

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS OF
LAIDLAW INTERNATIONAL, INC.
ADOPTED AS OF NOVEMBER 19, 2003**

I. PURPOSES AND RESPONSIBILITIES OF THE COMMITTEE

The purposes and responsibilities of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Laidlaw International, Inc. (the "Company") shall be to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal controls and legal compliance functions of the Company and its subsidiaries, including, without limitation, assisting the Board in its oversight of: (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, (4) the performance of the Company's internal audit function and independent auditors, and (5) the effectiveness of the Company's financial risk management and applicable legal and regulatory compliance issues, each in accordance with the duties and responsibilities set forth below. Additionally, the Committee shall prepare the report required to be included in the Company's annual proxy statement pursuant to rules promulgated by the Securities and Exchange Commission (the "SEC") and shall perform other duties as assigned by the Board.

II. COMPOSITION OF THE COMMITTEE

The Committee shall be comprised of at least three (3) and no more than six (6) directors who qualify as independent under the listing standards of the New York Stock Exchange ("NYSE") rules, rules promulgated by the SEC and under the Standards for Director Independence attached as Annex B to the Company's Corporate Governance Guidelines. All members of the Committee shall have sufficient financial experience and ability to enable them to discharge their responsibilities and at least one member shall be deemed a "financial expert" as defined by SEC rules and regulations. No Committee member shall simultaneously serve on the audit committees of more than two (2) other public companies unless the Board determines that such simultaneous service would not impair the ability of such member(s) to effectively serve on the Committee and the Company discloses such determination in its annual proxy statement or, if the Company does not file an annual proxy statement, in the Company's annual report on Form 10-K filed with the SEC. Further, the chair of the Committee shall not simultaneously serve as chair of the audit committee of more than one (1) other public company unless the Board specifically approves such service.

Upon the recommendation of the Nominating and Corporate Governance Committee, the members of the Committee shall be elected annually to one-year terms by majority vote of the Board at the first meeting of the Board following the annual meeting of stockholders. Vacancies on the Committee shall be filled by majority vote of the Board at the next meeting of the Board following the occurrence of the vacancy with

directors who qualify as Independent Directors. No member of the Committee shall be removed except by majority vote of the Independent Directors then in office.

The only compensation a member of the Committee may receive from the Company are director's fees (including any additional amounts paid to chairmen of committees and to members of committees of the Board), including director stock awards and option grants, and such other compensation as is then permitted by the SEC and the NYSE rules, which may include, without limitation, fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service).

III. MEETINGS AND PROCEDURES OF THE COMMITTEE

The Committee may fix its own rules of procedure, which shall be consistent with the Bylaws of the Company and this Charter. The Committee shall meet at least four times annually or more frequently as circumstances require. The Board shall designate one member of the Committee as its Chairperson. The Chairperson of the Committee or a majority of the members of the Committee may also call a special meeting of the Committee. A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipped by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

Information and materials that are important to the Committee's understanding of the agenda items and other topics to be considered at the Committee meeting should, to the extent practicable, be distributed sufficiently in advance of the meeting to permit prior review by the directors. In the event of a pressing need for the Committee to meet on short notice or if such materials would otherwise contain highly confidential or sensitive information, it is recognized that written materials may not be available in advance of the meeting.

The Committee may form subcommittees for any purpose within its authority that the Committee deems appropriate and may delegate to such subcommittees such power and authority of the Committee as the Committee deems appropriate; provided, however, that no subcommittee shall consist of fewer than two members; and provided further that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests. As part of its responsibility to foster open communication, the Committee should also meet separately on a periodic basis with management, the Controller or chief audit executive, and the independent auditors in each case to discuss any matters that the Committee or any of these groups believe should be discussed

privately. Similarly, on a regular basis, the Committee should meet separately with the chief audit executive to ensure adequate oversight of the internal audit function.

Following each of its meetings, the Committee shall deliver a report on the meeting to the Board, including a description of all actions taken by the Committee at the meeting. Written minutes of all Committee meeting shall be kept and the minutes shall be maintained with the books and records of the Company.

IV. DUTIES OF THE COMMITTEE

In fulfilling the purposes and responsibilities set forth in Section I hereof, the Committee shall perform the following duties:

A. Financial Statements

1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas as well as any significant changes in the Company's selection or application of accounting principles and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
2. Review any major issues regarding accounting principles and financial statement presentations, including (A) any significant changes in the company's selection or application of accounting principles, and (B) analysis prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
3. Review with the independent auditors the results of the audit and any audit problems or difficulties and management's response. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreement with management.
4. Discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of "Financial Condition and Results of Operations."
5. Review disclosures made by the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company during the Forms 10-K and 10-Q certification process about significant deficiencies in the design or operation of internal controls or any

fraud that involves management or other employees who have a significant role in the Company's internal controls.

6. Discuss earnings press releases (particularly the use of "pro-forma," or "adjusted" non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies. This review may be general (i.e., the types of information to be disclosed and the type of presentations to be made). The Company shall discuss any press release which contains financial information with the Committee chair prior to release. However, the Committee is not required to discuss and/or approve each release in advance.
7. Review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
8. Review the annual financial statements as well as interim financial reports with management and the independent auditors before filing with regulators, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
9. Resolve any disagreements between management and the independent auditor regarding financial reporting.

B. Internal Controls

1. Consider the adequacy and effectiveness of the Company's internal control and reporting system, including information technology security and control.
2. Review the yearly report prepared by management, and attested to by the independent auditors, assessing the effectiveness of the Company's internal control over financial reporting and stating management's responsibility for establishing and maintaining adequate internal control over financial reporting prior to its inclusion in the Company's annual report.
3. Review with the chief executive officer, chief financial officer, chief audit executive and independent auditors, periodically, the following:
 - a. any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize, and report financial information, including any significant

deficiencies or material weaknesses in internal controls identified by the Company's independent auditors;

- b. any material changes in internal control over financial reporting that occurred during the most recent fiscal quarter and that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting; and
- c. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

C. Internal Audit

1. Review and approve the internal corporate audit staff functions, including the purpose of the internal audit function, authority and organizational reporting lines as well as the annual audit plan and budget.
2. Ensure that there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
3. Review the effectiveness of the internal audit function, including compliance with all applicable standards for internal auditors, including the chief audit executive.

D. Independent Auditors

1. Appoint, retain, oversee, evaluate, compensate and terminate, on its sole authority, the Company's independent auditors and approve all audit engagements and the scope, fees, and terms of each engagement. The Committee's review should entail an understanding from the independent auditors of the factors considered in determining the audit scope, including: (i) industry and business risk characteristics of the Company; (ii) external reporting requirements; (iii) materiality of the various segments of the Company's consolidated and non-consolidated activities; (iv) quality of internal accounting controls; (v) extent of involvement of the chief audit executive in the audit examination; and (vi) other areas to be covered during the audit engagement.
2. Obtain funding from the Company for payment of: (i) compensation to the independent auditors who are engaged for the purpose of preparing or issuing an audit report or performing other audit, review, tax or attest services; (ii) compensation to any other

advisers employed by the Committee; and (iii) other administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

3. Review and approve, if appropriate, all audit and, as provided in Rule 2-01 of Regulation S-X, all permitted non-audit engagements and relationships between the Company and the independent auditors and/or establish policies and procedures of the Committee that provide for the approval (including automatic pre-approval) of specified services to be provided by the independent auditors.
4. Review the performance of the independent auditors, and exercise final approval on the appointment or discharge of the independent auditors. In performing this review, the Committee shall:
 - a. At least annually, obtain and review an appropriate report by the independent auditor describing: (i) the independent auditor's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with such issues; and (iii) (to assess the auditor's independence) all relationships between the independent auditor and the Company.
 - b. Evaluate the independent auditor's qualifications, performance, and independence, taking into account the opinions of management and the Company's chief audit executive.
 - c. Evaluate the cooperation received by the independent auditors during their audit engagement, including their access to all requested records, data and information. Also, elicit the comments of management regarding the effectiveness and responsiveness of the independent auditors. Inquire of the independent auditors whether there have been any disagreements with management, which if not satisfactorily resolved would have caused them to issue a non-standard report on the Company's financial statements.
 - d. Review and evaluate the lead partner and manager of the independent auditor and assure the rotation of the lead and concurring audit partner every five (5) years, and other

audit partners every seven (7) years, and other audit personnel as required by law, and consider whether there should be regular rotation of the independent auditor itself.

- e. Present its conclusions on the performance of the independent auditor to the Board.
5. Receive and review reports of the independent auditor regarding critical accounting policies and practices to be used, all material alternative treatments of financial information within *Generally Accepted Accounting Principles* that have been discussed with management, the ramifications of using the alternative disclosures and treatments and the treatment preferred by the independent auditor, and other material written communications between the independent auditor and management, including any management representation letter, report on observations and recommendations on internal controls, schedule of unadjusted differences, and a listing of adjustments and reclassifications not recorded.
6. Review with the independent auditors their procedures and standards relating to the requirement under the U.S. federal securities laws that their audit included procedures designed to provide reasonable assurance of detecting illegal acts, and their related reporting obligations.
7. Ensure that there are no unjustified restrictions or limitations in the appointment, replacement, or dismissal of the independent auditor.
8. Set clear hiring policies for employees or former employees of the independent auditors and monitor compliance with such policies.

E. Risk Management

1. Discuss policies with respect to risk assessment and risk management, including, without limitation, (a) the Company's major financial risk exposure and steps taken by management to monitor and mitigate such exposure and (b) the effectiveness of the Company's system for monitoring compliance with laws and regulations, which may be based in part on a report by the Compliance Committee.
2. Review the findings of any examination by regulatory agencies relating to the mandate of the Audit Committee, and any observations of the chief audit executive or the independent auditor.
3. Obtain regular updates from management and company legal counsel regarding compliance matters that may have a material

affect on the financial performance of the Company or on the Company's financial statements or reporting obligations.

4. Review periodically the Company's tax policies and any pending audits or assessments.

F. Reporting Responsibilities

1. Regularly report to the Board about Committee activities and issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the performance and independence of the Company's independent auditors, and the performance of the internal audit function.
2. Provide an open avenue of communication between the chief audit executive, the independent auditors, and the Board.
3. Prepare and publish the annual committee report required by the rules of the SEC to be included in the Company's annual proxy statement.
4. Review any other reports the Company issues that relate to Committee responsibilities.

G. Complaints and Concerns

1. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.
2. Establish and make known procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Committee may consider other matters and engage in other activities in furtherance of fulfilling the purposes and responsibilities described in Section I hereof as the Committee of the Board may deem appropriate.

V. EVALUATION OF THE COMMITTEE

The Committee shall, on an annual basis, evaluate its performance under this Charter. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.

The Committee shall present to the Board a report setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

VI. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS; SUPPORT

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities, and may retain, after advising the Chairman of the Board and advising the Company's General Counsel for purposes of determining any potential conflicts of interest, at the Company's expense, such independent counsel or other advisers as it deems necessary.

At the request of the Committee, the Company shall provide the Committee with an appropriate level of staff and support to allow the Committee to function appropriately.

VII. RELIANCE; GENERAL LEGAL STANDARD

While the Committee has the responsibilities and authority set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are completely accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor. The Committee is charged with the oversight roles for these functions as set out in this Charter.

In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of the Company, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting review or procedures or to set auditor independence standards, and each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee absent actual knowledge to the contrary (which shall be promptly reported to the Board) and (iii) statements made by management or third parties including any

information technology, internal audit and other non-audit services provided by the independent auditors of the Company.

Nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of the members of the Committee, except to the extent otherwise provided under the applicable laws of Delaware which shall continue to set the legal standard for the conduct of the members of the Committee.