

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1995

COMMISSION FILE NO. 0-16379

CLEAN HARBORS, INC.

(Exact name of registrant as specified in its charter)

MASSACHUSETTS 04-2997780  
(State or other jurisdiction of (IRS Employer Identification Number)  
incorporation or organization)

325 WOOD ROAD, 02184  
BRAINTREE, MASSACHUSETTS (Zip Code)  
(Address of principal executive  
offices)

(617) 849-1800 EXT. 4454  
(Registrant's telephone number):

Securities registered pursuant to Section 12(b) of the Act: None  
Securities registered pursuant to Section 12(g) of the Act: Common Stock,  
\$.01 par value

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 twelve 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item  
405 of Regulation S-K is not contained herein, and will not be contained, to  
the best of the registrant's knowledge, in definitive proxy or information  
statements incorporated by reference in Part III of this Form 10-K or any  
amendment to this Form 10-K. [ ]

On February 1, 1996, the aggregate market value of the voting stock of the  
registrant held by nonaffiliates of the registrant was \$17,569,599. Reference  
is made to Part III of this report for the assumptions on which this  
calculation is based.

On March 14, 1996, there were outstanding 9,567,547 shares of Common Stock,  
\$.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive proxy statement for its 1996  
annual meeting of stockholders (which is expected to be filed with the  
Commission not later than April 30, 1996) are incorporated by reference into  
part III of this report.

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PART I

ITEM 1. BUSINESS

Clean Harbors, Inc., through its subsidiaries (collectively, the "Company"), provides a wide range of industrial waste management services to a diversified customer base across the United States. The Company was incorporated in Massachusetts in 1980. The principal offices of the Company are located in Braintree, Massachusetts.

The Company is one of the largest providers of industrial waste management services in the Northeast and Mid-Atlantic regions of the United States, with a growing presence in the Central, Midwest and Southern regions. The Company seeks to be recognized by customers as the premier supplier of a broad range of value-added industrial waste management services based upon quality, responsiveness, customer service, variety of risk containment systems, and cost effectiveness.

The Company currently maintains a network of service centers and sales offices located in 24 states and Puerto Rico, and operates 12 waste management facilities. The service centers interface with the customers, and perform a variety of environmental remediation and hazardous waste management activities, utilizing the waste management facilities to store, treat and dispose of waste. The Company also provides analytical testing and engineering services which complement its primary services and permit it to offer complete solutions to its customers' complex environmental requirements. The Company's principal customers are chemical, petroleum, transportation, utility and industrial firms, other waste management companies and government agencies.

Intensified levels of federal and state environmental regulation and enforcement have been a major factor in increasing the demand for the Company's services. The Company believes that its success is attributable in large part to customers' confidence in the Company's ability to comply with these regulations and to manage effectively the risks involved in providing these services. As part of its commitment to employee safety and quality customer service, the Company has an extensive compliance program and a trained environmental, health and safety staff. The Company follows a risk management program designed to reduce potential liabilities for the Company and its customers.

BUSINESS STRATEGY

The Company's strategy is to develop and maintain an ongoing relationship with a diversified group of customers who have recurring needs for multiple services in managing their environmental exposure.

In order to maintain and enhance its leading position in the industrial waste management industry, the Company has implemented a strategy of internal growth through the increased utilization of existing facilities, the addition of new sales offices and service centers, and the development of new waste management services. In addition, the Company achieves external growth through strategic acquisitions.

Increased Utilization of Waste Management Facilities. The Company currently has 12 waste management facilities which represent a substantial investment in permits, plants and equipment. These facilities provide the Company with significant operating leverage. There are opportunities to expand capacity at these facilities by modifying the terms of the existing permits and by adding capital equipment and new technology. Through selected permit modifications, the Company can expand the range of treatment services which it offers to its customers without the large capital investment necessary to acquire or build new waste management facilities. The Company believes that permits for new industrial waste management facilities will become increasingly difficult to obtain, thereby placing new entrants and weaker competitors at a disadvantage.

Sales Office/Service Center Expansion. The Company opens sales offices in attractive target markets in order to expand the Company's service areas. Sales personnel focus on selling Transportation, Treatment, Disposal and CleanPack services to the local market, with operational support from the District Logistics Office located

1

closest to the "new" market area. The District Logistics Office is responsible for delivering disposal and CleanPack services to the "new" market area by utilizing existing capacity in the transportation fleet by utilizing backhauls from existing routes. As demand at a particular sales office reaches a sufficient level for Field Services, Emergency Response or Remedial work, the sales office can be upgraded to a service center by the addition of service personnel and equipment. The Company's sales offices and service centers direct waste into the Company's waste management facilities. This allows the Company to expand its service areas with low risk capital investment and to maximize throughput with minimal incremental cost by obtaining additional wastes to be handled by the Company's service centers and waste management facilities.

New Waste Management Services. Industrial waste generators are demanding alternatives to traditional waste disposal methods in order to increase recycling and reclamation and to minimize the end disposal of hazardous waste into the environment. The Company utilizes its technological expertise and innovation to improve and expand the range of services which it offers to its customers. The Company has commercialized a hazardous waste treatment system, the Clean Extraction System ("CES"), to extract toxic compounds from industrial wastewaters by utilizing non-toxic liquid carbon dioxide at high pressures. CES offers for certain wastewater streams a recycling alternative to incineration or injection into deep underground wells.

Occasionally, companies primarily operating in other industries or engaged in research and development have sought to join with the Company to evaluate the commercial potential of a particular technology or process for solving environmental problems. In May 1994, the Company signed a development agreement with Molten Metal Technology, Inc. of Waltham, Massachusetts ("MMT"), an environmental technology company developing an innovative, proprietary processing technology known as Catalytic Extraction Processing ("CEP"). CEP utilizes a molten metal bath as a catalyst and solvent to break down the molecular structure of various hazardous wastes into its elements. With the addition of various other elements, industrial compounds are made into products for reuse as a raw material by the feedstock generator or for sale to other industrial users. Development of the CEP system pursuant to the agreement is subject to a number of conditions, including the execution of definitive agreements, and no assurances can be given that the proposed CEP unit will be successfully developed.

In May 1995, the Company acquired a newly constructed hazardous waste incinerator in Kimball, Nebraska, to incinerate liquid and solid wastes which are not suitable for treatment in the CES. These actions to develop new waste management services are expected to reduce the Company's dependence on outside disposal vendors.

In November 1995, the Company entered into a Reciprocal Marketing and Business Development Agreement with Rochem Separation Systems, Inc. ("Rochem"), the California based subsidiary of Rochem, A.G., owner of the patented disc tube membrane module reverse osmosis system known as DTM ("DTM"). Rochem holds the exclusive U.S. rights to market and sell DTM, which is compatible with Clean Harbors' Clean Extraction System ("CES") Technology. Under the terms of the Agreement, Rochem and Clean Harbors will jointly market, sell, install and support or operate DTM and CES technology to customers throughout the United States. Clean Harbors also has the right to negotiate an exclusive license with Rochem for new applications of DTM technology developed during the term of the Agreement.

Capitalization on Industry Consolidation. The Company believes that its

large industrial customers will ultimately require a comprehensive range of waste treatment capabilities, field services, industrial maintenance services and emergency response services to be provided by a select number of service providers. This trend will put smaller operators at a competitive disadvantage due to their size and limited financial resources. To respond to its customers' needs, the Company has increased the range of waste management services it offers and has followed a strategy of acquiring companies in existing, contiguous and new market areas. Since its formation in 1980, the Company has completed 14 acquisitions which have significantly expanded the Company's market share. Acquisitions within the Company's existing areas of operation serve to capture incremental market share, while geographic expansion creates new market opportunities. The Company continues to investigate and discuss other potential acquisitions of permitted facilities in order to enhance

service to its existing customer base and expand its customer base to include new regional customers as well as waste generators with operations in several regions.

ACQUISITIONS

The Company has made seven acquisitions since January 1, 1989. The Company also recently expanded its Chicago waste management facility onto an adjoining site formerly occupied by Chemical Waste Management, Inc., which will allow the Company to offer new waste treatment services in the Midwest region.

DATE OF ACQUISITION	ACQUISITION	PURCHASE PRICE
1989	ChemClear Inc., a publicly-traded company in the business of treating liquid and semi-liquid hazardous and nonhazardous industrial wastes at treatment plants in Baltimore, Maryland; Cleveland, Ohio; Chicago, Illinois; and Chester, Pennsylvania	\$27.6 million
1989	Murphy's Waste Oil Service, Inc., the operator of a waste oil treatment and storage facility in Woburn, Massachusetts	\$0.2 million
1992	Connecticut Treatment Corporation, the operator of a hazardous waste storage and treatment facility in Bristol, Connecticut	\$2.4 million
1992	Mr. Frank, Inc., a Chicago-based transportation and environmental services company serving industrial companies primarily in Illinois, Indiana and Michigan	\$2.2 million
1993	Spring Grove Resource Recovery, Inc., the operator of a hazardous waste storage and treatment facility in Cincinnati, Ohio	\$7.0 million
1994	The assets of a hazardous and nonhazardous oil reclamation facility located near Richmond, Virginia	\$0.4 million
1995	The assets of a newly constructed hazardous waste incinerator located in Kimball, Nebraska	\$5.2 million

Prior to closing any acquisition, the Company attempts to investigate thoroughly the current and contingent liabilities of the company or assets to be acquired, including potential liabilities arising from noncompliance with environmental laws by prior owners for which the Company, as a successor owner, might become responsible. The Company also seeks to minimize the impact of potential liabilities by obtaining indemnities and warranties from the

sellers which may be supported by deferring payment of or by escrowing a portion of the purchase price. See "Legal Proceedings" below for a description of the indemnities which the Company has received in connection with past acquisitions.

#### SERVICES PROVIDED BY THE COMPANY

##### SERVICES

The principal services provided by the Company fit within three categories: treatment and disposal of industrial wastes ("Treatment and Disposal"); field services provided at customer sites ("Field Services"); and specialized repackaging, treatment and disposal services for laboratory chemicals and household hazardous wastes ("CleanPacks"). The Company markets these services on an integrated basis and, in many instances, services in one area of the business support or lead to a project undertaken in another area.

In addition to these three principal services, the Company also provides technical services such as analytical testing and engineering services and personnel training. Such technical services primarily support the Company's principal services, although technical services are also offered to a limited extent on a stand-alone commercial basis.

The Company currently maintains a network of 12 waste management facilities, complemented by service centers, district logistic office and sales offices in 24 states and Puerto Rico. The service centers and sales offices accommodate sales personnel who develop and maintain contact with the Company's customers. Customers are generally covered by "Agents of Business" (Account Managers, CleanPack and Field Specialists, inside

3

Service Representatives) who are responsible for order taking, handling customer inquiries and other administrative tasks. Account managers utilize the expertise of product specialists in order to evaluate the scope of a potential job, quote a job and ultimately detail the work order, including personnel and equipment necessary to complete the job. The service centers and logistic offices also serve as depots for the specialized equipment and trained technical personnel which respond to customers' waste management requirements. The Company utilizes a "hub and spoke" organization where service centers, logistic offices and sales offices feed waste disposal business into the Company's 12 waste management facilities. Waste which cannot be treated at those facilities is sent to other final disposal sites.

As an integral part of the Company's services, industrial wastes are collected from customers and transported by the Company to and between its facilities for treatment or bulking for shipment to final disposal locations. Customers typically accumulate waste in containers, such as 55-gallon drums, or in bulk in storage tanks or 20-cubic yard roll-off boxes. In providing this service, the Company utilizes a variety of specially designed and constructed tank trucks and semi-trailers, as well as other third-party transporters, including railroads. Liquid waste is frequently transported in bulk, but may also be transported in drums. Heavier sludges or bulk solids are transported in sealed, roll-off boxes or bulk dump trailers.

##### TREATMENT AND DISPOSAL

The Company transports, treats and disposes of industrial wastes for commercial and industrial customers, health care providers, educational and research organizations, other waste management companies and governmental entities. The wastes handled include substances which are classified as "hazardous" because of their corrosive, ignitable, infectious, reactive or toxic properties, and other substances subject to federal and state environmental regulation. Waste types processed or transferred in drums or bulk quantities include:

.flammables, combustibles and other organics,

- .acids and caustics,
- .cyanides and sulfides,
- .solids and sludges,
- .industrial wastewaters,
- .items containing PCBs, such as utility transformers and electrical light ballasts,
- .medical waste,
- .other regulated wastes, and
- .nonhazardous industrial waste.

The Company receives a detailed waste profile sheet prepared by the customer to document the nature of the customer's waste. A representative sample of the delivered waste is screened to ensure that it conforms to the customer's waste profile record and to select an appropriate method of treatment and disposal. Once the wastes are characterized, compatible groups are consolidated to achieve economies in storage, handling, transportation and ultimate treatment and disposal. At the time of acceptance of a customer's waste at the Company's facility, a unique computer "bar code" identification character is assigned to each container of waste, enabling the Company to use sophisticated computer systems to track and document the status, location and disposition of the waste.

Wastewater Treatment. The Company's treatment operations involve processing hazardous wastes through the use of physical, chemical, thermal or other methods. The solid waste materials produced by these wastewater processing operations are then disposed of off-site at facilities owned and operated by unrelated businesses.

The Company treats a broad range of industrial liquid and semi-liquid wastes containing heavy metals, organics and suspended solids, including:

- .acids and caustics,

4

- .ammonias, sulfides, and cyanides,
- .heavy metals, ink wastes, and plating solutions,
- .landfill leachates and scrubber waters, and
- .oily wastes and water soluble coolants.

Wastewater treatment can be economical as well as environmentally sound, by combining different wastewaters in a "batching" process that reduces costs for multiple waste stream disposal. Acidic waste from one source can be neutralized with alkaline from a second source to produce a neutral solution.

Physical Treatment. Physical treatment methods include distillation, separation and stabilization. These methods are used to reduce the volume or toxicity of waste material or to make it suitable for further treatment, reuse, or disposal. Distillation uses either heat or vacuum to purify liquids for resale. Separation utilizes techniques such as sedimentation, filtration, flocculation and centrifugation to remove solid materials from liquids. Stabilization refers to a category of waste treatment processes designed to reduce contaminant mobility or solubility and convert waste to a more chemically stable form. Stabilization technology includes many classes of immobilization systems and applications. Examples include low-temperature processes such as adding a sand-like cement material, and high-temperature processes such as vitrification. Stabilization is a frequent treatment method for metal-bearing wastes received at several Company facilities, which treat the waste to meet specific federal land disposal restrictions. After treatment, the waste is tested to confirm that it has been rendered nonhazardous. It can then be sent to a nonhazardous waste landfill, at significantly lower cost than disposal at a hazardous waste landfill.

Thermal Treatment. Thermal treatment refers to processes that use high temperature combustion the principal means of waste destruction. In May 1995, the Company acquired a newly constructed, state-of-the-art hazardous waste incinerator in Kimball, Nebraska, which uses a fluidized bed thermal oxidation

unit for maximum destruction efficiency of hazardous waste. The Company also operates an incinerator at its Braintree facility which was previously used to destroy medical waste. In late 1991, approvals were granted to allow the Braintree incinerator to destroy nonhazardous wastes which were previously sent to landfills or municipal incinerators. It also generates steam which is used in steam distillation equipment for reclaiming solvents. Other waste residues are incinerated in off-site facilities, such as the Nebraska hazardous waste incinerator, and in similar facilities owned and operated by other companies.

Resource Recovery. Resource recovery involves the treatment of wastes using various methods which will effectively remove contaminants from the original material to restore its fitness for its intended purpose, and to reduce the volume of waste requiring disposal. In conjunction with recent regulatory provisions restricting the burial of various types of hazardous wastes, the Company substantially upgraded its existing facilities for the reclamation and reuse of certain wastes, particularly solvent-based wastes generated by industrial cleaning operations, metal finishing and other manufacturing processes.

Spent solvents that can be recycled are processed through thin film evaporators and other processing equipment and are distilled into clean, usable products. Upon recovery of these products, the Company either returns the recovered solvents to the original generator or sells them to third parties.

Organic liquids and solids with sufficient heat value are blended to meet strict specifications for use as supplemental fuels for cement kilns, industrial furnaces and other high-efficiency boilers. The Company has installed fuels blending equipment at its Chicago and Cincinnati plants to prepare these supplemental fuels. The Company has established relationships with a number of supplemental fuel users that are licensed to accept the blended fuel material. Although the Company pays a fee to the users who accept this product, this disposal method is substantially less costly than other disposal methods.

Clean Extraction System. The Clean Extraction System ("CES") is a hazardous waste treatment system commercialized by the Company which extracts organic compounds from industrial wastewater. CES uses carbon dioxide that has been compressed at high pressure into a liquid. Under these "supercritical" conditions,

5

carbon dioxide acts as a powerful solvent for most commonly occurring contaminants. CES uses supercritical carbon dioxide as a solvent to remove organic contaminants, such as gasoline, acetone, methylene chloride, pesticides and other chemicals, from industrial wastewater called "lean water." Lean water is generated by oil companies, utilities, and manufacturers of specialty chemicals and pharmaceuticals.

The CES was installed at the Company's Baltimore facility, and began commercial operation in June 1992. The system includes specialized pretreatment and post-treatment systems and techniques, in addition to a central extractor unit, to maximize extraction efficiency. In the Baltimore CES, wastewater receives chemical and physical pretreatment before entering a central extractor unit. The wastewater is fed into the top of a 40-foot tall pressurized chamber, and flows down through a stack of perforated plates as a continual supply of liquefied carbon dioxide rises from the bottom of the chamber. As the wastewater and carbon dioxide mix, organic contaminants separate from the water and dissolve in the carbon dioxide. The liquid carbon dioxide flows from the top of the chamber into a decompression vessel. As the pressure decreases, the carbon dioxide vaporizes into a gas, leaving the organic contaminants at the bottom of the vessel, where they are collected. The concentrated organics can be recycled or burned as a supplemental fuel for resource recovery. The cleansed water flows from the bottom of the chamber, through a series of decompression and post-treatment tanks. After treatment,

the cleansed water is discharged to the City of Baltimore sewer treatment works.

This process enables the Company to handle a broad range of complex, difficult to treat organic and inorganic "lean waters" formerly sent to other companies for disposal. CES offers the Company's industrial customers, such as chemical or pharmaceutical companies, an attractive recycling alternative to disposal of their "lean water" by incineration or injection into deep underground wells. Current treatment capacity is between six and ten million gallons per year, depending on the characteristics of the wastewater being treated.

Disposal. After treatment of industrial wastes at the Company's facilities, the hazardous waste residues (such as sludges) which remain after such treatment are disposed of in facilities operated by third parties. The Company also arranges for the disposal of its customers' hazardous wastes which cannot be treated at Company-owned facilities. Wastes which cannot be disposed of in the Nebraska hazardous waste incinerator, which the Company acquired in May 1995, are sent to other incinerators, landfills, and disposal facilities operated by third parties. These arrangements are typically made before the Company accepts waste. Although the Company's transfer facilities are licensed to store waste, such storage is typically for a short period of time before the waste is sent for ultimate disposal. On occasion, a service center may also arrange to ship a customer's waste directly to another disposal company, such as a landfill or incinerator, if the size of the waste shipment or its characteristics are such that the waste does not need to pass through one of the Company's own waste management facilities. As the volume of waste handled by the Company has grown, the Company has negotiated favorable disposal arrangements with numerous companies. The Company is not dependent on any one disposal company, and the loss of any particular outlet for disposal of waste would not have a material impact on the Company.

The Company's wastewater treatment operations are dependent upon access to publicly owned treatment works and to hazardous or nonhazardous waste landfills for the disposal of its byproduct wastes. Generally, the Company has not experienced significant difficulty in obtaining the necessary permits from local sewer authorities.

#### FIELD SERVICES

The Company provides a wide range of environmental field services to maintain industrial facilities and process equipment, as well as clean up or contain actual or threatened releases of hazardous materials into the environment. These services are provided primarily to large chemical, petroleum, transportation, utility, industrial and waste management companies, and to governmental agencies. The Company's strategy is to identify, evaluate, and solve its customers' environmental problems, on a planned or emergency basis, by providing a comprehensive interdisciplinary response to the specific requirements of each project.

#### 6

Industrial Maintenance. Many of the Company's customers have a recurring need to clean equipment and facilities periodically in order to continue operations, maintain and improve operating efficiencies of their plants, and satisfy safety requirements. Industrial maintenance involves chemical cleaning, hydroblasting, vacuuming, and other methods to remove deposits from process equipment, such as paint booths and plating lines, and storage facilities for material used in the manufacturing or production process, such as feedstocks, chemicals, fuels, paints, oils, inks, metals and many other items. Service centers are equipped with specialty equipment, such as high volume pumps, pressure washers, nonsparking and chemical resistant tools, and a variety of personal protective equipment, to perform maintenance services quickly, usually during "off periods" to minimize downtime from production.

Project Management. An increasingly important area of the Company's



operations is the management of complex environmental remediation projects. These projects may include surface remediation, groundwater restoration, site and facility decontamination, and emergency response. An interdisciplinary team of managers, chemists, engineers, and compliance experts design and implement result-oriented remedial programs, incorporating both off-site removal and on-site treatment, as needed. The remedial projects group functions as a single source management team, relieving the customer of the administrative and operational burdens associated with environmental remediation. As a full-service environmental services company, providing waste transportation and disposal, field services, industrial maintenance and CleanPack services, the Company eliminates the need for multiple subcontractors.

These projects vary widely in scope, duration and revenue, and they are typically performed under service agreements between the customer and the Company. Environmental remediation projects may be undertaken in conjunction with or lead to contracts for additional remediation work or for hazardous waste management services, and typically involve the Company's analytical laboratory and engineering group.

**Surface Remediation.** Surface remediation projects arise in two principal areas: the planned cleanup of hazardous waste sites and the cleanup of accidental spills and discharges of hazardous materials, such as those resulting from transportation and industrial accidents. In addition, some surface remediation projects involve the cleanup and maintenance of industrial lagoons, ponds and other surface impoundments on a recurring basis. In all of these cases, an extremely broad range of hazardous substances may be encountered.

Surface remediation projects generally require considerable interaction among engineering, project management and analytical services. Following the selection of the preferred remedial alternative, the project team identifies the processes and equipment for cleanup. Simultaneously, the Company's health and safety staff develops a site safety plan for the project. Remedial approaches usually include physical removal, mechanical dewatering, stabilization or encapsulation.

**Groundwater Restoration.** The Company's groundwater restoration services typically involve response to above-ground spills, leaking underground tanks and lines, hazardous waste landfills and leaking surface impoundments. Groundwater restoration efforts often require complex recovery systems, including recovery drains or wells, air strippers, biodegradation or carbon filtration systems, and containment barriers. These systems and technologies can be used individually or in combination to remove a full range of floating or dissolved organic compounds from groundwater. The Company internally designs and fabricates most mobile or fixed site groundwater treatment systems.

**Site and Facility Decontamination.** Site and facility decontamination involves the cleanup and restoration of buildings, equipment and other sites and facilities that have been contaminated by exposure to hazardous materials during a manufacturing process, or by fires, process malfunctions, spills or other accidents. The Company's projects have included decontamination of electrical generating stations, electrical and electronics components, transformer vaults and commercial, educational, industrial, laboratory, research and manufacturing facilities.

**Emergency Response.** The Company undertakes environmental remediation projects on both a planned and emergency basis. Emergency response actions may develop into planned remedial action projects when soil, groundwater, buildings, or facilities are extensively contaminated. The Company has established specially trained emergency response teams which operate on a 24-hour basis from service centers covering 24 states and Puerto Rico. Many of the Company's remediation activities result from a response to an emergency

situation by one of its response teams. These incidents can result from transportation accidents involving chemical substances, fires at chemical facilities or hazardous waste sites, transformer fires or explosions involving PCBs, and other unanticipated developments when the substances involved pose an immediate threat to public health or the environment, such as possible groundwater contamination.

Emergency response projects require trained personnel, equipped with protective gear and specialized equipment, prepared to respond promptly whenever these situations occur. To meet the staffing requirements for emergency response projects, the Company relies in part upon a network of trained personnel who are available on a contract basis for specific project assignments. The Company's health and safety specialists and other skilled personnel closely supervise these projects during and subsequent to the cleanup. The steps performed by the Company include rapid response, containment and control procedures, analytical testing and assessment, neutralization and treatment, collection, and transportation of the substances to an appropriate treatment or disposal facility.

#### CLEANPACKS

The Company provides specialized repackaging, treatment and disposal services for laboratory chemicals and household hazardous wastes. Such chemicals and wastes are put into CleanPacks, which are packages smaller than a 55-gallon drum, generally less than five gallons or 50 pounds. The Company offers generators of CleanPack quantity waste the same economical and environmentally sound disposal services that have been offered for years to large industrial generators. The CleanPack operation services a wide variety of customers, including:

- .engineering and research and development divisions of industrial companies,
- .college, university and high school labs,
- .EPA labs and Veterans Administration facilities,
- .hospitals and medical care labs,
- .state and local municipalities, and
- .tens of thousands of residents through household hazardous waste collection days.

The Company provides a team of qualified personnel with science degrees and special training to collect, label and package waste at the customer's site. CleanPacks are then transported to one of the Company's facilities for consolidation into full-size containers, which are then sent for further treatment or disposal as part of the Company's treatment and disposal services described above. As described above, disposal options include reclamation, fuels blending, incineration, aqueous treatment, and a secure chemical landfill.

#### TECHNICAL SERVICES

Technical services consist primarily of analytical testing, engineering services and personnel training. Many of the Company's principal services as described above involve the selection and application of various technologies. The Company's analytical testing laboratories perform a wide range of quantitative and qualitative analyses to determine the existence, nature, level, and extent of contamination in various media. The Company's engineering staff identifies, evaluates and implements the appropriate environmental solution.

Engineering and Analytical Services. The Company provides technical support services to complement its primary service lines. For example, if the Company is engaged to perform an entire environmental remediation project, it will first perform a site or situation assessment. A site assessment begins with the determination of the existence of contamination. If present, the nature and extent of the contamination is defined by gathering

samples and then analyzing them in order to establish or verify the nature and extent of the contaminants. The Company's engineering staff then develops, evaluates and presents alternative solutions to remedy the particular situation. Often treatment systems are completely designed, engineered and fabricated by the Company in house. It then implements the mitigation and decontamination program mutually selected by the customer and the Company.

These services are also provided if a customer requires an analysis with respect to certain material, or if a customer is searching for an appropriate solution to an environmental problem or if an environmental assessment is required to allow a transfer of property.

The Company operates an EPA-qualified and state-certified analytical testing laboratory in Braintree, Massachusetts which tests samples provided by customers to identify and quantify toxic pollutants in virtually every component of the environment. The laboratory staff evaluates the properties of a given material, selects appropriate analytical methods, and executes a laboratory work plan that results in a comprehensive technical report. In early 1996, the Company relocated the laboratory from its headquarter offices to its waste handling facility in Braintree.

The Company also maintains laboratories at its waste management facilities to identify and characterize waste materials prior to acceptance for treatment and disposal, and operates mobile laboratory facilities for field use in emergency response and remedial action situations.

Personnel Training. The Company provides comprehensive personnel training programs for its own employees and those of its customers on a commercial basis. Such programs are designed to promote safe work practices under potential hazardous environmental conditions, whether or not toxic chemicals are present, in compliance with stringent regulations promulgated under the federal Resource Conservation and Recovery Act of 1976 ("RCRA") and the federal Occupational Safety and Health Act ("OSHA"). The Company's Technical Training Center at its Kingston, Massachusetts facility includes a 2,000 gallon tank for confined space entry, exit, and extraction, an air-system demonstration maze, respirator fit testing room, leak and spill response equipment, and a layout of a mock decontamination zone, all designed to fulfill the requirements of OSHA Hazardous Waste and Emergency Response Standard.

#### CUSTOMERS

The Company's sales efforts are directed toward establishing and maintaining relationships with businesses which have ongoing requirements for one or more of the Company's services. The Company's customer list includes many of the largest United States industrial companies. In addition, the Company's customers include most of the major utilities in the Northeast and Mid-Atlantic regions. The Company's customers are primarily chemical, petroleum, transportation, utility and industrial firms, other waste management companies and government agencies. Management believes that the Company's diverse customer base, in terms of number, industry and geographic location, as well as its large presence in New England, provide it with a recurring stream of revenue. The Company estimates that in excess of 80% of its revenues are derived from previously served customers with recurring needs for the Company's services. The Company believes the loss of any single customer would not have a material adverse effect on the Company's financial condition or results of operations.

The Company's customer base is diverse, and generally not concentrated in particular industries, such as the petroleum or defense sectors, where business activity may be cyclical. In addition to serving industrial customers such as utilities, railroads, pipelines, pharmaceutical manufacturers, and chemical companies, the Company serves health care and educational institutions, federal, state and local governmental bodies, and thousands of small quantity generators who have recurring needs for multiple services in managing their environmental exposure.

Under applicable environmental laws and regulations, generators of hazardous wastes retain potential legal liability for the proper treatment of such wastes through and including their ultimate disposal. In response to

9

these potential liability concerns, many large generators of industrial wastes and other purchasers of waste management services (such as general contractors on major remediation projects) have increasingly sought to decrease the number of providers of such services that they utilize. Waste management companies which are selected as "approved vendors" by such large generators and other purchasers are firms, such as the Company, that possess comprehensive collection, recycling, treatment, transportation, disposal and waste tracking capabilities and have the expertise and financial capacity necessary to comply with applicable environmental laws and regulations. By becoming an "approved vendor" of a large waste generator or other purchaser, the Company becomes eligible to provide waste management services to the various plants and projects of such generator or purchaser which are located in the Company's service areas. However, in order to obtain such "approved vendor" status, it may be necessary for the Company to bid against other qualified competitors in terms of the services and pricing to be provided. Furthermore, large generators or other purchasers of waste management services often periodically audit the Company's facilities and operations to ensure that the Company's waste management services to such customers are being performed in compliance with applicable laws and regulations and with other criteria established by the Company and by such customers.

#### COMPLIANCE/HEALTH & SAFETY

The Company regards compliance with applicable environmental regulations as a critical component of its overall operations, both from the standpoint of the health and safety of its employees and as a service to its customers. The Company strives to maintain the highest professional standards in its compliance activities; its internal operating requirements are in many instances more stringent than those imposed by regulation. The Company's compliance program has been developed for each of its operational facilities and service centers under the direction of the Company's corporate compliance and health and safety staff. The compliance staff is composed of approximately 45 full-time employees who are responsible for facilities permitting and regulatory compliance, health and safety, field safety, compliance training, transportation compliance, and related record keeping. The Company also performs periodic audits and inspections of the disposal facilities of other firms utilized by the Company.

The Company's treatment, storage and recovery facilities are frequently inspected and audited by regulatory agencies, as well as by customers. Although the Company's facilities have been cited on occasion for regulatory violations, the Company believes that each facility is currently in substantial compliance with applicable requirements. Major facilities and service centers have a full-time compliance or health and safety representative to oversee the implementation of the Company's compliance program at the facility or service center. These highly-trained regulatory specialists are independent from operations and report to corporate compliance and health & safety directors, who in turn report directly to the Chief Executive Officer.

#### MANAGEMENT OF RISKS

The Company follows a program of risk management policies and practices designed to reduce potential liability, as well as to manage customers' ongoing regulatory responsibilities. This program includes installation of risk management systems at the facilities, such as fire suppression, employee training, environmental auditing, and policy decisions restricting the types of wastes handled. The Company evaluates all revenue opportunities and declines those which it believes involve unacceptable risks. The Company avoids handling high-hazard waste such as explosives, and frequently utilizes specialty subcontractors to handle any such materials when discovered at a job

site.

The Company only disposes of its wastes at facilities owned and operated by firms which the Company has approved as prudent and financially sound. Typically, the Company applies established technologies to the treatment, storage and recovery of hazardous wastes. The Company believes its operations are conducted in a safe and prudent manner and in substantial compliance with applicable laws and regulations.

10

#### INSURANCE

The Company's present insurance programs cover the potential risks associated with its multifaceted operations from two primary exposures: direct physical damage and third-party liability. The Company maintains a casualty insurance program providing coverage for vehicles, workers' compensation, employer's liability, and comprehensive general liability in the aggregate amount of \$30,000,000 per year, subject to a retention of \$250,000 per occurrence, except on general liability where the retention is \$500,000 per occurrence. The workers' compensation limits are established by state statutes. Since the early 1980s, casualty insurance policies have typically excluded liability for pollution, which is covered under a separate pollution liability program.

The Company has pollution liability insurance policies covering the Company's potential risk in three areas: as a contractor performing services at customer sites; as a transporter of waste; and while it handles waste at the Company's facilities. The Company has contractor's liability insurance of \$10,000,000 per occurrence and \$10,000,000 in the aggregate, covering off-site remedial activities and associated liabilities. Lloyds of London provides pollution liability coverage for waste in-transit with single occurrence and aggregate liability limits of \$29,000,000. This Lloyds of London policy covers liability in excess of \$1,000,000 for pollution caused by sudden and accidental occurrences during transportation of waste and at the Company's facilities, from the time waste is picked up from a customer until its delivery to the final disposal site. The Company's \$30,000,000 excess automobile liability insurance provides additional coverage for any in-transit pollution losses from accidents over and above the Lloyds of London coverage, so that it has a total of \$59,000,000 of in-transit coverage.

Federal and state regulations require liability insurance coverage for all facilities that treat, store, or dispose of hazardous waste. In 1989, the Company established a captive insurance company pursuant to the Federal Risk Retention Act of 1986. This company qualifies as a licensed insurance company and is authorized to write professional liability and pollution liability insurance for the Company and its operating subsidiaries. RCRA and comparable state hazardous waste regulations typically require hazardous waste handling facilities to maintain pollution liability insurance in the amount of \$1,000,000 per occurrence and \$2,000,000 in the aggregate per year for sudden occurrences and \$3,000,000 per occurrence and \$6,000,000 in the aggregate per year for non-sudden occurrences. Currently, the Company uses its captive insurance company to provide (i) the first \$1,000,000 of insurance against liability from sudden occurrences at its facilities, with the excess coverage provided by Lloyds of London, and (ii) the full policy limits of insurance for non-sudden occurrences.

Operators of hazardous waste handling facilities are also required by federal and state regulations to provide financial assurance that certain funds will be available for closure and post closure care of those facilities, should the facility cease operation. For example, closure would include the cost of removing the waste stored at a facility which ceased operating, and sending the material to another company for disposal. The Company utilizes its captive insurance company to provide such financial assurance for the waste management facilities it currently owns, with the exception of the Kimball incinerator which has closure insurance provided by a commercial insurer.

The Company's ability to continue conducting its industrial waste management operations could be adversely affected if the Company should become unable to obtain sufficient insurance to meet its business and regulatory requirements in the future. The availability of insurance may also be influenced by developments within the insurance industry, although other businesses in the industrial waste management industry would be similarly impacted by such developments.

Under the Company's insurance programs, coverage is obtained for catastrophic exposures as well as those risks required to be insured by law or contract. It is the policy of the Company to retain a significant portion of certain expected losses related primarily to workers' compensation, physical loss to property, and comprehensive general and vehicle liability. Provisions for losses expected under these programs are recorded

11

based upon the Company's estimates of the aggregate liability for claims. The Company has been successful in negotiating lower premiums recently, due in part to its favorable historical loss experience. The cancellation terms applicable to the Company are similar to those of other companies in other industries.

#### COMPETITION

The Company competes with numerous large and small companies, each of which is able to provide one or more of the industrial waste management services offered by the Company and some of which have access to greater financial resources. The Company believes it offers a more comprehensive range of industrial waste management services than its competitors in major portions of its service territory. The Company also believes that its ability to market and provide its services on an integrated basis constitutes a significant competitive advantage for the Company.

The Company's competitive position with respect to its treatment and disposal services is enhanced by the proximity of its facilities to hazardous waste generators and the barriers to market entry provided by capital and licensing requirements. However, treatment, recovery and disposal operations are conducted by a number of national and regional waste management firms. The Company believes that physical proximity of treatment and disposal facilities, comprehensiveness of services, safety, quality and efficiency of services, and pricing are the most significant factors in the market for treatment and disposal services.

In field services, the Company's competitors include major national and regional environmental services firms which have environmental remediation staffs. The availability of skilled technical professional personnel, quality of performance, diversity of services and, to a certain extent, price, are the key competitive factors.

#### EMPLOYEES

As of February 1, 1996, the Company employed 1,438 people on a regular basis. None of the Company's employees is subject to a collective bargaining agreement, and the Company believes that its relationship with its employees is satisfactory.

#### ITEM 2. PROPERTIES

The properties of the Company consist primarily of its 12 waste management facilities and 17 service centers, various environmental remediation equipment, and a fleet of approximately 1,000 registered pieces of transportation equipment. Most service center locations are leased, and occasionally move to other locations as operations grow and space requirements increase. The 12 waste management facilities are described below. All of these facilities are owned by the Company, except (i) the Chicago hazardous waste

management facility which is leased under a lease which (with extensions) expires September 2020, (ii) the Woburn, Massachusetts waste oil treatment and storage facility which is leased under a lease which (with extensions) expires February 2004, and (iii) the Virginia waste oil treatment and storage facility which is leased under a lease which (with extensions) expires February 2002.

Hazardous Waste Management Facilities. The Company currently maintains nine hazardous waste management facilities at which it processes, treats and temporarily stores hazardous wastes for later resale, reuse or off-site treatment or disposal. Every facility that treats, stores or disposes of hazardous wastes must obtain a license from the federal EPA or an authorized state agency and must comply with certain operating requirements. See "Environmental Regulation-Federal Regulation of Hazardous Waste" below for a description of licenses issued under the RCRA. All nine hazardous waste management facilities are subject to RCRA licensing. Eight of the nine facilities have been issued RCRA Part B licenses, one of which is under appeal.

Two of the facilities described above are waste oil treatment and storage facilities which are subject to RCRA licensing because some petroleum products, such as gasoline, are considered hazardous waste under federal law or are located in a state which regulates waste oil as a hazardous waste. In order to handle a variety

12

of waste oil and petroleum products and support its field service activities in the Northeast and Mid-Atlantic regions, the Company has obtained RCRA licenses for those two facilities.

The Company has made substantial modifications and improvements to the physical plant and treatment and process equipment at its treatment facilities. These modifications are consistent with the Company's strategy to upgrade the quality and efficiency of treatment services, to expand the range of services provided and to ensure regulatory compliance and operating efficiencies at these facilities. Major features of this program are the addition of new treatment systems, such as the CES in Baltimore, expansion of analytical testing laboratories, drum storage and processing facilities, and equipment rearrangement and replacement to improve operating efficiency.

Braintree, MA. The Braintree facility is located just south of Boston. The facility is primarily engaged in drummed waste processing and consolidation, solvent recovery, transformer decommissioning, PCB storage and processing, blending of waste used as supplemental fuel by industrial furnaces, pretreatment of waste to stabilize it before it is sent to landfills, and incineration of small quantities of nonhazardous waste. The facility continues to operate under a state Interim Hazardous Waste Facility License issued by the Massachusetts Department of Environmental Protection ("DEP") in 1981. The Company acquired the facility in 1985. In June 1992, the DEP approved the Company's application for a final Hazardous Waste Facility License, and issued a final Part B license for a five-year term. The Town of Braintree and two adjoining communities have appealed the DEP's decision to issue the final Part B license, and requested an adjudicatory hearing before the DEP, which is the normal appeal process. The appeal is an administrative proceeding before the DEP, and the facility will continue to operate normally pursuant to its state license and Interim Status authority under RCRA while the DEP considers the appeal. In the fall of 1995 the two adjoining communities withdrew their appeals. The Company is confident the review will result in confirmation of the license as granted. The authority from the federal EPA to handle PCBs is not impacted by the towns' appeal of the Part B license.

Natick, MA. The Natick, Massachusetts facility is located just west of Boston. Its primary services are collecting CleanPacks and repackaging the small quantities of laboratory and household chemicals into 55-gallon drum quantities, consolidating wastes for shipment to other Company facilities or third parties for further treatment or disposal, and serving as a transfer station for the Northeast region. The facility has a state Hazardous Waste

Facility License (the state equivalent of a Part B license), which was renewed in October 1994 for a five-year term. The facility is also authorized by the federal EPA to handle PCBs.

Chicago, IL. The Chicago, Illinois facility is located on the south side of Chicago, on Lake Calumet. It provides treatment of nonhazardous and hazardous industrial wastewaters, drummed waste processing and consolidation, and transfer and repackaging of laboratory chemicals into CleanPacks. In November 1993, the Illinois EPA issued a Part B license for a ten-year term, which significantly expanded the waste handling and storage capacity of the facility. In November 1995, the permit was modified to include the assets acquired from ChemWaste Management, Inc. ("ChemWaste"). The new license increased drum storage capacity and allows handling of material destined for blending of waste used as supplemental fuel by industrial furnaces, pretreatment of waste to stabilize it before it is sent to landfills, and rail shipment of hazardous and nonhazardous waste.

As an alternative to making the needed improvements to its own site, the Company in November 1995 acquired assets from ChemWaste on an adjoining leased site, together with the existing improvements, in exchange for sharing the costs of dismantling an existing hazardous waste incinerator and cleaning up the adjoining site. The existing improvements on the ChemWaste site, and those improvements recently constructed on the site by the Company, will allow the Company to develop new product lines not currently handled at the Company's existing facility. Under the sharing arrangement with ChemWaste, the Company could over a period of 15 years be required to contribute up to a maximum of \$2,000,000 for dismantling and decontaminating the incinerator and other equipment and up to a maximum of \$7,000,000 for studies and cleanup of the site. Any additional costs beyond those contemplated by the sharing arrangement during this time period would be borne by ChemWaste. In addition, the Company entered into a five year disposal services

13

agreement with Chemical Waste Management in connection with the acquisition of the assets on the adjacent site. Pursuant to the terms of the disposal services agreement, the Company has agreed to use best efforts to deliver waste materials to ChemWaste facilities for disposal subject to certain customer preferences, scheduling and other considerations.

Cleveland, OH. The Cleveland, Ohio facility is located south of downtown Cleveland. It is a wastewater treatment facility that treats nonhazardous and hazardous industrial wastewaters, and serves as a transfer station for various types of containerized hazardous and nonhazardous waste. The facility is not subject to Part B licensing requirements, since its on-site wastewater treatment activities are regulated pursuant to the Clean Water Act, and therefore are exempt from RCRA.

Baltimore, MD. The Baltimore, Maryland facility is located adjacent to Interstate 95 in central Baltimore. It provides treatment of nonhazardous and hazardous industrial aqueous wastes, drummed waste processing, pretreatment of waste to stabilize it before it is sent to landfills, and transfer of CleanPacks. It is the only commercial hazardous waste treatment facility in Maryland. The facility has a state Controlled Hazardous Substances permit (the state equivalent of a Part B license), which was issued in 1987. In 1990, the Company received a permit modification to expand the range of waste streams the facility can accept and to install the CES, which allows the facility to treat a wide range of hazardous wastewaters contaminated with gasoline, chlorinated solvents and many other organic contaminants, which were formerly sent to other companies for incineration. In 1992, the Maryland Department of the Environment issued a new Controlled Hazardous Substances permit for a three-year term, which significantly expanded the waste handling and storage capacity of the facility. The new permit also allows handling of CleanPacks and material destined for fuels-blending, pretreatment of waste to stabilize it before it is sent to landfills, and rail shipment of hazardous and nonhazardous waste. In June, 1995 the Company submitted a permit renewal application which allows operations to continue until the renewal application



is approved.

Bristol, CT. In July 1992, the Company acquired Connecticut Treatment Corporation, located in Bristol, Connecticut, approximately 20 miles southwest of Hartford. It provides hazardous wastewater treatment, drummed waste processing and consolidation, and transfer of CleanPacks. This facility also offers two specialized services: equipment "de-manufacturing," such as dismantling outdated computers, and treatment of special categories of hazardous wastewaters known as "listed" wastewaters resulting from industrial processes such as electroplating.

The Bristol facility has a Part B license issued by the federal EPA and the Connecticut Department of Environmental Protection. The license was issued in 1987 and expired in 1991. A new license was applied for and the facility continued to operate while the EPA and DEP reviewed the renewal application. The Company also applied for approval to expand the number of hazardous waste codes allowed to be handled, expand container storage capacity from 1,000 drums to 3,500 drums, and add eight tanks for storage of sludge and stabilization materials. In April 1995, the DEP issued a renewal of the license, with the additions requested by the Company. The term of the license is five years.

The Bristol facility also treats hazardous industrial wastewater, and has a permit to discharge to the publicly owned sewage treatment works an average of 50,000 gallons per day of treated water. These treatment activities are licensed by the Connecticut DEP pursuant to the Clean Water Act, and are not subject to Part B licensing requirements. In 1990 the Company's predecessor applied for renewal and modification of its Clean Water Act license, to allow construction of additional tanks for wastewater treatment and installation of new wastewater treatment technologies, such as reverse osmosis and ultrafiltration. The discharge limit would remain at 50,000 gallons average per day. In April 1995, a 5 year permit renewal was issued by DEP.

Cincinnati, OH. In February 1993, the Company acquired Spring Grove Resource Recovery, Inc. ("Spring Grove"), located north of downtown Cincinnati, Ohio. It provides hazardous wastewater treatment, drummed waste processing and consolidation, pretreatment of waste to stabilize it before it is sent to landfills, and transfer of CleanPacks. The facility holds a state Hazardous Waste Facility Installation and Operation permit (RCRA

14

Part B) which was renewed in December 1993 for a five-year term. The facility is also authorized to handle PCBs. On March 31, 1994, the Ohio EPA approved the Company's application for a revised, comprehensive state permit that expands the range of waste that may be received and treated at the facility and allows installation of sophisticated equipment for handling and processing material to be sent to boilers and industrial furnaces and used as supplemental fuel. In May 1995, the Ohio Hazardous Waste Facility Board approved the transfer of the facility hazardous waste permit from the former owner of the facility to Clean Harbors.

Kimball, NE. In May 1995, the Company acquired a newly constructed hazardous waste incinerator in Kimball, Nebraska from Ecova Corporation, an affiliate of Amoco Oil Company. The Kimball facility includes a 45,000 ton-per-year fluidized bed thermal oxidation unit for maximum destruction efficiency of hazardous waste. It is a new, state-of-the-art facility staffed with a highly trained and motivated workforce. The construction of the incinerator and its operation have received widespread support in the local community. The incinerator has a RCRA Part B license issued by the Nebraska Department of Environmental Quality ("NDEQ"). In December 1994, the NDEQ approved commercial operation at 75% of capacity. The incinerator will be authorized to operate at 100% capacity upon issuance of a final Air Operating Permit which is expected to be issued by NDEQ in mid 1996.

The incinerator is located on a 600 acre site, which includes a landfill for disposal of incinerator ash. If the chemical composition of the ash meets the

permit requirements, which is subject to verification before it is landfilled on-site, the ash will be classified as "delisted", meaning it will no longer be regulated as a hazardous waste under federal and state laws. No other commercial incineration facility in the United States is currently permitted to delist ash. Although the ash will be classified as nonhazardous, the landfill has been constructed to meet RCRA Subtitle C standards, which are the same stringent requirements as for landfills designed to handle hazardous waste.

The acquisition of this facility responds to a developing trend within the hazardous waste management industry: many generators of industrial waste prefer to treat hazardous waste, rather than bury it, because of concerns about the long-term liability associated with landfill disposal of the residue which results from incineration of the generator's hazardous waste. Conventional incinerators produce a "slag" which is regulated as a hazardous waste. The residue from the Kimball treatment facility, in contrast, is ash rather than slag. The ash meets the standards set by NDEQ for "delisting" and is therefore deemed to be non-hazardous.

During September 1995, the Kimball treatment facility entered a new, expanded phase of operations as a result of two actions by Federal and State regulators. The United States Environmental Protection Agency ("EPA") authorized the facility to begin accepting wastes generated at sites being remediated pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA," also known as the "Superfund Act"). The EPA authorization to begin accepting wastes generated at CERCLA sites allows the Company to be directly involved in the safe treatment and disposal of wastes from Federal cleanup efforts including Superfund sites, a large portion of the incineration marketplace. Prior to obtaining CERCLA approval, the Kimball facility was limited to accepting hazardous wastes regulated by RCRA. RCRA waste materials are made up of the same constituents as CERCLA wastes, but are generated from various ongoing industrial operations rather than Federal cleanup activities at specific locations or Federal Superfund sites. In a separate action, the NDEQ approved the use of the facility's on-site landfill for disposal of ash residue as well as residues from the facility's air pollution control system. The facility now has all approvals necessary to fully use its waste disposal capacity.

The Company believes that the facility offers capabilities which will be very attractive to its major customers. In particular, the facility is expected to have operating costs lower than most other incinerators, given the minimal acquisition cost to the Company and its unique ability to dispose of delisted ash on-site, which will save on the cost of shipping ash to another company for landfilling. The Company expects to realize significant savings by using the Kimball facility to incinerate waste previously sent to other incinerators. Since the incinerator is a new facility, many of the Company's customers will visit the facility for a comprehensive audit of its operations before they will approve the site for disposal of their hazardous waste. As a result,

15

considerable time is needed to complete the audit and approval process before the Company can begin shipping waste to the facility. As of December 31, 1995, over fifty large customers had audited and approved the facility, and approvals from another dozen customers were pending.

As part of the acquisition, the Company agreed to make royalty payments to Ecova Corporation through 2004, based on the number of tons processed at the facility.

Waste Oil Treatment and Storage Facilities. The Company has four waste oil treatment and storage facilities: two in Massachusetts, one in Maine, and one in Virginia. The Massachusetts facilities are located in Kingston and Woburn, in the Boston area. The Kingston facility has a state recycling permit and is able to store oil collected from various activities, ranging from routine cleaning of oil storage terminals to oil spill cleanups. The facility is also

used for maintenance activities and for training of employees of the Company and third-party customers. The Woburn facility is a waste oil storage and transfer facility, and received a Part B license in October 1993 for a five-year term.

The facility in South Portland, Maine is a petroleum reclamation facility that handles most of the waste oil received by the Company, which comes primarily from the Company's remediation activities. It has a municipal sewer user permit allowing the discharge of water separated from oil. The Company also owns another property in South Portland located on Main Street. It has a license to store virgin oil, but it also is permitted for the temporary storage and transfer of containerized hazardous waste.

The Virginia facility is located near Richmond, and was acquired in September 1994. The facility is able to store oil and gasoline-contaminated wastewaters collected from various activities, ranging from routine cleaning of oil storage terminals to oil spill cleanups. The facility operates under RCRA interim status pending the final submittal and review of its application for a Part B license.

#### ENVIRONMENTAL REGULATION

While the Company's business has benefited substantially from increased governmental regulation of hazardous waste transportation, storage and disposal, the industrial waste management industry itself has become the subject of extensive and evolving regulation by federal, state and local authorities. The Company makes a continuing effort to anticipate regulatory, political and legal developments that might affect its operations, but is not always able to do so. The Company cannot predict the extent to which any environmental legislation or regulation that may be enacted or enforced in the future may affect its operations.

On December 21, 1995, the EPA proposed to amend its regulations in the RCRA by establishing constituent-specific exit levels for low-risk solid wastes that are designated as hazardous because they are listed, or have been mixed with, derived from, or contain listed hazardous wastes. Under the proposal, generators of listed hazardous wastes that meet the self-implementing exit levels would no longer be subject to the hazardous waste management system under Subtitle C of RCRA as listed hazardous wastes. The proposed rulemaking, referred to as the Hazardous Waste Identification Rule ("HWIR"), establishes a risk-based "floor" to hazardous waste listings that will encourage pollution prevention, waste minimization, and the development of innovative waste treatment technologies. If passed, the HWIR may impact the Company's incinerator in Kimball, since many wastes which are currently required to be managed as a hazardous waste may no longer require incineration at a RCRA incineration unit such as Kimball.

The Company is required to obtain federal, state and local licenses or approvals for each of its hazardous waste facilities. Such licenses are difficult to obtain and, in many instances, extensive studies, tests, and public hearings are required before the approvals can be issued. The Company has acquired or is in the process of applying for all operating licenses and approvals required for the current operation of its business and has applied for or is in the process of applying for all licenses and approvals needed in connection with planned expansion or modifications of its operations.

#### FEDERAL REGULATION OF HAZARDOUS WASTE

The most significant federal environmental laws affecting the Company are RCRA, the Superfund Act and the Clean Water Act.

RCRA. RCRA is the principal federal statute governing hazardous waste generation, treatment, transportation, storage and disposal. Pursuant to RCRA, the EPA has established a comprehensive, "cradle-to-grave" system for the management of a wide range of materials identified as hazardous waste. States,

such as Massachusetts, Connecticut, Illinois, Maryland, Ohio and Nebraska, that have adopted hazardous waste management programs with standards at least as stringent as those promulgated by the EPA, have been authorized by the EPA to administer their facility permitting programs in lieu of the EPA's program.

Every facility that treats, stores or disposes of hazardous waste must obtain a RCRA license from the EPA or an authorized state agency and must comply with certain operating requirements. Under RCRA, hazardous waste management facilities in existence on November 19, 1980 were required to submit a preliminary license application to the EPA, the so-called Part A Application. By virtue of this filing, a facility obtained Interim Status, allowing it to operate until licensing proceedings are instituted pursuant to more comprehensive and exacting regulations (the Part B licensing process). Interim Status facilities may continue to operate pursuant to the Part A Application until their Part B licensing process is concluded. Of the Company's 12 waste management facilities, nine are subject to RCRA licensing; of the nine, only the Virginia waste oil facility operates under interim status. The other eight have been issued Part B licenses, one of which is under appeal.

RCRA requires that Part B licenses contain provisions for required on-site study and cleanup activities, known as "corrective action," including detailed compliance schedules and provisions for assurance of financial responsibility. The EPA estimates that there are approximately 4,300 facilities that treat, store or dispose of hazardous wastes, which can be compelled to take corrective action when necessary. Some facilities are very large and have extensive contamination problems which rival the largest Superfund sites. Other facilities have relatively minor environmental problems. Still others will not need remedial action at all. It is the EPA's policy to compel corrective action at the "worst sites first." As a result, the EPA has developed a system for assessing the relative environmental cleanup priority of RCRA facilities, called the National Corrective Action Prioritization System, with a High, Medium or Low ranking for each facility. Although several facilities of its competitors have been assessed a High cleanup priority, none of the Company's RCRA facilities have been assessed as a High priority.

The Company has begun RCRA corrective action investigations at its Part B licensed facilities in Braintree, Natick, Bristol, Chicago, and Woburn. The Company is also involved in site studies at its non-RCRA facilities in Cleveland, Ohio; Kingston, Massachusetts; and on Main Street in South Portland, Maine. The Company spent approximately \$790,000 on corrective action at the foregoing facilities in 1995. The Company does not expect that corrective action will be required at its Richmond, Virginia waste oil facility.

The Company is also involved in a RCRA corrective action investigation at a site in Chester, Pennsylvania owned by Philadelphia Electric Company ("PECO"). The site consists of approximately 30 acres which PECO has leased to various companies over the years. In 1989, the Company acquired by merger a public company named ChemClear Inc., which operated a hazardous waste treatment facility on approximately eight acres of the Chester site leased from PECO. The Company ceased operations at the Chester site, decontaminated the plant and equipment, engaged an independent engineer to certify closure, and obtained final approval from the Pennsylvania regulatory authorities, certifying final closure of the facility. In 1993, the EPA ordered PECO to perform a RCRA corrective action investigation at the Chester site. PECO asked the Company to participate in the site studies, and in October 1994, the Company agreed to be responsible for seventy-five percent of the cost of these studies, which is estimated to be in the range of \$1,000,000 to \$2,000,000, by performing field service work and analytical services required to complete the site studies and providing other environmental services to PECO at discounted rates.

not yet been agreed upon, the Company believes, based upon information known to date about the nature and extent of contamination at these sites, that such costs will not have a material effect on its results of operations or its competitive position, and that it will be able to finance from operating revenues any additional corrective action required at its facilities. Environmental expenditures that relate to current operations are expensed or capitalized as appropriate.

The Bristol, Connecticut and Cincinnati, Ohio facilities were acquired from a subsidiary of Southdown, Inc. Southdown Inc. has agreed to indemnify the Company against any costs incurred or liability arising from contamination on-site, including the cost of corrective action, or waste disposed of off-site, including any liability under the Superfund Act, at those facilities.

The Superfund Act. The Superfund Act provides for immediate response and removal actions coordinated by the EPA to releases of hazardous substances into the environment, and authorizes the government to respond to the release or threatened release of hazardous substances or to order persons responsible for any such release to perform any necessary cleanup. The statute assigns joint and several liability for these responses and other related costs, including the cost of damage to natural resources, to the parties involved in the generation, transportation and disposal of such hazardous substances. Under the statute, the Company may be deemed liable as a generator or transporter of a hazardous substance which is released into the environment, or as the owner or operator of a facility from which there is a release of a hazardous substance into the environment. See also "Business--Legal Proceedings."

Clean Water Act. This legislation prohibits discharges to the waters of the United States without governmental authorization. The EPA has promulgated "pretreatment" regulations under the Clean Water Act, which establish pretreatment standards for introduction of pollutants into publicly owned treatment works. In the course of its treatment process, the Company's wastewater treatment facilities generate waste water which they discharge to publicly owned treatment works pursuant to permits issued by the appropriate governmental authority. The Clean Water Act also serves to create business opportunities for the Company in that it may prevent industrial users from discharging their untreated wastewaters to the sewer. If these industries cannot meet their discharge specifications, then they may utilize the services of an off-site pretreatment facility such as those of the Company.

Other Federal Laws. Company operations are also subject to the Toxic Substances Control Act ("TSCA"), pursuant to which the EPA regulates over 60,000 commercially produced chemical substances, including the proper disposal of PCBs. TSCA has established a comprehensive regulatory program for PCBs, under the jurisdiction of the EPA, which oversees the storage, treatment and disposal of PCBs at the Company's facilities in Braintree and Natick, Massachusetts; Cincinnati, Ohio; and Bristol, Connecticut. Under the Clean Air Act, the EPA also regulates emissions into the air of potentially harmful substances. In its transportation operations, the Company is regulated by the U.S. Department of Transportation, the Federal Railroad Administration, and the U.S. Coast Guard, as well as by the regulatory agencies of each state in which it operates or through which its trucks pass. Health and safety standards under the Occupational Safety and Health Act are also applicable.

#### STATE AND LOCAL REGULATIONS

Pursuant to the EPA's authorization of their RCRA equivalent programs, Massachusetts, Connecticut, Illinois, Maryland, Ohio, and Nebraska have regulatory programs governing the operations and permitting of hazardous waste facilities. Accordingly, the hazardous waste treatment, storage and disposal activities of the Company's Braintree, Natick, Woburn, Bristol, Chicago, Baltimore, Cincinnati, and Kimball facilities are regulated by the relevant state agencies in addition to federal EPA regulation.

Some states, such as Connecticut and Massachusetts, classify as hazardous some wastes which are not regulated under RCRA. For example, Massachusetts considers PCBs and used oil as "hazardous wastes," while RCRA does not.

Accordingly, the Company must comply with state requirements for handling state regulated

18

wastes, and when necessary obtain state licenses for treating, storing, and disposing of such wastes at its facilities.

The Company believes that each of its facilities is in substantial compliance with the applicable requirements of RCRA and state laws and regulations. Ten of the Company's twelve waste management facilities have been issued final licenses; the one for the Braintree facility is under appeal. The Richmond facility operates under interim status. Final action on the South Portland waste oil storage permit is expected in the Spring of 1996. Once issued, such licenses have maximum fixed terms of a given number of years, which differ from state to state, ranging from three years to ten years. The issuing state agency may review or modify a license at any time during its term. The Company anticipates that once a license is issued with respect to a facility, the license will be renewed at the end of its term if the facility's operations are in compliance with applicable requirements. However, there can be no assurance that regulations governing future licensing will remain static, or that the Company will be able to comply with such requirements.

The Company's wastewater treatment facilities are also subject to state and local regulation, most significantly sewer discharge regulations adopted by the municipalities which receive treated wastewater from the treatment processes. The Company's continued ability to operate its liquid waste treatment process at each such facility is dependent upon its ability to continue these sewer discharges.

The Company's facilities are regulated pursuant to state statutes, including those addressing clean water and clean air. Local sewer discharge and flammable storage requirements are applicable to certain of the Company's facilities. The Company's facilities are subject to local siting, zoning and land use restrictions. Although the Company's facilities occasionally have been cited for regulatory violations, the Company believes it is in substantial compliance with all federal, state and local laws regulating its business.

### ITEM 3. LEGAL PROCEEDINGS

In April 1988, the Board of Selectmen of Braintree, Massachusetts, approved a cease and desist order with respect to the handling of flammable materials stored at the Company's Braintree facility. The Board concluded that, when the Company purchased the land on which the Braintree facility is located, a license for the storage of flammable liquids was not conveyed as an incident of ownership. The Company petitioned the Massachusetts Land Court for a declaratory judgment that either the Company possesses such a license by operation of law or that the statute requiring the license is pre-empted by the pervasive state regulation of hazardous waste facilities. In March 1994, the Land Court issued a favorable ruling, concluding that the statute is pre-empted by state hazardous waste laws and regulations and no local flammable storage license is required. The town has appealed this ruling, and has asked the Company to stipulate certain facts with respect to the other issues of the case so that a final appealable order can be issued by the Land Court. The Company has agreed to the stipulation but the Town has taken no further action.

In December 1991, the Company was asked to respond to an emergency cleanup after a motor vehicle struck a utility pole near the State University of New York at New Paltz, causing an electrical surge to overheat transformers which discharged toxic chemicals throughout various student dormitories and classroom buildings. The Company was hired by the State University of New York to perform technical supervisory and laboratory work for the cleanup. The actual work of cleaning the buildings was performed over approximately 15 months by other contractors hired by the State of New York. In March 1993, a group of students sued the Dormitory Authority of the State of New York

("DASNY") claiming that they were exposed to toxic chemicals when DASNY allowed them to reoccupy the buildings after the accident and prior to a complete removal of the toxic chemicals, causing them increased risk of future illnesses. DASNY denied the students' claims but elected to sue the Company along with 16 other third-party defendants claiming that if DASNY is liable to the students, these third-party defendants should indemnify DASNY. The Company was hired by the State University of New York to perform representative sampling for toxic chemicals but, according to its contract, was not responsible for decisions as to when students should reoccupy the buildings. Nevertheless, in June 1994, the Company and the 16 other third parties were served with a third-party complaint filed in the Ulster

19

County Superior Court by DASNY. In January 1996, the trial judge ruled that the plaintiffs were not entitled to proceed as a class action for the medical cost claims, but were entitled to class action status for personal property losses. Since the personal property losses resulted directly from the explosions and fire, and occurred prior to the Company's involvement, the Company does not believe that it will incur any material liability as a result of this lawsuit. The Company has not received notice that the plaintiffs will appeal the trial judge's ruling.

Certain Company subsidiaries have transported or generated waste sent to sites which have been designated state or federal Superfund sites. As a result, the Company has been named as a potentially responsible party ("PRP") in a number of lawsuits arising from the disposal of wastes at 20 state and federal Superfund sites.

Eleven of these sites involve two subsidiaries which the Company acquired from ChemWaste, which is a wholly-owned subsidiary of WMX Technologies, Inc. As part of the acquisition, ChemWaste agreed to indemnify the Company with respect to any liability of its Natick and Braintree subsidiaries for waste disposed of before the Company acquired them. Accordingly, ChemWaste is paying all costs of defending the Company's Natick and Braintree subsidiaries in these cases, including legal fees and settlement costs.

The Company's subsidiary which owns the Bristol, Connecticut facility is involved in one Superfund site. As part of the acquisition of the Bristol and Cincinnati, Ohio facilities, the seller and its parent company, Southdown, Inc., agreed to indemnify the Company with respect to any liability for waste disposed of before the Company acquired the facilities, which would include any liability arising from Superfund sites.

With respect to the other Superfund sites at which the Company believes it may face liability, the Company has established reserves or escrows which it believes are appropriate. Therefore, the Company believes that any future settlement costs arising from any or all of the 20 Superfund sites will not be material to the Company's operations or financial position. Management routinely reviews each Superfund site in which the Company's subsidiaries are involved, considers each subsidiary's role at each site and its relationship to the other PRPs at the site, the quantity and content of the waste it disposed of at the site, and the number and financial capabilities of the other PRPs at the site. Based on reviews of the various sites and currently available information, and management's judgment and prior experience with similar situations, expense accruals are provided by the Company for its share of future site cleanup costs, and existing accruals are revised as necessary. As of December 31, 1995, the Company had accrued environmental costs of \$405,000 for cleanup of Superfund sites. Superfund legislation permits strict joint and several liability to be imposed without regard to fault, and, as a result, one PRP might be required to bear significantly more than its proportional share of the cleanup costs if other PRPs do not pay their share of such costs.

Five of the 20 sites involve former subsidiaries of ChemClear Inc. One of the five sites is the Strasburg Landfill site in Pennsylvania. The Company and two other parties identified as PRPs received an order from the EPA in 1989 to

perform certain emergency measures at the site. The Company responded by installing a leachate treatment and discharge system and repairing the landfill slope. Since early 1990, the Company has spent approximately \$400,000 in complying with the EPA order. In 1992, the EPA issued its Record of Decision for the site which proposes recapping and revegetating the landfill and installing certain air emission and leachate treatment systems. In January 1993, the Company and eight other PRPs submitted to the EPA a Response to Notice Letter, which recommended additional study be performed at the site by the PRP group and that a final remedy be based on the additional data developed during the study. In July 1995, the PRP group received a reply from the EPA, which declined to accept the good faith offer submitted by the nine PRPs in January 1993. The EPA advised the PRP group that it planned to utilize Superfund monies to design and implement the remedy specified in the Record of Decision for the site, and initiate a cost recovery action for its past costs in the amount of approximately \$6,000,000. The EPA indicated that the future remediation costs are estimated to be \$11,000,000. In their October 1995 response to the EPA, the PRPs have indicated their willingness to accept the EPA's offer to engage in alternative dispute resolution to settle the claim for past costs. In January 1996, the Company and 16 other PRP's signed a standstill and tolling agreement with the EPA which allows for settlement discussions to take place up to July 15, 1996. In February 1996, the Company filed suit in

the U.S. District Court for the Eastern District of Pennsylvania against certain PRP's in order to preserve its claims for cost recovery and contribution against those parties. The Company believes its ultimate exposure in this case will not have a material impact on its financial position or results of operations.

Mr. Frank, Inc., which was acquired by the Company in July 1992, is involved in three Superfund sites, as a transporter of waste generated by others prior to the Company's purchase of Mr. Frank, Inc. The Company acquired Mr. Frank, Inc. in exchange for 233,000 shares of the Company's common stock, of which 33,222 shares were deposited into an escrow account to be held as security for the sellers' agreement to indemnify the Company against potential liabilities, including environmental liabilities arising from prior ownership and operation of Mr. Frank, Inc.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the fourth quarter of 1995.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock began trading publicly in the over-the-counter market on November 24, 1987 and was added to the NASDAQ National Market System effective December 15, 1987. The Company's common stock trades on The Nasdaq Stock Market under the symbol: CLHB. The following table sets forth the high and low sales prices of the Company's common stock for the indicated periods as reported by NASDAQ.

1994	HIGH	LOW
- - - - -	-----	-----
First Quarter.....	\$9.25	\$6.625
Second Quarter.....	8.25	6.625
Third Quarter.....	8.125	5.75
Fourth Quarter.....	7.25	3.625



1995	HIGH	LOW
- - - - -	- - - - -	- - - - -
First Quarter.....	\$5.125	\$3.375
Second Quarter.....	5.50	3.125
Third Quarter.....	4.250	3.00
Fourth Quarter.....	3.875	2.375

On February 1, 1996 there were 920 holders of record of the Company's common stock, excluding stockholders whose shares were held in nominee name.

The Company has never declared nor paid any cash dividends on its common stock. In February 1993, the Board of Directors authorized the issuance of up to 156,416 shares designated as Series B Convertible Preferred Stock, with a cumulative dividend of 7% during the first year and 8% thereafter, payable either in cash or by the issuance of shares of common stock. 112,000 shares of Series B Convertible Preferred Stock (the "Preferred Stock") were issued on February 16, 1993 in partial payment of the purchase price for Spring Grove. Except for payment of dividends on the Preferred Stock, the Company intends to retain all earnings for use in the Company's business and therefore does not anticipate paying any cash dividends on its common stock in the foreseeable future. The Company's bank credit agreements contain financial covenants which may effectively restrict or limit the payment of dividends other than Preferred Stock dividends. See Note 9 to the Consolidated Financial Statements in Item 8 of this report.

Dividends on the Company's Preferred Stock are payable on the 15th day of January, April, July and October, at the rate of \$1.00 per share, per quarter; 112,000 shares are outstanding. Under the terms of the

Preferred Stock, the Company can elect to pay dividends in cash or in common stock with a market value equal to the amount of the dividend payable. The Company elected to pay the October 15, 1995 and the January 15, 1996 dividends in common stock. The market value of the common stock as of the October 1, 1995 and January 1, 1996 record dates of such dividends was \$3.8375 and \$2.6125, respectively. Accordingly, the Company has issued 72,058 shares of common stock to the holders of the Preferred Stock. The Company anticipates that the Preferred Stock dividends payable through 1996 will be paid in common stock.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial information should be reviewed in conjunction with Item 7--Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8--Financial Statements and Supplementary Data of this report.

Change of Fiscal Year. In 1992, the Company elected to change its fiscal year to coincide with the calendar year. Prior to the change, the Company's fiscal year ended on February 28. As a result, the Company had a ten-month transition period, from March 1, 1991 to December 31, 1991, between fiscal years. The change in fiscal year creates a reporting period which is consistent with various federal and state agencies which regulate the Company's business, and allows better comparability of the Company's results to other publicly traded environmental services companies.

Extraordinary Item. During the third quarter of 1994, the Company completed a public offering of \$50,000,000 of 12.50% Senior Notes, and used the net proceeds to prepay substantially all of the Company's debt, in order to refinance debt which had a 13.25% interest rate. The Company also wanted to reduce its reliance on floating rate bank debt, by extending the average life of its long-term debt and obtaining longer-term capital at an attractive fixed

interest rate. The refinancing resulted in approximately \$2,043,000 of expense relating to the early retirement of the outstanding debt, and an extraordinary charge of \$1,220,000 (\$.13 per share), net of income tax benefit, for redemption premiums paid to the holders of the prepaid debt and for the write-off of deferred financing costs.

Nonrecurring Charges. During the fourth quarter of 1995, the Company recorded a \$4,247,000 nonrecurring charge in connection with the reengineering of the Company's operations and the write-off of a non-performing asset, as well as the anticipated losses on the sale of certain non-core properties. Under the reengineering program, the Company has closed or downsized small, satellite offices; reduced employment levels; downsized its laboratory staff and relocated the laboratory to its waste handling facility in Braintree, Massachusetts; and will be relocating its corporate headquarters to a new location in Braintree, Massachusetts in the Spring of 1996. The components of the nonrecurring charge are as follows:

Severance and related costs.....	\$1,097,000
Write-off of non-performing asset.....	1,110,000
Real estate related charges.....	2,040,000
	-----
	\$4,247,000

During the fourth quarter of 1994, the Company renegotiated its lease on its corporate headquarters in Quincy, Massachusetts, such that the lease would terminate on or before December 31, 1995. The Company relocated its corporate headquarters to Braintree, Massachusetts in the spring of 1995. In addition, the Company has vacated laboratory space it rents in Bedford, Massachusetts, and is subleasing the space. As a result, the Company recorded a one-time, noncash charge of \$1,035,000 before taxes for the write-off of leasehold improvements at the two locations.

	TWELVE-MONTH YEAR ENDED DECEMBER 31,				TEN-MONTH PERIOD ENDED DECEMBER 31,
	1995	1994	1993	1992	1991
	-----				
	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)				
INCOME STATEMENT DATA:					
Revenues.....	\$209,250	\$207,073	\$200,114	\$176,193	\$127,473
Cost of revenues.....	156,779	146,132	134,525	116,473	85,921
Selling, general and administrative expenses..	39,574	38,910	42,296	35,923	23,856
Depreciation and amortization of intangible assets.....	10,081	10,250	10,319	8,884	6,601
Nonrecurring charges.....	4,247	1,035	--	--	--
	-----	-----	-----	-----	-----
Income (loss) from operations.....	(1,431)	10,746	12,974	14,913	11,095
Interest expense (net)....	8,657	7,432	7,198	7,064	5,925
	-----	-----	-----	-----	-----
Income (loss) before provision for income taxes and extraordinary item.....	(10,088)	3,314	5,776	7,849	5,170
Provision for (benefit from) income taxes.....	(3,195)	1,619	2,645	2,774	1,567

Income (loss) before extraordinary item.....	(6,893)	1,695	3,131	5,075	3,603
Extraordinary loss related to early retirement of debt, net of income tax benefit of \$823.....	--	1,220	--	--	--
Net income (loss).....	\$ (6,893)	\$ 475	\$ 3,131	\$ 5,075	\$ 3,603
Net income (loss) per common and common equivalent share before extraordinary item..	\$ (.77)	\$ .13	\$ .28	\$ .52	\$ .37
Extraordinary item.....	\$ --	\$ (.13)	--	--	--
Net income (loss) per common and common equivalent share.....	\$ (.77)	\$ .00	\$ .28	\$ .52	\$ .37
Weighted average number of common and common equivalent shares outstanding.....	9,475	9,635	9,884	9,743	9,739
BALANCE SHEET DATA:					
Working capital.....	\$ 11,697	\$ 20,814	\$ 18,320	\$ 15,487	\$ 14,529
Total assets.....	\$178,316	\$159,875	\$167,358	\$153,939	\$138,844
Long-term debt, less current portion.....	\$ 70,391	\$ 60,465	\$ 62,507	\$ 64,565	\$ 63,381
Stockholders' equity.....	\$ 60,374	\$ 67,326	\$ 67,371	\$ 58,065	\$ 50,787

23

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated certain operating data associated with the Company's results of operations. This table and subsequent discussions should be read in conjunction with Item 6--Selected Financial Data and Item 8--Financial Statements and Supplementary Data of this report.

	PERCENTAGE OF TOTAL REVENUES				
	TWELVE-MONTH YEAR ENDED DECEMBER 31,				TEN-MONTH PERIOD ENDED DECEMBER 31,
	1995	1994	1993	1992	1991
Revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues:					
Disposal costs paid to third parties.....	15.4	13.5	15.4	18.2	20.6
Other costs.....	59.5	57.1	51.8	47.9	46.8
Total cost of revenues.....	74.9	70.6	67.2	66.1	67.4
Selling, general and administrative expenses.....	18.9	18.8	21.1	20.4	18.7
Depreciation and amortization of					

intangible assets.....	4.9	4.9	5.2	5.0	5.2
Nonrecurring charges.....	2.0	0.5	--	--	--
	-----	-----	-----	-----	-----
Income (loss) from operations.....	(0.7)	5.2	6.5	8.5	8.7
Interest expense (net).....	4.1	3.6	3.6	4.0	4.7
	-----	-----	-----	-----	-----
Income (loss) before provision for income taxes and extraordinary item.....	(4.8)	1.6	2.9	4.5	4.0
Provision for (benefit from) income taxes.....	(1.5)	0.8	1.3	1.6	1.2
	-----	-----	-----	-----	-----
Income (loss) before extraordinary item.....	(3.3)	0.8	1.6	2.9	2.8
Extraordinary loss from early retirement of debt.....	--	0.6	--	--	--
	-----	-----	-----	-----	-----
Net income (loss).....	(3.3)%	0.2%	1.6%	2.9%	2.8%
	=====	=====	=====	=====	=====

#### GENERAL

As part of its growth strategy, the Company seeks to expand into additional service areas by opening new service centers and sales offices, and by acquiring additional hazardous waste management facilities. In 1992, the Company made two acquisitions (Connecticut Treatment Corporation and Mr. Frank, Inc.). In 1993, the Company made one acquisition (Spring Grove Resource Recovery, Inc.) and opened two service centers in Waukegan, Illinois and Portsmouth, New Hampshire and eight sales offices. In 1994, the Company made one acquisition (the Richmond, Virginia oil reclamation facility), closed the Portsmouth, New Hampshire service center to reduce overhead, and opened two new service centers in Lake Charles, Louisiana and Charleston, South Carolina. In 1995, the Company made one acquisition (the Kimball, Nebraska incinerator), expanded its Chicago facility onto the adjacent site, closed its service centers in Bangor, Maine; Shrewsbury, Massachusetts; and Waukegan, Illinois, and opened two new service centers in Denver, Colorado and Houston, Texas.

Sales offices may become service centers as business around a sales office develops and the Company adds staff and equipment to support the increasing level of business. A sales office will become a service center by relocating to larger space and adding field technicians and personnel to service customers. As its sales territories evolve, the Company will relocate sales personnel from one area to another, and close sales offices while opening others in areas with growth potential. The Company currently has sales offices and service centers in 24 states and Puerto Rico.

The Company's operations are subject to seasonal fluctuations. Typically during the first quarter there is less demand for environmental remediation due to the cold weather, particularly in the Northeast and Midwest

regions. In addition, factory closings for the year-end holidays reduce the volume of industrial waste generated, which results in lower volumes of waste handled by the Company during the first quarter of the following year. Customer spending for environmental remediation services is also influenced by budgetary cycles and constraints, and remediation projects are typically fewer in the first quarter of the budget year, with more projects occurring in subsequent quarters as customers seek to complete budgeted projects before the end of the year.

The Company analyzes its results of operations based on the geographical locations of its service centers. The Company believes this method of analysis is appropriate because geographical areas differ in types of customers; the scope and maturity of the Company's operations; the Company's investments in facilities and the number of service centers and sales offices; degree of

competition; and local economic and regulatory conditions.

The following table sets forth for the periods indicated the Company's revenues by region, based upon the locations of its service centers, as of December 31, 1995.

REGION	NUMBER OF SERVICE CENTERS	1995		1994		1993	
(DOLLARS IN THOUSANDS, UNAUDITED)							
Northeast.....	7	\$ 82,779	39%	\$ 82,391	40%	\$ 84,906	42%
Mid-Atlantic.....	9	66,318	32%	70,861	34%	63,894	32%
Central.....	3	34,912	17%	29,847	14%	26,044	13%
Midwest.....	3	25,241	12%	23,974	12%	25,270	13%
Total.....	22	\$209,250	100%	\$207,073	100%	\$200,114	100%

The Company continues to expand its Mid-Atlantic region as it penetrates the southern part of the country, by expanding its network of sales offices and service centers. With its new service centers and sales offices in the southern states of South Carolina, Georgia, Tennessee, Louisiana, and Texas, the Company expects its business in that region to expand in 1996. The Company may decide to form a new southern region so it can analyze and report on its results of operations in that developing area.

The Company also analyzes its revenues on a product line basis based upon the type of principal services provided. The principal services provided by the Company fit within three categories: treatment and disposal of industrial wastes ("Treatment and Disposal"); field services provided at customer sites ("Field Services"); and specialized repackaging, treatment and disposal services for laboratory chemicals and household hazardous wastes ("CleanPack Services").

TYPE OF SERVICE	1995		1994		1993	
(DOLLARS IN THOUSANDS; UNAUDITED)						
Treatment and Disposal.....	\$ 92,005	44%	\$ 84,523	41%	\$ 90,181	45%
Field Services.....	87,898	42%	94,360	46%	80,940	40%
CleanPack Services.....	29,347	14%	28,190	13%	28,993	15%
Total.....	\$209,250	100%	\$207,073	100%	\$200,114	100%

1995 COMPARED WITH 1994

Revenues. Revenues for 1995 were \$209,250,000, a new Company record. During 1994, the Company received approximately \$7,000,000 of revenue from its leading role in the cleanup of a large oil spill from a barge off the coast of Puerto Rico. Excluding the revenue from that event last year, the Company's base business grew approximately 5% from 1994 to 1995.

Treatment and disposal services revenue increased 9% from 1994 to 1995, reversing a two year period of declining revenue in this product line. The

decline was due to a variety of secular trends impacting both price and volume: competitive industry pricing; continuing efforts by generators of hazardous waste to reduce the amount of hazardous waste they produce; and shipment by generators of waste direct to the ultimate treatment or disposal location. The Company has responded to these industry trends in several ways, primarily by modernizing the Company's facilities to offer more technologically advanced waste treatment alternatives, such as the Kimball incinerator in Nebraska and the Clean Extraction System in Baltimore and by acquiring treatment and disposal facilities that expand the Company's product lines. For example, during 1995, the Company completed the installation of an automated fuels blending operation at its Cincinnati waste treatment plant, which establishes the Company in the fuels blending business for the first time.

Field services revenue increased only slightly from 1994 to 1995, excluding the Puerto Rico oil spill revenue. CleanPack revenue increased 4% from 1994 to 1995. While the Company has protected its market share in existing regions and established new business relationships in the newer regions, significant price competition has impacted revenue growth.

The Company is expanding its service capabilities in the Gulf Coast and Southern regions of the United States. During 1995, the Company opened service centers in Georgia and Kentucky, and expanded its new service centers in Colorado and Texas, by adding staff and equipment to support the increasing level of business in the newer regions. The Company expects to introduce new waste management capabilities in the Midwest region with the significant expansion of its Chicago facility. The Company also expects its revenues in all four regions and all three product lines to benefit from the acquisition of the Kimball incinerator.

Cost of Revenues. One of the largest components of cost of revenues is the cost of sending waste to other companies for disposal. The Company has been able to upgrade the quality and efficiency of its waste treatment services through the development of new technology, strategic acquisitions, and continued modifications and upgrades at its facilities. Although these actions reduced the Company's dependence on outside disposal vendors such as landfills and incinerators, to which the Company sends waste for ultimate disposal, the increasingly competitive nature of the hazardous waste industry has significantly reduced the margins earned on waste sent to outside disposal. The Company also experienced an increase in the volume of field service work which involved direct shipments to disposal facilities owned by third parties. As a result, the Company's outside disposal costs increased to 15.4% of revenue in 1995 from 13.9% of revenue in 1994 (calculated excluding revenue from the Puerto Rico oil spill, which had no outside disposal costs). These factors support the Company's decision to acquire the Kimball incinerator, in order to reduce the Company's reliance on third-party disposal outlets, and capture the gross margin being paid to vendors.

Since the Kimball incinerator is a new facility, and a recent entrant to the incineration marketplace, volumes are growing slowly due to the time required for customers to audit and approve the facility and begin shipping waste to it. As a result, the incinerator experienced a loss from operations of approximately \$1,500,000 during 1995. The Company expects the volumes of waste processed to increase during 1996, now that CERCLA approval has been obtained and the on-site landfill is in operation.

The Company has begun cost savings plans to reduce operating costs as a percentage of revenue during 1996. Through reengineering, a two-year long effort which began in January 1994, the Company has significantly reduced its cost structure while improving service quality and competitiveness in the marketplace. The reengineering and cost control efforts have identified over \$10,000,000 in potential cost reductions which are expected to be realized in 1996. These savings will be achieved through introducing new computer systems to strengthen the Company's business processes, exiting non-core businesses, and reducing both the number of offices and the amount of rented space. The Company believes that cost reductions will enable the Company to return to profitability in 1996.

The nonrecurring charge of \$4,247,000 resulted primarily from the reengineering program, which identified more efficient methods of servicing customers as well as certain assets and field locations which are

26

no longer integral to the Company's operations. Included in the charge are \$2,400,000 of non-cash items. The Company has reorganized and reduced its workforce to reflect these operational changes, and reduced its rental of corporate offices and satellite field service locations by approximately \$1,160,000 per year. In addition to the \$10,000,000 in anticipated cost reductions, the Company will realize expected net cash savings of \$3,300,000, primarily from the tax savings of the nonrecurring charge and the sale of certain office and maintenance facilities.

**Selling, General and Administrative Expenses.** During 1995, the Company established a sales presence in Alabama, California, Colorado, and Florida and spent considerable sums of money on building marketing campaigns for the Kimball incinerator and the expanded Chicago waste treatment facility. As a result of the Company's strategy to expand geographically, by adding sales offices and service centers in the southern and western parts of the United States, and to add product lines, such as the Kimball incinerator, its sales expenses have increased. Although there continues to be increased costs associated with the expansion efforts, the Company has implemented cost savings programs which have, to some extent, offset these growth related expenditures. The Company anticipates 1996 selling, general and administrative expenses to decline from the 1995 level.

**Interest Expense.** Interest expense increased during 1995 as a result of an increase in the Company's average cost of capital, due to its decision in 1994 to reduce its reliance on floating rate bank debt through the issuance of \$50,000,000 of 12.50% Senior Notes, and an increase in total long-term debt, due to the costs of the acquisition of the Kimball incinerator and the expansion of the Chicago facility. No interest was capitalized during 1995.

**Provision for Income Taxes.** The effective income tax rate for 1995 was 32%, as compared to 49% for 1994. The rate fluctuates depending on the amount of income before taxes, as compared to the fixed amount of goodwill and other non-deductible items.

#### 1994 COMPARED WITH 1993

**Revenues.** Revenues for 1994 were \$207,073,000, a 3.5% increase over 1993 revenues of \$200,114,000. As shown in the regional revenue table above, the Mid-Atlantic and Central regions showed continued progress in gaining market share, as revenues in those regions grew 11% and 15%, respectively, in contrast to the Northeast and Midwest regions, where revenues declined 3% and 5%, respectively. Industrywide pricing pressures, particularly in the treatment and disposal and CleanPack product lines, impacted revenues.

The Northeast and Midwest regions have historically been strong markets for handling drummed waste. Customers have changed their waste handling systems to store and ship more waste in bulk, which allows them to ship directly to the ultimate disposal location and bypass transfer facilities, reducing their unit disposal costs. These changes, combined with efforts by customers to minimize the amount of hazardous waste generated, tended to offset the Company's gains in market share and number of jobs performed in all regions as it expands the range of services offered and the geographic territory served. In addition, price competition in the CleanPack business caused a decline in revenues from that product line, particularly in the Northeast and Midwest regions.

The 3% revenue decline in the Northeast region was consistent with the Company's expectations for the region, since the prevailing trend over the past few years has been flat, as major industries in the region, such as defense, aerospace, computers, and high-technology, have experienced cutbacks in production. However, the mix of business has shifted, from treatment and disposal to field service. During 1994, the Company completed several large

remediation projects in the Northeast region, which involved direct shipment of waste to disposal sites.

The 5% revenue decline in the Midwest region was due to a decline of approximately 20% in the volumes of waste handled, as the Company avoided low-margin waste and focused on improving profitability in that

27

region. Revenue in the Mid-Atlantic region grew 11% from 1993 to 1994, primarily due to approximately \$7,000,000 of revenue from the Company's leading role in the cleanup of a large oil spill from a barge off the coast of Puerto Rico, which was classified as field service revenue.

Revenue in the Central region grew 15% from 1993 to 1994, as the Company continued to gain market share in the Central region, as it has for the past several years. For example, 1992 revenues were 53% higher than 1991 revenues, and 1993 revenues were 17% higher than 1992 revenues.

CleanPack product line revenue declined 3% from 1993 to 1994, primarily due to price competition, particularly in collecting hazardous waste from households, which is competitively bid by the municipalities sponsoring the townwide or citywide collection programs.

Cost of Revenues. The Company's outside disposal costs decreased to 13.5% of revenue in 1994 from 18.2% of revenue in 1992. The Company's cost of revenues, excluding disposal costs paid to third parties, increased to 57.1% of total revenues in 1994 from 51.8% in 1993, as intense price competition and increased costs combined to offset the benefits the Company experiences from a competitive pricing environment among disposal facilities. While the Company has managed to control most of its fixed costs, such as insurance costs, other items such as rent and telephone expense have increased as the Company opens new locations and expands its service territory. The largest increases in operating costs were for subcontractors, rentals, and outside transportation. The Puerto Rico oil spill cleanup was classified as a field service job. In that cleanup, the Company was primarily responsible for overseeing the work of local employees and subcontractors, and the waste disposal was handled by other parties. As a result, although the Company realized over \$7,000,000 of revenue, its gross margin on the job was significantly lower than the margins it typically realizes on its field service work.

As a result, the cost of revenues increased to 70.6% of revenues in 1994, as compared to 67.2% of revenues in 1993, reflecting the competitive pricing trends in the hazardous waste industry. To offset this pricing erosion, the Company in 1993 began a reengineering effort aimed at reducing its cost structure and streamlining its treatment and disposal services, while maintaining a high quality of customer service. One result of this reengineering effort was the Company's decision to relocate its headquarters to less expensive, smaller space. With the elimination of several functions and the centralization of others, its headquarters staff was reduced to less than 100 people. Other goals of the reengineering effort were to increase the ratio of billable to nonbillable personnel, improve bidding and execution of jobs, achieve better pricing of remediation work, and decline jobs with less than acceptable margins.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased to \$38,910,000 or 18.8% of revenues in 1994, as compared to \$42,296,000 or 21.1% of revenues for 1993. One of the goals of the reengineering program that began in 1993 was to reduce the number of nonbillable personnel, through elimination of positions and reassigning some people from nonbillable overhead positions to billable positions included in gross margin, in an effort to reduce selling, general and administrative costs to a quarterly rate of approximately \$10,000,000 going into 1994. Management of the Company set a goal of reducing selling, general and administrative costs approximately 5% in 1994, and exceeded the goal by achieving an 8% reduction.



Interest Expense. Interest expense for 1994 was 3.6% of revenues, the same percentage as for 1993. Total debt at December 31, 1994 was \$8,199,000 lower than at December 31, 1993, as the Company used funds provided from operations to reduce its bank debt. The public offering of \$50,000,000 of 12.50% Senior Notes caused an increase in the Company's average interest cost, since the interest rate was higher than the floating rate paid on its bank debt. No interest was capitalized during 1994 or 1993.

Provision for Income Taxes. The effective income tax rate for 1994 was 49%, an increase over the 46% effective income tax rate for 1993. The rate for both years was higher than the combined state and federal statutory rate due in part to the amortization of goodwill on acquisitions made before July 1991, which is

28

nondeductible for income tax reporting purposes. The rate fluctuates depending on the amount of income before taxes, as compared to the fixed amount of goodwill and other nondeductible items.

#### FACTORS THAT MAY AFFECT FUTURE RESULTS

From time to time, the Company and employees acting on behalf of the Company make forward-looking statements concerning the expected revenues, results of operations, capital expenditures, capital structure, plans and objectives of management for future operations, and future economic performance. This report contains forward-looking statements. There are many factors which could cause actual results to differ materially from those projected in a forward-looking statement, and there can be no assurance that such expectations will be realized.

The Company's future operating results may be affected by a number of factors, including the Company's ability to: continue to implement the treatment and disposal reengineering program; utilize its facilities and workforce profitably, in the face of intense price competition; successfully increase market share in its existing service territory while expanding its product offerings into other markets; integrate additional hazardous waste management facilities, such as the Kimball incinerator and the expanded Chicago facility; realize benefits from cost reduction programs; and generate incremental volumes of waste to be handled through such facilities from existing sales offices and service centers and others which may be opened in the future.

The future operating results of the Kimball incinerator may be affected by factors such as its ability to: obtain sufficient volumes of waste at prices which produce revenue sufficient to offset the operating costs of the facility; minimize downtime and disruptions of operations; and compete successfully against other incinerators which have an established share of the incineration market.

The Company's operations may be affected by the commencement and completion of major site remediation projects; seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers' spending for remedial activities; the timing of regulatory decisions relating to hazardous waste management projects; changes in regulations governing the management of hazardous waste; secular changes in the waste processing industry towards waste minimization and the propensity for delays in the remedial market; suspension of governmental permits; and fines and penalties for noncompliance with the myriad of regulations governing the Company's diverse operations. As a result of these factors, the Company's revenue and income could vary significantly from quarter to quarter, and past financial performance should not be considered a reliable indicator of future performance.

Typically during the first quarter of each calendar year there is less demand for environmental remediation due to the cold weather, particularly in the Northeast and Midwest regions. In addition, factory closings for the year-end holidays reduce the volume of industrial waste generated, which results in

lower volumes of waste handled by the Company during the first quarter of the following year.

The Company participates in a highly volatile industry, with multiple competitors, many of which have taken large write-offs and asset write-downs and undergone major restructurings during the past two years. As the industry consolidates, other companies may undergo such restructurings and incur special charges in an effort to reduce costs and offset the intense price competition in a competitive marketplace. The Company's participation in a highly dynamic industry often results in significant volatility of the Company's common stock price, as well as that of its competitors.

The Company's business has not been significantly affected by inflation during the periods discussed above.

#### ENVIRONMENTAL CONTINGENCIES

While increasing environmental regulation often presents new business opportunities to the Company, it likewise often results in increased operating costs as the Company expands its compliance staff to cope with

29

the myriad of federal, state and local regulations. The Company strives to conduct its operations in compliance with applicable laws and regulations, including environmental rules and regulations, and has as its goal 100% compliance. This effort requires programs to promote compliance, such as training employees and customers, purchasing health and safety equipment, and in some cases hiring outside consultants and lawyers. Even with these programs, management believes that in the ordinary course of doing business, companies in the environmental services and waste disposal industry are faced with governmental enforcement proceedings resulting in fines or other sanctions and will likely be required to pay civil penalties or to expend funds for remedial work on waste management facilities.

From time to time, the Company has paid fines or penalties in governmental environmental enforcement proceedings, usually involving its waste treatment, storage and disposal facilities. At December 31, 1995, however, there were no pending governmental environmental enforcement proceedings where the Company believes potential monetary sanctions will exceed \$100,000. The possibility always exists that substantial expenditures could result from governmental proceedings, which would have a negative impact on earnings for a particular reporting period. More importantly, federal, state and local regulators have the power to suspend or revoke permits or licenses needed for operation of the Company's plants, equipment, and vehicles, based on the Company's compliance record, and customers may decide not to use a particular disposal facility or do business with a company because of concerns about the compliance record. Suspension or revocation of permits or licenses would impact the Company's operations and could have a material adverse impact on financial results.

Certain Company subsidiaries have transported or generated waste sent to sites which have been designated state or federal Superfund sites. As a result, the Company has been named as a potentially responsible party at 20 state and federal Superfund sites. Eleven of these sites involve two subsidiaries which the Company acquired from Chemical Waste Management, Inc. ("ChemWaste"), a wholly-owned subsidiary of WMX Technologies, Inc., and one site involves a subsidiary which the Company acquired from Southdown, Inc., a public company. As part of these acquisitions, ChemWaste and Southdown, Inc. agreed to indemnify the Company with respect to any liability of such subsidiaries for waste disposed of before the Company acquired them. With respect to the other Superfund sites, the Company has established reserves or escrows which it believes are appropriate, such that any future settlement costs of lawsuits arising from any or all of the 20 Superfund sites will not be material to the Company's operations or financial position. As of December 31, 1995, the Company had accrued or incurred environmental costs of approximately \$800,000 for cleanup of Superfund sites.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations and capital expenditures primarily by cash flow from operations and additions to long-term debt. Cash provided by operations, before changes in current assets and current liabilities, was \$4,516,000 in 1995, as compared to \$13,121,000 in 1994.

During 1995, the Company spent \$8,852,000 on additions to plant and equipment and construction in progress, and \$5,160,000 on the acquisition of the Kimball incinerator. In addition, the Company spent \$7,805,000 for the financial assurance policies associated with the acquisition. See Note 5 to the Consolidated Financial Statements in this report for a description of the costs of the incinerator acquisition. Net additions to long-term debt provided \$12,121,000 in 1995. During 1994, the Company spent \$5,510,000 on additions to property, plant, and equipment and construction in progress, excluding the cost to acquire the waste oil processing facility near Richmond, Virginia, and reduced its long-term debt by \$8,199,000.

At December 31, 1994, the Company had a \$35,000,000 revolving credit facility with three banks. In connection with the acquisition of the Kimball, Nebraska hazardous waste incineration facility in May 1995, the Company entered into a new \$45,000,000 revolving credit and term loan agreement (the "Loan Agreement") with another financial institution, which replaced the bank credit facility. The Loan Agreement originally provided for a \$35,000,000 revolving credit portion (the "Revolver") and a \$10,000,000 term

30

promissory note (the "Term Note"). On March 20, 1996, the Loan agreement was amended to increase the Term Loan from its amortized balance of \$8,333,000 to \$15,000,000 and decrease the revolving credit portion to \$30,000,000. This change in structure of the agreement allows the Company greater availability under the Loan Agreement. The new Term Note is payable in 60 monthly installments, commencing April 1, 1996. Monthly principal payments are \$250,000. The Revolver allows the Company to borrow up to \$30,000,000 in cash and letters of credit. Letters of credit may not exceed \$20,000,000 at any one time. The Revolver has a three-year term with an option to renew annually.

The Loan Agreement terms include a borrowing limit which fluctuates depending on the level of accounts receivable which collateralize the Loan Agreement. The Loan Agreement terms allow the Company to make regularly scheduled payments of principal and interest on its other indebtedness for borrowed money, to pay dividends in cash on its preferred stock, to prepay such debt or redeem such preferred stock, and to make acquisitions of other companies, provided that on each of the sixty consecutive days prior thereto, and after giving effect thereto, the Company shall maintain borrowing availability in excess of \$4,500,000. As a result of the Company's significant capital expenditures during 1995, its liquidity was reduced below the \$4,500,000 level expected to be maintained under the provisions of the Loan Agreement described above. Its lender has waived compliance with the Loan Agreement covenant requiring \$4,500,000 of excess availability through May 20, 1996.

The Company believes it has adequate liquidity, since its operations along with the provisions of the amended Loan Agreement are expected to produce cash flow in excess of the amounts required to finance its operations and its capital expenditures during 1996. In addition, the Company will realize expected net cash savings of \$3,300,000, primarily from the tax savings of the nonrecurring charge and the sale of certain office and maintenance facilities, described above under "Results of Operations--1995 Compared With 1994". It is expected that capital expenditures in 1996 will be approximately \$6,000,000. The Company is also obligated to provide additional collateral security under the financial assurance policies associated with the acquisition of the Kimball incinerator, by delivering to the insurance company a letter of credit in the amount of \$1,000,000, which will increase by \$250,000 each quarter until the balance of the letter of credit is \$3,006,000.

## RECENT ACCOUNTING PRONOUNCEMENTS

Statement of Position 94-6, "Disclosure of Certain Significant Risks and Uncertainties", (SOP 94-6) prepared by the Accounting Standards Executive Committee addresses the required disclosures about the risks and uncertainties which may exist as of the date of the financial statements in the following areas: nature of operations, use of estimates in the preparation of financial statements, certain significant estimates, and current vulnerability due to certain concentrations. Adoption of SOP 94-6 did not have a material impact of the Company's financial condition or results of operations.

Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets to be disposed of" (SFAS 121), issued by the Financial Accounting Standards Board in March 1995 establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used for long-lived assets and certain identifiable intangibles to be disposed of. This statement is effective for financial statements for fiscal years beginning after December 15, 1995. The Company does not believe the adoption of SFAS 121 will have on material impact on the Company's financial condition or results of operations.

Statements of Financial Accounting Standards No. 123 "Accounting for Stock Based Compensation" (SFAS 123), issued by the Financial Accounting Standards Board in October 1995 establishes financial accounting and reporting for stock based employee compensation plans. This standard is effective for financial statements for fiscal years beginning after December 15, 1995. The Company will adopt only the disclosure provisions of SFAS 123, the measurement criteria will not be adopted. This SFAS will not have a material impact on the Company's financial condition or results of operations.

31

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Clean Harbors, Inc.:

We have audited the consolidated financial statements and the financial statement schedule of Clean Harbors, Inc. and its subsidiaries listed in Item 14(a) of this Form 10-K. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Clean Harbors, Inc. and its subsidiaries as of December 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

Coopers & Lybrand L.L.P.

Boston, Massachusetts  
 January 31, 1996 (except with  
 respect to Note 9, as to which  
 the date is March 20, 1996)

CLEAN HARBORS, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF INCOME  
 (IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	FOR THE YEARS ENDED DECEMBER 31,		
	1995	1994	1993
	-----	-----	-----
Revenues.....	\$ 209,250	\$ 207,073	\$ 200,114
Cost of revenues.....	156,779	146,132	134,525
Selling, general and administrative expenses.....	39,574	38,910	42,296
Depreciation and amortization of intangible assets.....	10,081	10,250	10,319
Nonrecurring charges.....	4,247	1,035	--
	-----	-----	-----
Income (loss) from operations.....	(1,431)	10,746	12,974
Interest expense (net).....	8,657	7,432	7,198
	-----	-----	-----
Income (loss) before provision for income taxes and extraordinary item.....	(10,088)	3,314	5,776
Provision for (benefit from) income taxes.....	(3,195)	1,619	2,645
	-----	-----	-----
Income (loss) before extraordinary item.....	(6,893)	1,695	3,131
Extraordinary loss related to early retirement of debt, net of income tax benefit of \$823.....	--	1,220	--
	-----	-----	-----
Net income (loss).....	\$ (6,893)	\$ 475	\$ 3,131
	=====	=====	=====
Net income (loss) per common and common equivalent share before extraordinary item.....	\$ (.77)	\$ .13	\$ .28
	=====	=====	=====
Extraordinary item.....	\$ --	\$ (.13)	--
	=====	=====	=====
Net income (loss) per common and common equivalent share.....	\$ (.77)	\$ .00	\$ .28
	=====	=====	=====
Weighted average common and common equivalent shares outstanding.....	9,475	9,635	9,884
	=====	=====	=====

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

CONSOLIDATED BALANCE SHEETS

ASSETS  
(IN THOUSANDS)

AS OF DECEMBER 31,

-----  
1995            1994  
-----

CURRENT ASSETS:

Cash and cash equivalents.....	\$       225	\$    1,000
Restricted investments.....	2,460	1,542
Accounts receivable, less reserves of \$1,044 and \$1,495, respectively.....	48,417	44,834
Prepaid expenses.....	2,039	1,894
Supplies inventories.....	2,970	2,670
Income tax receivable.....	722	178
Deferred tax asset.....	2,415	--
	-----	-----
Total current assets.....	59,248	52,118
	-----	-----

PROPERTY, PLANT AND EQUIPMENT:

Land.....	8,364	8,209
Buildings and improvements.....	39,770	31,535
Vehicles and equipment.....	77,384	72,494
Furniture and fixtures.....	2,155	2,129
Construction in progress.....	1,317	3,118
	-----	-----
	128,990	117,485
Less--accumulated depreciation and amortization.....	54,256	47,713
	-----	-----
	74,734	69,772
	-----	-----

OTHER ASSETS:

Restricted investments.....	5,207	--
Goodwill (net).....	22,202	22,926
Permits (net).....	13,489	14,244
Other.....	3,436	815
	-----	-----
	44,334	37,985
	-----	-----
Total assets.....	\$ 178,316	\$ 159,875
	=====	=====

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY  
(IN THOUSANDS EXCEPT FOR SHARE INFORMATION)

AS OF DECEMBER 31,  
-----

	1995	1994
	-----	-----
CURRENT LIABILITIES:		
Current maturities of long-term obligations.....	\$ 3,605	\$ 1,715
Accounts payable.....	18,614	10,686
Accrued disposal costs.....	7,446	6,179
Other accrued expenses.....	17,886	12,724
	-----	-----
Total current liabilities.....	47,551	31,304
	-----	-----
Long-term obligations, less current maturities.....	70,391	60,465
Deferred income taxes.....	--	780
Commitments and contingent liabilities (Notes 4, 8, 9, 10, 13 and 14)		
Stockholders' equity:		
Preferred stock, \$.01 par value:		
Series A convertible preferred stock		
Authorized--2,000,000 shares; issued and outstanding--none.....	--	--
Series B convertible preferred stock		
Authorized--156,416 shares; issued and outstanding-- 112,000 shares at December 31, 1995 and 1994 (liquidation preference of \$5,600,000).....	1	1
Common stock, \$.01 par value:		
Authorized--20,000,000 shares; issued and outstanding 9,524,676 shares at December 31, 1995 and 9,431,282 shares at December 31, 1994.....	96	95
Additional paid-in capital.....	58,871	58,590
Unrealized loss on restricted investments, net of tax..	(7)	(113)
Retained earnings.....	1,413	8,753
	-----	-----
Total stockholders' equity.....	60,374	67,326
	-----	-----
Total liabilities and stockholders' equity.....	\$ 178,316	\$ 159,875
	=====	=====

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

35

CLEAN HARBORS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

	FOR THE YEARS ENDED DECEMBER 31,		
	-----	-----	-----
	1995	1994	1993
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss).....	\$ (6,893)	\$ 475	\$ 3,131
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	10,081	10,250	10,319
Write-off of leasehold improvements...	--	1,035	--
Non-cash charge for reengineering program.....	3,684	--	--

Allowance for doubtful accounts.....	381	776	709
Amortization of deferred financing costs.....	536	357	408
Write-off of deferred financing costs.....	--	963	--
Deferred income taxes.....	(3,286)	(929)	692
Loss on sale of fixed assets.....	9	191	145
(Gain) loss on sale of investments....	4	2	(1)
Amortization of bond premiums (discounts).....	--	1	(1)
Changes in assets and liabilities, net of effects of businesses acquired:			
Accounts receivable.....	(3,962)	926	(8,454)
Income taxes receivable.....	(544)	429	(191)
Prepaid expenses.....	(268)	459	531
Supplies inventories.....	(300)	(237)	(157)
Accounts payable.....	7,063	1,122	(2,898)
Accrued disposal costs.....	1,267	(545)	2,336
Other accrued expenses.....	2,206	2,260	(1,865)
Income tax payable.....	--	--	151
	-----	-----	-----
Net cash provided by operating activities.....	9,978	17,535	4,855
	-----	-----	-----
Cash flows from investing activities:			
Payment for businesses acquired, net of cash acquired.....	--	(200)	(1,394)
Additions to property, plant and equipment.....	(12,984)	(5,270)	(7,874)
Decrease in other restricted investments.....	--	--	203
Proceeds from sales and maturities of restricted investments.....	202	232	248
Cost of restricted investments purchased.....	(6,124)	(960)	(463)
Increase in other assets.....	(2,661)	(103)	(97)
Proceeds from sale of fixed assets.....	36	155	34
Increase in permits.....	(140)	--	(147)
	-----	-----	-----
Net cash used in investing activities...	(21,671)	(6,146)	(9,490)
	-----	-----	-----

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

36

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
(IN THOUSANDS)

FOR THE YEARS ENDED DECEMBER 31,

	1995	1994	1993
	-----	-----	-----
Cash flows from financing activities:			
Preferred stock dividend distribution.. \$	(335)	\$ (429)	\$ (251)
Issuance of long-term debt.....	10,000	50,000	--
Payments on long-term obligations.....	(2,922)	(33,449)	(1,906)
Additions to deferred financing costs..	(842)	(2,364)	(293)



Net borrowings (payments) under long-term revolver.....	4,848	(24,991)	6,630
Proceeds from exercise of stock options.....	17	28	646
Proceeds from employee stock purchase plan.....	152	--	--
	-----	-----	-----
Net cash provided by (used in) financing activities.....	10,918	(11,205)	4,826
	-----	-----	-----
(Decrease) Increase in cash and cash equivalents.....	(775)	184	191
Cash and cash equivalents, beginning of year.....	1,000	816	625
	-----	-----	-----
Cash and cash equivalents, end of year... \$	225	\$ 1,000	\$ 816
	=====	=====	=====

FOR THE YEARS ENDED DECEMBER 31,

	1995	1994	1993
	-----	-----	-----

Supplemental Information:

Cash payments for interest and income taxes:				
Interest.....	\$ 8,715	\$ 6,648	\$ 6,536	
Income taxes.....	1,410	1,585	2,117	
Liabilities assumed in conjunction with business acquisitions:				
Fair value of assets acquired.....	\$ 5,160	\$ 400	\$ 7,834	
Cash paid.....	4,132	200	1,400	
Issuance of common stock for acquisition.....	--	--	--	
Issuance of preferred stock for acquisition.....	--	--	5,600	
Liabilities assumed.....	1,028	200	834	
Noncash investing and financing activities:				
Capital lease obligations incurred.....	\$ 196	\$ 240	\$ 154	
Note payable to seller of equipment acquired.....	--	--	50	
Dividends declared but not paid.....	--	112	99	
Stock dividend on preferred stock.....	112	--	--	
Property, plant & equipment accrued....	865	--	--	

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE THREE YEARS ENDED DECEMBER 31, 1995  
(IN THOUSANDS)

SERIES B PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	UNREALIZED LOSS ON RESTRICTED	RETAINED	TOTAL STOCKHOLDERS'
NUMBER OF	\$.01 PAR	NUMBER OF	\$.01 PAR				

	SHARES	VALUE	SHARES	VALUE	CAPITAL	INVESTMENTS	EARNINGS	EQUITY
Balance, at December 31, 1992.....	--	\$ --	9,327	\$93	\$52,034	\$ --	\$ 5,938	\$58,065
Issuance of preferred stock for acquisition.....	112	1	--	--	5,599	--	--	5,600
Preferred stock dividends:								
Series B, \$3.50 per share.....	--	--	--	--	--	--	(350)	(350)
Proceeds from exercise of stock options.....	--	--	98	2	644	--	--	646
Tax benefit from exercise of stock options.....	--	--	--	--	279	--	--	279
Net income.....	--	--	--	--	--	--	3,131	3,131
Balance, at December 31, 1993.....	112	\$ 1	9,425	\$95	\$58,556	--	\$ 8,719	\$67,371
Preferred stock dividends:								
Series B, \$4.00 per share.....	--	--	--	--	--	--	(441)	(441)
Proceeds from exercise of stock options.....	--	--	6	--	28	--	--	28
Tax benefit from exercise of stock options.....	--	--	--	--	6	--	--	6
Unrealized loss on restricted investments.....	--	--	--	--	--	(113)	--	(113)
Net income.....	--	--	--	--	--	--	475	475
Balance, at December 31, 1994.....	112	\$ 1	9,431	\$95	\$58,590	\$ (113)	\$ 8,753	\$67,326
Preferred stock dividends:								
Series B, \$4.00 per share.....	--	--	29	--	112	--	(447)	(335)
Proceeds from exercise of stock options.....	--	--	6	--	17	--	--	17
Employee Stock Purchase Plan.....	--	--	59	1	152	--	--	153
Unrealized gain on restricted investments.....	--	--	--	--	--	106	--	106
Net loss.....	--	--	--	--	--	--	(6,893)	(6,893)
Balance, at December 31, 1995.....	112	\$ 1	9,525	\$96	\$58,871	\$ (7)	\$ 1,413	\$60,374

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) OPERATIONS

Clean Harbors, Inc. and its wholly-owned subsidiaries (collectively, the "Company") are engaged in the business of industrial waste management services involving treatment and disposal of industrial wastes; field services provided at customer sites; and specialized handling of laboratory chemicals and household hazardous wastes. The Company provides these services to a diversified customer base across the United States, primarily in the Northeast and Mid-Atlantic Regions.

(2) SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company reflect the application of certain significant accounting policies as described below:

(a) Principles of Consolidation

The accompanying consolidated statements include the accounts of Clean Harbors, Inc. and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

(b) Revenue Recognition

The Company recognizes revenues and accrues the related cost of treatment and disposal upon the receipt of waste materials, except for incineration when revenue is recognized as waste is burned. Other revenues are recognized as the related costs are incurred.

(c) Income Taxes

Under the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109), deferred tax assets and liabilities are determined based upon the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense or benefit is the result of changes in deferred tax assets and liabilities. The principal types of differences between assets and liabilities for financial statement and tax return purposes are accumulated depreciation, business combinations accounted for by the purchase method, and provisions for doubtful accounts.

(d) Net Income Per Common and Common Equivalent Share

Net income per common and common equivalent share is based on net income less preferred dividend requirements divided by the weighted average number of common and common equivalent shares outstanding during each of the respective years. Fully diluted net income per common share has not been presented as the amount would not differ significantly from that presented.

(e) Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with original maturities of less than three months to be cash equivalents.

(f) Restricted Investments

The Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115), in 1994. Under this statement, some of the Company's debt securities are classified as "available for sale" and are recorded at current market value with an offsetting valuation adjustment, net of tax, in stockholders' equity. The remaining securities are classified as "held to

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

maturity" and are recorded at amortized cost. In accordance with SFAS 115, financial statements from prior years have not been restated to reflect the change in accounting method. There was no cumulative effect as a result of adopting SFAS 115 in 1994.

(g) Supplies Inventory

Supplies inventory, stated at the lower of cost or market, is charged to operations on a first-in, first-out basis.

(h) Property, Plant and Equipment

Property, plant and equipment are stated at cost. The Company depreciates and amortizes the cost of these assets, less the estimated salvage value, using the straight-line method as follows:

ASSET CLASSIFICATION -----	ESTIMATED USEFUL LIFE -----
Buildings and improvements.....	5-30 years
Vehicles and equipment.....	3-15 years
Furniture and fixtures.....	5-8 years

Leaseholds are amortized over the shorter of the life of the lease or the asset. Upon retirement or other disposition, the cost and related accumulated depreciation of the assets are removed from the accounts and the resulting gain or loss is reflected in income. Site preparation and improvement costs are included in land.

(i) Goodwill and Permits

Goodwill and permits, as further discussed in Notes 5 and 6, are stated at cost and are being amortized using the straight-line method over 20 years for permits and periods ranging from 20 to 40 years for goodwill.

(j) Letters of Credit

The Company utilizes letters of credit to provide collateral assurance to issuers of performance bonds for certain contracts; to assure regulatory authorities that certain funds will be available for corrective action activities at its hazardous waste management facilities, as described in Note 8(b) below; and to provide financial assurance to regulators of its captive insurance company. As of December 31, 1995 and 1994, the Company had outstanding letters of credit amounting to \$7,535,000 and \$7,492,000, respectively.

As of December 31, 1995, the Company had no significant concentrations of credit risk.

(k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(3) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, restricted investments, and long-term obligations approximate fair value. The Company believes similar terms for long-term obligations would be attainable. The fair value of restricted investments and senior notes is based on quoted market prices for these securities. At

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

December 31, 1995, the estimated fair values of the Company's financial instruments are as follows (in thousands):

	CARRYING AMOUNT	FAIR VALUE
	-----	-----
Cash and cash equivalents.....	\$ 225	\$ 225
Restricted investments.....	7,667	8,143
Long-term obligations.....	26,398	26,398
Senior notes.....	50,000	25,063

#### (4) RESTRICTED INVESTMENTS

Federal and state regulations require liability insurance coverage for all facilities that treat, store, or dispose of hazardous waste, and financial assurance that certain funds will be available for closure of those facilities, should a facility cease operation. In 1989, the Company established a wholly-owned captive insurance company pursuant to the Federal Risk Retention Act of 1986. This company qualifies as a licensed insurance company and is authorized to write closure, professional liability, and pollution liability insurance for the Company and its operating subsidiaries. Investments are held by the captive insurance company as collateral for its insurance policies and are restricted for future payment of insurance claims. At December 31, 1995, the amortized cost of these securities was \$2,451,000. A valuation allowance of \$22,000 was recorded to reflect the market value of \$2,429,000, and a realized gain of \$4,000 was reflected in net income for the year. The amortized cost of these securities held at December 31, 1994 was \$1,731,000. A valuation allowance of \$220,000 was recorded to reflect the market value of \$1,511,000, and a realized loss of \$1,000 was reflected in net income for the year. Investments held consist of fixed maturity and mortgage-backed securities. Fixed maturity securities, other than mortgage-backed securities, have contractual maturity dates after five years through ten years from December 31, 1995. Expected maturities will differ from contractual maturities as borrowers may have the right to call or prepay obligations without penalties.

In addition, the Company deposited \$5,000,000 with a commercial insurance company to provide for closure costs of the incinerator (see Note 5 below). These government debt securities, which mature in ten years, are classified as held-to-maturity and are reported at amortized cost due to the intent and ability of the Company to hold these securities to maturity. At December 31, 1995 the amortized cost of these securities was \$5,207,000, while the market value was \$5,683,000.

#### (5) BUSINESS ACQUISITIONS

On May 12, 1995, the Company acquired a newly constructed hazardous waste incinerator in Kimball, Nebraska from Ecova Corporation, a wholly-owned affiliate of Amoco Oil Company. The incinerator is subject to the final permit requirements under the federal Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), and has a RCRA "Part B" license issued by the Nebraska Department of Environmental Quality ("NDEQ"). The incinerator is located on a 600 acre site, which includes a landfill for disposal of the ash from the incinerator. The Company acquired the Kimball facility for \$5,160,000.

Under RCRA, an owner or operator of a "Part B" licensed facility must provide financial assurance that funds will be available for closure of the facility, should the facility cease operation. An owner or operator may satisfy the requirements for financial assurance by using one of several mechanisms allowed under RCRA: a trust fund, surety bond, letter of credit, insurance, financial test, or corporate guarantee. The mechanism chosen by the Company was insurance which has been approved by NDEQ. The Company has obtained two insurance policies: one covers closure of the incinerator, and the other covers closure of the landfill and the post-closure costs of caring for the site after the landfill is closed. Each insurance policy has a 30 year

term.

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The NDEQ requires that the policy premiums through the year 2025 be prepaid by the Company to eliminate the risk that the policy might be canceled for failure to pay premiums some time in the future. The Company has also deposited funds into an escrow account as collateral for the insurance policies, which is restricted for future payment of insurance claims. Funds in the escrow account remain the property of the Company and are invested in long-term, fixed-rate interest bearing securities held as restricted investments.

As of December 31, 1995, the Company had paid \$1,805,000 for the premium on the insurance policy for the incinerator, and had deposited \$5,000,000 into the escrow account. The premium on the insurance policy for the landfill is \$2,000,000, payable in two installments of \$1,000,000 each, and the Company was required to deposit \$650,000 into the escrow account. During the fourth quarter of 1995, the Company paid the first \$1,000,000 premium installment; the second installment is payable in September 1996. The Company made the \$650,000 deposit into the escrow account in the first quarter of 1996. The Company is also obligated to deliver to the insurance company a letter of credit in the amount of \$1,000,000, which will increase by \$250,000 each quarter until the balance of the letter of credit is \$3,006,000, to provide additional collateral under the two insurance policies.

On September 30, 1994, the Company acquired the assets of a hazardous and nonhazardous oil reclamation facility located near Richmond, Virginia from Chemical Waste Management, Inc. ("ChemWaste") for \$200,000 in cash and \$200,000 in credits for future Company services. As of December 31, 1995 all credits had been used by ChemWaste.

On February 16, 1993, the Company acquired all of the outstanding shares of Spring Grove Resource Recovery, Inc. ("Spring Grove"), a hazardous waste treatment, storage and disposal facility located in Cincinnati, Ohio, from Southdown Environmental Treatment Systems, Inc. ("SETS") in exchange for \$1,400,000 in cash and 112,000 shares of newly issued Series B Convertible Preferred Stock with a stated value of \$5,600,000.

The results of operations of the Kimball incinerator, Spring Grove and the Richmond facility are included in the consolidated financial statements subsequent to the dates of acquisition by the Company. Pro forma information has not been included concerning these acquisitions since the assets and operations acquired were not material to those of the Company.

(6) INTANGIBLE ASSETS

Below is a summary of intangible assets at December 31, 1995 and 1994 (in thousands):

	1995	1994
	-----	-----
Permits.....	\$17,676	\$17,536
Goodwill.....	27,529	27,529
	-----	-----
	45,205	45,065
Less--accumulated amortization.....	9,514	7,895
	-----	-----
	\$35,691	\$37,170
	=====	=====

Amortization expense approximated \$1,619,000, \$1,619,000, and \$1,433,000 for the years 1995, 1994, and 1993, respectively. The Company continually reevaluates the propriety of the carrying amount of permits and goodwill as well as the amortization period to determine whether current events and circumstances warrant adjustments to the carrying value and estimates of useful lives. At this time, the Company believes that no significant impairment of goodwill or permits has occurred and that no reduction of the book value or estimated useful lives is warranted.

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

(7) OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following (in thousands):

	1995	1994
	-----	-----
Insurance.....	\$ 6,089	\$ 3,985
Other items.....	11,797	8,739
	-----	-----
	\$17,886	\$12,724
	=====	=====

(8) LEGAL MATTERS AND OTHER CONTINGENCIES AND COMMITMENTS

(a) Legal Matters

In April, 1988, the Board of Selectman of Braintree, Massachusetts, approved a cease and desist order with respect to the handling of flammable materials stored at the Company's Braintree facility. The Board concluded that, when the Company purchased the land on which the Braintree facility is located, a license for the storage of flammable liquids was not conveyed as an incident of ownership. The Company petitioned the Massachusetts Land Court for a declaratory judgment that either the Company possesses such a license by operation of law or that the statute requiring the license is pre-empted by the pervasive state regulation of hazardous waste facilities. In March, 1994, the Land Court issued a favorable ruling, concluding that the statute is pre-empted by state hazardous waste laws and regulations and no local flammable storage license is required. The town has appealed this ruling, and has asked the Company to stipulate certain facts with respect to the other issues of the case so that a final appealable order can be issued by the Land Court. The Company has agreed to the stipulation but the Town has taken no further action.

In December, 1991, the Company was asked to respond to an emergency cleanup after a motor vehicle struck a utility pole near the State University of New York at New Paltz, causing an electrical surge to overheat transformers which discharged toxic chemicals throughout various student dormitories and classroom buildings. The Company was hired by the State University of New York to perform technical supervisory and laboratory work for the cleanup. The actual work of cleaning the buildings was performed over approximately 15 months by other contractors hired by the State of New York. In March 1993, a group of students sued the Dormitory Authority of the State of New York ("DASNY") claiming that they were exposed to toxic chemicals when DASNY allowed them to reoccupy the buildings after the accident and prior to complete removal of the toxic chemicals, causing them increased risk of future illnesses. DASNY denied the students' claims but elected to sue the Company

along with 16 other third-party defendants claiming that if DASNY is liable to the students, these third-party defendants should indemnify DASNY. The Company was hired by the State University of New York to perform representative sampling for toxic chemicals but, according to its contract, was not responsible for decisions as to when students should reoccupy the buildings. Nevertheless, in June 1994, the Company and the 16 other third parties were served with a third-party complaint filed in the Ulster County Superior Court by DASNY. In January 1996, the trial judge ruled that the plaintiffs were not entitled to proceed as a class action for the medical cost claims, but were entitled class action status for personal property losses. Since the personal property losses resulted directly from the explosions and fire, and occurred prior to the Company's involvement, the Company does not believe that it will incur any material liability as a result of this lawsuit. The Company has not received notice that the plaintiffs will appeal the trial judge's ruling.

In the ordinary course of conducting its business, the Company becomes involved in environmentally related lawsuits and administrative proceedings. Some of these proceedings may result in fines, penalties or judgments against the Company. The Company does not believe that these proceedings, individually or in the aggregate, are material to its business.

#### CLEAN HARBORS, INC. AND SUBSIDIARIES

##### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

As of December 31, 1995, the Company has been named in a number of lawsuits arising from the disposal of wastes by certain Company subsidiaries at 20 state and federal Superfund sites. Eleven of these cases involve two subsidiaries which the Company acquired from Chemical Waste Management, Inc. ("ChemWaste"). As part of the acquisition, ChemWaste agreed to indemnify the Company with respect to any liability of its Braintree and Natick subsidiaries for waste disposed of before the Company acquired them. Accordingly, ChemWaste is paying all costs of defending the Natick and Braintree subsidiaries in these 11 cases, including legal fees and settlement costs. Three cases involve Mr. Frank, Inc. and one case involves Connecticut Treatment Center ("CTC"). Southdown, Inc., from which the Company bought CTC, has agreed to indemnify the Company with respect to any liability for waste disposed of by CTC before the Company acquired CTC, and the sellers of Mr. Frank, Inc. agreed to a limited indemnity against certain environmental liabilities arising from prior ownership of Mr. Frank, Inc.

The remaining five pending cases involve subsidiaries which the Company acquired in January 1989, when it purchased all of the outstanding shares of ChemClear Inc., a publicly traded company ("ChemClear"). The Company is unable to predict accurately its potential liability with respect to these cases, but believes that any future settlement costs will not be material to the Company's operations or financial position.

Management routinely reviews each Superfund site in which the Company's subsidiaries are involved, considers each subsidiary's role at each site and its relationship to the other potentially responsible parties ("PRPs") at the site, the quantity and content of the waste it disposed of at the site, and the number and financial capabilities of the other PRPs at the site. Based on reviews of the various sites and currently available information, and management's judgment and prior experience with similar situations, expense accruals are provided by the Company for its share of future site cleanup costs, and existing accruals are revised as necessary. As of December 31, 1995, the Company had accrued environmental costs of \$405,000 for cleanup of Superfund sites. Superfund legislation permits strict joint and several liability to be imposed without regard to fault and, as a result, one PRP might be required to bear significantly more than its proportional share of the cleanup costs if other PRPs do not pay their share of such costs.



Under the RCRA, every facility that treats, stores or disposes of hazardous waste must obtain a RCRA permit from EPA or an authorized state agency and must comply with certain operating requirements. Of the Company's 12 waste management facilities, nine are subject to RCRA licensing. RCRA requires that permits contain a schedule of required on-site study and cleanup activities, known as "corrective action", including detailed compliance schedules and provisions for assurance of financial responsibility.

The EPA or applicable state agency have begun RCRA corrective action investigations at the Company's RCRA licensed facilities in Bristol, Connecticut; Maryland; Chicago, Illinois; Braintree, Massachusetts; Natick, Massachusetts, and Woburn, Massachusetts. The Company is also involved in site studies at its non-RCRA facilities in Cleveland, Ohio; Kingston, Massachusetts; and South Portland, Maine. The Company spent approximately \$790,000 in 1995 and \$471,000 in 1994 on corrective action at the foregoing facilities. Two RCRA facilities in Bristol, Connecticut and Cincinnati, Ohio were acquired from a subsidiary of Southdown, Inc. Southdown has agreed to indemnify the Company against any costs incurred or liability arising from contamination on-site arising from prior ownership, including the cost of corrective action.

While the final scope of the work to be done at these facilities has not yet been agreed upon, the Company believes, based upon information known to date about the nature and extent of contamination at these sites, that such costs will not have a material effect on its results of operations or its financial position, and that it will be able to finance from operating revenues any additional corrective action required at its facilities.

#### CLEAN HARBORS, INC. AND SUBSIDIARIES

##### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Costs incurred to obtain or renew required permits are capitalized to the related permit account as incurred and are amortized over the permit's remaining life. Costs incurred to remediate properties owned by the Company are capitalized in property, plant and equipment only if the costs extend the life, increase the capacity or improve the safety or efficiency of the property or the costs mitigate or prevent environmental contamination that has yet to occur and that otherwise may result from future operations or activities. Remediation costs incurred in excess of the fair market value of the property being remediated are expensed as incurred.

##### (c) Other Contingencies

The Company is subject to various regulatory requirements, including the procurement of requisite licenses and permits at its facilities. These licenses and permits are subject to periodic renewal without which the Company's operations would be adversely affected. The Company anticipates that, once a license or permit is issued with respect to a facility, the license or permit will be renewed at the end of its term if the facility's operations are in compliance with the applicable regulatory requirements.

Under the Company's insurance programs, coverage is obtained for catastrophic exposures, as well as those risks required to be insured by law or contract. It is the policy of the Company to retain a significant portion of certain expected losses related primarily to workers' compensation, physical loss to property, and comprehensive general and vehicle liability. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregate liability for claims.

##### (d) Other Commitments

In January 1995, the Company entered into a definitive agreement with ChemWaste to lease a site previously leased by ChemWaste which adjoins the

Company's Chicago facility. During November 1995, the Company acquired their existing improvements in exchange for agreeing to share the costs of dismantling an existing hazardous waste incinerator and cleaning up the site. The improvements on the ChemWaste site will allow the Company to develop new product lines not currently handled at the Company's existing Chicago facility. Under the sharing arrangement with ChemWaste, the Company will manage the RCRA corrective action investigation at the site and could over a period of 15 years be required to contribute up to a maximum of \$2,000,000 for dismantling and decontaminating the incinerator and other equipment and up to a maximum of \$7,000,000 for studies and cleanup of the site. Any additional costs beyond those contemplated by the sharing arrangement during this time period would be borne by ChemWaste. In addition, ChemWaste is entitled to a maximum of \$700,000 in credits for future Company services, the credits are to be utilized over a 5 year period.

#### (9) FINANCING ARRANGEMENTS

On May 25, 1989, the Company issued \$30,000,000 of 13.25% Senior Subordinated Notes due May 15, 1997 and warrants to purchase 100,000 shares of common stock for aggregate proceeds, before issuance costs, of \$30,300,000. The notes matured at the rate of \$7,500,000 per year commencing on May 15, 1994.

On August 4, 1994, the Company issued \$50,000,000 of 12.50% Senior Notes due May 15, 2001 (the "Senior Notes"). The Company used the net proceeds to prepay the \$22,500,000 outstanding principal amount of the 13.25% Senior Subordinated Notes, at par plus a prepayment premium of 4.417%; to prepay the \$1,800,000 outstanding principal amount of a subordinated note to a financial institution; to prepay the \$489,000 outstanding principal amount of two junior subordinated notes to the former owners of Mr. Frank, Inc.; and to reduce the balance under its \$55,000,000 Revolving Credit Agreement with three banks (the "Revolver") by approximately \$21,800,000.

#### CLEAN HARBORS, INC. AND SUBSIDIARIES

##### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The Senior Notes are not collateralized. The Senior Note indenture does not provide for the maintenance of certain financial covenants, although it does limit, among other things, the issuance of additional debt by the Company or its subsidiaries and the payment of dividends on, and redemption of, capital stock of the Company and its subsidiaries. Interest is paid twice each year on the Senior Notes.

In connection with the sale of the Senior Notes, the Company amended the terms of two 8% subordinated convertible notes, in the amounts of \$3,500,000 and \$1,500,000, respectively. The two notes were collateralized by liens on certain Company assets, and are convertible into common stock at \$15 and \$10 per share, respectively. The holder of these two notes agreed to exchange such notes for new 10% Senior Convertible Notes, with less restrictive covenants than the prior notes. The new notes rank pari passu with the Senior Notes and have covenants identical to the Senior Note covenants. Principal of the two Senior Convertible Notes is payable in five equal installments of \$1,000,000, which began on October 31, 1995 and end on October 31, 1999. The Company has the option to convert such notes into common stock at \$25 per share.

On June 30, 1992, the Company acquired all of the outstanding shares of Connecticut Treatment Corporation ("CTC"), a hazardous waste treatment, storage and disposal facility located in Bristol, Connecticut, from SETS in exchange for \$500,000 in cash and a promissory note in the amount of \$1,883,000. The first principal installment on the note was \$376,600, which was paid on June 30, 1993, with installments of \$94,150 due at the end of each quarter thereafter, until the remaining balance is paid in full. The note bears interest at the corporate base rate announced by The First National Bank of Boston (the "Bank") (8.5% at December 31, 1995) plus 2%.

At December 31, 1994, the Company had a \$35,000,000 revolving credit facility with three banks. In connection with the acquisition of the Kimball, Nebraska hazardous waste incineration facility in May 1995, the Company entered into a new \$45,000,000 revolving credit and term loan agreement (the "Loan Agreement") with another financial institution, which replaced the bank credit facility. The Loan Agreement originally provided for a \$35,000,000 revolving credit portion (the "Revolver") and a \$10,000,000 term promissory note (the "Term Note"). On March 20, 1996, the Loan Agreement was amended to increase the Term Loan from its amortized balance of \$8,333,000 to \$15,000,000 and decrease the revolving credit portion to \$30,000,000. This change in structure allows for greater availability under the Loan Agreement. The new Term Note is payable in 60 monthly installments, commencing April 1, 1996. Monthly principal payments are \$250,000. The Revolver allows the Company to borrow up to \$30,000,000 in cash and letters of credit. Letters of credit may not exceed \$20,000,000 at any one time. The Revolver requires the Company to pay a line fee of one half of one percent on the unused portion of the line. The Revolver has a three-year term with an option to renew annually.

At December 31, 1995, the balance of the Term Note was \$8,833,000, the Revolver balance was \$12,553,000, and the letters of credit outstanding were \$7,535,000.

The Loan Agreement allows for up to 80% of the outstanding balance of the combined Revolver and Term Note to bear interest at the Eurodollar rate plus three percent; the remaining balance bears interest at a rate equal to the "prime" rate plus one and one-half percent. The Loan Agreement is collateralized by substantially all of the Company's assets. The Loan Agreement provides for certain covenants including, among others, limitations on working capital and minimum adjusted net worth. The Company must also maintain borrowing availability of not less than \$4,500,000 for sixty consecutive days prior to paying principal and interest on its other indebtedness and dividends in cash on its preferred stock. At December 31, 1995, the Company did not have the level of borrowing availability required in order to make principal and interest payments due within sixty days thereof, and it has obtained a waiver needed in order to make such payments.

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The following table is a summary of the Company's long-term debt obligations reflecting the transactions discussed above.

	DECEMBER 31,	
	-----	-----
	1995	1994
	-----	-----
	(IN THOUSANDS)	
Long-term obligations consist of the following:		
Revolving credit agreement with three banks, collateralized by substantially all assets.....	--	\$ 7,706
Revolving credit agreement with a finance company, bearing interest at the Eurodollar Rate (5.75% at December 31, 1995) plus 3.0%, or the "prime" rate (8.75% at December 31, 1995) plus 1.50%, collateralized by substantially all assets.....	\$12,553	--
Term note payable, bearing interest at the Eurodollar rate (5.75% at December 31, 1995) plus 3.0%.....	8,833	--
Senior notes payable, bearing interest at 12.50%.....	50,000	50,000
Senior convertible notes bearing interest at 10%.....	4,000	5,000
Junior subordinated note payable to Southdown Environmental		

Treatment Systems, Inc. bearing interest at the Bank's base rate plus 2%.....	565	942
Junior subordinated notes to the former owners of Mr. Frank, Inc. bearing interest at the Bank's base rate plus 1%.....	48	75
Obligations under capital leases.....	399	542
Other long-term obligations.....	--	12
	-----	-----
	76,398	64,277
Less--current maturities.....	3,605	1,715
Less--unamortized financing costs.....	2,402	2,097
	-----	-----
Long-term obligations.....	\$70,391	\$60,465
	=====	=====

Below is a summary of minimum payments due under the Company's long-term obligations (in thousands), exclusive of obligations under capital leases discussed in Note 10:

YEAR	AMOUNT
----	-----
1996.....	\$ 3,404
1997.....	3,209
1998.....	15,553
1999.....	3,000
2000.....	833
Thereafter.....	50,000
	-----
Total minimum payments due under long-term obligations including current maturities.....	\$ 75,999
	=====

(10) LEASES

(a) Capital Leases

The Company possesses certain equipment under capital leases. The capitalized cost of this equipment was \$7,040,000 and \$6,844,000 with related accumulated amortization of \$6,180,186 and \$5,387,000 at

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)  
December 31, 1995 and 1994, respectively. The obligations of the Company under such leases are collateralized by the leased equipment.

Future minimum lease payments under capital leases are as follows (in thousands):

YEAR	AMOUNT
----	-----
1996.....	\$ 225
1997.....	171
1998.....	38
1999.....	--
2000.....	--
Thereafter.....	--

Total minimum lease payments.....	\$ 434
Less--amounts representing interest.....	35
	-----
Present value of minimum lease payments.....	\$ 399
	=====

(b) Operating Leases

The Company leases facilities and personal property under certain operating leases in excess of one year. Some of these lease agreements contain an escalation clause for increased taxes and operating expenses and are renewable at the option of the Company. Future minimum lease payments under operating leases are as follows (in thousands):

YEAR	AMOUNT
----	-----
1996.....	\$ 2,467
1997.....	1,889
1998.....	1,545
1999.....	1,322
2000.....	1,154
Thereafter.....	3,690
	-----
	\$12,067
	=====

During the years 1995, 1994 and 1993 rent expense was approximately \$14,120,000, \$14,182,000, and \$9,796,000, respectively. The Company has entered into an agreement to sublease its Bedford, Massachusetts facility. See Note 17 below.

(11) FEDERAL AND STATE INCOME TAXES

The provision for income taxes consists of the following (in thousands):

	1995	1994	1993
	-----	-----	-----
Federal: Current.....	\$ --	\$ 1,941	\$ 958
Deferred.....	(3,057)	(699)	1,222
State:Current.....	--	721	995
Deferred.....	(138)	(344)	(530)
	-----	-----	-----
Net provision for (benefit from) income taxes.....	\$ (3,195)	\$ 1,619	\$ 2,645
	=====	=====	=====

SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected

to reverse.

The sources of significant timing differences which gave rise to deferred taxes were as follows (in thousands):

	1995	1994	1993
	-----	-----	-----
Accelerated depreciation.....	\$ --	\$ (508)	\$ 501
Provision for doubtful accounts.....	(181)	(54)	88
Vacation accrual.....	--	67	88
Rent holiday.....	--	(107)	(28)
Insurance reserves.....	(302)	(163)	(127)
Litigation.....	228	57	98
Tax attributes, net of valuation allowance.....	2,582	(271)	639
Permits.....	224	(242)	--
Other.....	644	178	(567)
	-----	-----	-----
Total deferred tax provision (benefit).....	\$ 3,195	\$ (1,043)	\$ 692
	=====	=====	=====

The effective income tax rate varies from the amount computed using the statutory federal income tax rate as follows:

	1995	1994	1993
	-----	-----	-----
Statutory rate.....	(34.0)%	34.0%	34.0%
Increase (decrease) in taxes resulting from:			
State income taxes, net of federal benefit.....	(0.9)	7.0	5.0
Goodwill amortization.....	2.0	7.4	4.7
Other permanent differences.....	1.2	.5	3.9
Valuation allowance adjustment.....	--	--	(1.8)
	-----	-----	-----
Net provision for (benefit from) income taxes.....	(31.7)%	48.9%	45.8%
	=====	=====	=====

The components of the total deferred tax asset at December 31, 1995 and 1994 were as follows (in thousands):

	1995	1994
	-----	-----
Current:		
Provision for doubtful accounts.....	\$ 418	\$ 598
Litigation accruals.....	655	437
Miscellaneous.....	922	371
Deferred:		
Accrued rent holiday.....	--	223
Insurance reserve.....	471	1,328
Other.....	175	255
Various tax attributes.....	8,681	5,496
Valuation allowance.....	(779)	(763)
	-----	-----
Total deferred tax asset.....	\$10,543	\$ 7,945
	=====	=====

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The components of the total deferred tax liability at December 31, 1995 and 1994 were as follows (in thousands):

	1995	1994
	-----	-----
Deferred:		
Permits.....	\$ 2,438	\$2,883
Property, plant and equipment.....	5,690	5,842
	-----	-----
Total deferred tax liability.....	8,128	8,725
	-----	-----
Net deferred tax (asset) liability.....	\$(2,415)	\$ 780
	=====	=====

Realization of the deferred tax assets is dependent on generating sufficient taxable income to offset the assets in the foreseeable future. Although realization is not assured, management believes it is more likely than not that a majority of the deferred tax assets will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

For federal income tax purposes at December 31, 1995, as a result of the acquisition of ChemClear, the Company has regular tax net operating loss carryforwards of \$3,333,000 and alternative minimum tax net operating loss carryforwards of \$2,712,000, which may be used to offset future taxable income, if any, of the former ChemClear entities, subject to certain limitations. These net operating loss carryforwards expire commencing in 2002.

## (12) STOCKHOLDERS' EQUITY

## (a) Stock Option Plans

In 1987, the Company adopted a nonqualified stock option plan (the "1987 Plan"). In 1992, the Company adopted a nonqualified equity incentive plan which provides for a variety of incentive awards, including stock options (the "1992 Plan"). As of December 31, 1995, all awards under the 1992 Plan were in the form of nonqualified stock options. These options generally become exercisable after a period of one to five years from the date of grant, subject to certain employment requirements, and terminate ten years from the date of grant. At December 31, 1995, the Company had reserved 955,600 and 800,000 shares of common stock for issuance under the 1987 and 1992 Plans, respectively.

Under the terms of the 1987 and 1992 Plans, as amended, options may be granted to purchase shares of common stock at an exercise price less than the fair market value on the date of grant. The difference between the exercise price and fair market value at the date of grant is charged to operations ratably over the option vesting period. No options were granted during 1995, 1994 and 1993 with exercise prices lower than the fair market value of the common stock at the date of grant.

On October 10, 1994, the Board of Directors approved a plan whereby all employees (excluding senior management) who previously were awarded stock options at prices of \$6.50 to \$15.00 per share be given the opportunity to surrender those options in exchange for new options awarded at fair market value (\$6.00 per share) with the same vesting period commencing upon the date

of the award of their original option agreement.

On May 12, 1995, the Company's stockholders approved an Employee Stock Purchase Plan (the "ESPP"), which is a qualified employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended, through which employees of the Company are given the opportunity to purchase shares of common stock. According to the ESPP, a total of one million shares of common stock has been reserved for offering to

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

employees over a period of five years, in quarterly offerings of 50,000 shares each plus any shares not issued in any previous quarter, commencing on July 1, 1995 and on the first day of each quarter thereafter through April 1, 2000. Employees who elect to participate in an offering may utilize up to 10% of their payroll for the purchase of common stock at 85% of the closing price of the stock on the first day of such quarterly offering or, if lower, 85% of the closing price on the last day of the offering. As of December 31, 1995, 59,000 shares of common stock had been purchased under the ESPP.

Below is a summary of the stock option activity under the 1987 and 1992 Plans through December 31, 1995:

	NUMBER OF SHARES	EXERCISE PRICE PER SHARE
	-----	-----
Outstanding at December 31, 1992.....	1,060,495	\$2.70-15.00
Exercisable at December 31, 1992.....	475,563	\$2.70-10.00
Granted.....	445,750	7.00-15.00
Exercised.....	(98,457)	2.70- 8.25
Forfeited.....	(517,867)	6.50-15.00
Outstanding at December 31, 1993.....	889,921	\$2.70-15.00
Exercisable at December 31, 1993.....	398,969	\$2.70-10.00
Granted.....	462,138	\$6.00- 8.25
Exercised.....	(5,453)	2.70- 7.65
Forfeited.....	(284,729)	6.00-12.00
Outstanding at December 31, 1994.....	1,061,877	\$2.70-13.50
Exercisable at December 31, 1994.....	337,941	\$2.70-13.50
Granted.....	362,120	\$3.00- 3.94
Exercised.....	(5,556)	2.70- 2.70
Forfeited.....	(131,450)	6.00- 9.25
Outstanding at December 31, 1995.....	1,286,991	\$2.70-13.50
Exercisable at December 31, 1995.....	468,458	\$2.70-13.50

(b) Warrants

In connection with the issuance of senior subordinated notes payable in May 1989, the Company issued warrants to purchase 100,000 shares of common stock



at \$20.75 per share in exchange for \$300,000. In April 1990, the exercise price of the warrants was reduced to \$9 per share. In February 1991, in connection with the refinancing of the Company's short-term debt, the exercise price was further reduced to fair market value (\$5 per share). These warrants are exercisable at any time until February 1, 2001.

In connection with the refinancing of the Company's short-term debt in February 1991, the Company issued warrants to purchase 425,000 shares of common stock at fair market value (\$5 per share) to the three banks which provided the Revolver. These warrants are exercisable at any time until February 6, 2001.

(c) Preferred Stock

On February 16, 1993 the Company issued 112,000 shares of Series B Convertible Preferred Stock, \$.01 par value ("Preferred Stock"), for the acquisition of Spring Grove. The liquidation value of each preferred share

51

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

is the liquidation preference of \$50 plus unpaid dividends. Preferred Stock may be converted by the holder into Common Stock at a conversion rate of \$18.63. The Company has the option to redeem such Preferred Stock at liquidation value plus a redemption premium of 6%, if the redemption occurs on or before August 16, 1996; thereafter, the redemption premium declines 1% each year. Each preferred share entitles its holder to receive a cumulative annual cash dividend, which was \$3.50 per share from February 16, 1993 to February 16, 1994 and \$4.00 per share thereafter, or at the election of the Company, a common stock dividend of equivalent value.

Dividends on the Preferred Stock are payable on the 15th day of January, April, July and October, at the rate of \$1.00 per share, per quarter. The Company elected to pay the October 15, 1995 dividend in common stock with a market value equal to the amount of the dividend payable. The market value of the common stock as of the October 1, 1995 record date of such dividend was \$3.8375. Accordingly, on October 12, 1995 the Company issued 29,187 shares of common stock to the holders of the Preferred Stock. The Company anticipates that the Preferred Stock dividends payable through 1996 will be paid in common stock.

(13) EMPLOYEE BENEFIT PLAN

The Company has a profit-sharing plan under Section 401(k) of the Internal Revenue Code covering substantially all employees. The plan allows employees to make contributions up to a specified percentage of their compensation, a portion of which is matched by the Company. During the years 1995, 1994 and 1993, the Company's nonelective contributions aggregated approximately \$834,000, \$825,000, and \$743,000, respectively.

(14) RELATED PARTY TRANSACTIONS

The Company leases certain facilities from a partnership of which the Company's principal stockholder is a limited partner. Under the terms of the lease, the Company agreed to make aggregate lease payments of \$5,633,000 from the inception of the lease through June 1, 1996. In addition, the Company has an option to renew the lease for a five-year period. Total rent expense charged to operations was \$703,000 during each of the years in the three-year period ended December 31, 1995. See Note 10 for further discussion of lease commitments. The Company has subleased a portion of these facilities to an unrelated third party.

52

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

(15) QUARTERLY DATA (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	-----			
	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)			
1995				
Revenue.....	\$47,150	\$54,899	\$54,398	\$52,803
Income (loss) from operations....	815	2,549	311	(5,106) (a)
Net income (loss) before extraordinary item.....	(590)	203	(1,200)	(5,306)
Net income (loss).....	(590)	203	(1,200)	(5,306)
Net income (loss) per common and common equivalent share.....	(.07)	.01	(.14)	(.57)
1994				
Revenue.....	\$51,285	\$49,683	\$53,258	\$52,847
Income (loss) from operations....	2,925	4,083	3,855	(117) (b)
Net income (loss) before extraordinary item.....	597	1,251	1,082	(1,235)
Net income (loss).....	597	1,251	(138)	(1,235)
Net income (loss) per common and common equivalent share before extraordinary item.....	.05	.12	.10	(.14)
Extraordinary item.....	--	--	(.13)	--
Net income (loss) per common and common equivalent share.....	\$ .05	\$ .12	\$ (.03)	\$ (.14)

- 
- (a) Reflects a one-time, charge of \$4,247,000 in connection with the re-engineering of the Company's operations and the write-down of nonperforming assets as well as the sale of certain non-core properties.
- (b) Reflects a one-time, noncash charge of \$1,035,000 for the write-off of leasehold improvements and machinery.

The above information reflects all adjustments that are necessary to fairly state the results of the interim periods presented. Any adjustments required are of a normal recurring nature.

(16) EXTRAORDINARY ITEM

As described in Note 9 above, during the third quarter of 1994, the Company completed a public offering of \$50,000,000 of Senior Notes, and used the net proceeds to prepay substantially all of the Company's debt. The refinancing resulted in approximately \$2,043,000 of expense relating to the early retirement of outstanding debt, and an extraordinary charge of \$1,220,000 (\$.13 per share), net of income tax benefit, for redemption premiums paid to the holders of the prepaid debt and for the write-off of deferred financing costs.

(17) NONRECURRING CHARGES

During the fourth quarter of 1995, the Company recorded a \$4,247,000 nonrecurring charge in connection with the reengineering of the Company's operations and the write-off of a non-performing asset, as well as the anticipated losses on the sale of certain non-core properties. Under the reengineering program, the Company has closed or downsized small, satellite offices; reduced employment levels; downsized and relocated the laboratory to its waste handling facility in Braintree, Massachusetts; and will be relocating its corporate headquarters to a new location in Braintree, Massachusetts in the Spring of 1996. The components of the nonrecurring charge

are as follows:

Severance and related costs.....	\$ 1,097,000
Write-off of non-performing asset.....	1,110,000
Real estate related charges.....	2,040,000
	-----
	\$ 4,247,000

53

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONCLUDED)

During the fourth quarter of 1994, the Company renegotiated its lease on its corporate headquarters in Quincy, Massachusetts, such that the lease would terminate on or before December 31, 1995. The Company relocated its corporate headquarters to Braintree, Massachusetts in the spring of 1995. In addition, the Company has vacated laboratory space it rents in Bedford, Massachusetts, and is subleasing the space. As a result, the Company recorded a one-time, noncash charge of \$1,035,000 before taxes for the write-off of leasehold improvements at the two locations.

54

SCHEDULE II

CLEAN HARBORS, INC. AND SUBSIDIARIES  
VALUATION AND QUALIFYING ACCOUNTS

FOR THE THREE YEARS ENDED DECEMBER 31, 1995  
(IN THOUSANDS)

ALLOWANCE FOR DOUBTFUL ACCOUNTS	ADDITIONS			BALANCE END OF PERIOD
	BALANCE BEGINNING OF PERIOD	CHARGED TO OPERATING EXPENSE	DEDUCTIONS FROM RESERVES (A)	
1993.....	\$1,592	\$709	\$929	\$1,372
1994.....	1,372	776	653	1,495
1995.....	1,495	380	831	1,044

(a) Amounts deemed uncollectible, net of recoveries.

55

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

PART III

The information called for by Item 10 (Directors and Executive Officers of the Registrant), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management) and Item 13 (Certain Relationships and Related Transactions) is incorporated herein by reference to

the registrant's definitive proxy statement for its 1996 Annual Meeting of Stockholders, which definitive proxy statement is expected to be filed with the Commission not later than April 30, 1996.

For the purpose of calculating the aggregate market value of the voting stock of the registrant held by nonaffiliates as shown on the cover page of this report, it has been assumed that the directors and executive officers of the registrant, as set forth in the Company's definitive proxy statement for its 1996 Annual Meeting of Stockholders, are the only affiliates of the registrant. However, this should not be deemed to constitute an admission that all of such persons are, in fact, affiliates or that there are not other persons who may be deemed affiliates of the registrant.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents Filed as a Part of this Report

	PAGE
	-----
1. Financial Statements:	
Report of Independent Accountants.....	32
Consolidated Statements of Income for the Three Years Ended December 31, 1995.....	33
Consolidated Balance Sheets, December 31, 1995 and 1994.....	34-35
Consolidated Statements of Cash Flows for the Three Years Ended December 31, 1995.....	36-37
Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 1995.....	38
Notes to Consolidated Financial Statements.....	39-54
2. Financial Statement Schedules:	
Schedule II--Valuation and Qualifying Accounts.....	55

All other schedules are omitted because they are not applicable, not required, or because the required information is included in the financial statements or notes thereto.

3. Exhibits:

Exhibits to the Form 10-K have been included only with the copies of the Form 10-K filed with the Commission. Upon request to the Company and payment of a reasonable fee, copies of the individual exhibits will be furnished. The Company undertakes to furnish to the Commission upon request copies of instruments (in addition to the exhibits listed below) relating to the Company's long-term debt.

ITEM NO.	DESCRIPTION	LOCATION SEE NOTE:
-----	-----	-----
3.1	Restated Articles of Organization of Clean Harbors, Inc. and amendments thereto.....	(1)
3.2	Certificate of Vote of Directors Establishing a Series of a Class of Stock (Series B Convertible Preferred Stock).....	(2)
3.4A	Amended and Restated By-laws of Clean Harbors, Inc. ....	(3)

4.1	Senior Note Indenture dated as of August 4, 1994, between Clean Harbors, Inc., the Guarantor Subsidiaries of the Company, and Shawmut Bank, N.A., as trustee for the holders of the Company's 12.50% Senior Notes due May 15, 2001.....	(4)
4.2	Loan and Security Agreement dated May 8, 1995 by and between Congress Financial Corporation (New England) and the Company's Subsidiaries as Borrowers.....	(5)
4.3	Term Promissory Note dated May 8, 1995 from the Company's Subsidiaries as Debtors to Congress Financial Corporation (New England) in the amount of \$10,000,000.....	(5)
4.4	Guarantee dated May 8, 1995 by Clean Harbors, Inc. to Congress Financial Corporation (New England) of the obligations of the Company's Subsidiaries under the Financing Agreements.....	(5)
4.5	General Security Agreement dated May 8, 1995 by Clean Harbors, Inc. in favor of Congress Financial Corporation (New England).....	(5)
4.6	Letter Agreement dated November 21, 1995 by and between Congress Financial Corporation (New England) and the Company's Subsidiaries as Borrowers.....	Filed herewith
4.7	Second Amendment to Financing Agreements dated March 20, 1996 by and between Congress Financial Corporation (New England), the Company's Subsidiaries as Borrowers and Clean Harbors, Inc. as guarantor.....	Filed herewith
4.8	Amended and Restated Term Promissory Note dated March 20, 1996 from the Company's Subsidiaries as Debtors to Congress Financial Corporation (New England) in the amount of \$15,000,000.....	Filed herewith
10.35	Stock Purchase Agreement among Clean Harbors, Inc., Southdown Environmental Treatment Systems, Inc. and Southdown, Inc. dated as of June 23, 1992.....	(2)
10.36	Stock Purchase Agreement among Clean Harbors, Inc., Southdown Environmental Treatment Systems, Inc. and Southdown, Inc. dated as of February 16, 1993.....	(2)
10.37	Clean Harbors, Inc. 1987 Stock Option Plan.....	(6)
10.38	Clean Harbors, Inc. 1992 Equity Incentive Plan.....	(6)
10.39	Asset Purchase Agreement among Clean Harbors of Chicago, Inc., Clean Harbors, Inc., CWM Chemical Services, Inc. and Chemical Waste Management, Inc. dated as of January 30, 1995.....	(7)
10.40	Asset Purchase Agreement among Clean Harbors Technology Corporation, Clean Harbors Inc. and Ecova Corporation dated as of March 31, 1995.....	(5)

ITEM NO.	DESCRIPTION	LOCATION
-----	-----	-----
10.41	Disposal Services Agreement by and between Chemical Waste Management, Inc. and its subsidiary and affiliated companies and Clean Harbors Environmental Services, Inc. and its affiliated companies dated as of October 31, 1995.....	Filed herewith
11	Statement re computation of Net Income (Loss) per Share.....	Filed herewith
21	Subsidiaries.....	Filed herewith
23	Consent of Independent Accountants.....	Filed herewith

24 Power of Attorney for Christy W. Bell, John F. Kaslow,  
Daniel J. McCarthy, John J. Preston, and Lorne R.  
Waxlax..... Filed herewith  
27 Financial Data Schedule..... Filed herewith

- 
- (1) Incorporated by reference to Exhibit 3.1 to the Company's Form S-1 Registration Statement (No. 33-17565).
  - (2) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year 1992.
  - (3) Incorporated by reference to Exhibit 3.4A to the Company's Form 10-K Annual Report for the Fiscal Year Ended February 28, 1991.
  - (4) Incorporated by reference to Exhibit 4.1 to the Company's Form S-2 Registration Statement (No. 33-54191).
  - (5) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period Ended June 30, 1995.
  - (6) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year 1993.
  - (7) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year 1994.
  - (b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of 1995.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, ON MARCH 28, 1996.

CLEAN HARBORS, INC.

By: /s/ Alan S. McKim  
-----  
ALAN S. MCKIM  
CHIEF EXECUTIVE OFFICER

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ Alan S. McKim ----- ALAN S. MCKIM	Chairman of the Board of Directors, President and Chief Executive Officer	March 28, 1996
/s/ Stephen H. Moynihan ----- STEPHEN H. MOYNIHAN	Vice President and Treasurer (principal financial and accounting officer)	March 28, 1996
* -----	Director	March 28, 1996

CHRISTY W. BELL

\*

Director

March 28, 1996

-----  
JOHN F. KASLOW

\*

Director

March 28, 1996

-----  
DANIEL J. MCCARTHY

\*

Director

March 28, 1996

-----  
JOHN T. PRESTON

\*

Director

March 28, 1996

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LORNE R. WAXLAX

\*By: /s/ Alan S. McKim

-----  
ALAN S. MCKIM  
ATTORNEY-IN-FACT

November 21, 1995

CLEAN HARBORS ENVIRONMENTAL  
SERVICES, INC.  
CLEAN HARBORS TECHNOLOGY  
CORPORATION  
CLEAN HARBORS KINGSTON FACILITY  
CORPORATION  
CLEAN HARBORS OF BRAINTREE, INC.  
CLEAN HARBORS OF CHICAGO, INC.  
CLEAN HARBORS OF NATICK, INC.  
CLEAN HARBORS OF CONNECTICUT, INC.  
MURPHY'S WASTE OIL SERVICE, INC.  
CLEAN HARBORS OF CLEVELAND, INC.  
MR. FRANK, INC.  
SPRING GROVE RESOURCE RECOVERY, INC.

Re: Additional Revolving Loans and Cash Collateral  
-----

Gentlemen:

Reference is made to the Loan and Security Agreement dated May 8, 1995, as amended, between you and the undersigned (the "Loan Agreement"). We have received \$2,000,000 in cash collateral (the "Cash Collateral") from Alan McKim (the "Pledgor") pursuant to a Cash Collateral Agreement of even date. All capitalized terms not otherwise defined herein shall have the meanings given such terms in the Loan Agreement.

The Lender agrees with the Borrowers as follows:

(1) Subject to the provisions of Section 4.2 of the Loan Agreement, we agree to make additional Revolving Loans to Borrowers on a dollar for dollar basis with the Cash Collateral provided that such Cash Collateral is at all times fully available to Lender as collateral security for the Obligations pursuant to the Cash Collateral Agreement.

(2) The Lender agrees to make additional Revolving Loans to Borrowers in excess of the limits set forth in section 2 of the Loan Agreement and in paragraph (1) of this letter agreement, in an aggregate amount not exceeding \$2,000,000 (the "Overadvance Limit") at any time, with such Overadvance Limit to be reduced each week by \$200,000 and the amount of Revolving Loans in excess of the Overadvance Limit, as so reduced, repaid to such level commencing on November 27, 1995 and on the Monday of each calendar week thereafter, with the full amount of the Revolving Loans

1

made under this paragraph (2) plus accrued and unpaid interest thereon to be due and payable on January 29, 1996.

(3) For the period ending 90 days from the date hereof, Lender waives the limitation set forth on Schedule 9.11 to the Loan Agreement requiring that the Borrowers maintain Excess Availability of not less than \$4,500,000 before making any distributions to Parent but solely with respect to distributions to Parent that pay obligations described in clauses (a) and (e) of Schedule 9.11.

(4) The Borrowers shall pay the Lender an overadvance fee of \$30,000, which overadvance fee shall be fully earned and payable upon Borrowers' execution of this letter agreement.



This letter agreement shall be deemed to be a Financing Agreement and incorporates by reference all the terms of the Loan Agreement. All Revolving Loans made hereunder shall be deemed to be Obligations incurred under and subject to the benefits of the Financing Agreements including, without limitation, that such loans shall be secured by a first priority lien on all the Collateral.

If you accept and agree to the foregoing please sign and return the enclosed copy of this letter. Thank you.

Very truly yours,

CONGRESS FINANCIAL CORPORATION  
(NEW ENGLAND)

By: /s/ Marc E. Swartz  
-----  
Name: Marc E. Swartz  
-----  
Title: Vice President  
-----

AGREED:  
- -----

CLEAN HARBORS ENVIRONMENTAL  
SERVICES, INC.

By: /s/ Stephen Moynihan  
-----  
Name: Stephen Moynihan  
-----  
Title: Vice President  
-----

CLEAN HARBORS TECHNOLOGY  
CORPORATION

By: /s/ Stephen Moynihan  
-----  
Name: Stephen Moynihan  
-----  
Title: Vice President  
-----

CLEAN HARBORS KINGSTON FACILITY  
CORPORATION

By: /s/ Stephen Moynihan  
-----  
Name: Stephen Moynihan  
-----  
Title: Vice President  
-----

CLEAN HARBORS OF BRAINTREE, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan

-----  
Title: Vice President  
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CLEAN HARBORS OF CHICAGO, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan

-----  
Title: Vice President  
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CLEAN HARBORS OF NATICK, INC.

By: /s/ Stephen Moynihan

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Name: Stephen Moynihan

-----  
Title: Vice President  
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CLEAN HARBORS OF CONNECTICUT, INC.

By: /s/ Stephen Moynihan

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Name: Stephen Moynihan

-----  
Title: Vice President  
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MURPHY'S WASTE OIL SERVICE, INC.

By: /s/ Stephen Moynihan

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Name: Stephen Moynihan

-----  
Title: Vice President  
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CLEAN HARBORS OF CLEVELAND, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan

-----  
Title: Vice President  
-----

MR. FRANK, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan

-----  
Title: Vice President  
-----

SPRING GROVE RESOURCE RECOVERY, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan

-----  
Title: Vice President  
-----

March 20, 1996

CLEAN HARBORS ENVIRONMENTAL SERVICES, INC.  
CLEAN HARBORS TECHNOLOGY CORPORATION  
CLEAN HARBORS KINGSTON FACILITY CORPORATION  
CLEAN HARBORS OF BRAINTREE, INC.  
CLEAN HARBORS OF CHICAGO, INC.  
CLEAN HARBORS OF NATICK, INC.  
CLEAN HARBORS OF CONNECTICUT, INC.  
MURPHY'S WASTE OIL SERVICE, INC.  
CLEAN HARBORS OF CLEVELAND, INC.  
MR. FRANK, INC.  
SPRING GROVE RESOURCE RECOVERY, INC.

Re: Second Amendment to Financing Agreements - Term Loan Refunding  
-----  
("Second Amendment")  
-----

Gentlemen:

Reference is made to the Loan and Security Agreement dated May 8, 1995, as amended, between you and the undersigned (the "Loan Agreement"). All capitalized terms not otherwise defined herein shall have the meanings given such terms in the Loan Agreement.

Borrowers have requested that the principal amount of the Term Loan be increased to \$15,000,000.00 and that the difference between the outstanding principal amount of the original Term Loan (\$8,333,333.33) and \$15,000,000 be funded to the Borrowers and used to repay outstanding Revolving Loans. Subject to the terms and conditions hereof, the Lender agrees with the Borrowers as follows:

(1) Section 1.48 of the Loan Agreement is deleted in its entirety and replaced with the following:

"1.48 "Revolving Credit Limit" shall mean the amount of \$30,000,000.00."

(2) Section 2.3 of the Loan Agreement is deleted in its entirety and replaced with the following:

1

"2.3 Term Loan. Effective upon the date of the Second Amendment,  
-----

Lender is making a Term Loan to Borrowers in the original principal amount of \$15,000,000.00. The outstanding principal amount on the \$10,000,000 Term Loan made as of May 8, 1995 shall be converted into the Term Loan made under the Second Amendment and the balance shall be applied to repay outstanding Revolving Loans. The Term Loan is (a) evidenced by an Amended and Restated Term Promissory Note in the original principal amount of \$15,000,000.00 duly executed and delivered by the Borrowers to Lender; (b) to be repaid, together with interest and other amounts, in accordance with this Agreement, the Amended and Restated Term Promissory Note, and the other Financing Agreements and (c) secured by all the Collateral."

(3) The Lender agrees to make the Term Loan to Borrowers upon the satisfaction of the conditions set forth in Section 4.2 of the Loan Agreement and the following additional conditions:

(a) all requisite corporate action and proceedings of the Borrowers in connection with this Second Amendment and the Amended and Restated Term Promissory Note shall be satisfactory in form and substance to Lender and Lender shall receive certified copies of such corporate action and proceedings as Lender may request;

(b) Lender shall have received in form and substance satisfactory to Lender, an opinion of counsel to Borrowers with respect to this Second Amendment and the Amended and Restated Secured Promissory Term Note;

(c) no material adverse change shall have occurred in the assets, business or prospects of any Borrower since the date of the most recent financial statements furnished to Lender pursuant to the Loan Agreement and no change or event shall have occurred which would impair the ability of any Borrower or any Obligor to perform its obligations under the Loan Agreement or any of the other Financing Agreements or of Lender to enforce the Obligations or to realize upon the Collateral; and

(d) Borrowers shall pay to Lender, and directs Lender to debit its loan account for, an additional facility fee equal to \$33,333.33, which fee shall be fully earned and non-refundable on the date hereof.

(4) For the period ending 60 days from the date hereof, Lender waives the limitation set forth on Schedule 9.11 to the Loan Agreement requiring that the Borrowers maintain Excess Availability of not less than \$4,500,000 before making any distributions to Parent but solely with respect to distributions to Parent that pay obligations described in clauses (a) and (e) of Schedule 9.11.

(5) Section 12.9 is amended by adding the following sentence to the end thereof: "For purposes hereof, the Proportionate Share of a Borrower shall mean the actual amount of Loans made to such Borrower and Letter of Credit Accommodations

2

issued for the account of such Borrower, based upon the lending formula and other provisions of Section 2 hereof."

(6) Each Borrower confirms and agrees that (a) all representations and warranties contained in the Loan Agreement and in the other Financing Agreements are on the date hereof true and correct in all material respects (except for changes that have occurred as permitted by the covenants in Section 9 of the Loan Agreement), and (b) it is unconditionally and jointly and severally liable for the punctual and full payment of all Obligations, including, without limitation, all charges, fees, expenses and costs (including attorneys' fees and expenses) under the Financing Agreements, and that no Borrower has any defenses, counterclaims or setoffs with respect to full, complete and timely payment of all Obligations.

(7) Each Guarantor, for value received, hereby assents to the Borrowers' execution and delivery of this Amendment, and to the performance by the Borrowers of their respective agreements and obligations hereunder. This Amendment and the performance or consummation of any transaction or matter contemplated under this Amendment, shall not limit, restrict, extinguish or otherwise impair any of the Guarantor's liability to Lender with respect to the payment and other performance obligations of the Guarantors pursuant to the Guarantees, dated May 8, 1995 executed for the benefit of Lender. Each Guarantor acknowledges that it is unconditionally liable to Lender for the full and complete payment of all Obligations including, without limitation, all charges, fees, expenses and costs (including attorney's fees and expenses) under the Financing Agreements and that such Guarantor has no defenses, counterclaims or setoffs with respect to full, complete and timely payment of any and all Obligations.

(8) Borrowers hereby agree to pay to Lender all reasonable attorney's fees and costs which have been incurred or may in the future be incurred by Lender in connection with the negotiation and preparation of this Amendment and any other documents and agreements prepared in connection with this Amendment. The undersigned confirm that the Financing Agreements remain in full force and effect without amendment or modification of any kind, except for the amendments explicitly set forth herein. The undersigned further confirm that no Event of Default or events which with notice or the passage of time or both would constitute an Event of Default have occurred and are continuing. The execution and delivery of this Amendment by Lender shall not be construed as a waiver by Lender of any Event of Default under the Financing Agreements. This Amendment shall be deemed to be a Financing Agreement and, together with the other Financing Agreements, constitute the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior dealings, correspondence, conversations or communications between the parties with respect to the subject matter hereof.

3

If you accept and agree to the foregoing please sign and return the enclosed copy of this letter. Thank you.

Very truly yours,

CONGRESS FINANCIAL CORPORATION  
(NEW ENGLAND)

By: /s/ Marc E. Swartz

-----  
Name: Marc E. Swartz

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Title: Vice President  
-----

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AGREED:

- - - - -

CLEAN HARBORS ENVIRONMENTAL  
SERVICES, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan

Title: Vice President

CLEAN HARBORS TECHNOLOGY  
CORPORATION

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan

Title: Vice President

CLEAN HARBORS KINGSTON FACILITY  
CORPORATION

By: /s/ Stephen Moynihan

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Name: Stephen Moynihan  
Title: Vice President

CLEAN HARBORS OF BRAINTREE, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan  
Title: Vice President

CLEAN HARBORS OF CHICAGO, INC.

By: /s/ Stephen Moynihan

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Name: Stephen Moynihan  
Title: Vice President

CLEAN HARBORS OF NATICK, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan  
Title: Vice President

5

CLEAN HARBORS OF CONNECTICUT, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan  
Title: Vice President

MURPHY'S WASTE OIL SERVICE, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan  
Title: Vice President

CLEAN HARBORS OF CLEVELAND, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan  
Title: Vice President

MR. FRANK, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan  
Title: Vice President

SPRING GROVE RESOURCE RECOVERY, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan  
Title: Vice President

CLEAN HARBORS, INC.

By: /s/ Stephen Moynihan

-----  
Name: Stephen Moynihan  
Title: Vice President

6

CLEAN HARBORS OF BALTIMORE, INC.

By: /s/ Stephen Moynihan

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Name: Stephen Moynihan  
Title: Vice President

7



AMENDED AND RESTATED  
TERM PROMISSORY NOTE  
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\$15,000,000.00

Boston, Massachusetts  
March 20, 1996

FOR VALUE RECEIVED, Clean Harbors Environmental Services, Inc., a Massachusetts corporation, Clean Harbors Technology Corporation, a Massachusetts corporation, Clean Harbors Kingston Facility Corporation, a Massachusetts corporation, Clean Harbors of Braintree, Inc., a Massachusetts corporation, Clean Harbors of Chicago, Inc., a Massachusetts corporation, Clean Harbors of Natick, Inc., a Massachusetts corporation, Clean Harbors of Connecticut, Inc., a Connecticut corporation, Clean Harbors of Cleveland, Inc., a Massachusetts corporation, Murphy's Waste Oil Service, Inc., a Massachusetts corporation, Mr. Frank, Inc., an Illinois corporation and Spring Grove Resource Recovery, Inc., a Delaware corporation (each a "Debtor" and, collectively the "Debtors"), jointly and severally, hereby unconditionally promise to pay to the order of CONGRESS FINANCIAL CORPORATION (NEW ENGLAND), a Massachusetts corporation (the "Payee"), at the offices of Payee at One Post Office Square, Boston, MA 02109, or at such other place as the Payee or any holder hereof may from time to time designate, the principal sum of FIFTEEN MILLION DOLLARS (\$15,000,000) in lawful money of the United States of America and in immediately available funds, in sixty (60) consecutive monthly installments (or earlier as hereinafter provided) on the first day of each month commencing April 1, 1996 of which the first fifty-nine (59) installments shall each be in the amount of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000), and the last installment shall be in the amount of the entire unpaid balance of this Note.

Debtors, jointly and severally, hereby further promise to pay interest to the order of Payee on the unpaid principal balance hereof at the Interest Rate. Such interest shall be paid in like money at said office or place from the date hereof, commencing April 1, 1996 and on the first day of each month thereafter until the indebtedness evidenced by this Note is paid in full. Interest payable upon and after an Event of Default or termination or non-renewal of the Loan Agreement shall be payable upon demand.

For purposes hereof, (a) the term "Interest Rate" shall mean, as to Prime Rate Loans, a rate of one and one-half (1.5%) percent per annum in excess of the Prime Rate, and as to Eurodollar Rate Loans, a rate of three (3.0%) percent per annum in excess of the Adjusted Eurodollar Rate; provided, that, at Payee's option, the Interest Rate shall mean a rate of four (4.0%) percent per annum in excess of the Prime Rate as to Prime Rate Loans and a rate of five and one-half (5.5%) percent per annum in excess of the Adjusted Eurodollar Rate as to Eurodollar Rate Loans upon and after an Event of Default or termination or non-renewal of the Loan Agreement, (b) the term "Prime Rate" shall mean the rate from time to time publicly announced by CoreStates Bank, N.A., or its successors, at its office in Philadelphia, Pennsylvania, as its prime rate, whether or not such announced rate is the best rate available at such bank, (c) the term "Event of Default" shall mean an Event of Default as such term is defined in the Loan Agreement, and (d) the term "Loan Agreement" shall mean the Loan and Security Agreement, dated May 8, 1996, as amended, between Debtors and Payee, as the same now exists or may hereafter be amended,

-1-

modified, supplemented, extended, renewed, restated or replaced. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning assigned thereto in the Loan Agreement.

The Interest Rate applicable to Prime Rate Loans payable hereunder shall increase or decrease by an amount equal to each increase or decrease, respectively, in the Prime Rate, effective on the first day of the month after any change in the Prime Rate, based on the Prime Rate in effect on the last day

of the month in which any such change occurs. Interest shall be calculated on the basis of a three hundred sixty (360) day year and actual days elapsed. In no event shall the interest charged hereunder exceed the maximum permitted under the laws of the Commonwealth of Massachusetts or other applicable law.

This Note is issued pursuant to the terms and provisions of the Loan Agreement to evidence the Term Loan by Payee to Debtors. This Note is secured by the Collateral described in the Loan Agreement and all notes, guarantees, security agreements and other agreements, documents and instrument now or at any time hereafter executed and/or delivered by any Debtor or any other party in connection therewith (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, renewed, extended, restated or replaced, being collectively referred to herein as the "Financing Agreements"), and is entitled to all of the benefits and rights thereof and of the other Financing Agreements. At the time any payment is due hereunder, at its option, Payee may charge the amount thereof to any account of any Debtor maintained by Payee.

If any payment of principal or interest is not made when due hereunder, or if any other Event of Default shall occur for any reason, or if the Loan Agreement shall be terminated or not renewed for any reason whatsoever, then and in any such event, in addition to all rights and remedies of Payee under the Financing Agreements, applicable law or otherwise, all such rights and remedies being cumulative, not exclusive and enforceable alternatively, successively and concurrently, Payee may, at its option, declare any or all of Debtor's obligations, liabilities and indebtedness owing to Payee under the Loan Agreement and the other Financing Agreements (the "Obligations"), including, without limitation, all amounts owing under this Note, to be due and payable, whereupon the then unpaid balance hereof, together with all interest accrued thereon, shall forthwith become due and payable, together with interest accruing thereafter at the then applicable Interest Rate stated above until the indebtedness evidenced by this Note is paid in full, plus the costs and expenses of collection hereof, including, but not limited to, attorneys' fees and legal expenses.

Each Debtor (i) waives diligence, demand, presentment, protest and notice of any kind, (ii) agrees that it will not be necessary for Payee to first institute suit in order to enforce payment of this Note and (iii) consents to any one or more extensions or postponements of time of payment, release, surrender or substitution of collateral security, or forbearance or other indulgence, without notice or consent. The pleading of any statute of limitations as a defense to any demand against any Debtor is expressly hereby waived by each Debtor. Upon any Event of Default or termination or non-renewal of the Loan Agreement, Payee shall have the right, but not the obligation to setoff against this Note all money owed by Payee to any Debtor.

-2-

Payee shall not be required to resort to any Collateral for payment, but may proceed against any Debtor and any guarantors or endorsers hereof in such order and manner as Payee may choose. None of the rights of Payee shall be waived or diminished by any failure or delay in the exercise thereof.

The validity, interpretation and enforcement of this Note and the other Financing Agreements and any dispute arising in connection herewith or therewith shall be governed by the internal laws of the Commonwealth of Massachusetts (without giving effect to principles of conflicts of law).

Each Debtor irrevocably consents and submits to the non-exclusive jurisdiction of the courts of the Commonwealth of Massachusetts and the United States District Court for the District of Massachusetts and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Note or any of the other Financing Agreements or in any way connection with or related or incidental to the dealings of any Debtor and Payee in respect of this Note or any of the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity

or otherwise, and agrees that any dispute arising out of the relationship between any Debtor and Payee or the conduct of such persons in connection with this Note or otherwise shall be heard only in the courts described above (except that Payee shall have the right to bring any action or proceeding against such Debtor or its property in the courts of any other jurisdiction which Payee deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against such Debtor or its property).

Each Debtor hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed as specified in the Loan Agreement and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at Payee's option, by service upon Debtors in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, Debtors shall appear in answer to such process, failing which Debtors shall be deemed in default and judgment may be entered by Payee against Debtors for the amount of the claim and other relief requested.

EACH DEBTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS NOTE OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS BETWEEN DEBTOR AND PAYEE IN RESPECT OF THIS NOTE OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. DEBTOR AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY.

-3-

The execution and delivery of this Note has been authorized by the Board of Directors and by any necessary vote or consent of the stockholders of each Debtor. Each Debtor hereby authorizes Payee to complete this Note in any particulars according to the terms of the loan evidenced hereby.

This Note shall be binding upon the successors and assigns of each Debtor and inure to the benefit of Payee and its successors, endorsees and assigns. Whenever used herein, the term "Debtor" shall be deemed to include its successors and assigns and the term "Payee" shall be deemed to include its successors, endorsees and assigns. If any term or provision of this Note shall be held invalid, illegal or unenforceable, the validity of all other terms and provisions hereof shall in no way be affected thereby.

This Note amends and restates that certain Term Promissory Note, dated May 8, 1995 of the Debtors in the original principal amount of \$10,000,000.00.

ATTEST:

BORROWERS:

CLEAN HARBORS TECHNOLOGY  
CORPORATION

/s/ J.T. Black  
-----  
Assistant Clerk  
[Corporate Seal]

By: /s/ Stephen Moynihan  
-----  
Name: Stephen Moynihan  
Title: Vice President

CLEAN HARBORS KINGSTON  
FACILITY CORPORATION

/s/ J.T. Black  
-----

By: /s/ Stephen Moynihan  
-----

Assistant Clerk  
[Corporate Seal]

Name: Stephen Moynihan  
Title: Vice President

-4-

CLEAN HARBORS OF BRAINTREE, INC.

/s/ J.T. Black  
-----  
Assistant Clerk  
[Corporate Seal]

By: /s/ Stephen Moynihan  
-----  
Name: Stephen Moynihan  
Title: Vice President

CLEAN HARBORS OF CHICAGO, INC.

/s/ J.T. Black  
-----  
Assistant Clerk  
[Corporate Seal]

By: /s/ Stephen Moynihan  
-----  
Name: Stephen Moynihan  
Title: Vice President

CLEAN HARBORS OF NATICK, INC.

/s/ J.T. Black  
-----  
Assistant Clerk  
[Corporate Seal]

By: /s/ Stephen Moynihan  
-----  
Name: Stephen Moynihan  
Title: Vice President

CLEAN HARBORS OF CONNECTICUT, INC.

/s/ J.T. Black  
-----  
Assistant Secretary  
[Corporate Seal]

By: /s/ Stephen Moynihan  
-----  
Name: Stephen Moynihan  
Title: Vice President

MURPHY'S WASTE OIL SERVICE, INC.

/s/ J.T. Black  
-----  
Assistant Clerk  
[Corporate Seal]

By: /s/ Stephen Moynihan  
-----  
Name: Stephen Moynihan  
Title: Vice President

-5-

CLEAN HARBORS OF CLEVELAND, INC.

/s/ J.T. Black  
-----

By: /s/ Stephen Moynihan  
-----

Assistant Clerk  
[Corporate Seal]

Name: Stephen Moynihan  
Title: Vice President

MR. FRANK, INC.

/s/ J.T. Black  
-----

Assistant Secretary  
[Corporate Seal]

By: /s/ Stephen Moynihan  
-----

Name: Stephen Moynihan  
Title: Vice President

SPRING GROVE RESOURCE RECOVERY, INC.

/s/ J.T. Black  
-----

Assistant Secretary  
[Corporate Seal]

By: /s/ Stephen Moynihan  
-----

Name: Stephen Moynihan  
Title: Vice President

CLEAN HARBORS ENVIRONMENTAL  
SERVICES, INC.

/s/ J.T. Black  
-----

Assistant Secretary  
[Corporate Seal]

By: /s/ Stephen Moynihan  
-----

Name: Stephen Moynihan  
Title: Vice President

DISPOSAL SERVICES AGREEMENT  
-----

This Disposal Services Agreement (the "Agreement") is made and entered into as of this 31st day of October, 1995, by and between Chemical Waste Management, Inc., a Delaware corporation, and its subsidiary and affiliated companies ("Chemical Waste Management") and Clean Harbors Environmental Services, Inc., a Massachusetts corporation, and its affiliated companies ("Clean Harbors").

WHEREAS, the parties hereto are also among the parties to an Asset Purchase Agreement dated as of January 30, 1995 pursuant to which Clean Harbors of Chicago, Inc. is acquiring certain assets, formerly owned by CWM Chemical Services, Inc. and Chemical Waste Management, which are located at 11700 South Stony Island Avenue, Chicago, Illinois ("Asset Acquisition"); and

WHEREAS, in connection therewith, Clean Harbors and Chemical Waste Management are entering into this Disposal Services Agreement in order to provide Clean Harbors with incentives to deliver certain Waste Products for disposal at Permitted Facilities owned and operated by Chemical Waste Management and to establish waste approval, disposal decision, pricing and delivery schedule obligations between the parties with respect to such deliveries of Waste Products.

NOW, THEREFORE, in consideration of the mutual promises of the parties contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, do hereby agree as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES OF CHEMICAL WASTE MANAGEMENT

Chemical Waste Management hereby represents and warrants to Clean Harbors as follows:

Section 1.1 Participating Facilities  
-----

Directly or through its subsidiaries or affiliates, Chemical Waste Management owns and operates the Participating Facilities. The Participating Facilities are intended to include all facilities owned or operated by Chemical Waste Management, now or in the future, including but not limited to those listed in Article VI.

Section 1.2 Operation of Participating Facilities  
-----

(a) Chemical Waste Management understands the currently known hazards and risks which are presented to human beings, property and the environment in the handling, transportation, storage, treatment, processing and disposal of Permitted Waste Products.

(b) Chemical Waste Management is engaged in the business of transportation, storage and disposal of industrial and other wastes, and has developed the requisite expertise for the handling, transportation, storage, treatment, processing and disposal of Permitted Waste Products.

(c) Chemical Waste Management will handle, load, stow,

transport, store, treat, process and dispose of Permitted Waste Products in a safe and workmanlike manner and in full compliance with all valid and applicable statutes, ordinances, orders, rules and regulations of the federal, state and local governments in whose jurisdictions such activities are performed under this Agreement.

(d) Chemical Waste Management has been issued, as of the date of execution of this Agreement, all permits, licenses, certificates or approvals, required by valid and applicable statutes, ordinances, orders, rules and regulations of the federal, state and local governments having jurisdiction over each of the Participating Facilities, necessary to accept and store, treat, process and dispose of Permitted Waste Products.

(e) During the term of this Agreement, Chemical Waste Management shall provide Clean Harbors with reasonable advance notice if any permit, license, certificate or approval for any of the Participating Facilities is to expire and not be renewed during the term of this Agreement. Such notice shall also be provided if Chemical Waste Management determines not to seek any necessary permit, license, certificate of approval for any of the Participating Facilities which becomes required after execution of this Agreement.

(f) Chemical Waste Management shall at all times during the term of this Agreement cause the Participating Facilities to be in compliance with all financial responsibility requirements pertaining to sudden and non-sudden occurrences and closure or post-closure costs as may be required by applicable federal, state or local statute, bylaw, ordinance or regulation. Chemical Waste Management shall also at all times during the term of this Agreement cause the Participating Facilities to be in compliance with all applicable liability, worker's compensation and other insurance requirements. Chemical Waste Management shall, upon request, furnish Clean Harbors with a copy of certificates of insurance or other documents evidencing such insurance or financial assurances.

(g) During the term of this Agreement, Chemical Waste Management shall promptly advise Clean Harbors of the institution of judicial or administrative proceedings by federal, state or local authorities to suspend, modify or revoke any permit, license, certificate or like approval for any of the Participating Facilities.

#### Section 1.3 Effect on Other Warranties

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The warranties and representations contained in this Article are in addition to and not in derogation of the warranties and representations contained in any other written agreements executed by the parties.

### ARTICLE II

TERM OF THE AGREEMENT; DISPOSAL FEES; DISPOSAL COMMITMENT;  
ACCEPTANCE OF PERMITTED WASTE; PREFERRED CUSTOMER STATUS PRODUCTS

#### Section 2.1 Term of the Agreement

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The term of this Agreement shall be for five (5) years, commencing on October 31, 1995 and terminating on the fifth anniversary thereof.

#### Section 2.2 Disposal Fees

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The fees payable by Clean Harbors for disposal of all Permitted Waste Products at any of the Participating Facilities shall, in each instance, be that price mutually agreed upon by Chemical Waste Management and Clean Harbors. The disposal fees

paid by Clean Harbors to Chemical Waste Management shall, in every instance, be: (1) no higher than the lowest disposal fees offered by Chemical Waste Management to its commercial, non-governmental customers; (2) no more than ten (10) percent higher than the disposal fees charged by Chemical Waste Management to its subsidiaries or affiliated companies, including but not limited to AETS ("Affiliates"), for field services work or project bids where Clean Harbors is bidding in competition against such Affiliates; and (3) no more than five (5) percent higher than the disposal fees offered to Clean Harbors by competitors of Chemical Waste Management. The parties acknowledge that it is the intent of this Agreement that Clean Harbors shall pay lower disposal fees each year by utilizing the Participating Facilities pursuant to this Agreement than it would otherwise pay to utilize the disposal and treatment facilities of Chemical Waste Management without the benefit of this Agreement or Facilities of competitors of Chemical Waste Management. Clean Harbors may request a fixed price for a specific time period for a contract that Clean Harbors is bidding or has been awarded.

Section 2.3 Disposal Commitment; Acceptance of Permitted

-----  
Waste Products  
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Subject to the conditions below and the disposal fee criteria in Section 2.2, Clean Harbors shall use its best efforts to deliver Permitted Waste Products to Chemical Waste Management for disposal or treatment at Participating Facilities, and Chemical Waste Management shall accept, store, treat and dispose of all Permitted Waste Products so delivered in accordance with this Agreement; provided, however, that the foregoing shall not prohibit or restrict Clean Harbors from utilizing (a) its own disposal or treatment facilities (or those owned by any subsidiary or affiliated company of Clean Harbors) for disposal or treatment of any Permitted Waste Products, or (b) the disposal or treatment facilities of any competitor of Chemical Waste Management for disposal or treatment when (i) so requested by Clean Harbors' customers; (ii) the Participating Facility cannot meet the schedule for acceptance of the Waste Products required by Clean Harbors; (iii) CWM fails to meet (within 5%) a lower price offered

to Clean Harbors by a competitor of Chemical Waste Management in accordance with Section 2.2 hereof after a reasonable opportunity to do so (which shall include making a Disposal Decision within the time limits specified in Section 4.3 hereof); (iv) the Chemical Waste Management Participating Facility has been unable to offload and return Clean Harbors' vehicles in a timely manner; or (v) Chemical Waste Management decides to cease accepting a Permitted Waste Product or Products at a Participating Facility or Facilities.

When Clean Harbors requests a lower price from Chemical Waste Management, Clean Harbors shall give Chemical Waste Management verbal notice of having been quoted (or of a customer or prospective customer of Clean Harbors having been quoted) a price for disposal or treatment services substantially similar in type and quality to those provided hereunder, which price is lower than the price determined pursuant to Section 2.2 hereof, when aggregated with any applicable transportation charges (priced according to Clean Harbors' published schedule of standard transportation charges), taxes, fees, special handling charges and other assessments.

Section 2.4 Preferred Customers Status

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For the term of this Agreement, Clean Harbors shall be treated as a preferred customer by Chemical Waste Management with



regard to Waste Products approval, scheduling of Waste Products delivery and the offloading and return of waste handling vehicles. No special charges, profile or analytical costs, levies or assessments of any type shall be charged to Clean Harbors by Chemical Waste Management or the Participating Facilities. Notwithstanding the foregoing, Chemical Waste Management may charge standard off-specification charges for Permitted Waste Products which are not in substantial conformance with the Waste Profile Sheet, PROVIDED, however, that Clean Harbors agrees to pay such off-specification charges prior to the acceptances of the Waste by the Participating Facility.

### ARTICLE III

#### FORCE MAJEURE

##### Section 3.1 Suspension of Performance -----

The performance of this Agreement, except for the payment of money for services already rendered, may be suspended (a) by Clean Harbors in the event that the delivery or transportation of Permitted Waste Products by Clean Harbors is prevented by a cause or causes beyond the reasonable control of Clean Harbors, or (b) by Chemical Waste Management in the event that the transportation, storage, treatment, processing or disposal of Permitted Waste Products by Chemical Waste Management is prevented by a cause or causes beyond the reasonable control of Chemical Waste Management. Such causes shall include, but not be limited to, acts of God, acts of war, riot, fire, explosion, accident, flood, or sabotage;

lack of adequate fuel, power, raw materials, labor or transportation facilities; government laws, regulations, requirements, orders of actions; breakage or failure of machinery or apparatus; national defense requirements; injunctions or restraining orders; labor trouble, strike, lockout or injunction (provided that neither party shall be required to settle a labor dispute against its own best judgment).

The party asserting a right to suspend performance under this Section 3.1 shall, within a reasonable time after it has knowledge of the effective cause, notify the other party of the cause for suspension, the performance suspended and the anticipated duration of suspension, and shall use its reasonable best efforts to rectify the effective cause of the suspension.

### ARTICLE IV

#### HAZARDOUS WASTE ANALYSIS AND ACCEPTANCE AT PARTICIPATING FACILITIES

##### Section 4.1 Waste Profiles -----

For the term of this Agreement, Clean Harbors may utilize the waste profile sheets currently established and on file with Chemical Waste Management for Permitted Waste Products presently originating from any facility owned or operated by Clean Harbors, or directly from the customers of either of them; provided, however, that Chemical Waste Management reserves the right to require periodic recertification (including, but not limited to, submission of a new waste material profile sheet and a representative sample of waste) of any waste stream for which a waste profile sheet is currently maintained, and such other recertifications as may be required by Chemical Waste Management policies and procedures or government regulations.

##### Section 4.2 Laboratory Analysis

-----  
During the term of this Agreement, for all Permitted Waste Products delivered or caused to be delivered by Clean Harbors to Participating Facilities, Chemical Waste Management shall accept the analysis performed by the Clean Harbors laboratory located at Braintree, Massachusetts, or by a certified laboratory of similar capabilities operated by Clean Harbors at another location, provided such laboratory has been certified by Chemical Waste Management; provided further, that Chemical Waste Management reserves the right to require a yearly audit and recertification of any laboratory operated by Clean Harbors and qualifying under this Section. Certification and recertification of laboratories by Chemical Waste Management shall be conducted in accordance with its policies and procedures and such certification or recertification shall not be unreasonably withheld by Chemical Waste Management.

Section 4.3 Disposal Decision and Disposal Request Deadlines  
-----

Chemical Waste Management and Participating Facilities shall render disposal decisions on Waste Products offered for disposal

by Clean Harbors in accordance with the following schedule: (1) for disposal decisions that require Chemical Waste Management to perform laboratory analysis, a decision will be rendered and communicated within ten (10) business days from receiving a new waste material profile sheet and sample, and (2) for disposal decisions that Clean Harbors has provided the laboratory analysis in accordance with Section 4.2, or for which laboratory analysis is not required, a decision will be rendered and communicated within three (3) business days from receipt of paperwork.

Chemical Waste Management and Participating Facilities shall communicate a schedule date within two (2) business days after a disposal request is received from Clean Harbors. In no event shall the waste product delivery to the Participating Facilities be scheduled more than ten (10) business days after the receipt of the disposal request by Chemical Waste Management or the participating facilities.

Section 4.4 Analysis Charges  
-----

For the term of this Agreement, Chemical Waste Management will not charge Clean Harbors for analysis of any Permitted Waste Product proposed for disposal at Participating Facilities, provided that an analysis necessary for disposal of said waste has been performed by a laboratory identified in Section 4.2 and provided to Chemical Waste Management.

Section 4.5 Termination of Disposal  
-----

In the event that Chemical Waste Management decides to cease accepting a Permitted Waste Product at a Participating Facility for which a waste profile sheet currently exists, Clean Harbors shall be given 30 days advance notice thereof, provided that in the event that Chemical Waste Management is obligated to cease accepting a Permitted Waste Product due to force majeure, this notice provision shall not apply. In the event that Chemical Waste Management elects to cease accepting a Permitted Waste Product or Products pursuant to this Section 4.5, Clean Harbors shall thereby be authorized by Chemical Waste Management to contract with competitors of Chemical Waste Management on such terms as may be necessary to dispose of such Permitted Waste Product or Products.

## INDEMNIFICATION

### Section 5.1 Indemnification by Chemical Waste Management

-----

Chemical Waste Management shall indemnify and save harmless Clean Harbors, and its subsidiary companies and its affiliates, and their present and future officers or directors (or officials), employees and agents, from and against any and all liabilities, penalties, fines, forfeitures, demands, claims, causes of action, suits, and costs and expenses incidental thereto (including cost of defense, settlement, and reasonable attorney's fee), which any

or all of them may hereafter suffer, incur, be responsible for or pay out as a result of bodily injuries (including death) to any person, damage (including loss of use) to any property (public or private), contamination of or adverse effects on the environment, or any violation or alleged violation of statutes, ordinances, orders, rules or regulations of any governmental entity or agency, either (a) directly or indirectly caused by, or arising out of breach of any warranties by Chemical Waste Management or any negligent or willful act or omission of Chemical Waste Management, its employees or its subcontractors in the performance of this Agreement; or (b) associated with cleanup of any of the Participating Facilities, arising out of said Participating Facilities' becoming subject to removal or remedial actions under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act, or any comparable state statutes or other applicable environmental authorities except to the extent of the indemnification by Clean Harbors provided for in Section 5.2 hereof.

### Section 5.2 Indemnification by Clean Harbors

-----

Clean Harbors shall indemnify and save harmless Chemical Waste Management and its affiliates, and its present and future officers or directors (or officials), employees and agents, from and against any and all liabilities, penalties, fines, forfeitures, demands, claims, causes of action, suits, and costs and expenses incidental thereto (including cost of defense, settlement, and reasonable attorney's fees), which any or all of them any hereafter suffer, incur, be responsible for or pay out as a result of bodily injuries (including death) to any person, damage (including loss of use) to any property (public or private), contamination of or adverse effects on the environment, or any violation or alleged violation of statutes, ordinances, orders, rules or regulations of any governmental entity or agency, directly or indirectly caused by, or arising out of breach of any warranties by Clean Harbors, or any negligent or willful act or omission of Clean Harbors, its employees or its subcontractors in the performance of this Agreement except to the extent of the indemnification by Chemical Waste Management provided for in Section 5.1 hereof.

## ARTICLE VI

### CERTAIN DEFINITIONS

As used in this Agreement or Appendix A hereto, the following capitalized terms shall have the meanings stated below or, as indicated, elsewhere in this Agreement:

Business Day - Business Day shall mean Monday through  
-----  
Friday excluding national holidays.

Disposal Decision - Disposal Decision shall mean a

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determination by Chemical Waste Management or a Participating Facility to: (1) accept or reject a given "hazardous waste" for disposal, based on acceptance criteria of the Participating Facility; and (2) the schedule by which such waste shall be accepted by the Participating Facility in accordance with Section 4.3 hereof.

Disposal Fee - Disposal Fee shall be that price,

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including transportation costs, taxes, special assessments and all other fees, that Clean Harbors may pay to Chemical Waste Management or to competitors of Chemical Waste Management for the disposal of Waste Products.

Disposal Request - Disposal Request shall mean

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notification by Clean Harbors, either orally or in writing, of a desire to deliver a Permitted Waste Product to a Participating Facility for disposal.

Part A Permits - Part A Permits shall mean the

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Participating Facilities' respective RCRA Part A Permits, as from time to time amended or modified.

Participating Facility - A Participating Facility shall

-----

mean all facilities owned or operated by Chemical Waste Management or its subsidiaries or affiliates including, but not limited to, the following facilities:

Participating Facility

Location

Controlled Waste	Menomenee Falls, Wisconsin
Coatesville Facility	Coatesville, Pennsylvania
Arlington Facility	Arlington, Oregon
Kettleman Facility	Kettleman Hills, California
RML Facility	Morrow, Georgia
LWMRR Facility	West Carrollton, Ohio
Model City Treatment Center	Model City, New York
Adams Center Facility	Fort Wayne, Indiana
Emelle Treatment Center	Emelle, Alabama
Lake Charles Treatment Center	Lake Charles, Louisiana
Newark Treatment Center	Newark, New Jersey
Injection Well Facility	Vickery, Ohio
Port Arthur Facility	Port Arthur, Texas
Trade Waste Incineration	Sauget, Illinois
Memphis Facility	Millington, Tennessee
OSCO Facility	Azula, California
OSCO Facility	Henderson, Colorado

In addition to the above-described Participating

Facilities, the term "Participating Facilities" shall apply to any other treatment or disposal facility which is permitted to accept any type of Waste Products and which Chemical Waste Management directly or through

subsidiaries owns or operates, now or in the future. Conversely, the term "Participating Facilities" shall not apply, after 60 days prior written notice to Clean Harbors, to any of such Participating Facilities which are no longer permitted to accept Waste Products by applicable government regulations and/or the policies and procedures of Chemical Waste Management.

Permitted Waste Products - Permitted Waste Products  
-----

shall mean those Waste Products which are identified in the Part A Permits and which applicable government regulations and the policies and procedures of Chemical Waste Management permit the Participating Facilities to dispose or otherwise handle.

Waste Products - Waste Products shall mean any substance  
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or material identified as a "hazardous waste", either by characteristics or listing, in regulations promulgated or revised under Section 3001 of the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"); any substance or material that is regulated as a hazardous waste by the state in which Clean Harbors took possession of said substance or material and by the

state in which the Participating Facility is located; and any substance or material whose disposal is regulated pursuant to the Toxic Substances Control Act of 1976 ("TSCA"). Waste Products shall not include waste oil or any substance or material that is not required by applicable state or federal law to be disposed of at a facility regulated under RCRA or TSCA.

## ARTICLE VII

### OTHER PROVISIONS

#### Section 7.1 Extension of Time; Waiver of Performance -----

The parties may extend the time for or waive the performance of any of the obligations or warranties of the other, or waive compliance by the other with any of the covenants or conditions contained in this Agreement. Any such extension or waiver shall be in writing and shall be signed by the party extending or waiving the performance or decision deadline.

#### Section 7.2 Notice -----

Except for notice given pursuant to Section 4.3 hereof, any notice to a party pursuant to this Agreement shall be given by certified or registered mail, or by private carrier providing evidence of receipt as part of its services, addressed as follows:

if to Chemical Waste Management or SCA Services:	Chemical Waste Management, Inc. 3001 Butterfield Road Oak Brook, IL 60521
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Attn: President

with a copy to:	Chemical Waste Management, Inc. 3001 Butterfield Road Oak Brook, IL 60521
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Attn: General Counsel

if to Clean Harbors:	Clean Harbors
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325 Wood Road  
Braintree, MA 02184

Attn: President

with a copy to:

Clean Harbors  
325 Wood Road

Braintree, MA 02184

Attn: General Counsel

or to such other address as may be designated in writing by either party from time to time in accordance herewith, and shall be deemed delivered when placed in the mail or given to private carrier so addressed, with postage prepaid.

#### Section 7.3 Contract Administrators

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As soon as practicable after the date of this Agreement, Chemical Waste Management and Clean Harbors shall each designate a representative who shall act as the initial contact for matters arising under this Agreement and who shall assist in the administration of this Agreement.

#### Section 7.4 Access to Records; Confidential Information

-----

The parties shall afford their respective representatives such access during normal business hours and upon reasonable notice to each other's business records as may be necessary to ascertain their compliance with the terms of this Agreement, including, in the case of environmental audits from time to time conducted by Clean Harbors, access to such records of the Participating Facilities demonstrating compliance with applicable environmental laws or regulations. Except as required by law or as is necessary to perform this Agreement, any information obtained by either party from the other shall not be disclosed or used by such party for any purpose other than for which it was intended pursuant to this Agreement, and except as required by law, neither party shall disclose to others the terms of this Agreement.

#### Section 7.5 Remedies

-----

The parties agree that any material breach of Article II of this Agreement by Chemical Waste Management could cause irreparable damage or harm to Clean Harbors and in the event of any such breach Clean Harbors shall have, in addition to any and all other remedies at law, the right to an injunction, specific performance or other equitable relief to prevent the violation of this Agreement, provided that in any such case Clean Harbors shall be in compliance with the terms of the Subsidiary Agreements.

#### Section 7.6 Arbitration

-----

In the event that a dispute shall arise as to the meaning of any term or provision of this Agreement or as to the accuracy of any amount calculated or reported hereunder or as to whether either party shall have breached or caused a default hereunder, the parties agree to submit their dispute to final and binding arbitration before the American Arbitration Association, and pursuant to the rules and regulations thereof, with the site of such arbitration to be within ten (10) miles of the City of Boston. Neither party shall have the right to terminate this Agreement unless and until it shall be determined by a decision of such arbitration that the other party has caused a breach and the

other party shall not, within twenty (20) days after any such decision becomes final, paid all damages awarded by the arbitration decision and/or corrected any default or inaccuracy determined by the arbitration.

Section 7.7 Quarterly Meeting

Representatives of Chemical Waste Management and Clean Harbors shall meet at least once in each calendar quarter during the term of this Agreement to review the implementation of this Agreement.

Section 7.8 Assignment

This Agreement shall not be transferred or assigned except to a parent, subsidiary or other affiliated company of either party and except as collateral security to an institutional lender which shall have all of the rights of a secured party under the Uniform Commercial Code; provided, however, that no such transfer or assignment shall operate to relieve either party of its responsibilities under this Agreement.

Section 7.9 Confidentiality

The provisions of this Agreement shall be kept confidential by the parties. In the event that either party is requested to disclose any information concerning this Agreement by any third party, it shall promptly notify the other party.

Section 7.10 Construction of Agreement

This instrument is to take effect as a sealed instrument and is to be construed according to the laws of the Commonwealth of Massachusetts. This instrument sets forth the entire agreement between the parties with respect to the subject matter hereof and is binding upon and inures to the benefit of the parties hereto and their respective legal successors and assigns. It may be canceled, modified or amended only by a written instrument executed by the parties. The captions are used only as a matter of convenience, and are not to be considered a part of this Agreement or to be used in determining the intent of the parties to it.

Section 7.11 Execution in Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

IN WITNESS WHERE, the parties have executed this Agreement as of the date first above written.

CHEMICAL WASTE MANAGEMENT, INC.

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
President

CLEAN HARBORS ENVIRONMENTAL SERVICES, INC.

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
President

CLEAN HARBORS, INC. AND SUBSIDIARIES  
 COMPUTATION OF NET INCOME (LOSS) PER SHARE  
 FOR THE THREE YEARS ENDED DECEMBER 31, 1995  
 (IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

TYPE OF SECURITY -----	PRIMARY -----	FULLY DILUTED -----
1993		
Weighted average common stock outstanding in 1993.....	9,327	9,327
Stock options exercised in 1993.....	82	82
Stock options and warrants outstanding during 1993.....	475	475
	-----	-----
Weighted average shares of common stock outstanding.....	9,884	9,884
	=====	=====
Net income.....	\$ 3,131	\$ 3,131
Less preferred stock dividends accrued.....	350	350
	-----	-----
Adjusted net income.....	\$ 2,781	\$ 2,781
	=====	=====
Earnings per share.....	\$ .28	\$ .28
	=====	=====
1994		
Weighted average common stock outstanding in 1994.....	9,426	9,426
Stock options exercised in 1994.....	4	4
Stock options and warrants outstanding during 1994.....	205	205
	-----	-----
Weighted average shares of common stock outstanding.....	9,635	9,635
	=====	=====
Net income.....	\$ 475	\$ 475
Less preferred stock dividends accrued.....	441	441
	-----	-----
Adjusted net income.....	\$ 34	\$ 34
	=====	=====
Earnings per share.....	\$ .00	\$ .00
1995		
Weighted average common stock outstanding in 1995.....	9,457	9,457
Stock options exercised in 1995.....	3	3
Stock options and warrants outstanding during 1995.....	15	15
	-----	-----
Weighted average shares of common stock outstanding.....	9,475	9,475
	=====	=====
Net loss.....	\$ (6,893)	\$ (6,893)
Less preferred stock dividends accrued.....		
	-----	-----
Adjusted net loss.....	\$ (7,340)	\$ (7,340)
	=====	=====
Loss per share.....	\$ (.77)	\$ (.77)
	=====	=====



## CLEAN HARBORS, INC. AND SUBSIDIARIES

## SUBSIDIARIES

	STATE OF INCORPORATION	PRINCIPAL PLACE OF BUSINESS
		-----
Clean Harbors Environmental Services, Inc.	MA	325 Wood Road Braintree, MA 02184-2402
Clean Harbors of Natick, Inc.	MA	325 Wood Road Braintree, MA 02184-2402
Clean Harbors of Braintree, Inc.	MA	325 Wood Road Braintree, MA 02184-2402
Clean Harbors of Chicago, Inc.	MA	325 Wood Road Braintree, MA 02184-2402
Clean Harbors of Cleveland, Inc.	MA	11800 S. Stony Island Ave. Chicago, IL 60617
Clean Harbors of Baltimore, Inc.	PA	325 Wood Road Braintree, MA 02184-2402
Clean Harbors of Connecticut, Inc.	CT	325 Wood Road Braintree, MA 02184-2402
Clean Harbors Kingston Facility Corporation	MA	325 Wood Road Braintree, MA 02184-2402
Murphy's Waste Oil Service, Inc.	MA	325 Wood Road Braintree, MA 02184-2402
Northeast Casualty Risk Retention Group, Inc.	VT	325 Wood Road Braintree, MA 02184-2402
Clean Harbors Technology Corporation	MA	325 Wood Road Braintree, MA 02184-2402
Mr. Frank, Inc.	IL	21900 South Central Ave. Matteson, IL 60443
Spring Grove Resource Recovery, Inc.	DE	4879 Spring Grove Avenue Cincinnati, OH 45232

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Clean Harbors, Inc. on Form S-8 (Files No. 33-22638, No. 33-51452 and No. 33-60187) of our report dated January 31, 1996 (except with respect to Note 9, as to which the date is March 20, 1996) on our audits of the consolidated financial statements and the financial statement schedule of Clean Harbors, Inc., which report is included in Item 8 of this Form 10-K.

Coopers & Lybrand L.L.P.

Boston, Massachusetts  
March 28, 1996

## POWER OF ATTORNEY

(FORM 10-K)

Know all men by these presents, that the individuals whose signatures appear below constitute and appoint Alan S. McKim and Stephen H. Moynihan, and each of them acting alone, his true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, to sign the Clean Harbors, Inc. Form 10-K Annual Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934 for the fiscal year ended December 31, 1995, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said substitute or substitutes may lawfully do or cause to be done by virtue hereof.

SIGNATURE -----	TITLE -----	DATE ----
/s/ Christy W. Bell ----- CHRISTY W. BELL	Director	February 15, 1996
/s/ John F. Kaslow ----- JOHN F. KASLOW	Director	February 15, 1996
/s/ Daniel J. McCarthy ----- DANIEL J. MCCARTHY	Director	February 15, 1996
/s/ John T. Preston ----- JOHN T. PRESTON	Director	February 15, 1996
/s/ Lorne R. Waxlax ----- LORNE R. WAXLAX	Director	February 15, 1996