compliant), without material error relating to the processing, calculating, comparing, sequencing or other use of date-related data (the foregoing ability, "Y2K Compliant"). The Y2K Plan has been made available to Parent, and the Company and its subsidiaries are in the process of effecting the Y2K Plan. All such Systems will be reprogrammed or replaced and tested and will be Y2K Compliant before any failure to be so compliant could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and the costs of implementing the Y2K Plan and making such Systems Y2K Compliant could not reasonably be expected to have a Material Adverse Effect.

Section 3.16 Ownership of Assets. Each of the Company and its subsidiaries has good and valid title to its properties and assets, and valid and subsisting leasehold interests in all properties or assets of which it is lessee or licensee, including all motorcoaches and other vehicles owned or operated by it, in each case free and clear of any Liens, except for Liens pursuant to the Credit Agreement, purchase money security interests under the Other Indebtedness and related documents and such defects and Liens which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 3.17 Insurance. The Company and its subsidiaries are insured with reputable insurers against such risks and in such amounts as the management of the Company reasonably has determined to be prudent in accordance with industry practices or is required by law. All of the insurance policies, binders, or bonds maintained by the Company or its subsidiaries are in full force and effect; the Company and its subsidiaries are not in default thereunder; and all claims thereunder have been filed in due and timely fashion, in each instance except for cases which could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 3.18 Brokers. No broker, investment banker, financial advisor or other person, other than the Company Financial Advisor, the fees and expenses of which will be paid by the Company (pursuant to a fee agreement, a copy of which has been provided to Parent), is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company.

Section 3.19 Opinion of Company Financial Advisor. The Company has received the written opinion of the Company Financial Advisor dated the date of this Agreement, to the effect that the Per Share Price and the Merger Consideration are fair to the holders of the Company Common Stock from a financial point of view, a signed copy of which opinion has been delivered to Parent.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT AND SUB

Parent, Holding Sub and Merger Sub represent and warrant to the Company as follows:

Section 4.1 Organization and Standing. Each of Parent, Holding Sub and Merger Sub is duly organized, validly existing and, in the case of Holding Sub and Merger Sub, in good standing under the laws of the jurisdiction in which it is incorporated.

Section 4.2 Authority; Noncontravention. (a) Each of Parent, Holding Sub and Merger Sub has the requisite corporate and other power and authority to enter into this Agreement and, subject to the Parent Shareholder Approval (as defined in Section 4.2(c)) to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Parent, Holding Sub and Merger Sub and the consummation by Parent, Holding Sub and Merger Sub of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Parent, Holding Sub and Merger Sub, subject, in the case of the consummation of the Offer and the Merger, to the Parent Shareholder Approval. This Agreement has been duly executed and delivered by Parent, Holding Sub and Merger Sub and constitutes a valid and binding obligation of each of Parent, Holding Sub and Merger Sub, enforceable against each of Parent, Holding Sub and Merger Sub in accordance with its terms.

(b) The Board of Directors of Parent, at a meeting duly called and held, has (i) determined that this Agreement and the transactions contemplated hereby, including the Offer and the Merger, are in the best interests of the Parent and its shareholders, (ii) resolved to recommend that the shareholders of Parent approve such transactions in accordance with the requirements of the LSE and (iii) appointed a committee to authorize and dispatch a circular, including a notice of extraordinary general meeting, to Parent's shareholders.

(c) The affirmative vote of ordinary shareholders of Parent by way of ordinary resolution (the "Parent Shareholder Approval") is the only vote of the holders of any class or series of the Parent's or its subsidiaries' securities necessary to approve this Agreement, the Offer, the Merger and the other transactions contemplated hereby.

(d) The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated by this Agreement and compliance with the provisions hereof will not result in any Violation under, or result in the creation of any Lien upon any of the properties or assets of Parent or any of its subsidiaries under, (i) the Memorandum and Articles of Association of Parent or the comparable organizational documents of any of its subsidiaries, (ii) any Contract applicable to Parent or any of its subsidiaries or their respective properties or assets or (iii) subject to the Filings and Approvals referred to in Section 4.2(e), any Law applicable to Parent or any of its subsidiaries or their respective properties or assets, other than, in the case of clauses (ii) and (iii), any such Violations and Liens that individually or in the aggregate could not reasonably be expected to prevent, hinder or materially delay the ability of

Parent, Holding Sub or Merger Sub to consummate the transactions contemplated by this Agreement.

(e) No Approval of or from or Filing with or to any Governmental Entity or third party is required by, of or with respect to Parent or any of its subsidiaries in connection with the execution and delivery of this Agreement by Parent, Holding Sub and Merger Sub or the consummation by Parent, Holding Sub and Merger Sub of the transactions contemplated hereby, except for (i) the filing of a premerger notification and report form under the HSR Act, the Competition Act Approval, the Investment Canada Approval, if applicable, and such Canadian federal, provincial, territorial or municipal transportation regulatory authorities as may be applicable; (ii) the filing of the Schedule 14D-1, a Statement of Beneficial Ownership on Schedule 13D, if required, and any requirements amendments thereto with the SEC; (iii) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware and appropriate documents with the relevant authorities of other states in which the Company is qualified to do business; (iv) the applicable requirements of the ICA and the rules and regulations of the STB; (v) required filings with and notifications to the LSE, including a circular to be sent to Parent's shareholders in connection with the Parent Shareholders Meeting (the "Parent Circular"), containing (1) a notice convening the Parent Shareholders Meeting, (2) such information as may be required by the listing rules of the LSE, (3) such other information (if any) as may be required by the LSE and (4) such other information as Parent and the Company shall agree to include therein; and (vi) such other Approvals and Filings the failure of which to obtain or make could not, individually or in the aggregate, reasonably be expected to prevent, hinder or materially delay the ability of Parent, Holding Sub or Merger Sub to consummate the transactions contemplated by this Agreement.

Section 4.3 Offer Documents, Proxy Statement, Etc. Neither:

(i) the Offer Documents, at the date filed with the SEC or distributed to the Company's stockholders, or at the consummation of the Offer; nor

(ii) the information supplied by Parent for inclusion in the Schedule 14D-9 (including any corrected information supplied by Parent), at the date filed with the SEC or distributed to the Company's stockholders, or at the consummation of the Offer

will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, provided, however, that no representation is made by Parent with respect to statements made in the Offer Documents in conformity with written information supplied by the Company expressly for inclusion or incorporation by reference in the Offer Documents. The Schedule 14D-1 and the Offer Documents will comply in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder.

Section 4.4 Financing. Either Parent or Holding Sub has, or will have prior to the consummation of the Offer, sufficient funds available to satisfy the obligation to pay for the Shares accepted for payment in the Offer. Either Parent or Merger Sub has, or will have prior to

the Effective Time, sufficient funds available to satisfy the obligation to pay the Merger Consideration in the Merger.

Section 4.5 Brokers. No broker, investment banker, financial advisor or other person, other than J.P. Morgan & Co. Incorporated and Noble Grossart Limited, the fees and expenses of which will be paid by Parent, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Parent.

ARTICLE V

COVENANTS

Section 5.1 Interim Operations of the Company. The Company covenants and agrees that, except (i) as expressly provided in this Agreement, (ii) with the prior written consent of Parent or (iii) as set forth on Section 5.1 of the Disclosure Schedule, after the date hereof and prior to the Control Date, the business of the Company and its subsidiaries shall be conducted only in the ordinary course of business consistent with past practice and each of the Company and its subsidiaries shall use all reasonable efforts to preserve its business organization intact and preserve and maintain its rights and franchises and its relationships with its customers, suppliers, employees, independent contractors, creditors, business partners and others with whom it deals; the Company, in conducting its business and operations, shall have due regard for the interests of the holders of the Trust Certificates (as defined in the Voting Trust Agreement) as investors in the Company; and neither the Company nor any of its subsidiaries shall:

(a) (i) amend its certificate of incorporation or by-laws or similar organizational documents; (ii) declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to any of its capital stock other than dividends or distributions by the Company's wholly owned subsidiaries; (iii) split, combine or reclassify any of its capital stock; or (iii) issue, sell, transfer, pledge, dispose of or encumber, or redeem, purchase or otherwise acquire directly or indirectly, any shares of, or securities convertible into or exchangeable or redeemable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock of any class of, or any other ownership or equity interest (including, without limitation, any phantom interest or stock appreciation rights) in, the Company or its subsidiaries other than pursuant to exercises of Company Stock Options, conversions of the Convertible Subordinated Notes, redemptions of Dividend Access Shares and exercises of Warrants, in each case to the extent disclosed pursuant to Section 3.3;

(b) transfer, lease, license, sell, mortgage, pledge, dispose of, or create or suffer to exist any Lien on any assets that are material to the Company and its subsidiaries, taken as a whole, other than Liens pursuant to the Credit Agreement, purchase money security interests under the Other Indebtedness and related documents and other than sales of assets in the ordinary course of business consistent with past practice;

(c) acquire (by merger, consolidation, acquisition of stock or assets or otherwise) any corporation, partnership or other business organization or division thereof, or any substantial portion of any assets thereof, other than acquisitions for total value not in excess of \$50 million in the aggregate;

(d) (i) grant any increase in the compensation payable or to become payable by the Company or any of its subsidiaries to any employee other than increases in the ordinary course of business consistent as to timing and amount with past practice; (ii) except to the extent currently required under applicable law or the terms of the applicable agreement or arrangement, adopt any law, or amend or otherwise increase, or accelerate the payment or vesting of the amounts payable or to become payable under any existing, bonus, incentive compensation, deferred compensation, severance, profit sharing, stock option, stock purchase, insurance, pension, retirement or other employee benefit plan agreement or arrangement; (iii) enter into any, or amend any existing, employment, consulting or severance agreement with, or grant any severance or termination pay to, any officer, director or employee of the Company or any of its subsidiaries, other than pursuant to existing plans or agreements copies of which have been made available to Parent prior to the date hereof; (iv) except with respect to the Company's foreign operations, as required by law or existing arrangements, make any additional contributions to any grantor trust created by the Company to provide funding for non-tax-qualified employee benefits or compensation; or (v) provide any severance program to any subsidiary which does not have a severance program as of the date of this Agreement;

(e) enter into or materially modify any collective bargaining agreement, including any successor collective bargaining agreement;

(f) enter into, modify or terminate any material Contract except in the ordinary course of business consistent with past practice;

(g) permit any material insurance policy naming it as a beneficiary or a loss payable payee to be canceled or terminated, except in the ordinary course of business consistent with past practice;

(h) (i) incur or assume any debt except for borrowings under existing credit facilities, debt incurred in connection with permitted acquisitions in an aggregate outstanding amount not to exceed \$65 million at any one time (including no more than \$15 million in assumed debt) and additional borrowings in an aggregate outstanding amount not to exceed \$20 million at any time (any newly incurred debt to be on terms no less favorable to the Company and its subsidiaries in any material respect than the existing credit facilities); (ii) assume, guarantee, endorse, enter into any "keep well" or other similar agreement, or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations or financial condition of any person other than the Company or its wholly owned subsidiaries, except in the ordinary course of business consistent with past practice and where the amount involved, individually or in the aggregate, is not material; (iii) make any loans, advances or capital contributions to, or investments in, any other person (other than to wholly owned subsidiaries of the

Company or customary loans or advances to employees in accordance with past practice); or (iv) make any capital expenditure in excess of \$1 million with respect to any individual or series of related capital expenditures or \$15 million in the aggregate for all capital expenditures;

(i) change any of its material accounting principles, except as required by generally accepted accounting principles;

(j) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization of the Company or any of its subsidiaries or any agreement (other than a confidentiality agreement pursuant to Section 5.5) relating to an Acquisition Proposal (as defined in Section 5.5);

(k) engage in any transaction with, or enter into any agreement, arrangement, or understanding with, directly or indirectly, any of the Company's affiliates, other than the Company or its wholly owned subsidiaries, including, without limitation, any transactions, agreements, arrangements or understandings with any affiliate or other Person covered under Item 404 of Regulation S-K under the Securities Act that would be required to be disclosed under such Item 404;

(l) make any material Tax election;

(m) (i) pay, discharge or satisfy any claim, liability or obligation (including contingent claims, liabilities and obligations), other than in the ordinary course of business consistent with past practice; or (ii) settle or compromise any litigation (whether or not commenced prior to the date of this Agreement) other than settlements or compromises of litigation not relating to the transactions contemplated hereby and which could not reasonably be expected to prejudice materially the Company or its subsidiaries in any other pending or future litigation, where the amount paid (after giving effect to insurance proceeds actually received) in settlement or compromise does not exceed \$1 million, provided that the aggregate amount paid in connection with the settlement or compromise of all such litigation matters shall not exceed \$5 million;

(n) take any action which would make any of the Company's representations and warranties herein untrue or incorrect in a manner that would, or any other action that would, result in any of the conditions set forth in Annex I not being satisfied; or

(o) enter into an agreement, contract, commitment or arrangement to do any of the foregoing, or authorize, recommend, propose or announce an intention to do, or to agree to do, any of the foregoing.

Section 5.2 Access to Information. The Company shall (and shall cause each of its subsidiaries to) afford to the officers, employees, accountants, counsel, financing sources and other representatives of Parent, reasonable access, during normal business hours, during the period prior to the Effective Time, to all of its and its subsidiaries' personnel, properties, books,

contracts, commitments and records (including any Tax Returns or other Tax related information pertaining to the Company and its subsidiaries) and, during such period, the Company shall (and shall cause each of its subsidiaries to) furnish promptly to Parent (i) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of the federal securities laws or which is otherwise material to the Company and its subsidiaries and (ii) all other information concerning its business, properties and personnel as Parent may reasonably request (including any Tax Returns or other Tax related information pertaining to the Company and its subsidiaries). Parent will hold any such information in confidence to the extent required by and in accordance with the provisions of the existing letter agreement dated June 2, 1999 (the "Confidentiality Agreement") addressed to the Company from Parent and executed and delivered by each of them. No investigation pursuant to this Section 5.2 or otherwise shall affect any representations or warranties of the parties herein or the conditions to the obligations of the parties hereto.

Section 5.3 Consents and Approvals. (a) Each of the Company, Parent, Holding Sub and Merger Sub will use all reasonable best efforts to comply promptly with all legal requirements which may be imposed on it with respect to this Agreement and the transactions contemplated hereby which actions shall include, without limitation, furnishing all information in connection with approvals of or filings with any Governmental Entity, including, without limitation, any schedule, or reports required to be filed with the SEC, and will promptly cooperate with and furnish information to each other in connection with any such requirements imposed upon any of them or any of their subsidiaries in connection with this Agreement and the transactions contemplated hereby. Each of the Company, Parent, Holding Sub and Merger Sub will, and will cause its subsidiaries to, use all reasonable best efforts to obtain any consent, authorization, order or approval of, or any exemption by, any Governmental Entity or other public or private third party, required to be obtained or made by Parent, Holding Sub, Merger Sub, the Company or any of their subsidiaries in connection with the Offer, the Merger or the taking of any other action contemplated by this Agreement.

(b) Parent, on the one hand and the Company on the other shall, and each shall cause its subsidiaries to, subject to the following sentences, (i) cooperate with one another to prepare and present to the STB, as soon as practicable, all filings and other presentations in connection with seeking any STB approval, exemption or other authorization necessary to consummate the transactions contemplated by this Agreement, (ii) prosecute such filings and other presentations with diligence, (iii) diligently oppose any objections to, appeals from or petitions to reconsider or reopen any such STB approval by persons not party to this Agreement, and (iv) take all such further action as in the reasonable judgment of Parent and the Company may facilitate obtaining a final order or orders of the STB approving such transactions consistent with this Agreement and the transactions contemplated herein. Without in any way limiting Parent's obligations under Section 1.4 and subject to consultations with the Company and, after giving good faith consideration to the views of the Company, Parent shall have final authority over the development, presentation and conduct of the STB case, including over decisions as to whether to agree to or acquiesce in conditions.

Section 5.4 Employee Matters. (a) For a period of one year following the Effective Time, Parent shall or shall cause the Surviving Corporation to either continue the

existing Company Plans or provide benefits to employees of the Company and its subsidiaries under substitute plans or arrangements ("Parent Benefit Plans") that are no less favorable, in the aggregate, to such employees than those provided under such existing Company Plans.

(b) With respect to any Parent Benefit Plan in which the Company's or its subsidiaries' employees participate effective as of the Closing Date, Parent shall, or shall cause the Surviving Corporation to: (A) waive all limitations as to pre-existing conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to the employees under any Parent Benefit Plan in which such employees may be eligible to participate after the Effective Time, (B) provide each employee with credit for any co-payments and deductibles paid prior to the Effective Time in satisfying any applicable deductible or out-of-pocket requirements under any Parent Benefit Plan in which such employees may be eligible to participate after the Effective Time, and (C) recognize all service of the employees with the Company or any subsidiary for all purposes (excluding for benefit accrual) in any Parent Benefit Plan in which such employees may be eligible to participate after the Effective Time, to the same extent taken into account under a comparable Company Plan immediately prior to the Closing Date; provided, however, that such service shall not be recognized to the extent that such recognition would result in a duplication of benefits.

Section 5.5 No Solicitation. (a) The Company shall not, and it shall cause its subsidiaries, directors, officers, employees, financial and other advisors, agents, representatives, affiliates and others working on its behalf or at its direction (collectively, "Company Representatives") not to, initiate, solicit, encourage or facilitate offers, inquiries or proposals with respect to, or furnish any information relating to or participate in any negotiations or discussions concerning, any merger, reorganization, share exchange, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company or any of its subsidiaries, or any purchase or sale of more than 10% of the assets (including stock of subsidiaries) of the Company and its subsidiaries taken as a whole, or any purchase or sale of, or tender or exchange offer for, 10% or more of the equity securities of the Company or any of its subsidiaries (an "Acquisition Proposal"), other than as contemplated by this Agreement.

(b) Notwithstanding Section 5.5(a), if the Company is not otherwise in breach or violation of this Section 5.5, until the Offer shall have been consummated, the Board of Directors of the Company may, directly or indirectly through Company Representatives: (x) furnish information concerning the Company and its subsidiaries to any Person with respect to an Acquisition Proposal pursuant to appropriate confidentiality agreements with terms substantially similar to those contained in the Confidentiality Agreement (including with respect to "standstill" provisions), and (y) negotiate and participate in discussions and negotiations with such Person concerning an Acquisition Proposal, if in either case (x) or (y), (i) such Person has submitted a bona fide written Acquisition Proposal to the Company after the date hereof which constitutes a Superior Proposal (as defined below) and (ii) in the good faith judgment of the Board of Directors of the Company, only after receipt of and based upon advice from outside legal counsel to the Company, the failure to provide such information or access or to engage in such discussions or negotiations would cause the Board of Directors to violate its fiduciary duties to the Company's stockholders under applicable law. In addition, nothing herein shall restrict the

Company Board of Directors from, to the extent required, complying with Rule 14d-9 and Rule 14e-2 promulgated under the Exchange Act with regard to an Acquisition Proposal, subject to any rights of Parent to terminate this Agreement and receive payment of any fee due under Article VII as a result thereof.

(c) The Company shall notify Parent immediately of any inquiries, proposals or offers received by, information requested from, or discussions or negotiations sought to be initiated or continued with, it or any of Company Representatives with respect to, or which could reasonably be expected to lead to, an Acquisition Proposal indicating, in connection with each such notice, the name of such person (unless the proposed consideration consists solely of cash) and the material terms, conditions and other aspects of any such inquiries, proposals, offers, requests, discussions or negotiations, including promptly forwarding copies of any written Acquisition Proposals (with redactions of the proposing party's identity, if the proposed consideration consists solely of cash), and promptly keep Parent informed of the status and terms of any such proposals or offers and the status and terms of any such discussions or negotiations. The Company agrees immediately to cease and to cause to be terminated any activities, discussions or negotiations conducted on or prior to the date of this Agreement with any parties other than Parent, with respect to any of the foregoing. Neither the Company nor any subsidiary of the Company will waive or fail to enforce any provision of any confidentiality or standstill or similar agreement to which it is a party without the prior written consent of Parent unless the Company's Board of Directors determines in good faith, only after receipt of and based upon advice from outside legal counsel to the Company, that it is required by fiduciary duties under applicable law to take such action in response to a Superior Proposal.

(d) For purposes of this Agreement, a "Superior Proposal" means a bona fide written Acquisition Proposal made by a third party after the date hereof:

(i) as a result of which (A) the Company's stockholders prior to such transaction would in the aggregate cease to own at least 50% of the voting securities of the ultimate parent entity resulting from such transaction or (B) at least 50% of the assets of the Company and its subsidiaries taken as a whole would be transferred to an unaffiliated third party; and

(ii) which the Board of Directors of the Company in its good faith judgment, taking into account the various legal, financial and regulatory aspects of the proposal and the person making such proposal and after consultation with and based on the advice of outside counsel and a nationally recognized financial advisor, determines (A) if accepted, is reasonably likely to be consummated, and (B) if consummated, is reasonably likely to result in a transaction that is financially superior and more favorable to the holders of Company Common Stock than the Offer and the Merger (taken together).

Section 5.6 Certain Financing Matters. The Company agrees to provide, and will cause its subsidiaries and its and their respective officers, employees and advisors to provide, all necessary cooperation in connection with the arrangement of any financing to be consummated contemporaneous with or at or after the consummation of the Offer, including without limitation any financing to be provided to the Company or any of its subsidiaries by the Parent. In addition,

in conjunction with the obtaining of any such financing, the Company agrees, at the request of Parent, to call for prepayment or redemption, conduct a tender offer for, or prepay, redeem and/or renegotiate, as the case may be, any then existing indebtedness of the Company and its subsidiaries, including, without limitation, indebtedness under the Credit Agreement, the Senior Subordinated Notes and the Convertible Subordinated Notes: provided that no such prepayment or redemption or purchase under any tender offer shall themselves actually be required to be made or consummated until contemporaneously with or after the consummation of the Offer.

Section 5.7 Reasonable Best Efforts. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable, whether under applicable laws and regulations or otherwise, and to remove any injunctions or other impediments or delays, legal or otherwise, to consummate the Offer and make effective the Merger and the other transactions contemplated by this Agreement as expeditiously as practicable. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of the Company, Parent, Holding Sub and Merger Sub shall use all reasonable efforts to take, or cause to be taken, all such necessary actions.

Section 5.8 Publicity. So long as this Agreement is in effect, neither the Company nor Parent nor their affiliates shall issue or cause the publication of any press release or other public statement or announcement with respect to this Agreement or the transactions contemplated hereby without prior consultation with and approval (not to be unreasonably withheld or delayed) of the other party, except as may be required by law or by obligations pursuant to any listing agreement with, or the listing rules of, a national securities exchange, and in such case shall use all reasonable efforts to consult with and obtain approval of the other party prior to such release or announcement being issued.

Section 5.9 Notification of Certain Matters. The Company shall give prompt notice to Parent, and Parent shall give prompt notice to the Company, of (a) the occurrence or non-occurrence of any event which would be likely to cause any representation or warranty of the Company or Parent, Holding Sub and Merger Sub, as the case may be, contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the Effective Time and (b) any material failure or inability of the Company or Parent, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 5.9 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

Section 5.10 Directors' and Officers' Insurance and Indemnification. (a) Parent agrees that at all times after the Effective Time, Parent and the Surviving Corporation shall jointly and severally indemnify each person who is now, or has been at any time prior to the date hereof, a director or officer of the Company or of any of the Company's subsidiaries or person entitled to indemnification (individually an "Indemnified Party" and collectively the "Indemnified Parties"), subject to applicable law, to the same extent and in the same manner as is now provided in the respective certificates of incorporation or by-laws or similar organizational documents of the Company and such subsidiaries or otherwise in effect on the date hereof. The

Surviving Corporation shall maintain in effect for not less than six (6) years after consummation of the Merger the current policies of directors' and officers' liability insurance maintained by the Company and its subsidiaries on the date of this Agreement or policies having comparable coverage, terms and conditions, with respect to matters existing or occurring at or prior to the Effective Time, to the extent available; provided that in no event shall the Surviving Corporation be required to expend in any one year an amount in excess of 200% of the annual premiums currently paid by the Company for such insurance (as disclosed to Parent in writing prior to the date hereof), although it shall be obligated to obtain a policy with the greatest coverage available for a cost not exceeding such amount.

(b) Without limitation of the foregoing, in the event any such Indemnified Party is or becomes involved in any capacity in any action, proceeding or investigation in connection with any matter, including, without limitation, the transactions contemplated by this Agreement, Parent shall pay as incurred such Indemnified Party's legal and other expenses (including the cost of any investigation and preparation) incurred in connection therewith, subject to the provision by such Indemnified Party of an undertaking to reimburse such payments in the event of a final determination by a court of competent jurisdiction that such Indemnified Party is not entitled thereto. Parent shall pay all expenses, including attorneys' fees, that may be incurred by any Indemnified Party in enforcing the indemnity and other obligations provided for in this Section 5.10 or any action involving an Indemnified Party resulting from the transactions contemplated by this Agreement.

(c) Any determination to be made as to whether any Indemnified Party has met any standard of conduct imposed by law shall be made by legal counsel reasonably acceptable to such Indemnified Party, Parent and the Surviving Corporation, retained at Parent's and the Surviving Corporation's expense.

(d) This Section 5.10 is intended to benefit and shall be enforceable by the Indemnified Parties and their respective heirs, executors and personal representatives and shall be binding on and enforceable against Parent, Holding Sub, Merger Sub and the Surviving Corporation and their successors and assigns in accordance with Delaware law.

Section 5.11 Proxy Statement: Company Stockholders Meeting. (a) As soon as practicable following the date hereof at the request of Parent, the Company shall prepare and file with the SEC the Proxy Statement and shall use all reasonable efforts to resolve any comments of the SEC with respect to the Proxy Statement as promptly as practicable. Parent shall cooperate with the Company in the preparation of the Proxy Statement. The Company shall give Parent and its counsel a reasonable opportunity to review the Proxy Statement prior to its being filed with the SEC and shall give Parent and its counsel a reasonable opportunity to review all amendments and supplements to the Proxy Statement and all responses to requests for additional information and replies to comments prior to their being filed with, or sent to, the SEC, all of which filings and responses shall be subject to Parent's prior consent, not to be unreasonably withheld. The Company will provide to Parent promptly copies of all correspondence between it or any of its representatives and the SEC. Parent shall furnish all information concerning it required to be included in the Proxy Statement, and as promptly as practicable, the Proxy Statement will be mailed to the stockholders of the Company. The Company will advise Parent

promptly after it receives notice thereof of any request or demand by the SEC or the NYSE for amendment of the Proxy Statement.

(b) If the Company Stockholder Approval is required under the DGCL to consummate the Merger and is required to be given at a duly held meeting of stockholders, the Company shall, as promptly as reasonably practicable following the execution of this Agreement, duly call, give notice of, convene and hold a meeting of its stockholders (the "Company Stockholders Meeting") for the purpose of obtaining the Company Stockholder Approval and shall take all lawful action to solicit the Company Stockholder Approval. Unless otherwise required by their fiduciary duties under applicable law, the Board of Directors of the Company shall (i) recommend adoption of this Agreement by the stockholders of the Company to the effect as set forth in Section 3.4, and (ii) not withdraw, modify or qualify in any manner adverse to Parent such recommendation (or its recommendation that holders of Shares tender their Shares in the Offer) or take any action or make any statement in connection with the Company Stockholders Meeting (or the Offer) inconsistent with such recommendation (collectively, an "Adverse Change in the Company Recommendation"). The Company shall use all reasonable efforts to obtain any necessary Approvals to permit the Company Stockholder Approval to be effected by written consent. Subject to its right to terminate this Agreement in accordance with its terms, the Company shall be required to take the actions specified in Section 5.11(a) and the first sentence of this Section 5.11(b), and satisfy all its other obligations under this Agreement, whether or not the Company Board of Directors makes an Adverse Change in the Company Recommendation after the date hereof.

(c) Parent agrees that it will vote at the Company Stockholders' Meeting or give consents with respect to, or cause to be voted or to have consents given with respect of (including, prior to the Control Date, by causing the Trustees to vote pursuant to the Voting Trust Agreement), all Shares then owned by it or Holding Sub or any of Parent's other subsidiaries and affiliates (including any shares held in the Voting Trust) in favor of the adoption of this Agreement.

(d) Notwithstanding the foregoing, in the event that Holding Sub shall acquire at least 90% of the then-outstanding Shares, the parties hereto agree, at the request of Holding Sub, subject to Article VI, the DGCL, the ICA and the rules and regulations of the STB, to take (and prior to the Control Date to cause the Trustees to take) all necessary and appropriate action to cause the Merger to become effective, in accordance with Section 253 of the DGCL, as soon as reasonably practicable after such acquisition, without a meeting of the stockholders of the Company.

Section 5.12 Parent Circular: Parent Shareholders Meeting. (a) As soon as practicable following the date of this Agreement, Parent shall prepare and obtain the approval of the LSE of the Parent Circular. The Company shall cooperate with Parent in the preparation of the Parent Circular. Parent shall give the Company and its counsel a reasonable opportunity to review the Parent Circular prior to its being lodged with the LSE for approval and shall give the Company and its counsel a reasonable opportunity to review all amendments and supplements to the Parent Circular and all responses to requests for additional information and replies to comments prior to their being filed with, or sent to, the LSE. Parent will provide to the Company

promptly copies of all correspondence between it or any of its representatives and the LSE. The Company shall furnish all information concerning it required to be included in the Parent Circular, and as promptly as practicable, the Parent Circular will be mailed to the shareholders of Parent. Parent will advise the Company promptly after it receives notice thereof of any request or demand by the LSE for amendment of the Parent Circular. The Parent Circular and any supplements thereto and any other circulars or documents issued to shareholders or employees of Parent will contain all particulars relating to Parent and the Company required to comply in all material respects with all United Kingdom statutory and other legal provisions (including, without limitation, the Companies Act of 1985 of the United Kingdom, as amended (the "Companies Act"), the Financial Services Act 1986 and the rules and regulations made thereunder, and the rules and requirements of the LSE and the City Code) and, at the date filed with the LSE or distributed to Parent's shareholders or at the time of the Parent Shareholders Meeting, all such information contained in such documents will be substantially in accordance with the facts and will not omit anything material likely to affect the import of such information.

(b) Parent shall, as promptly as reasonably practicable following the execution of this Agreement, duly call, give notice of, convene and hold a meeting of its shareholders (the "Parent Shareholders Meeting") for the purpose of obtaining the Parent Shareholder Approval and shall take all lawful action to solicit the Parent Shareholder Approval. Parent shall use its reasonable best efforts to hold the Parent Shareholders Meeting on or before July 26, 1999. Unless otherwise required by their fiduciary duties under applicable law, the Board of Directors of the Parent shall (i) recommend that the shareholders of the Parent vote in favor of the resolution to be proposed at the Parent Shareholders Meeting and required for the implementation of the Offer and the Merger, and (ii) not withdraw, modify or qualify in any manner adverse to the Company such recommendation or take any action or make any statement in connection with the Parent Shareholders Meeting inconsistent with such recommendation (collectively, an "Adverse Change in the Parent Recommendation"). Subject to its right to terminate this Agreement in accordance with its terms, Parent shall be required to take the actions specified in Section 5.12(a) and the first sentence of this Section 5.12(b), and satisfy all its other obligations under this Agreement, whether or not the Parent Board of Directors makes an Adverse Change in the Parent Recommendation after the date hereof.

Section 5.13 Registration Rights for Shares Deposited in Voting Trust. The Company shall, if requested by any Trustee at any time and from time to time within three years after the termination of this Agreement while any securities of the Company or any of its subsidiaries remain in the Voting Trust, as expeditiously as possible prepare and file up to three registration statements under the Securities Act if such registration is necessary in order to permit the sale or other disposition of any or all securities that have been deposited in the Voting Trust, in accordance with the intended method of sale or other disposition stated by the Trustee, including a "shelf" registration statement under Rule 415 under the Securities Act or any successor provision; and the Company shall use its reasonable best efforts to qualify such securities under any applicable state securities laws. The Trustee and Parent shall use reasonable efforts to cause, and to cause any underwriters of any sale or other disposition to cause, any sale or other disposition pursuant to such registration statement to be effected on a widely distributed basis. The Company shall use reasonable efforts to cause each such registration statement to become effective, to obtain all consents or waivers of other parties which are required therefore,

and to keep such registration statement effective for such period not in excess of 180 calendar days from the day such registration statement first becomes effective as may be reasonably necessary to effect such sale or other disposition. The obligations of the Company hereunder to file a registration statement and to maintain its effectiveness may be suspended for one or more periods of time not exceeding 60 calendar days in the aggregate with respect to any registration statement if the Board of Directors of the Company shall have determined that the filing of such registration statement or the maintenance of its effectiveness would require disclosure of nonpublic information that would materially and adversely affect the Company. The costs of any registration statement prepared and filed under this Section, and any sale covered thereby, shall be shared equally by the Company and Parent except for underwriting discounts or commission, brokers' fees and the fees and disbursements of the Trustee's and Parents' counsel related thereto (which shall be paid by Parent). The Trustee and Parent shall provide all information reasonably requested by the Company for inclusion in any registration statement to be filed hereunder. If, during the time periods referred to in the first sentence of this Section, the Company effects a registration under the Securities Act of the Company's securities for its own account or for any other of its stockholders (other than on Form S-4, Form S-8, or any successor form), it shall allow the Trustee the right to participate in such registration, and such participation shall not affect the obligation of the Company to effect demand registration statements for the Trustee under this Section; provided that, if the managing underwriters of such offering advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering, the Company shall include the securities requested to be included therein by the Trustee only after including all securities intended to be included therein by the Company. In connection with any registration pursuant to this Section, the Company and Parent shall provide each other and any underwriter of the offering with customary representations, warranties, covenants, indemnification, and contribution in connection with such registration.

Section 5.14 Dividend Access Shares. Prior to the commencement of the Offer, the Company will enter into an agreement with each holder of Dividend Access Shares (the "Dividend Access Share Purchase Agreements"), which shall be substantially in the form previously furnished to Parent, and take any other necessary action to ensure that none of the Company, the Canadian Subsidiary, the Surviving Corporation, Parent or any other affiliate of Parent will be required under the terms of the Dividend Access Shares, the Support Agreement with respect to the Dividend Access Shares (the "Support Agreement") or otherwise, to, and none of them will bear any liability or other obligation for failing to: (i) permit the holders of Dividend Access Shares to retract their Dividend Access Shares as against the Canadian Subsidiary and receive Shares in exchange therefor for the sole purpose of tendering such Shares in the Offer, effective and conditional only upon the consummation of the Offer, all as contemplated by the Support Agreement (it being understood that Holding Sub shall not be required to accept tenders of, nor shall Parent or Holding Sub otherwise be required to acquire, Dividend Access Shares in the Offer or otherwise); or (ii) following the Effective Time, issue or otherwise deliver any shares in the capital stock of the Company, the Surviving Corporation, the Canadian Subsidiary, Parent or any other affiliate of Parent or any other securities or property other than a sum in United States Dollars equal to the Per Share Price, without any interest thereon, in respect of or in exchange for, whether pursuant to a retraction or otherwise. any

Dividend Access Share. True and complete copies of all executed Dividend Access Share Purchase Agreements will be provided to Parent upon execution thereof.

ARTICLE VI

CONDITIONS

Section 6.1 Conditions to the Obligations of Each Party. The obligations of the Company, on the one hand, and Parent and Merger Sub, on the other hand, to consummate the Merger are subject to the satisfaction (or, if permissible, waiver by the party for whose benefit such conditions exist) of the following conditions:

(a) Holding Sub shall have purchased the Shares pursuant to the Offer (provided that the purchase of Shares pursuant to the Offer shall not be a condition to the obligations of Parent and Merger Sub hereunder if Holding Sub shall fail to accept for payment and pay for Shares pursuant to the Offer in violation of the terms thereof or of this Agreement).

(b) If required under the DGCL, the Company Stockholder Approval shall have been obtained.

(c) No court, arbitrator or other Governmental Entity shall have issued any order, injunction, decree or ruling, and there shall not be any other Law, restraining, enjoining or prohibiting the consummation of the Merger.

ARTICLE VII

TERMINATION

Section 7.1 Termination. Anything herein or elsewhere to the contrary notwithstanding, this Agreement may be terminated and the transactions contemplated herein may be abandoned at any time prior to the Effective Time, whether before or after stockholder approval thereof:

(a) by the mutual written consent of Parent and the Company;

(b) by either of the Company or Parent:

(i) if (A) the Offer expires or terminates in accordance with the terms hereof without the purchase of any Shares thereunder or (B) Holding Sub shall not have purchased Shares under the Offer prior to January 31, 2000; provided, however, that the right to terminate this Agreement under this Section 7.1(b)(i) shall not be available to any party to the extent that the delay in consummating the Offer is due to such party's material breach of this Agreement;

(ii) if any Governmental Entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their reasonable best efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable;

(iii) prior to the consummation of the Offer, if the other party has breached any of its representations, warranties, covenants or agreements set forth herein such that any of the conditions set forth in Annex I would not be satisfied, which breach, to the extent curable, is not cured within ten business days of receipt of written notice of breach by the breaching party; or

(iv) the Parent Shareholder Approval shall not have been obtained at the Parent Shareholders Meeting;

(c) by the Company, prior to consummation of the Offer, upon three business days' prior written notice to Parent (which notice shall entitle Parent to terminate this Agreement pursuant to Section 7.1(d)), in order to accept a proposal which its Board of Directors shall have determined as of the date of such notice is a Superior Proposal and such Board of Directors shall have concluded in good faith, only after receipt of and based on advice of its outside legal counsel, that its fiduciary duties would require it to accept such Superior Proposal; provided, however, that (i) any financing with respect thereto is committed for the full amount required, (ii) the Company shall have fully complied with its obligations under Section 5.5, (iii) such notice shall include a copy of any proposed or definitive documentation relating to such Superior Proposal, and shall otherwise indicate all material terms and conditions with respect thereto, (iv) prior to any such termination, the Company shall, if requested by Parent in connection with any revised proposal Parent might make, negotiate in good faith for such three business day period with Parent, (v) the Board of Directors of the Company shall have concluded in good faith, only after receipt of and based on advice of its outside legal counsel and a nationally recognized financial advisor, as of the effective date of such termination, after taking into account any revised proposal by Parent during such three business day period, that such third party proposal remains a Superior Proposal (and such financing remains so committed) which the Board of Directors of the Company is obligated to accept under its fiduciary duties and (vi) immediately following such termination, the Company enters into definitive and binding documentation with respect to such Superior Proposal; and provided, further, that it shall be a condition to termination pursuant to this Section 7.1(c) that the Company shall have made the payment of the fee to Parent required by Section 7.2;

(d) by Parent if prior to the consummation of the Offer: (i) the Company shall have delivered the notice described in Section 7.1(c), (ii) the Board of Directors of the Company shall have effected an Adverse Change in the Company Recommendation or shall have approved or recommended another Acquisition Proposal or failed to reconfirm its recommendation set forth in Section 3.4, if so requested by Parent, within fifteen days

following such request, or (iii) the Company shall have engaged in negotiations with a third party after the date hereof with respect to any Acquisition Proposal and shall not have fully and unconditionally rejected such proposal (including, if such Acquisition Proposal was publicly announced or known, by publicly announcing such rejection) within three business days of first engaging in any negotiations with respect to such Acquisition Proposal; or

(e) by Parent if prior to the consummation of the Offer any person or group (within the meaning of Section 13(d)(3) of the Exchange Act) acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of more than 20% of the combined voting power of the Company Common Stock and the Voting Preferred Stock.

Section 7.2 Effect of Termination. (a) In the event of the termination of this Agreement as provided in Section 7.1, written notice thereof shall forthwith be given to the other party or parties specifying the provision hereof pursuant to which such termination is made, and this Agreement shall forthwith become null and void, and there shall be no liability on the part of Parent, Holding Sub, Merger Sub or the Company except (i) for fraud or for breach of this Agreement or the Confidentiality Agreement and (ii) as set forth in Sections 5.13, 7.2 and 8.1 hereof and in the penultimate sentence of Section 5.2.

(b) The Company shall pay Parent the sum of \$35 million if this Agreement is terminated solely as follows:

(i) by Parent pursuant to Section 7.1(b)(iii) if the breach giving rise to such termination right occurred at a time after the Company shall have received or become aware of an Acquisition Proposal (other than any such proposal submitted prior to the date hereof) and within twelve months of such termination, the Company enters into a definitive agreement with respect to an Acquisition Proposal or an Acquisition Proposal is consummated (which fee shall be payable immediately upon the earlier of execution of such agreement or consummation of an Acquisition Proposal); or

(ii) by the Company pursuant to Section 7.1(c) (which fee shall be payable as a condition to such termination) or by Parent pursuant to Section 7.1(d)(i) (which fee shall be payable immediately upon such termination); or

(iii) (A) by Parent or the Company pursuant to Section 7.1(b)(i)(A) (provided that (1) prior to such termination an Acquisition Proposal with respect to the Company shall have been publicly announced or otherwise become public, (2) on the date of expiration or termination of the Offer the Minimum Condition has not been satisfied, and (3) on such date there is no other condition to the Offer which has failed to be satisfied as a result of a material breach of this Agreement by Parent, Holding Sub or Merger Sub), or (B) by Parent pursuant to Section 7.1(d)(ii) or (iii) or 7.1(e), if, in the case of either clause (A) or (B), within twelve months of any such termination, the Company enters into a definitive agreement with respect to an Acquisition Proposal or an Acquisition Proposal

is consummated (which fee shall be payable immediately upon the earlier of execution of such agreement or consummation of an Acquisition Proposal); or

(iv) by Parent pursuant to Section 7.1(e), if prior to or within twelve months after any such termination, any person or group acquired or acquires beneficial ownership of more than 40% of the combined voting power of the Company Common Stock, the Voting Preferred Stock and any other voting capital stock of the Company (which fee shall be payable immediately upon the later of such acquisition or such termination).

(c) Parent shall pay the Company the sum of \$25 million if this Agreement is terminated by either party pursuant to Section 7.1(b)(iv) and prior to the Parent Shareholders Meeting there shall have been an Adverse Change in the Parent Recommendation.

(d) If this Agreement is terminated by either party pursuant to Section 7.1(b)(i)(A) (provided that (1) on the date of expiration or termination of the Offer the Minimum Condition has not been satisfied and (2) on such date all other conditions to the Offer have been satisfied or waived), then upon and following such termination the Company shall be required to reimburse Parent and its affiliates for all reasonable out-of-pocket fees and expenses actually incurred by any of them or on their behalf in connection with the Offer and the Merger, any financing thereof or in respect therewith, and the negotiation, preparation, execution and diligence in respect of this Agreement (including, without limitation, fees and disbursements payable to banks, investment banking firms, dealer managers and other financial institutions, and their respective agents and counsel, and all fees of counsel, accountants, financial printers, depositaries, information agents, experts and consultants) ("**Expenses**") up to an aggregate maximum reimbursement of \$5 million. The Company shall pay the amounts requested within three business days of such requests (accompanied by a submission of statements therefor). Notwithstanding anything to the contrary in this Section 7.2, the maximum aggregate amount that the Company shall be required to pay pursuant to Section 7.2(b) and 7.2(d) shall be \$35 million.

(e) If this Agreement is terminated by either party pursuant to Section 7.1(b)(iv) and prior to the Parent Shareholders Meeting there shall not have been an Adverse Change in the Parent Recommendation, then upon and following such termination Parent shall be required to reimburse the Company and its affiliates for all Expenses actually incurred by any of them or on their behalf up to an aggregate maximum reimbursement of \$5 million. Parent shall pay the amounts requested within three business days of such requests (accompanied by a submission of statements therefor). Notwithstanding anything to the contrary in this Section 7.2, the maximum aggregate amount that Parent shall be required to pay pursuant to Section 7.2(c) and 7.2(e) shall be \$25 million.

(f) In addition to the other provisions of this Section 7.2, in the event a fee or Expenses is or becomes payable pursuant to Section 7.2(b), (c), (d) or (e) hereof, the party required to pay such fee or Expenses shall promptly, but in no event later than three business days following written notice thereof, together with related bills or receipts, to reimburse the other party for all reasonable out-of-pocket costs, fees and expenses, including, without limitation, the reasonable fees and disbursements of counsel and the expenses of litigation.

incurred in connection with collecting such fee or Expenses as a result of any breach by the party required to pay such fee or Expenses of its obligations under this Section 7.2.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Costs and Expenses. Except as expressly otherwise provided herein, all costs and expenses incurred in connection with this Agreement and the consummation of the transactions contemplated hereby shall be paid by the party incurring such expenses.

Section 8.2 Amendment and Modification. Subject to applicable law, this Agreement may be amended, modified and supplemented in any and all respects, whether before or after any vote of the stockholders of the Company or the shareholders of Parent contemplated hereby, only by written agreement of the parties hereto, pursuant to action taken by their respective Boards of Directors, at any time prior to the Effective Time with respect to any of the terms contained herein; provided, however, that after the approval of this Agreement by the stockholders of the Company or Parent, no such amendment, modification or supplement which by law requires prior approval of the stockholders of the Company or Parent shall be made unless such approval has been obtained.

Section 8.3 Waiver; Remedies Cumulative. At any time prior to the Effective Time, any party hereto may with respect to any other party hereto: (i) extend the time for the performance of any of the obligations or other acts; (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto; or (iii) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party or parties to be bound. No failure or delay on the part of any party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

Section 8.4 Nonsurvival of Representations and Warranties. None of the representations and warranties in this Agreement or in any schedule, instrument or other document delivered pursuant to this Agreement shall survive the Effective Time.

Section 8.5 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (which is confirmed) or sent by an overnight courier service to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent, Holding Sub or Merger Sub, to:

Stagecoach Holdings plc
 20 Charlotte Street
 Perth PH1 5LL
 Scotland
 Attention: Keith Cochrane
 Telecopy No.: +44-1738-643-648

with a copy to:

Simpson Thacher & Bartlett
 99 Bishopsgate
 21st Floor
 London, England EC2M 3YH
 Attention: Michael O. Wolfson, Esq.
 Telecopy No.: +44-207-422-4022

(b) if to the Company, to:

Coach USA, Inc.
 One Riverway
 Suite 600
 Houston, Texas 77056
 Attention: Douglas M. Cerny
 Telecopy No.: +1-713-888-0257

with a copy to:

Locke Liddell & Sapp LLP
 3400 Chase Tower
 600 Travis Street
 Houston, Texas 77002-3095
 Attention: Gene G. Lewis, Esq.
 Telecopy No.: +1-713-223-3717

Section 8.6 Interpretation. When a reference is made in this Agreement to Sections, such reference shall be to a Section of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation". As used in this Agreement, the term "business day" shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in New York, New York; Houston, Texas; or London, England are authorized or obligated by law or executive order to close; provided that, for purposes of calculating business days in connection with the Offer, the term "business day" shall have the meaning assigned in Rule 14d-1(e)(6)

under the Exchange Act. As used in this Agreement, the term "affiliate(s)" shall have the meaning set forth in Rule 12b-2 of the Exchange Act. As used in this Agreement, the term "person" means an individual, corporation, partnership, limited liability company, association, trust, unincorporated organization, other entity or group (as defined in Section 13(d)(3) of the Exchange Act), and the term "subsidiary" means, with respect to Parent, the Company or any other person, any corporation, partnership, limited liability company, joint venture or other legal entity of which Parent, the Company or such other person owns, directly or indirectly, stock or other equity interests the holders of which are generally entitled to more than 50% of the vote for the election of the board of directors or other governing body of such corporation or other legal entity. References to the Company and its subsidiaries in relation to prior periods shall be deemed to include any persons or entities from whom they acquired any portion of the business conducted by them, but only with respect to the businesses so acquired.

Section 8.7 Counterparts: Facsimile. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when two or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart. This Agreement may be executed by facsimile signatures of the parties hereto.

Section 8.8 Entire Agreement: No Third Party Beneficiaries. This Agreement and the Confidentiality Agreement (including the exhibits hereto and the documents and the instruments referred to herein and therein): (a) constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, including the Exclusivity Letter Agreement dated June 3, 1999 and (b) except as provided in Section 5.10 with respect to the Indemnified Parties, are not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

Section 8.9 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby may be consummated as originally contemplated to the fullest extent possible.

Section 8.10 Specific Performance. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to the remedy of specific performance of the terms hereof without the posting of any bond or security, in addition to any other remedy at law or equity.

Section 8.11 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware without giving effect to the principles of

conflicts of law thereof except, in the case of Parent, to the extent that the Companies Act or English or Scottish law are applicable to it.

Section 8.12 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties, except that Holding Sub or Merger Sub may assign, in its sole discretion, any or all of its rights, interests and obligations hereunder to Parent or to any direct or indirect wholly owned subsidiary of Parent: provided, however, that no such assignment shall relieve Parent from any of its obligations hereunder. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 8.13 Consent to Jurisdiction; Waiver of Jury Trial. (a) Each of the parties hereto:

(i) consents to submit itself to the personal jurisdiction of (A) the United States District Court for the Southern District of New York and any appellate courts therefrom in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement to the extent such court would have subject matter jurisdiction with respect to such dispute and (B) the Chancery or other Courts of the State of Delaware otherwise;

(ii) agrees that it will not attempt to deny or defeat such personal jurisdiction or venue by motion or other request for leave from any such court;

(iii) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than such courts;

(iv) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to a party at its address set forth in Section 8.5 or at such other address of which a party shall have been notified pursuant thereto;

(v) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(vi) agrees to appoint an agent for service of process in Delaware.

(b) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING IN RELATION TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.


[Continued on next page.]

IN WITNESS WHEREOF, Parent, Holding Sub, Merger Sub and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above

STAGECOACH HOLDINGS plc

By: 
Name: Keith Cochrane
Title: Group Finance Director

SCH HOLDINGS CORP.

By: 
Name: Keith Cochrane
Title: President

SCH ACQUISITION CORP.

By: 
Name: Keith Cochrane
Title: President

COACH USA, INC.

By: _____
Name: Larry K. King
Title: Chief Executive Officer

IN WITNESS WHEREOF, Parent, Holding Sub, Merger Sub and the Company
 have caused this Agreement to be signed by their respective officers thereunto duly authorized as
 of the date first written above.

STAGECOACH HOLDINGS plc

By: _____
 Name: Keith Cochran
 Title: Group Finance Director

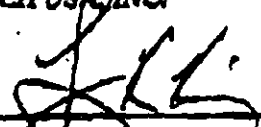
SCH HOLDINGS CORP.

By: _____
 Name: Keith Cochran
 Title: President

SCH ACQUISITION CORP.

By: _____
 Name: Keith Cochran
 Title: President

COACH US, INC.

By:  _____
 Name: Lawrence K. King
 Title: Chief Executive Officer

ANNEX I

CONDITIONS OF THE OFFER

The capitalized terms used in this Annex I have the meanings set forth in the attached Agreement, except that the term "Merger Agreement" shall be deemed to refer to the attached Agreement.

Notwithstanding any other provisions of the Offer, and in addition to the conditions that (i) at the expiration of the Offer there shall have been validly tendered and not properly withdrawn prior to the expiration of the Offer a number of Shares which constitutes more than 50% of the voting power (determined on a fully-diluted basis) on the date of purchase, of all the securities of the Company entitled to vote generally in the election of directors or in a merger (the "Minimum Condition") (for purposes of determining at any time whether the Minimum Condition has been met, each outstanding Share legally or beneficially owned by Parent or Holding Sub or any of its affiliates at the commencement of the Offer shall be deemed validly tendered under the Offer and not withdrawn), (ii) any and all applicable waiting periods under the HSR Act shall have expired or been terminated and (iii) the staff of the STB shall have given Parent a favorable informal advisory opinion to the effect that the proposed use of the Voting Trust will effectively insulate Parent from acquiring unlawful control of the Company and such advisory opinion shall not have been withdrawn or the STB shall have approved Parent's and Holding Sub's acquisition of the federally regulated carriers controlled by the Company, Holding Sub shall not be required to accept for payment, or subject to applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Holding Sub's obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Offer), purchase or pay for any Shares tendered pursuant to the Offer, may postpone the acceptance for payment of Shares tendered, and subject to the terms and conditions of the Merger Agreement may terminate the Offer, if at any time on or after June 12, 1999 and at or before the time of payment for any such Shares any of the following conditions shall occur or has occurred:

(a) (i) the representations and warranties of the Company set forth in the Merger Agreement shall not have been true and correct as of the date of the Merger Agreement, or shall not be true and correct (in all material respects, in the case of representations and warranties not already qualified as to materiality or Material Adverse Effect by their terms) as of the expiration of the Offer as though made on and as of the expiration of the Offer (except to the extent that such representations and warranties speak as of a specific date, which representations and warranties shall have been true and correct as of such date), or (ii) the Company shall have breached in any material respect any covenants contained in the Merger Agreement;

(b) there shall have been any Law promulgated, enacted, entered, enforced or issued by any Governmental Entity which would have the effect of (i) making the purchase of, or payment for, some or all of the Shares by Parent or Holding Sub or their affiliates pursuant to the Offer or the Merger illegal, or making the Voting Trust illegal, (ii) otherwise preventing consummation of the Offer or Merger; (iii) except for the Voting Trust, prohibiting the ownership or operation by the Company or any of its subsidiaries,

or Parent or any of its subsidiaries, of all or any material portion of the business or assets of the Company or any of its subsidiaries, taken as a whole, or Parent or its subsidiaries, taken as a whole; (iv) except for the Voting Trust, materially limiting the ownership or operation by the Company or any of its subsidiaries, or Parent or any of its subsidiaries, of all or any material portion of the business or assets of the Company or any of its subsidiaries, taken as a whole, or Parent or its subsidiaries, taken as a whole, as a result of the transactions contemplated by the Offer or the Merger; (v) except for the Voting Trust, imposing limitations on the ability of Parent, Holding Sub or any of Parent's affiliates effectively to acquire or hold or to exercise full rights of ownership of the Shares, including, without limitation, the right to vote any Shares acquired or owned by Parent or Holding Sub or any of its affiliates on all matters properly presented to the stockholders of the Company, including, without limitation, the adoption of the Agreement or the right to vote any shares of capital stock of any significant subsidiary (as defined in Regulation S-X), directly or indirectly owned by the Company; or (vi) requiring divestiture by Parent or Holding Sub or any of their affiliates of any Shares; and, in each case, no action or proceeding seeking to do any of the foregoing which has been instituted by any Governmental Entity or other person shall be pending;

(c) the Merger Agreement shall have been terminated by the Company or Parent in accordance with its terms;

(d) there shall have occurred or exist any condition, event or occurrence which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect;

(e) any Approval or Filing required to be obtained from or made with Governmental Entities or third parties in connection with the Offer or the Merger shall not have been obtained or made or shall not be in full force and effect, other than any the failure of which to obtain or make, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect or to materially reduce the benefits to Parent of ownership of the Company and its subsidiaries; or

(f) the Parent Shareholder Approval shall not have been obtained.

The foregoing conditions are for the sole benefit of Holding Sub and may be asserted by Holding Sub regardless of the circumstances giving rise to such condition. The foregoing conditions (other than the Minimum Condition, the HSR Condition, the STB Condition and the condition set forth in clause (c) above) may be waived by Holding Sub in whole or in part at any time and from time to time in its sole discretion. The failure by Holding Sub at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right, the waiver of any such right with respect to particular facts and other circumstances shall not be deemed a waiver with respect to any other facts and circumstances, and each such right shall be deemed an ongoing right that may be asserted at any time and from time to time.

ANNEX II

TERMS OF SUBSEQUENT MERGER

The capitalized terms used in this Annex II have the meanings set forth in the attached Agreement (the "Merger Agreement"), except as otherwise defined herein. Section references in this Annex II are to Sections of this Annex II unless otherwise indicated.

Section 1.1 Subsequent Merger. Upon the terms and subject to the conditions of this Annex II, and in accordance with the DGCL, at the Effective Time (as defined in Section 1.2), the Surviving Corporation of the Merger (hereinafter, the "Company") shall be merged with and into Holding Sub (the "Subsequent Merger"). As a result of the Subsequent Merger, the separate corporate existence of the Company shall cease and Holding Sub shall continue as the surviving corporation of the Subsequent Merger (the "Surviving Corporation").

Section 1.2 Effective Time. Upon notice of Parent following the Merger, subject to the approval of the holders of a majority of the outstanding shares (the "Shares") of common stock of the Company ("Company Common Stock"), the parties to the Merger Agreement shall cause the Subsequent Merger to be consummated by filing a certificate of merger (the "Certificate of Merger") with the Secretary of State of the State of Delaware, in such form as required by, and executed in accordance with the relevant provisions of, the DGCL. The date and time of the filing of the Certificate of Merger with the Secretary of State of the State of Delaware (or such later time as shall be agreed to in writing by the parties to the Merger Agreement and is specified in the Certificate of Merger) will be the "Effective Time".

Section 1.3 Effects of the Subsequent Merger. The Subsequent Merger shall have the effects set forth in the applicable provisions of the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the properties, rights, privileges, immunities, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

Section 1.4 Certificate of Incorporation; By-laws. (a) At the Effective Time, the Certificate of Incorporation of the Surviving Corporation shall be amended to provide that (i) the name of the Surviving Corporation shall be the name of the Company; and (ii) the Certificate of Incorporation of the Surviving Corporation shall include the provisions of Articles Seven and Eight of the Certificate of Incorporation of the Company as in effect immediately prior to the Effective Time.

(b) At the Effective Time and without any further action on the part of the Company or Holding Sub, the By-laws of Holding Sub shall be the By-laws of the Surviving Corporation and thereafter may be amended or repealed in accordance with their terms or the Certificate of Incorporation of the Surviving Corporation and as provided by law.

Section 1.5 Directors and Officers. The directors of the Company immediately prior to the Effective Time shall be the initial directors of the Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and By-laws of the Surviving

Corporation, and the officers of the Company immediately prior to the Effective Time shall be the initial officers of the Surviving Corporation, in each case until their resignation or removal or until their respective successors are duly elected or appointed (as the case may be) and qualified.

Section 1.6 Conversion of Securities. At the Effective Time, by virtue of the Subsequent Merger and without any action on the part of Holding Sub, the Company or the holders of any of the following securities:

(a) Each Share (other than any Shares to be canceled pursuant to Section 1.6(b) and any Dissenting Shares (as defined in Section 1.7(a)) shall be canceled, extinguished and converted automatically into the right to receive an amount per share in cash equal to the Per Share Price (the "Merger Consideration") payable to the holder thereof, without interest, upon surrender of the certificate that prior to the Subsequent Merger represented such Share in the manner provided in Section 1.8, less any required withholding taxes.

(b) Each Share held in the treasury of the Company and each Share owned by Parent, Holding Sub or any other direct or indirect subsidiary of Parent or of the Company (including the Shares held in the Voting Trust), in each case immediately prior to the Effective Time, shall be canceled and retired without any conversion thereof and no payment or distribution shall be made with respect thereto.

(c) Each share of common, preferred or other capital stock of Holding Sub issued and outstanding immediately prior to the Effective Time shall be converted into and become one validly issued, fully paid and nonassessable share of identical common, preferred or other capital stock of the Surviving Corporation and, if the Effective Time precedes the Control Date, each such share shall be deposited in the Voting Trust.

Section 1.7 Dissenting Shares. (a) Notwithstanding anything in this Annex II to the contrary, shares of Company Common Stock that are issued and outstanding immediately prior to the Effective Time and which are held by stockholders who have not voted in favor of or consented to the Subsequent Merger and who shall have delivered a written demand for appraisal of such shares of Company Common Stock in the time and manner provided in Section 262 of the DGCL and shall not have failed to perfect or shall not have effectively withdrawn or lost their rights to appraisal and payment under the DGCL (the "Dissenting Shares") shall not be converted into the right to receive the Subsequent Merger Consideration, but shall be entitled to receive the consideration as shall be determined pursuant to Section 262 of the DGCL; provided, however, that if such holder shall have failed to perfect or shall have effectively withdrawn or lost his, her or its right to appraisal and payment under the DGCL, such holder's shares of Company Common Stock shall thereupon be deemed to have been converted, at the Effective Time, into the right to receive the Subsequent Merger Consideration set forth in Section 1.6(a) of this Agreement, without any interest thereon, less any required withholding taxes.

(b) The Company shall give Parent (i) prompt notice of any demands for appraisal pursuant to Section 262 received by the Company, withdrawals of such demands, and any other instruments served pursuant to the DGCL and received by the Company and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal

under the DGCL. The Company shall not, except with the prior written consent of Parent, make any payment with respect to any such demands for appraisal or offer to settle or settle any such demands.

Section 1.8 Surrender of Shares: Stock Transfer Books. (a) As soon as practicable after the Effective Time, the Surviving Corporation shall cause to be mailed to each record holder as of the Effective Time of an outstanding certificate or certificates which immediately prior to the Effective Time represented Shares (the "**Certificates**"), a form of letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Surviving Corporation) and instructions for use in effecting the surrender of the Certificates for payment of the Subsequent Merger Consideration therefor. Upon surrender to the Surviving Corporation of a Certificate, together with such letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, and such other documents as may be required pursuant to such instructions, the holder of such Certificate shall be entitled to receive in exchange therefor the Subsequent Merger Consideration for each Share formerly represented by such Certificate, and such Certificate shall then be canceled. No interest shall be paid or accrued for the benefit of holders of the Certificates on the Subsequent Merger Consideration payable upon the surrender of the Certificates. If payment of the Subsequent Merger Consideration is to be made to a person other than the person in whose name the surrendered Certificate is registered, it shall be a condition of payment that the Certificate so surrendered shall be properly endorsed or shall be otherwise in proper form for transfer and that the person requesting such payment shall have paid any transfer and other taxes required by reason of the payment of the Subsequent Merger Consideration to a person other than the registered holder of the Certificate surrendered or shall have established to the satisfaction of the Parent that such tax either has been paid or is not applicable.

(b) If any Certificates shall not have been surrendered immediately prior to the date on which any Subsequent Merger Consideration in respect of such certificate would escheat to or become the property of any Governmental Entity, any such Subsequent Merger Consideration shall, to the extent permitted by applicable law, become the property of the Surviving Corporation, free and clear of all claims or interest of any person previously entitled thereto. Notwithstanding the foregoing, none of the Surviving Corporation or Parent shall be liable to any holder of a Certificate for Subsequent Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(c) At the close of business on the day of the Effective Time, the stock transfer books of the Company shall be closed and thereafter there shall be no further registration of transfers of shares of Company Common Stock on the records of the Company. From and after the Effective Time, the holders of Certificates evidencing ownership of Shares outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such Shares except as otherwise provided for herein or by applicable law. All cash paid upon the surrender for exchange of Certificates in accordance with the terms of this Annex II shall be deemed to have been in full satisfaction of all rights pertaining to the shares of Company Common Stock exchanged theretofore represented by such Certificates.

VERIFICATION

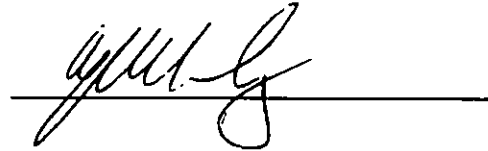
I, Keith Robertson Cochrane, Group Finance Director of Stagecoach Holdings plc and President of SCH Holdings Corp., verify under penalty of perjury, under the laws of the United States of America, that all information supplied in connection with this application, as it relates to Stagecoach Holdings plc and SCH Holdings Corp., is true and correct. Further, I certify that I am qualified and authorized to file this application. I know that willful misstatements or omissions of material facts constitute Federal criminal violations punishable under 18 U.S.C. 1001 by imprisonment up to five years and fines up to \$10,000 for each offense. Additionally, these misstatements are punishable as perjury under 18 U.S.C. 1621, which provides for fines up to \$2,000 or imprisonment up to five years for each offense.

Dated this 21st day of June, 1999.



VERIFICATION

My name is Douglas M. Cerny, and I am Senior Vice President of Coach USA, Inc. I hereby verify under penalty of perjury, under the laws of the United States of America, that all information supplied in connection with this application, as it relates to Coach USA, Inc., is true and correct to the best of my knowledge and belief. Further, I certify that I am qualified and authorized to file this application or pleading. I know that willful misstatements or omissions of material facts constitute Federal criminal violations punishable under 18 U.S.C. 1001 by imprisonment up to five years and fines up to \$10,000 for each offense. Additionally, these misstatements are punishable as perjury under 18 U.S.C. 1621, which provides for fines up to \$2,000 or imprisonment up to five years for each offense.

A handwritten signature in cursive script, appearing to read "D. M. Cerny", is written over a solid horizontal line.

Dated: June 17, 1999

CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of June, 1999, a copy of the foregoing

Verified Application of Stagecoach Holdings plc was served by hand delivery upon:

Director of Operations
Antitrust Division
U.S. Department of Justice
601 D Street, N.W., Room 1013
Washington, DC 20580

Premerger Notification Office
Bureau of Competition
Room 303
Federal Trade Commission
Washington, DC 20580

and by first class mail, postage prepaid, on:

James Westfall
Licensing Section
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Brian F. Cristy
Director, Transportation Division
Massachusetts Department of
Telecommunications and Energy
100 Cambridge St., Rm. 1203
Boston, MA 02202

Bruce Smith
Director
Colorado Public Utilities Commission
1580 Logan Street, Office Level 2
Denver, CO 80203

Dave Sucha
Manager, Motor, Bus and Limo Section
Michigan Department of Transportation
425 W. Ottawa
P.O. Box 30050
Lansing, MI 48909-7550

Robert Cumpstone
Manager, Regulation and Compliance Unit
Bureau of Public Transportation
Connecticut Department of Transportation
2800 Berlin Turnpike
Newington, CT 06131

Col. Bill Summers
Director of Transportation
Mississippi Public Service Commission
P.O. Box 1174
Jackson, MS 39215-1174

Maria Dorough
Unit Director
Georgia Public Service Commission
1007 Virginia Avenue, #300
Hapeville, GA 30354

Mel Sundermeyer
Multimodal Operation
Missouri Department of Transportation
P.O. Box 270
Jefferson City, MO 65102

Ron Roy
Director, Passenger travel
Maine Department of transportation
16 State House station
Augusta, ME 04333

Ellis Tompkins
Director, Intermodal transportation
Nebraska department of Roads
P.O. Box 94759
Lincoln, NE 68509

Judy Sheldrew
Chairman, Transportation Services
Authority
Nevada Public Service Commission
1150 E. William Street
Carson City, NV 89701

William Cotter
Principal Analyst, Office of Regulatory
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New Jersey Department of Transportation
225 E. State Street
P.O. Box 611
Trenton, NJ 08625-0611

Vince Martinez
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New Mexico Public Regulations
Commission
1120 Paseo de Peralta
P.O. Box 1269
Santa Fe, NM 87504

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New York Department of Transportation
1220 Washington Avenue, Bldg. 7A
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David King
Deputy Secretary
North Carolina Department of
Transportation
P.O. Box 25201
Raleigh, NC 27611

Alfred P. Agler
Director
Ohio Public Utilities Commission
180 E. Broad Street
Columbus, OH 43215-3793

James McNulty
Secretary, Pennsylvania Public Utilities
Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

William A. Maloney
Associate Administrator, Motor Carrier
Division
Rhode Island Public Utilities Commission
100 Orange Street
Providence, RI 02903

Maj. Butch Lawson
Director, Commercial Vehicle Enforcement
Tennessee Department of Safety
1150 Menzler Avenue
Nashville, TN 37210

Texas Department of Transportation
Motor Carrier Division
P.O. Box 5020
Austin, TX 78763-5020

Motor Carrier Section
West Virginia Public Service Commission
P.O. Box 812
Charleston, WV 25323

John Black
Wyoming Department of Transportation
P.O. Box 1708
Cheyenne, WY 82003-1708



Edward J. Fishman



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

August 20, 1999

JOHN A VUONO
ATTORNEY AT LAW
2310 GRANT BUILDING
PITTSBURGH PA 15219-2383

In re: A-00115892, F. 5000 - Application of Progressive Transportation
Services, Inc.

Dear Mr. Vuono:

The above-cited application has been received and accepted for publication. It has been published in the Pennsylvania Bulletin of August 28, 1999.

You are further advised that the above-cited application will be submitted for review provided no comments are filed on or before September 20, 1999.

If comments are filed, you will be advised as to the procedure. You are not yet authorized to provide intrastate service. You will receive notification when you may begin.

Very truly yours,

Gale E. Travitz
Transportation Application Specialist
Bureau of Transportation & Safety

GET:rs

pc: PROGRESSIVE TRANSPORTATION SERVICES INC
ONE PROGRESSIVE DRIVE
HORSEHEAD NY 14845

DOCKETED

AUG 20 1999

DOCUMENT
FOLDER

A-00115892, Folder 5000 PROGRESSIVE TRANSPORTATION SERVICES, INC. (One Progressive Drive, Horsehead, NY 14845), a corporation of the State of New York - for approval of the transfer of one (1) share of the issued and outstanding stock held by Coach USA, Inc., to Stagecoach Holdings plc. Attorney: John A. Vuono, 2310 Grant Building, Pittsburgh, PA 15219-2383.

PENNSYLVANIA
PUBLIC UTILITY COMMISSION

SERVICE OF NOTICE OF MOTOR CARRIER APPLICATIONS

Published in Pennsylvania Bulletin

~~SEP 28 1999~~

AUG 28 1999

BUREAU OF TRANSPORTATION AND SAFETY
COMMON CARRIER
August, 99

A-00115892
F. 5000

Application of Progressive Transportation Services, Inc., a corporation of the State of New York, for the approval of the transfer of one (1) share of the issued and outstanding stock held by Coach USA, Inc., to Stagecoach Holdings plc.

GET:rs

8/17/1999

Application Received: 08/10/99

Application Docketed: 08/16/99

Protests due SEP 20 1999

PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIPT

The addressee named here has paid the PA P.U.C. for the following bill:

VUONO & GRAY
ATTN JOHN A VUONO ESQ
2310 GRANT BLDG
PITTSBURGH, PA 15219-2383

DATE 8/31/99
RECEIPT # 196076

Application fees for PROGRESSIVE TRANSPORTATION SERVICE
(TOTAL AMOUNT OF CHECK IS \$3,150.00 & INCLUDES 8 OTHER APPLICATION FEES ON
SEPARATE RECEIPTS.)

Docket Number A-00115892F5000..... \$350.00

REVENUE ACCOUNT: 001780-017601-102

CHECK NUMBER: 0309
CHECK AMOUNT: \$350.00

C. Joseph Meisinger
(for Department of Revenue)

073156

DOCKETED
SEP 1 1999

EEF

RECEIVED
SECRETARY'S BUREAU
99 SEP -1 AM 9:45

DOCUMENT
FOLDER