AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION MARCH 28, 2000

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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# 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, 1999

COMMISSION FILE NO. 0-16379

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# CLEAN HARBORS, INC.
(Exact name of registrant as specified in its charter)

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| MASSACHUSETTS<br>(State or other jurisdiction of incorporation or organization) | 04-2997780<br>(IRS Employer Identification Number) |
| 1501 WASHINGTON STREET,<br>BRAINTREE, MASSACHUSETTS<br>(Address of principal executive offices) | 02184-7535<br>(Zip Code) |

REGISTRANT'S TELEPHONE NUMBER: (781) 849-1800 EXT. 4454

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. /X/

On March 15, 2000, the aggregate market value of the voting stock of the registrant held by nonaffiliates of the registrant was $21,834,326. Reference is made to Part III of this report for the assumptions on which this calculation is based.

On March 15, 2000, there were outstanding 10,978,144 shares of Common Stock, $.01 par value.

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DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive proxy statement for its 2000 annual meeting of stockholders (which is expected to be filed with the

Commission not later than April 30, 2000) are incorporated by reference into part III of this report.

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## FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report contains forward-looking statements, which are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans to," "estimates," "projects," or similar expressions. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations--Factors That May Affect Future Results." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. The Company undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed by the Company in the fiscal year 2000.

## PART I

### ITEM 1. BUSINESS

Clean Harbors, Inc., through its subsidiaries (collectively, the "Company"), operates in one industry segment providing a wide range of hazardous waste management services to a diversified customer base in the United States and Puerto Rico. The Company is managed on a regional basis, with a full range of services being offered in the Northeast, Mid-Atlantic and Midwest regions, and has a strong presence in the Western region. The Company has a network of sales and regional logistics offices and service centers located in 27 states and Puerto Rico. The service centers interface with customers, and perform a variety of environmental remediation and hazardous waste management activities. The Company has 12 waste management facilities, which are managed separately from the regions, that transport, store, treat and dispose of waste. The Company also provides analytical testing, technical, and consulting and information management services, which complement its primary services and permit it to offer complete solutions to its customers' complex environmental requirements.

The Company is one of the largest providers of industrial waste management services in the United States. The Company has three major competitors, namely, ONYX-North America (the waste management subsidiary of the Paris-based Vivendi), Philip Services Corp. and Safety-Kleen Corp. The Company also competes against regional waste management firms and a number of smaller companies. 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, information technologies, breadth of product offerings and cost effectiveness. The Company's principal customers are utility, chemical, petroleum, pharmaceutical, transportation and industrial firms, educational institutions, other waste management companies and government agencies.

The Company's earnings were adversely affected by continued poor conditions in the hazardous waste disposal industry. Intense price competition, waste minimization by industrial firms and unpredictable event business all contributed to weakness across all segments of the hazardous waste disposal industry. The Company responded to industry conditions by implementing business process review programs, expanding the network of service centers and by enhancing revenue through increasing market share.

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 adheres to a risk management program designed to reduce potential liabilities for the Company and its customers.

The Company was incorporated in Massachusetts in 1980. The principal offices of the Company are located in Braintree, Massachusetts.



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 treatment and disposal services, site services, analytical services, and information technologies and training in managing their overall environmental program. In order to maintain and enhance its position in the industrial waste management industry within the core markets in which it operates, the Company strives to achieve internal growth through expanding the network of service centers within the primary regions in which it operates, penetrating the industrial maintenance services market, increasing utilization of existing facilities by increasing volumes of waste processed, developing new waste management services, providing consulting and information management services, capitalizing on industry consolidation and providing e-commerce solutions. In addition, the Company has achieved external growth through strategic acquisitions.

EXPANDED NETWORK OF SERVICE CENTERS. The Company currently has 33 service centers, 6 of which were opened in 1999. By opening additional service centers within or contiguous to the regions in which it operates, the Company believes that it can, with minimal expenditure of funds, increase its market share. The additional waste that is generated within its territory can be sent to existing waste processing facilities.

PENETRATING THE INDUSTRIAL MAINTENANCE SERVICES MARKET. In the second quarter of 1999, the Company added to its service offerings industrial cleaning and maintenance. The Company expanded this business to three locations in 1999. The Company believes that industrial maintenance services offer significant opportunities for growth for the Company because of the multi-billion dollar size of the market and the Company's small current penetration of this market. The expansion in industrial maintenance services leverages the Company's hazardous waste disposal assets because hazardous wastes are often removed in the cleaning process.

IMPROVED UTILIZATION OF WASTE MANAGEMENT FACILITIES. The Company currently has 12 waste management facilities which represent a substantial investment in permits, plants and equipment. This network of facilities provides the Company with significant operating leverage. There are opportunities to expand waste handling 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.

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. The Company utilizes its technological expertise and innovation to improve and expand the range of services which it offers to its customers, and to develop less expensive methods of disposing of hazardous waste.

CONSULTING AND INFORMATION MANAGEMENT SERVICES. In 1998, the Company created a subsidiary, Harbor Management Consultants, Inc. ("Harbor Management") to provide consulting services and environmental information management systems to a broad array of customers throughout the United States. The Company believes that there is an opportunity to bring additional value to the environmental departments of generators of hazardous waste by providing the expertise required to streamline their environmental programs. Harbor Management provides software development, systems integration, consulting and onsite management services.

CAPITALIZATION ON INDUSTRY CONSOLIDATION. The Company believes that its large industrial customers are increasingly requiring a comprehensive range of waste treatment capabilities, site services, industrial maintenance services, emergency response services and waste consulting and information management services to be provided by a select number of service providers. This trend should place 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 is following a strategy of acquiring companies in existing, contiguous and new market areas. 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 evaluate other business opportunities in order to enhance service to its existing customer base and expand its customer base.

E-COMMERCE. In 1999, the Company enhanced its internet functionality to provide order fulfillment, waste profiling and transportation scheduling. The Company believes that its e-commerce capabilities are superior to those of its competitors in the hazardous waste industry and that increasing the percentage of transactions that utilize e-commerce will result in lower costs of services.

ACQUISITIONS

The Company has completed two acquisitions since January 1, 1995.

| DATE OF ACQUISITION | ACQUISITION | PURCHASE PRICE |
|---|---|---|
| 1995 | The assets of a newly constructed hazardous waste incinerator located in Kimball, Nebraska | $5.2 million |
| 1999 | The assets of the Texas Transportation and Brokerage Divisions of American Ecology Environmental Services Corporation | $1.9 million |

Prior to completing any acquisition, the Company strives to investigate 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 Company provides a wide range of hazardous waste management services. The services provided can be discussed in five categories: treatment and disposal of industrial wastes ("Treatment and Disposal"); site services provided at customer sites ("Site Services"); specialized repackaging, treatment and disposal services for laboratory chemicals and household hazardous wastes ("CleanPack" -Registered Trademark-); transportation for all forms of hazardous wastes ("Transportation and Logistics Management, and Analytical Testing Services"); and consulting, information management and training services provided by Harbor Management Consultants ("Harbor Management"). Although they are discussed separately to provide an understanding of the services offered, Site Services, CleanPack-Registered Trademark-, and Transportation and Logistics Management Services are typically provided from one service location. The Company markets these services through its sales organizations and, in many instances, services in one area of the business support or lead to work in other service lines.

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 sample of the delivered waste is tested 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 wastes 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 label 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 wastewater treatment operations involve processing hazardous and nonhazardous wastes through the use of physical and chemical treatment 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, while the treated effluent is discharged to the local sewer system under permit.

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

- acids and caustics;
- 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. For instance, 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. 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 as the principal means of waste destruction. The Company's state-of-the-art hazardous waste incinerator in Kimball, Nebraska, uses a fluidized bed thermal oxidation unit for maximum destruction efficiency of hazardous waste.

RESOURCE RECOVERY. Resource recovery involves the treatment of wastes using various methods which effectively remove contaminants from the original material to restore its fitness for its intended purpose and to reduce the volume of waste requiring disposal. The Company operates treatment systems 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 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 at its Baltimore facility, which extracts organic compounds from industrial wastewater. CES removes organic contaminants such as gasoline, acetone, methylene chloride, pesticides and other chemicals from industrial wastewater known as "lean water." Lean water is generated by firms such as oil companies, utilities, and manufacturers of specialty chemicals and pharmaceuticals.

The CES process enables the Company to handle a broad range of complex, difficult to treat organic and inorganic wastewaters which would otherwise be sent to other companies for disposal. CES offers the Company's industrial customers, such as chemical or pharmaceutical companies, an attractive recycling alternative to incineration or deep well injection of their waste waters.

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 are sent to other incinerators, landfills, and disposal facilities operated by third parties. On occasion, a customer's waste may be shipped 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. The Company has negotiated favorable commercial terms with a number of disposal companies.

SITE SERVICES

The Company provides a wide range of environmental site 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 waste management companies and 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.

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. The Company's service centers are equipped with special 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 the customer's production downtime.

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 technical and project management 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 and 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 designs and fabricates 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 their service centers. The Company has also established a program called CleanER, which is a sub-contractor network responding to emergency response actions. 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 assist field managers in supervising 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.

SITE REMEDIATION. The Company provides technical capabilities and operational expertise to manage large-scale environmental projects. The interdisciplinary teams of managers, geologists, chemists, engineers, scientists, technicians, and compliance experts design and implement solution-oriented remedial programs incorporating both off-site and on-site treatment. The areas of expertise include:

- remedial investigations;

- remediation technologies: design, in-house fabrication, installation, and operations and maintenance;

- decontamination and decommissioning operations;

- high hazard materials handling; and

- mobile treatment services.

CLEANPACK-REGISTERED TRADEMARK- SERVICES

The Company provides specialized handling, packaging, transportation and disposal of laboratory quantities of outdated hazardous chemicals, household hazardous wastes, and waste pesticides and herbicides. CleanPack-Registered Trademark- chemists utilize the Company's CHOICE-TM- waste management software system to support the Company's packaging services and complete the regulatory information required for every pick-up. The CleanPack-Registered Trademark- operation services a wide variety of customers including:

- pharmaceutical companies;

- engineering, and research and development departments of industrial companies;

- college, university and high school laboratories;

- commercial laboratories;

- hospital and medical care laboratories and Veterans Administration facilities;

- state and local municipalities; and

- thousands of agri-businesses and residents through household hazardous waste and pesticide/ herbicide collection programs.

CleanPack-Registered Trademark- chemists collect, identify, label, and package waste into Department of Transportation approved containers. Lab packed wastes are then transported to one of the Company's facilities where the waste is consolidated for recycling, reclamation, fuels blending, aqueous treatment, incineration or secure chemical landfill.

Other services provided by the Company's CleanPack-Registered Trademark- operations include:

HIGH HAZARD SERVICES. Reactive Materials Technicians utilize specialized equipment and training to stabilize and desensitize highly reactive and potentially explosive chemicals.



CUSTOMPACK-REGISTERED TRADEMARK- SERVICES. The Company provides training, technical support, and disposal services for customers with the resources and experience to package their own waste chemicals.

LABORATORY MOVE SERVICES. CleanPack-Registered Trademark- chemists properly and safely segregate, package, transport, and un-package hazardous chemicals being moved from older laboratories to newer laboratories.

TRANSPORTATION AND LOGISTICS MANAGEMENT, AND ANALYTICAL TESTING SERVICES

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, bulk 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 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. The Company's fleet is equipped with a mobile satellite monitoring system and communications network which allows real-time communication with the transportation fleet.

The Company operates a state-certified analytical testing laboratory at its waste handling facility in Braintree, Massachusetts, which tests samples provided by customers to identify and quantify toxic pollutants. 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. The Company also maintains laboratories at its other principal waste management facilities to identify and characterize waste materials prior to acceptance for treatment and disposal.

CONSULTING AND INFORMATION MANAGEMENT AND PERSONNEL TRAINING SERVICES

CONSULTING AND INFORMATION MANAGEMENT SERVICES. Harbor Management provides customers with the expertise to streamline their environmental programs through software development, systems integration, consulting and on-site management services. The Company has developed a proprietary software product CHOICE-Registered Trademark-, as an on-site software product that provides such key features as: waste tracking, manifesting, waste profiling, labeling, least cost procurement and cost allocation reporting. Customers can link their data via the internet to the Company through CleanLink-Registered Trademark- web enabled software. CHOICE-Registered Trademark- combined with CleanLink-Registered Trademark- provides customers with a total information package of inventory management, waste shipment and waste tracking information.

PERSONNEL TRAINING. The Company provides comprehensive personnel training programs for its own employees and for its customers on a commercial basis. Such programs are designed to promote safe work practices under potentially hazardous 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 includes confined space entry, exit and extraction equipment, 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 Standards.

SEASONALITY

The Company's operations may be affected by seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers' spending for remedial activities. Typically during the first quarter of each year there is less demand for environmental services 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.



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 industrial companies in the United States. The Company's customers are primarily chemical, pharmaceutical, 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 and the Mid-Atlantic, provide it with a recurring revenue base. The Company estimates that more than 81% of its revenues are derived from previously served customers with recurring needs for the Company's services. For the years ended December 31, 1999, 1998 and 1997, no single customer accounted for more than five percent of the Company's revenues. 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.

Although the Company's customer base is diverse, two industries each provided over 10% of the Company's revenue in 1999. Approximately 20% of the Company's revenues in 1999 were from the chemical, pharmaceutical and allied products industry, while approximately 14% were from the electric, gas and sanitary industry. In 1998, those same two industries each provided over 10% of the Company's revenue, with approximately 23% of the Company's revenues in 1998 from the chemical and allied products industry and approximately 12% from the electric, gas and sanitary industry. 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.

Under applicable environmental laws and regulations, generators of hazardous wastes retain legal liability for the proper handling of those wastes up to and including their ultimate disposal. In response to these potential concerns, many large generators of industrial wastes and other purchasers of waste management services (such as general contractors on major remediation projects) have decreased the number of providers they use for such services. The Company has been selected as an approved vendor by large generators because the Company possesses comprehensive collection, recycling, treatment, transportation, disposal, and waste tracking capabilities and has the expertise necessary to comply with applicable environmental laws and regulations. By becoming an approved vendor for a large waste generator or other purchaser, the Company becomes eligible to provide waste management services to the multiple plants and projects of each generator or purchaser 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 are being performed in compliance with applicable laws and regulations and other criteria established by the Company and such customers.

COMPLIANCE/HEALTH & SAFETY

The Company regards compliance with applicable environmental regulations, and the health and safety of its workforce as critical components of its overall operations. The Company strives to maintain the highest professional standards in its compliance, and health and safety 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 waste management facilities and service centers under the direction of the Company's corporate staff. The compliance, and health and safety staffs 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 the Director of Regulatory Affairs or the Director of Health and Safety, who in turn report to the General Counsel.

ENVIRONMENTAL LIABILITIES AND CAPITAL EXPENDITURES

The Company operates facilities that treat or store hazardous waste. Such facilities must obtain a RCRA license from the EPA or an authorized state agency, and must comply with certain operating requirements. The EPA has developed a system for assessing the relative environmental clean-up priority of RCRA facilities called the National Corrective Action Prioritization System, with a High, Medium or Low ranking for each facility. None of the Company's RCRA facilities has been assessed a high priority. The following table summarizes non-reimbursed environmental remediation expenditures capitalized and expenses incurred for the year ended December 31 (in thousands):

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Environmental expenditures capitalized | $274 | $674 | $564 |
| Environmental expenses incurred | 37 | 95 | 256 |
| | $311 | $769 | $820 |

Although further investigation may cause a change in estimate, the Company expects remediation expenditures of the magnitude incurred for the last three years to continue for the foreseeable future. The Company believes that environmental cleanup can be financed out of results from operations and that compliance with environmental laws will not adversely affect its competitive position.

## MANAGEMENT OF RISKS

The Company adheres to a program of risk management policies and practices designed to reduce potential liability, as well as to manage customers' ongoing environmental exposures. This program includes installation of risk management systems at the Company's 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 disposes of its wastes at the Company's Kimball incineration facility, or at facilities owned and operated by firms which the Company has audited and approved. 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.

## INSURANCE

The Company's 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 for 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 as 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, 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 for 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, the Toxic Substances Control Act 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 and non-sudden occurrences at its facilities, with the excess coverage provided by Lloyds of London for sudden occurrences, and (ii) the full policy limits of $3,000,000 per occurrence, $6,000,000 aggregate, of insurance for non-sudden occurrences.

Operators of hazardous waste handling facilities are also required by federal and state regulations to provide financial assurance for closure and post-closure care of those facilities, should the facilities cease operation. 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 has obtained surety bonds to provide such financial assurance for closure of the waste management facilities it currently operates, with the exceptions of the Kimball incinerator, and the lagoons and incinerator located at the Chicago facility. The Kimball incinerator has closure and post-closure insurance provided by a commercial insurer. Closure for the lagoons and incinerator at the Chicago facility is provided by an insurance company owned by the Company. This liability is fully funded.

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 or surety bonds 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, 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. The Company believes that policy cancellation terms are similar to those of other companies in other industries.

COMPETITION

The Company competes with three major companies, namely, ONYX-North America (the waste management subsidiary of the Paris-based Vivendi), Philip Services Corp. and Safety-Kleen Corp. The



Company also competes against regional waste management firms and numerous small companies. Each of these competitors 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 that it offers a more comprehensive range of industrial waste management services than its competitors in major portions of its service territory, that its ability to provide comprehensive services supported by unique information technologies capable of managing the customers' overall environmental program constitutes a significant competitive advantage, and that its stable ownership allows the Company to focus on building long-term relationships with its customers.

Treatment and disposal operations are conducted by a number of national and regional waste management firms. The Company believes that the ability to collect and transport waste products efficiently, quality of service, safety, and pricing are the most significant factors in the market for treatment and disposal services.

In site services, the Company's competitors include several major national and regional environmental services firms, as well as numerous smaller local firms. The Company believes that availability of skilled technical professional personnel, quality of performance, diversity of services and price are the key competitive factors in this service industry.

EMPLOYEES

As of March 15, 2000, the Company employed 1,225 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 33 service centers, various environmental remediation equipment, and a fleet of approximately 800 registered pieces of transportation equipment. Most service center locations are leased, and occasionally move to other locations as operations and space requirements change. All of the waste management facilities are owned by the Company, except (i) the Chicago hazardous waste management facility which is leased with terms (including extensions) that expire September 2020, (ii) the Woburn, Massachusetts waste oil treatment and storage facility which is leased with terms (including extensions) that expire February 2013, and (iii) the Virginia waste oil treatment and storage facility which is leased with terms (including extensions) that expire February 2002. In connection with the placement of an industrial revenue bond in 1996, the Company entered into a facilities lease with the City of Kimball, Nebraska, whereby the City acquired a leasehold interest in the Kimball incinerator and the Company leased the incinerator back from the City. The Company retains title to the incinerator.

HAZARDOUS WASTE MANAGEMENT FACILITIES. The Company operates 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 RCRA. All of the Company's hazardous waste management facilities are subject to RCRA licensing and have been issued RCRA Part B licenses, except for the Cleveland facility, which is regulated under the Clean Water Act.

Two of the facilities described above are waste oil treatment and storage facilities. Some petroleum products, such as gasoline, are considered hazardous waste under federal law, and certain operations are located in states which regulates waste oil as a hazardous waste. In order to handle a variety of waste oil and petroleum products and support its site service activities in the Northeast and Mid-Atlantic regions,



the Company has obtained a RCRA license for its Woburn, Massachusetts waste oil facility. The Company's Virginia waste oil facility currently operates under RCRA interim status.

The Company has made substantial modifications and improvements to the physical plant, and treatment and process equipment in recent years 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, expansion of analytical testing laboratories, drum storage and processing facilities, and equipment rearrangement and replacement to improve operating efficiency. Further, the Company believes that it can, with minor modifications at its plants, make changes such that the existing plants would be able to process significantly increased volumes of hazardous wastes and that no new facilities will be required.

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, hazardous waste fuels blending, drummed waste processing and consolidation, and transfer and repackaging of laboratory chemicals into lab pack containers. In November 1993, the Illinois EPA issued a Part B license for a ten-year term.

In November, 1995, the Company acquired assets from Chemical Waste Management, Inc. ("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 other improvements completed from 1995 through 1997 by the Company, have expanded the waste storage and handling capabilities at the Chicago plant. Waste materials are shipped via rail and truck to Chicago. The waste materials are either treated or processed for transshipment in Chicago.

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. The Company believes that it can appropriately capitalize the expenditures in excess of amounts accrued that are required to clean up the property. In addition, the Company entered into a five year disposal services agreement with ChemWaste in connection with the acquisition of the assets on the adjoining 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.

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. The incinerator has a RCRA Part B license issued by the Nebraska Department of Environmental Quality ("NDEQ") that was issued effective July 30, 1999 for a period of five years.

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 permit requirements, the ash can be classified as "delisted" and will no longer be regulated as hazardous waste under federal and state laws. Although the ash will be classified as nonhazardous, the landfill has been constructed to meet the same stringent requirements as landfills designed to handle hazardous waste.

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.

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 cement kilns or industrial furnaces,



and pretreatment of waste to stabilize it before it is sent to landfills. The facility was acquired by the Company in 1985 and operates under a state Hazardous Waste Facility License issued by the Massachusetts Department of Environmental Protection ("DEP") on January 13, 1999.

Natick, MA. The Natick, Massachusetts facility is located just west of Boston. The facility is currently on standby. The facility has a state Hazardous Waste Facility License (the state equivalent of a Part B license), which was last issued in 1994 for a five year term. In January 2000, the Company submitted a permit renewal application, which allows the facility to maintain its hazardous waste management authority until a new license is issued. The facility is also authorized by the federal EPA to handle PCBs.

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 it 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 in central Baltimore. It provides treatment of nonhazardous and hazardous industrial aqueous wastes, treatment of "lean waters" through the CES process, drummed waste processing, waste stabilization, and transfer of lab pack containers. The facility has a state Controlled Hazardous Substances permit (the state equivalent of a Part B license), which was issued January 10, 2000 for a period of five years. The permit also allows handling of material destined for fuels blending and rail shipment of hazardous and nonhazardous waste.

Bristol, CT. The facility is located in Bristol, Connecticut, approximately 20 miles southwest of Hartford. It provides hazardous wastewater treatment, drummed waste processing and consolidation, and transfer of lab pack containers. This facility also provides treatment of special categories of hazardous wastewaters known as "listed" wastewaters resulting from industrial processes such as electroplating. The facility has a Part B license which was last issued in 1995 for a five year term. In December 1999, the Company submitted a permit renewal application, which allows the operations to continue until the renewal application is approved.

Cincinnati, OH. The facility is 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, fuels blending, and transfer of lab pack containers. The facility is also authorized to handle PCBs. The facility holds a state Hazardous Waste Facility Installation and Operation permit (RCRA Part B) which was renewed in December 1993 for a five-year term. A federal permit under the Hazardous and Solid Waste Amendments to RCRA was issued in December 1996. In December 1998, the Company submitted a permit application, which allows operations to continue until the state issues the renewal permit.

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, which was issued a Part B license in October 1993 for a five-year term. A renewal application was submitted to the state in November 1998, which allows operations to continue until the renewal application is approved.

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 on Main Street in South Portland, which has a license to store virgin oil, and it is also 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 waste oil and gasoline-contaminated hazardous wastes collected from various activities, ranging from routine cleaning of oil storage terminals to oil spill cleanups. The state has agreed that this facility is regulated under the Clean Water Act and is, therefore, exempt from the requirement to obtain a RCRA Part B permit. At this time the facility is proceeding with RCRA closure, and will subsequently operate as an industrial wastewater treatment facility exempt from RCRA permitting requirements.

## 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 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 all operating licenses and approvals now 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 continued operation and planned expansion or modifications of its operations.

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.

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 permit 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, only the Virginia waste oil facility operates under interim status.

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 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, Chicago, Cincinnati, 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. Corrective action at the Bristol, Connecticut, facility was completed in 1996. The Company spent approximately $311,000, $769,000 and $820,000 on corrective action at the foregoing facilities for the years ended December 31, 1999, 1998 and 1997, respectively.

While the final scope of the work to be performed at these sites 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 accruals have been established when required and such costs are not expected to have a material effect on its results of operations or its competitive position, and that it will be able to finance from operating revenue any additional corrective action required at the sites.

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 Company is also involved in a RCRA corrective action investigation at a site in Chester, Pennsylvania owned by PECO Energy Company ("PECO"). The site consists of approximately 30 acres which PECO had 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 was estimated to be in the range of $2,000,000, by, among other things, performing field services work and analytical services required to complete the site studies and providing other environmental services to PECO at discounted rates. The Company had provided discounts and credits to PECO totaling $908,000 through August 2, 1999. The Company and PECO then negotiated an amendment to their 1994 agreement, whereby the Company's responsibility for its share of the cost of site studies was capped at $1,733,000. The studies are expected to be concluded in early 2000, whereupon the EPA's order will terminate. The Company had accrued $825,000 and $623,000 relating to this liability at December 31, 1999 and 1998, respectively. The $825,000 balance owed under the amendment will be paid in 2000.

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 "Item 3.-Legal Proceedings" for a description of certain such proceedings involving the Company.

CLEAN WATER ACT. This legislation prohibits discharges into 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 wastewater, 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 operated by 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 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, state laws and regulations. Eleven of the Company's 12 waste management facilities have been issued final licenses, except for the Virginia facility which operates as an industrial wastewater treatment facility exempt from RCRA permitting requirements. 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. 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 PRP's do not pay their share of such costs



ITEM 3. LEGAL PROCEEDINGS

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 27 state and federal Superfund sites.

Fourteen of these sites involve two subsidiaries which the Company acquired from ChemWaste, a former subsidiary of Waste Management, Inc. 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, Waste Management is paying all costs of defending the Company's Braintree and Natick subsidiaries in these 14 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, Connecticut 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.

Six of the sites involve former subsidiaries of ChemClear Inc. One of the six sites is the Strasburg Landfill site in Pennsylvania, which the Company settled with the U.S. Government in late 1998. The Company is also a settling party at the other five ChemClear sites. The Company believes its ultimate exposure in these cases 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 four 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. The Company has been identified as a PRP at two sites, at which the Company believes that it has no liability.

The Company believes that any future settlement costs arising from any or all of the 27 Superfund sites described above will not be material to the Company's operations or financial position. The Company 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 Company and 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, 1999 and 1998, the Company had accrued environmental costs of $285,000 and $296,000, respectively, for cleanup of Superfund sites.

Environmental regulations stipulate the amount of transit and holding time that shipments of hazardous waste are allowed. Certain federal agencies, including the EPA, are conducting an inquiry concerning certain railcars which were destined for the Company's Kimball, Nebraska incinerator. Several railcars containing waste materials generated by the Company's waste treatment plants were not delivered to the Company's Sterling, Colorado rail transfer facility in a timely manner by the railroad company. The Company has cooperated fully with federal and state authorities and has arranged for company personnel to be interviewed and has produced records, documents and other materials concerning the railcars in question. The Company has conducted its own internal investigation and believes that there has been no wrongdoing on the part of the Company with respect to the late delivery of railcars. However, assurances cannot be given that the government authorities may not reach a different conclusion or attempt to levy penalties.



In October 1995 an employee was killed in an accident when a drum exploded at a facility in Cincinnati, Ohio operated by a subsidiary, Spring Grove Resource Recovery, Inc. ("Spring Grove"). During 1999 the Company was notified by the Justice Department that the Department believed it had a cause of action against a subsidiary for potential civil and/or criminal violations of its RCRA permit as a result of the 1995 accident. The Company has conducted an exhaustive internal review of the circumstances leading up to the accident and believes that the subsidiary did not knowingly violate any relevant terms of its RCRA permit. The Company has also engaged the services of external legal and regulatory experts to review the situation and they have also concluded that the available evidence does not support a conclusion that the subsidiary knowingly violated its permit. Assurances cannot be given, however, that government authorities will not reach a different conclusion and proceed with legal action or levy penalties. The Company has executed tolling agreements with the government and is presently engaged in discussions with the government in an effort to resolve this matter.

## 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 1999.



# 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.

| 1998 | HIGH | LOW |
|---|---|---|
| First Quarter | $2.063 | $1.250 |
| Second Quarter | 3.000 | 1.750 |
| Third Quarter | 3.313 | 1.813 |
| Fourth Quarter | 2.625 | 1.313 |

| 1999 | HIGH | LOW |
|---|---|---|
| First Quarter | $2.438 | $1.563 |
| Second Quarter | 2.000 | 1.563 |
| Third Quarter | 1.813 | 1.313 |
| Fourth Quarter | 1.813 | 1.063 |

On March 14, 2000 there were 667 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 (the "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. On February 16, 1993, 112,000 shares of Preferred Stock were issued in partial payment of the purchase price for the Cincinnati facility. 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. The Company currently is restricted in the payment of cash dividends due to covenants in its loan agreements. 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 1999 dividends in common stock. The share price of the common stock and the shares of common stock issued to holders of preferred stock during 1999 were as follows:

| RECORD DATE | SHARE PRICE | COMMON STOCK ISSUED |
|---|---|---|
| January 1, 1999 | $1.570 | 71,340 |
| April 1, 1999 | 1.712 | 65,402 |
| July 1, 1999 | 1.716 | 65,282 |
| October 1, 1999 | 1.456 | 76,909 |

The Company anticipates that the Preferred Stock dividends payable through 2000 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.

| | FOR THE YEAR ENDED DECEMBER 31, | | | | |
|---|---|---|---|---|---|
| INCOME STATEMENT DATA: | 1999 | 1998 | 1997 | 1996 | 1995 |
| | (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) | | | | |
| Revenues | $202,965 | $197,439 | $183,767 | $200,213 | $209,250 |
| Cost of revenues | 149,637 | 147,214 | 140,926 | 154,773 | 156,779 |
| Selling, general and administrative expenses | 37,190 | 34,976 | 34,114 | 36,161 | 39,574 |
| Depreciation and amortization of intangible assets | 9,501 | 9,112 | 9,228 | 9,827 | 10,081 |
| Nonrecurring charges | -- | -- | -- | -- | 4,247 |
| Income (loss) from operations | 6,637 | 6,137 | (501) | (548) | (1,431) |
| Other income, net | -- | -- | 800 | -- | -- |
| Interest expense, net | 8,599 | 9,631 | 9,182 | 9,170 | 8,657 |
| Loss before provision (benefit from) income taxes | (1,962) | (3,494) | (8,883) | (9,718) | (10,088) |
| Provision for (benefit from) income taxes | 282 | 360 | 4,845 | (2,775) | (3,195) |
| Net loss | $ (2,244) | $ (3,854) | $(13,728) | $ (6,943) | $ (6,893) |
| Basic and diluted net loss per share | $ (0.25) | $ (0.42) | $ (1.42) | $ (0.77) | $ (0.77) |
| Weighted average number of common shares outstanding | 10,649 | 10,309 | 9,959 | 9,653 | 9,475 |
| Financial Data: | | | | | |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | $ 16,138 | $ 15,249 | $ 9,527 | $ 9,279 | $ 8,650 |
| Working capital | $ 14,565 | $ 11,245 | $ 10,448 | $ 14,245 | $ 11,053 |
| Total assets | $145,247 | $145,910 | $147,850 | $177,997 | $186,444 |

| | | | | | |
|---|---|---|---|---|---|
| Long-term obligations, less current portion | $ 72,683 | $ 68,774 | $ 68,020 | $ 68,668 | $ 70,391 |
| Stockholders' equity | $ 34,171 | $ 36,310 | $ 40,024 | $ 53,584 | $ 60,374 |

No cash dividends have been declared on the Company's common stock.

NONRECURRING CHARGES. During 1995, the Company recorded a $4,247,000 nonrecurring charge in connection with the reengineering of the Company's operations and the write down of non-performing assets, 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 relocated its corporate headquarters to a new location in Braintree, Massachusetts. 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 |

OTHER INCOME. During 1997, the Company recorded a $950,000 receivable in connection with the settlement of a lawsuit and incurred approximately $150,000 in costs related to the litigation. The



Company recognized a pre-tax gain, net of related legal fees, of $800,000 resulting from the settlement, which is included in other income, net in the consolidated statement of income.

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, | | | | |
| | 1999 | 1998 | 1997 | 1996 | 1995 |
| Revenues | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of revenues: | | | | | |
| Disposal costs paid to third parties | 12.5 | 14.3 | 13.9 | 13.8 | 15.4 |
| Other costs | 61.2 | 60.3 | 62.8 | 63.4 | 59.5 |
| Total cost of revenues | 73.7 | 74.6 | 76.7 | 77.2 | 74.9 |
| Selling, general and administrative expenses | 18.3 | 17.7 | 18.6 | 18.2 | 18.9 |
| Depreciation and amortization of intangible assets | 4.7 | 4.6 | 5.0 | 4.9 | 4.9 |
| Nonrecurring charges | -- | -- | -- | -- | 2.0 |
| Income (loss) from operations | 3.3 | 3.1 | (0.3) | (0.3) | (0.7) |
| Other income, net | -- | -- | 0.4 | -- | -- |
| Interest expense, net | 4.3 | 4.9 | 4.9 | 4.6 | 4.1 |
| Loss before provision for (benefit from) income taxes | (1.0) | (1.8) | (4.8) | (4.9) | (4.8) |
| Provision for (benefit from) income taxes | 0.1 | 0.2 | 2.7 | (1.4) | (1.5) |
| Net loss | (1.1)% | (2.0)% | (7.5)% | (3.5)% | (3.3)% |

REVENUES. Revenues for 1999 were $202,965,000 as compared to $197,439,000 for 1998, an increase of $5,526,000 or 2.8%. The largest part of the increase in revenues was due to a 6.7% increase in site services revenues. Other services showing increases in revenues included CleanPack-Registered Trademark-, transportation and logistics management, industrial maintenance, and consulting and information management. The acquisition of the Texas Transportation and Brokerage Divisions of American Ecology Environmental Services resulted in a 0.4% increase in revenues. Offsetting these increases in revenues is a 8.1% decrease in the volume of waste processed through the Company's facilities. Most of the decrease in the volume of waste processed through the Company's facilities was due to the Company's decision to increase the selling prices on certain waste streams that were determined to be unprofitable or only marginally profitable. Pricing on waste processed through the Company's facilities decreased by 3.3%.

Revenues for 1998 were $197,439,000 as compared to revenues of $183,767,000 for 1997, an increase of $13,672,000 or 7.4.%. The increase in revenues in 1998 as compared to 1997 was primarily due to a 7.9% increase in the volume of waste processed through the Company's facilities and a 9.2% increase due to the number of site service hours worked. These increases in revenues were partially offset by a 0.9% decrease in revenues due to declines in pricing in 1998 as compared to 1997.

There were no major spills that impacted revenues in 1999, 1998 or 1997.

There are many factors which have impacted, and continue to impact, the Company's revenues. These factors include: competitive industry pricing; continued efforts by generators of hazardous waste to reduce the amount of hazardous waste they produce; significant consolidation among treatment and disposal



companies; industry-wide overcapacity; direct shipment by generators of waste to the ultimate treatment or disposal location; and budgetary cycles influencing the timing of customers' spending for remedial activities.

The Company continues to take pricing actions in response to industry conditions, as it attempts to maintain a competitive mix of price, performance, and customer support services while attempting to return to profitability and growth. The Company attempts to mitigate the effects of price reductions by reducing operating costs. There can be no assurance that pricing actions will be effective in stimulating higher levels of sales or that cost reduction efforts will offset the effect of pricing actions on the Company's gross margin.

COST OF REVENUES. Cost of revenues was $149,637,000 in 1999, $147,214,000 in 1998 and $140,926,000 in 1997. Other costs, as a percentage of revenues, were 61.2% in 1999, 60.3% in 1998 and 62.8% in 1997. Disposal costs paid to third parties as a percentage of revenues were 12.5% in 1999, 14.3% in 1998 and 13.9% in 1997.

One of the largest components of cost of revenues is the cost of sending waste to other companies for disposal. In 1999, the costs of sending waste to third parties decreased as a percentage of revenues primarily due the decline in the volume of waste processed by the Company and the decrease in the proportion of disposal revenues to total revenues. In addition, the Company has continued to upgrade the quality and efficiency of its waste treatment services through the development of new technology and continued modifications and upgrades at its facilities. In 1999, other costs of revenues as a percentage of revenues increased largely due to the inclusion of the settlement of an insurance claim in cost of revenues in 1998 for an amount, net of legal expenses of $1,168,000.

In 1998 as compared to 1997, the cost of sending waste to third parties increased as a percentage of revenue primarily due to the performance of certain site service projects which generated waste types which could not be disposed of in Company-owned facilities. Other costs of revenues increased by 3.0% from 1997 to 1998 in absolute dollar amount but decreased as a percentage of revenues from

62.8% in 1997 to 60.3% in 1998. The decrease as a percentage of revenues was partially due to the settlement of an insurance claim in the fourth quarter of 1998 for an amount, net of legal expenses, of $1,168,000. The other major component that caused the reduction in cost of revenues as a percentage of revenues from 1997 to 1998 was cost reductions relating to occupancy expenses.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased to $37,190,000 in 1999 from $34,976,000 in 1998 and from $34,114,000 in 1997. In the third quarter of 1998, the Company formed Harbor Management Consultants and in the second quarter of 1999 initiated Harbor Industrial Services. Just under a majority of the increase in selling, general and administrative expenses for 1999 as compared to 1998 is due to expenses of these new divisions. Salaries and benefits increased due to increases in headcount due to higher revenues, increases in headcount in sales and marketing due to strategic business initiatives and increases in compensation to remain competitive in the employment markets in which the Company operates. Expenses relating to information technologies increased due to initiatives to improve the quality of management information. Partially offsetting these increases were decreases achieved across a number of expense categories through cost reductions.

Although selling, general and administrative expenses increased in absolute dollars in 1998 as compared to 1997, such expenses as a percentage of revenues decreased from 18.6% of revenues in 1997 to 17.7% of revenues in 1998, partly due to efficiencies achieved through the implementation of information systems and consolidation of administrative tasks. The 1998 increase in selling, general and administrative expenses in absolute dollars was driven by increased salaries and benefits caused by increases in headcount due to higher volumes of waste processed, increases in headcount in sales and marketing due to strategic business development initiatives, and increases in compensation to remain competitive in the employment markets in which the Company operates. In addition, the Company incurred costs to terminate leases and increased sales and marketing efforts.



INTEREST EXPENSE, NET Interest expense decreased during 1999 to $8,599,000 from $9,631,000 in 1998. A large part of the decrease was due to interest recorded of $439,000 on an income tax refund. The remainder of the decrease in interest expense was due primarily to decreases in the average balance of loans outstanding.

Interest expense increased from $9,182,000 in 1997 to $9,631,000 in 1998 due primarily to an increase in the average balance of loans outstanding, which was partly the result of increased levels of business activity.

INCOME TAXES. In 1999, income tax expense of $282,000 was recorded on a pre-tax loss $(1,962,000), for an effective tax rate of (14.4%), as compared to income tax expense of $360,000 that was recorded on a pre-tax loss of $(3,494,000) for an effective tax rate of (10.3%) in 1998, and as compared to tax expense of $4,845,000 that was recorded on a pre-tax loss of $(8,883,000) for an effective tax rate of 54.5% for the year ended 1997. SFAS 109, "Accounting for Income Taxes," requires that a valuation allowance be established when, based on an evaluation of objective verifiable evidence, there is a likelihood that some portion or all of the deferred tax assets will not be realized. In 1997, based upon this review, the Company established a valuation allowance for all but $113,000 of net deferred tax assets, which was the major cause of the tax expense reported in 1997. The 1998 tax expense consists of $247,000 of state income tax expense, which was primarily caused by tangible property taxes and net worth taxes that are levied as a component of state income taxes, and providing a valuation allowance for $113,000 of additional net deferred tax assets. Income tax expense for the year ended 1999 consists primarily of tangible property and net worth taxes that are levied as a component of state income taxes. Partially offsetting these taxes in 1999 was a $79,000 federal income tax refund that was filed for in 1999. A valuation allowance was also provided for net deferred tax assets generated in 1998 and 1999, which had no effect on income tax expense.

The actual realization of the net operating loss carryforwards and other tax assets depend on having future taxable income of the appropriate character prior to their expiration under the tax laws. If the Company continues to report losses in the future, no income tax benefit for these losses would be recorded. If the Company reports earnings from operations in the future, and depending on the level of these earnings, some portion or all of the valuation reserve would be reversed, which would increase net income reported in future periods.

During the ordinary course of its business, the Company is audited by federal and state tax authorities which may result in proposed assessments. The Company has received a notice of intent to assess state income taxes from one of the states in which it operates. The case is currently undergoing administrative appeal. If the Company loses the administrative appeal, the Company may be required to make a payment of approximately $3,000,000 to the state. The Company cannot currently predict when the decision for the administrative appeal will be made. The Company believes that it has properly reported its state income and intends to contest the assessment vigorously. While the Company believes that the final outcome of the dispute will not have a material adverse effect on the Company's financial condition or results of operations, no assurance can be given as to the final outcome of the dispute, the amount of any final adjustments or the potential impact of such adjustments on the Company's financial condition or results of operations.

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: utilize its facilities and workforce profitably, in the face of intense price competition; maintain or increase market share in an industry which appears to be downsizing and consolidating; realize benefits from cost reduction programs; generate incremental volumes of waste to be handled through its facilities from existing sales offices and service centers; and expand the revenues of the consulting and information services, and industrial maintenance services.

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; cleanup of major spills or other events; 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, and increased possibility of unplanned weather related plant shutdowns. In addition, customer 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, several of which have taken large write-offs and asset write-downs and undergone major restructurings during the past several years. Periodically, the Company reviews long-lived assets for financial impairment. At the end of 1999, the Company determined based on this review that no asset write-downs were required; however, if conditions in the industry deteriorate further, certain assets could be determined to be impaired and an asset write-off could be required. Also, industry conditions may result in significant volatility of the Company's common stock price, as well as that of its competitors.

ENVIRONMENTAL CONTINGENCIES

While increasing environmental regulation often presents new business opportunities to the Company, it likewise often results in increased operating and compliance costs. The Company strives to conduct its operations in compliance with applicable laws and regulations, including environmental rules and regulations, and has 100% compliance as its goal.

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 routinely 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. 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 their 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 27 state and federal Superfund sites. Fourteen of these sites involve two subsidiaries which the Company acquired from Chemical Waste Management, Inc. ("ChemWaste"), a former subsidiary of Waste Management, 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 27 Superfund sites are not expected to be material to the Company's operations or financial position. The Company had accrued environmental costs of approximately $285,000 and $296,000 for cleanup of Superfund sites at December 31, 1999 and 1998, respectively.

The Company operates facilities that are subject to RCRA regulation. Under 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 Baltimore, Maryland; Chicago, Illinois; Braintree, Massachusetts; Natick, Massachusetts; Woburn, Massachusetts; and Cincinnati, Ohio. The Company is also involved in site studies at its non-RCRA facilities in Cleveland, Ohio; Kingston, Massachusetts; and South Portland, Maine.

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 the existing improvements on the ChemWaste site 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 allowed the Company to increase processing capacity at the location and introduce efficiency initiatives relative to collection, transportation, treatment and disposal of routinely created hazardous wastes throughout its facility network. Under the sharing arrangement with ChemWaste, the Company will manage the RCRA corrective action investigation at the site and over a period of 15 years could 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. The Company had accruals $1,627,000 and $1,532,000 relating to this liability at December 31, 1999 and 1998, respectively, which are the unused amounts of a remediation accrual that was established as part of the acquisition of ChemWaste's Chicago facility. In addition, the Company believes that it would be able to appropriately capitalize the remediation expenditures, in excess of the amounts accrued, that it may be obligated to make under the agreement. No estimate can be made as to when the remediation activities will be completed.

The Company acquired its RCRA facilities in Bristol, Connecticut and Cincinnati, Ohio 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 corrective action. The prior owner of the Woburn facility provided a limited indemnity for any costs incurred or liability arising from contamination on-site due to prior ownership.

The following table summarizes non-reimbursed environmental remediation expenditures capitalized and expenses incurred relating to the Company's facilities for the years ended December 31, (in thousands):

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Environmental expenditures capitalized.................. | $274 | $674 | $564 |
| Environmental expenses incurred......................... | 37 | 95 | 256 |
| | $311 | $769 | $820 |

The Company expects environmental remediation expenditures of the magnitude incurred for the last three years to continue for the foreseeable future. While the final scope of work to be performed at these sites 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 accruals have been established when required and such costs are not expected to have a material effect on its results of operations or its competitive position, and that it will be able to finance from operating revenue any additional corrective action required at the sites.

The Company was also involved in a RCRA corrective action investigation at a site in Chester, Pennsylvania owned by PECO Energy Company ("PECO"). The site consists of approximately 30 acres which PECO had 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 was estimated to be approximately $2,000,000, by, among other things, performing site services work and analytical services required to complete the site studies and providing other environmental services to PECO at discounted rates. The Company had provided discounts and credits to PECO totaling $908,000 through August 2, 1999. The Company and PECO then negotiated an amendment to their 1994 agreement, whereby the Company's responsibility for its share of the cost of site studies was capped at $1,733,000. The studies are expected to be concluded in early 2000, whereupon the EPA's order will terminate. The Company had accrued $825,000 and $877,000 relating to this liability at December 31, 1999 and 1998, respectively. The $825,000 balance owed under the amendment will be paid in 2000.

Environmental regulations stipulate the amount of transit and holding time that shipments of hazardous waste are allowed. Certain federal agencies, including the EPA, are conducting an inquiry concerning certain railcars which were destined for the Company's Kimball, Nebraska incinerator. Several railcars containing waste materials generated by the Company's waste treatment plants were not delivered to the Company's Sterling, Colorado rail transfer facility in a timely manner by the railroad Company. The Company has cooperated fully with federal and state authorities and has arranged for company personnel to be interviewed and has produced records, documents and other materials concerning the railcars in question. The Company has conducted its own internal investigation and believes that there has been no wrongdoing on the part of the Company with respect to the late delivery of railcars. However, assurances cannot be given that the government authorities may not reach a different conclusion or attempt to levy penalties.



YEAR 2000

As was widely discussed in the media, companies around the world worked on resolving the expected problems relating to the year 2000. The problem stemmed from the fact that much of the computer software, computer hardware and control devices produced in prior years provide only two digits with which to record the year. This may result in these products not functioning or producing unexpected results when the year 2000 is recorded as "00", and the program or device is unable to differentiate whether the "00" represents the year 1900 or 2000. All major systems of the Company performed properly when the year changed from 1999 to 2000. The Company does not expect revenues, expenses or cash flows for the first quarter of 2000 to be materially impacted due to year 2000 issues.

Starting in 1996, the Company began a major upgrade of all management information systems in order to improve the availability of management information with the ultimate aim being better control over costs and better availability of management information, which management believes will yield improved operating results. In 1999, the Company purchased and installed a human resource system at a cost of approximately $100,000. In 1999, the Company also upgraded secondary computer software and hardware at a cost that was not material to the results of operations of the Company.

In addition to computer software and hardware, the Company utilizes a variety of control devices in its plants, most of which are not date or time sensitive. Based on an inventory of the control devices, the cost of replacing the control devices that were not year 2000 compliant was approximately $100,000. The Company replaced these control devices during regularly scheduled plant shutdowns in April of 1999.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31, 1999, the Company generated $6,106,000 from operations even though the net loss was $(2,244,000) for the period. This result was due to sources and uses of cash that vary from when the related revenues and expenses were recorded. The primary sources of cash from operations were non-cash expenses that totaled $10,528,000 and consisted of depreciation and amortization of $9,501,000, additions to the allowance for doubtful accounts of $683,000 and amortization of deferred financing costs of $344,000. A major additional source of cash was an income tax refund of $1,114,000. These sources of cash were partially offset by uses of cash of $2,800,000 due to increased levels of accounts receivable and the net loss for the period of $(2,244,000).

For the year ended December 31, 1999, the Company obtained $896,000 from financing activities. Sources of cash from financing activities were $4,139,000 due to additional borrowings under the term promissory note and $131,000 due to the issuance of additional stock under the employee stock purchase plan. Partially offsetting these sources of cash was $3,050,000 in payments on long-term obligations and net repayments of $324,000 on the revolving credit agreement.

For the year ended December 31, 1999, the Company generated $6,106,000 of cash from operations, obtained $896,000 of cash from financing activities and $1,255,000 from the sales and maturities of restricted investments, which was almost completely due to the release of restricted funds that were held in a debt service reserve fund at December 31, 1998. These funds totaling $8,227,000 were used to acquire property, plant and equipment of $5,080,000, to acquire two divisions of American Ecology Environmental Services Corporation for $1,900,000 and to increase the amount of cash and cash equivalents by $888,000.

For the year ended December 31, 1998 the Company generated $3,896,000 in cash from operations even though it lost $(3,854,000) for the year, primarily due to non-cash expenses of $9,112,000 for depreciation and amortization, $559,000 for the allowance for doubtful accounts and $490,000 for the amortization of deferred financing costs. Additional sources of cash from operations were the result of a $4,107,000 increase in the balance of accounts payable at December 31, 1998 as compared to December 31, 1997, primarily due to increased levels of operating activities; a refund of $433,000 of income taxes; and a decrease in prepaid expenses of $579,000. Partially offsetting these sources of cash from operations were



uses of cash of $4,132,000 resulting from increased levels of accounts receivable at December 31, 1998 as compared to December 31, 1997, which was primarily due to increased levels of sales in the fourth quarter of 1998 as compared to the same quarter of the prior year; a decrease in other accrued expenses of $2,573,000; and a decrease in accrued disposal costs of $765,000, which was primarily caused by lower levels of waste on hand at December 31, 1998 when compared to December 31, 1997.

Cash generated from operations of $3,896,000, together with $3,935,000 of cash on hand, was used primarily to fund additions to property, plant and equipment, and permits of $5,208,000 and to purchase restricted investments of $1,425,000. The largest component of the purchase of restricted investments was to fund the debt service reserve fund, which is discussed later in Management's Discussion and Analysis. Cash to make payments on long-term debt of $4,037,000 was obtained by additional borrowings on the revolving line of credit.

At December 31, 1999, the Company had a $30,500,000 Loan Agreement (the

"Loan Agreement") with a financial institution. The Loan Agreement provided for a $24,500,000 revolving credit portion (the "Revolver") and a $6,000,000 term promissory note (the "Term Note"). In May 1999, the Term Note was amended. The Term Note as amended allowed the Company to increase the amount borrowed under the Term Note by $4,139,000 from the $1,861,000 owed prior to the amendment of the Term Note to the $6,000,000 principal amount of the Term Note as amended. The Term Note has monthly principal payments of $100,000 with the last payment due in May, 2004. The Revolver allows the Company to borrow up to $24,500,000 in cash and letters of credit, based on a formula of eligible accounts receivable. Letters of credit may not exceed $20,000,000 at any one time. In June 1999, the term of the Revolver was extended from May 8, 2000 to May 8, 2001.

The Loan Agreement is collateralized by substantially all of the Company's assets, and the Loan Agreement provides for certain covenants including, among others, maintenance of a minimum level of working capital and adjusted net worth. At December 31, 1999, the Loan Agreement required minimum levels of working capital and adjusted net worth of $6,000,000 and $33,000,000, respectively. At December 31, 1999, the Company had working capital and adjusted net worth of $14,565,000 and $34,171,000, respectively. 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. In the first half of 1999 and the first quarter of 2000, the Company violated this covenant, which was or has been waived by the financial institution through May 15, 1999 and 2000, respectively. The financial institution has stated that it will continue to waive this covenant, if violated; however, no assurance can be given that the this covenant will be waived in the future by the financial institution. The Company believes that it will meet this covenant for the foreseeable future.

In the first quarter of 2000, the Loan Agreement was amended and an additional term promissory note (the "2000 Term Note") was entered into with the financial institution. The original principal amount of the 2000 Term Note is $3,000,000, it bears interest at the "prime" rate plus 1.5% or the Eurodollar rate plus 3.0%, and it is payable in 36 monthly installments commencing on May 1, 2000. The funds will be used to purchase vehicles and rolling stock that the Company previously leased under operating leases. The purchase of the vehicles will result in lower lease expense in costs of revenues and higher levels of expense for depreciation and interest.

In the first quarter of 2000, the due date of the Revolver was extended from May 8, 2001 to May 8, 2003. The Company has $50,000,000 of 12 1/2% Senior Notes due May 15, 2001 (the "Senior Notes"). In May 2000, the Senior Notes will be reclassified from a long-term liability to a current liability, since they will then be payable within one year. The Loan Agreement, as amended, redefines the working capital covenant to specifically exclude the Senior Notes as a component of working capital and requires that the Company maintain $6,000,000 of working capital, excluding the Senior Notes. The net worth covenant was changed to require $30,000,000 of adjusted net worth.



In 1996 the Company issued $10,000,000 of 10.75% Economic Development Revenue Bonds due September 1, 2026 issued by the City of Kimball, Nebraska (the "Bonds"). Sinking fund payments began on September 1, 1999 in the amount of $100,000 annually and continue in this amount until the year 2008, when the annual sinking fund payment will gradually increase.

The Bonds provide for certain covenants and requirements relating to, among others, incurrence of additional debt, payment of dividends and a debt service coverage ratio of earnings before interest, income taxes, and depreciation and amortization ("EBITDA") to total debt service. At December 31, 1997, the debt service coverage ratio of 1.04 to 1 was less than the 1.25 to 1 required. Under the terms of the Bonds, the deficiency in the debt coverage ratio did not and will not result in a default, but the Company was required to pay into a debt service fund held by the Trustee for the Bonds a total amount equal to the annual debt service for one year on the Bonds. Through March 31, 1999, the Company paid $1,075,000 into this fund, as required. Under the terms of the Bonds, the Company can request that the balance of the debt service reserve fund be returned to the Company if a debt service coverage ratio of 1.50 to 1 is met for two consecutive quarters. For the quarters ended March 31, 1999 and December 31, 1998, the debt service coverage ratios were 1.68 and 1.58, respectively. In May 1999, the Trustee for the Bonds returned the balance of the debt service reserve fund to the Company. The balance of the debt service reserve fund was reflected as a component of restricted cash at December 31, 1998. At December 31, 1999 the debt service coverage ratio of 1.68 to 1 was greater than the 1.25 to 1 required.

At December 31, 1999 and 1998, funds available to borrow under the Revolver were $8,603,000 and $8,351,000, respectively. Management believes that sufficient resources will be available to meet the Company's cash requirements through at least May 2001. In May 2001 the $50,000,000 of Senior Notes mature. Some portion or all of the borrowings under the Senior Notes will need to be refinanced by the maturity date, with any portion not refinanced to be required from other sources such as cash from operations or net proceeds from the sale of assets or additional equity. The ability of the Company to refinance the Senior Notes at reasonable interest rates is dependent upon improving results from operations and is contingent on a favorable interest rate environment when the Company attempts to refinance the debt. Failure to obtain refinancing could materially adversely affect the Company.

The Company expects 2000 capital additions, excluding the $3,000,000 purchase of vehicles and rolling stock discussed previously, to be approximately $4,000,000. The Company believes that it has all of the facilities required by the business for the foreseeable future. Thus, the Company anticipates that capital expenditures in 2000 will be limited to maintaining existing capital assets, replacing site services equipment, and upgrading information technology hardware and software. However, the Company continues to evaluate potential acquisitions and opening additional site services offices within and next to the Company's service areas. Thus, it is possible that capital additions could exceed the $7,000,000 currently planned.

Dividends on the Company's Series B Convertible 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. Since March 1995, the Company has elected to pay the dividends in common stock. The Company issued a total of 279,000 shares of common stock to the holders of the preferred stock for the year 1999. The Company anticipates that the preferred stock dividends payable through 2000 will be paid in common stock.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting of Derivative Instruments and Hedging Activities." This statement requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of the derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is



designated as part of the hedge transaction, and if it is, the type of hedge transaction. The Company anticipates that the adoption of this standard will not have a significant effect on the Company's results of operations or its financial position. The statement is effective for periods beginning after June 15, 1999.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to market risk on the interest that it pays on its debt due to changes in the general level of interest rates. The Company manages its interest rate exposure by borrowing at fixed rates for longer time horizons to finance non-current assets and by borrowing at variable rates for working capital and other short term needs. The following table provides information regarding the Company's fixed rate borrowings:

| SCHEDULED MATURITY DATES | 2000 | 2001 | 2002 | 2003 | 2004 | THEREAFTER | TOTAL |
|---|---|---|---|---|---|---|---|
| Economic Development Revenue Bonds.......... | $100,000 | $ 100,000 | $100,000 | $100,000 | $100,000 | $9,400,000 | $ 9,900,000 |
| Senior Notes................................ | -- | 50,000,000 | -- | -- | -- | -- | 50,000,000 |
| Total....................................... | $100,000 | $50,100,000 | $100,000 | $100,000 | $100,000 | $9,400,000 | $59,900,000 |
| Weighted average interest rate on total outstanding fixed rate borrowings.......... | 12.21% | 11.90% | 10.75% | 10.75% | 10.75% | 10.75% | |

In addition to the fixed rate borrowings described in the table above, the Company had at December 31, 1999 borrowings at variable interest rates of $14,897,000 under the Revolver and Term Note which bear interest at the "prime" rate (8.5% at December 31, 1999) plus 1.5% or at the Eurodollar rate (6.461% at December 31, 1999) plus 3.0%. Hypothetically, if this amount were to remain outstanding for the entire year and interest rates were to increase by 2.0%, interest expense would increase by approximately $298,000. It is the Company's policy not to hedge interest rate risk. The Revolver is due in May 2003 and the last payment on the Term Note is due in May 2004.

The Company is not subject to market risk arising from transactions in foreign currencies since substantially all revenues and expenses are transacted in U.S. dollars. The Company is subject to minimal market risk arising from purchases of commodities since no significant amount of commodities are used in the treatment of hazardous waste.



ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) present fairly, in all material respects, the financial position of Clean Harbors, Inc. and its subsidiaries (the "Company") at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. 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 of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Boston, Massachusetts
February 3, 2000



CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1999 | 1998 | 1997 |
| Revenues | $202,965 | $197,439 | $183,767 |
| Cost of revenues | 149,637 | 147,214 | 140,926 |
| Selling, general and administrative expenses | 37,190 | 34,976 | 34,114 |
| Depreciation and amortization of intangible assets | 9,501 | 9,112 | 9,228 |
| Income (loss) from operations | 6,637 | 6,137 | (501) |
| Other income, net | -- | -- | 800 |
| Interest expense, net | 8,599 | 9,631 | 9,182 |
| Loss before provision for income taxes | (1,962) | (3,494) | (8,883) |
| Provision for income taxes | 282 | 360 | 4,845 |
| Net loss | $ (2,244) | $ (3,854) | $(13,728) |
| Basic and diluted loss per share | $ (0.25) | $ (0.42) | $ (1.42) |
| Weighted average common shares outstanding | 10,649 | 10,309 | 9,959 |

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



CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

(DOLLARS IN THOUSANDS)

| | AS OF DECEMBER 31, | |
|---|---|---|
| | 1999 | 1998 |
| Current assets: | | |
| Cash and cash equivalents | $ 2,783 | $ 1,895 |
| Restricted investments | 1,116 | 2,366 |
| Accounts receivable, net of allowance for doubtful accounts of $1,157 and $1,013, respectively | 43,780 | 41,409 |
| Prepaid expenses | 1,094 | 939 |
| Supplies inventories | 2,808 | 2,858 |
| Income tax receivable | 122 | 1,236 |
| Total current assets | 51,703 | 50,703 |
| Property, plant and equipment: | | |
| Land | 8,478 | 8,182 |
| Buildings and improvements | 40,612 | 39,521 |
| Vehicles and equipment | 84,528 | 79,430 |
| Furniture and fixtures | 2,219 | 2,190 |
| Construction in progress | 1,224 | 967 |
| | 137,061 | 130,290 |
| Less-accumulated depreciation and amortization | 80,849 | 73,157 |
| | 56,212 | 57,133 |

| | | |
|---|---|---|
| Other assets: | | |
| Goodwill, net | 20,566 | 21,055 |
| Permits, net | 12,633 | 13,322 |
| Other | 4,133 | 4,721 |
| | 37,332 | 39,098 |
| Total assets | $145,247 | $146,934 |

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



CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

(DOLLARS IN THOUSANDS)

| | AS OF DECEMBER 31, | |
|---|---|---|
| | 1999 | 1998 |
| Current liabilities: | | |
| Current maturities of long-term obligations | $ 1,300 | $ 4,100 |
| Accounts payable | 17,830 | 17,998 |
| Accrued disposal costs | 6,591 | 6,335 |
| Other accrued expenses | 11,360 | 11,999 |
| Income taxes payable | 57 | 50 |
| Total current liabilities | 37,138 | 40,482 |
| Other liabilities: | | |
| Long-term obligations, less current maturities | 72,683 | 68,774 |
| Other | 1,255 | 1,368 |
| Total other liabilities | 73,938 | 70,142 |
| Commitments and contingent liabilities (Notes 5, 7, 9, and 10) | | |
| 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 (liquidation preference of $5,600,000) | 1 | 1 |
| Common stock, $.01 par value: | | |
| Authorized 20,000,000 shares; issued and outstanding 10,798,007 and 10,420,874 shares, respectively | 108 | 104 |
| Additional paid-in capital | 61,245 | 60,670 |
| Accumulated other comprehensive loss | (36) | (10) |
| Accumulated deficit | (27,147) | (24,455) |
| Total stockholders' equity | 34,171 | 36,310 |
| Total liabilities and stockholders' equity | $145,247 | $146,934 |

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



CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1999 | 1998 | 1997 |
| Cash flows from operating activities: | | | |
| Net loss | $(2,244) | $(3,854) | $(13,728) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 9,501 | 9,112 | 9,228 |
| Allowance for doubtful accounts | 683 | 559 | 683 |
| Amortization of deferred financing costs | 344 | 490 | 747 |
| Deferred income taxes | -- | 113 | 4,570 |
| Loss on sale of fixed assets | -- | 15 | 67 |
| Changes in assets and liabilities, net of acquisition: | | | |
| Accounts receivable | (2,800) | (4,132) | 4,226 |
| Prepaid expenses | (155) | 579 | 85 |
| Supplies inventories | 50 | (47) | 55 |
| Income tax receivable | 1,114 | 433 | (1) |
| Other assets | 463 | (198) | (195) |
| Accounts payable | (231) | 4,107 | (6,309) |
| Accrued disposal costs | 256 | (765) | (812) |
| Other accrued expenses | (769) | (2,573) | (349) |
| Income taxes payable | 7 | 40 | (152) |
| Other liabilities | (113) | 17 | 405 |
| Net cash provided by (used in) operating activities | 6,106 | 3,896 | (1,480) |
| Cash flows from investing activities: | | | |
| Additions to property, plant and equipment | (5,080) | (4,534) | (3,366) |
| Acquisition | (1,900) | -- | -- |
| Proceeds from sales and maturities of restricted investments | 1,225 | 150 | 7,262 |
| Cost of restricted investments purchased | -- | (1,425) | (172) |
| Proceeds from sale of fixed assets | -- | 83 | 1,888 |
| Increase in permits | (359) | (674) | -- |
| Net cash provided by (used in) investing activities | (6,114) | (6,400) | 5,612 |
| Cash flows from financing activities: | | | |
| Payments on long-term obligations | (3,050) | (4,037) | (5,009) |
| Net borrowings (payments) under long-term revolver | (324) | 4,363 | 3,343 |
| Issuance of long-term debt | 4,139 | -- | -- |
| Additions to deferred financing costs | -- | -- | (62) |
| Proceeds from employee stock purchase plan | 131 | 133 | 146 |
| Proceeds from exercise of stock options | -- | 5 | 19 |
| Net cash provided by (used in) financing activities | 896 | 464 | (1,563) |
| Increase (decrease) in cash and cash equivalents | 888 | (2,040) | 2,569 |
| Cash and cash equivalents, beginning of year | 1,895 | 3,935 | 1,366 |
| Cash and cash equivalents, end of year | $ 2,783 | $ 1,895 | $ 3,935 |
| Supplemental information: | | | |
| Cash payments (receipts) for interest and income taxes: | | | |
| Interest, net | $ 7,463 | $ 9,967 | $ 8,519 |
| Income taxes, net | (1,236) | (201) | 421 |
| Noncash investing and financing activities: | | | |
| Stock dividend on preferred stock | $ 448 | $ 448 | $ 448 |
| Property, plant & equipment accrued | 194 | 131 | -- |

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



# CLEAN HARBORS, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
### (IN THOUSANDS)

| | SERIES B PREFERRED STOCK | | COMMON STOCK | | | | |
|---|---|---|---|---|---|---|---|
| | NUMBER OF SHARES | $0.01 PAR VALUE | NUMBER OF SHARES | $0.01 PAR VALUE | ADDITIONAL PAID-IN CAPITAL | COMPREHENSIVE INCOME (LOSS) | ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) |
| Balance at December 31, 1996 | 112 | $ 1 | 9,743 | $ 98 | $59,477 | -- | $(15) |
| Net loss | -- | -- | -- | -- | -- | $(13,728) | -- |
| Other comprehensive income, net of tax: | | | | | | | |
| Unrealized holding gains arising in the period | -- | -- | -- | -- | -- | 20 | -- |
| Reclassification adjustment for losses included in net loss | -- | -- | -- | -- | -- | (17) | -- |
| Other comprehensive income | -- | -- | -- | -- | -- | 3 | 3 |
| Comprehensive loss | -- | -- | -- | -- | -- | $(13,725) | -- |
| Preferred stock dividends: Series B | -- | -- | 250 | 2 | 446 | -- | -- |
| Employee stock purchase plan | -- | -- | 99 | 1 | 145 | -- | -- |
| Proceeds from exercise of stock options | -- | -- | 9 | -- | 19 | -- | -- |
| Balance at December 31, 1997 | 112 | $ 1 | 10,101 | $101 | $60,087 | -- | $(12) |
| Net loss | -- | -- | -- | -- | -- | $ (3,854) | -- |
| Other comprehensive income, net of tax: | | | | | | | |
| Unrealized holding gains arising in the period | -- | -- | -- | -- | -- | 2 | -- |
| Reclassification adjustment for gains included in net loss | -- | -- | -- | -- | -- | -- | -- |
| Other comprehensive income | -- | -- | -- | -- | -- | 2 | 2 |
| Comprehensive loss | -- | -- | -- | -- | -- | $ (3,852) | -- |
| Preferred stock dividends: Series B | -- | -- | 229 | 2 | 446 | -- | -- |
| Employee stock purchase plan | -- | -- | 88 | 1 | 132 | -- | -- |
| Proceeds from exercise of stock options | -- | -- | 3 | -- | 5 | -- | -- |
| Balance at December 31, 1998 | 112 | $ 1 | 10,421 | $104 | $60,670 | -- | $(10) |
| Net loss | -- | -- | -- | -- | -- | $ (2,244) | -- |
| Other comprehensive (loss), net of tax: | | | | | | | |
| Unrealized holding gains arising in the period | -- | -- | -- | -- | -- | -- | -- |
| Unrealized losses on securities, net of reclassification adjustment | -- | -- | -- | -- | -- | (26) | -- |
| Other comprehensive loss | -- | -- | -- | -- | -- | (26) | (26) |
| Comprehensive loss | -- | -- | -- | -- | -- | $ (2,270) | -- |
| Preferred stock dividends: Series B | -- | -- | 279 | 3 | 445 | -- | -- |
| Employee stock purchase plan | -- | -- | 98 | 1 | 130 | -- | -- |
| Balance at December 31, 1999 | 112 | $ 1 | 10,798 | $108 | $61,245 | -- | $(36) |

| ACCUMULATED DEFICIT | TOTAL STOCKHOLDERS' EQUITY |
|---|---|

| | | |
|---|---|---|
| Balance at December 31, 1996 | $ (5,977) | $ 53,584 |
| Net loss | (13,728) | (13,728) |
| Other comprehensive income, net of tax: | | |
| Unrealized holding gains arising in the period | -- | -- |
| Reclassification adjustment for losses included in net loss | -- | -- |
| Other comprehensive income | -- | 3 |
| Comprehensive loss | -- | -- |
| Preferred stock dividends: Series B | (448) | -- |
| Employee stock purchase plan | -- | 146 |
| Proceeds from exercise of stock options | -- | 19 |
| Balance at December 31, 1997 | $(20,153) | $ 40,024 |
| Net loss | (3,854) | (3,854) |
| Other comprehensive income, net of tax: | | |
| Unrealized holding gains arising in the period | -- | -- |
| Reclassification adjustment for gains included in net loss | -- | -- |
| Other comprehensive income | -- | 2 |
| Comprehensive loss | -- | -- |
| Preferred stock dividends: Series B | (448) | -- |
| Employee stock purchase plan | -- | 133 |
| Proceeds from exercise of stock options | -- | 5 |
| Balance at December 31, 1998 | $(24,455) | $ 36,310 |
| Net loss | (2,244) | (2,244) |
| Other comprehensive (loss), net of tax: | | |
| Unrealized holding gains arising in the period | -- | -- |
| Unrealized losses on securities, net of reclassification adjustment | -- | -- |
| Other comprehensive loss | -- | (26) |
| Comprehensive loss | -- | -- |
| Preferred stock dividends: Series B | (448) | -- |
| Employee stock purchase plan | -- | 131 |
| Balance at December 31, 1999 | $(27,147) | $ 34,171 |

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") provide a broad range of environmental services including: industrial waste management services involving transportation, treatment and disposal of industrial wastes; site 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, Mid-Atlantic, Midwest and Western 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 where revenue is recognized as waste is burned. Other revenues are recognized as the related costs are incurred.

(C) INCOME TAXES

Deferred tax assets and liabilities are determined based upon the difference between the financial statement and tax basis 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 between deferred tax assets and liabilities.

A valuation allowance is established when, based on an evaluation of objective verifiable evidence, there is a likelihood that some portion or all of deferred tax assets will not be realized.

(D) EARNINGS PER SHARE

Basic EPS is calculated by dividing income available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted EPS gives effect to all potential dilutive common shares that were outstanding during the period.

(E) SEGMENT INFORMATION

In 1998, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 supersedes SFAS 14, "Financial Reporting for Segments of a Business Enterprise," replacing the "industry segment" approach with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. SFAS 131 also requires disclosures about products and services, geographic areas and major customers. The Company operates in a single segment as a full service provider of





environmental services within the United States and Puerto Rico, and no individual customer accounts for more than 5% of revenues.

(F) CASH AND CASH EQUIVALENTS

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

(G) INVESTMENTS

Debt securities are classified as "available for sale" or "held to maturity." Available for sale securities are recorded at fair value with the offsetting unrealized gain or loss included, net of tax, in stockholders' equity. Held to maturity securities are recorded at purchase cost.

(H) SUPPLIES INVENTORY

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

(I) 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. Depreciation expense includes depreciation of property, plant and equipment, and equipment capitalized under capital leases. Depreciation expense was $7,694,000 for 1999, $7,461,000 for 1998 and $7,594,000 for 1997. 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.

(J) GOODWILL AND PERMITS

Goodwill and permits, as further discussed in Note 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.

An impairment in the carrying value of long-lived assets, including goodwill and permits, is recognized when the expected future undiscounted cash flows derived from the assets are less than its carrying value. In addition, the Company's evaluation considers nonfinancial data such as market trends and changes in management's market emphasis.





(2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(K) DEFERRED FINANCING COSTS

Deferred financing costs are amortized over the life of the related debt instrument, and they are carried as a component of long-term debt.

(L) COSTS TO TREAT ENVIRONMENTAL CONTAMINATION

Costs relating to environmental cleanup resulting from operating activities are expensed as incurred. Environmental cleanup costs that improve properties, as compared with the condition of that property when originally acquired, are capitalized to the extent that they are recoverable.

(M) 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 7(b) below; and to provide financial assurance to regulators of its captive insurance company. As of December 31, 1999 and 1998, the Company had outstanding letters of credit amounting to $6,299,000 and $6,111,000, respectively.

As of December 31, 1999, the Company had no significant concentrations of credit risk.

(N) 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.

(O) RECLASSIFICATIONS

Certain reclassifications have been made in the prior years' consolidated financial statements to conform to the 1999 presentation.

(3) ACQUISITION

On May 25, 1999, the Company acquired the assets of the Texas Transportation and Brokerage Divisions of American Ecology Services Corporation for a cash price of $1,900,000. The divisions operate out of locations in Dallas, Houston and Corpus Christi, Texas. The divisions provide waste management services primarily to small quantity generators throughout Texas and transportation services for both solid and liquid wastes. This acquisition has been accounted for under the purchase method of accounting. The purchase price has been allocated based on estimated fair values of assets acquired at the date of acquisition. The acquisition resulted in $272,000 of acquired goodwill, which is being amortized on the straight-line basis over 20 years. The results of the acquired businesses have been included in the consolidated financial statements since the acquisition date. The acquisition did not materially affect revenues or results of operations for the year ended December 31, 1999.

Assuming this acquisition had occurred January 1, 1998, consolidated, pro forma revenues, net loss and loss per share would not have been materially different than the amounts reported for the years ended December 31, 1998 and 1999. Such unaudited pro forma amounts are not indicative of what the actual





(3) ACQUISITION (CONTINUED)

consolidated results of operations might have been if the acquisition had been effective at the beginning of 1998.

(4) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents approximate fair value. The fair value of restricted investments is based on quoted market prices for these securities. The fair values of the Company's bank borrowings approximate fair value because the interest rates are based on floating rates identified by reference to market rates. The fair values of the Company's senior notes and economic development revenue bonds cannot be determined since there is no active market in these securities. At December 31, 1999 and 1998, the estimated fair values of the Company's financial instruments are as follows (in thousands):

| | CARRYING AMOUNT | FAIR VALUE | NET UNREALIZED LOSS |
|---|---|---|---|
| December 31, 1999 | | | |
| Cash and cash equivalents.................... | $ 2,783 | $ 2,783 | $ -- |
| Restricted investments available for sale..... | 840 | 840 | (55) |
| Restricted investments held to maturity....... | 276 | 276 | -- |
| Long-term obligations for which no quoted market prices are available................ | 59,900 | -- | -- |
| Other long-term obligations.................. | 14,897 | 14,897 | -- |
| December 31, 1998 | | | |
| Cash and cash equivalents.................... | $ 1,895 | $ 1,895 | $ -- |
| Restricted investments available for sale..... | 942 | 942 | (16) |
| Restricted investments held to maturity....... | 1,424 | 1,424 | -- |
| Long-term obligations for which no quoted market prices are available................ | 60,000 | -- | -- |
| Other long-term obligations.................. | 14,032 | 14,032 | -- |

Available for sale securities are mortgage backed securities. Held to maturity consist primarily of collateralized mortgage obligations. Contractual maturities as of December 31, 1999 range from one to ten years, with the majority being five years or less. Expected maturities may differ from contractual maturities, as borrrowers may have the right to call or prepay obligations without penalties.

(5) 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, and post closure coverage where required by law. 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 assets against its insured liabilities and are restricted for future payment of insurance claims. At December 31, 1999, the Company insured several facilities for closure and post closure through its captive insurance company. At December 31, 1999, the





(5) RESTRICTED INVESTMENTS (CONTINUED)

amortized cost of these securities was $1,171,000. A valuation allowance of $55,000 was recorded to reflect the fair value of available for sale securities of $840,000. No valuation allowance was required to reflect the fair value of held to maturity securities $276,000.

The amortized cost of these securities held at December 31, 1998 was $1,232,000. A valuation allowance of $16,000 was recorded to reflect the fair value of available for sale securities of $942,000, and a realized gain of $2,000 was reflected in net income for the year. No valuation allowance was required to reflect the fair value of held to maturity securities of $1,424,000.

In 1998 as further discussed in Note 9, the Company was required to pay funds into a debt service reserve fund. These funds were restricted as to use and were to provide additional security to the holders of the bonds. At December 31, 1998, these payments plus interest earned totaled $1,118,000. In

May 1999, the Trustee for the Bonds returned the balance of the debt service reserve fund to the Company.

(6) INTANGIBLE ASSETS

Below is a summary of intangible assets at December 31, 1999 and 1998 (in thousands):

| | 1999 | 1998 |
|---|---|---|
| Goodwill | $28,948 | $28,677 |
| Permits | 20,601 | 20,243 |
| | 49,549 | 48,920 |
| Less accumulated amortization | 16,350 | 14,543 |
| | $33,199 | $34,377 |

Permits consist of the value of permits acquired through acquisition and environmental cleanup costs that improve facilities, as compared with the condition of that property when originally acquired. Amounts capitalized as permits were $359,000 and $2,554,000 in 1999 and 1998, respectively. Prior to 1998 permits were capitalized to construction in progress.

Amortization expense approximated $1,807,000, $1,651,000, and $1,634,000, for the years 1999, 1998, and 1997, respectively.

(7) LEGAL MATTERS AND OTHER CONTINGENCIES AND COMMITMENTS

(A) LEGAL MATTERS

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.

As of December 31, 1999, the Company has been named as a potentially responsible party ("PRP") in a number of lawsuits arising from the disposal of wastes by certain Company subsidiaries at 27 state and federal Superfund sites. Fourteen of these cases involve two subsidiaries which the Company acquired from Chemical Waste Management, Inc. ("ChemWaste"), a former subsidiary of Waste Management, Inc. ("Waste Management"). 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, Waste Management is paying all costs of defending the Natick and Braintree





(7) LEGAL MATTERS AND OTHER CONTINGENCIES AND COMMITMENTS (CONTINUED)
subsidiaries in these 14 cases, including legal fees and settlement costs. Four 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 operations of Mr. Frank, Inc. Six 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 has also been identified as a PRP at two additional sites at which the Company believes it has no liability.

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. The Company had accrued environmental costs, based on the Company's estimate of its expected liability of $285,000 and $296,000 for cleanup of Superfund sites at December 31, 1999 and 1998, respectively. However, 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.

Environmental regulations stipulate the amount of transit and holding time that shipments of hazardous waste are allowed. Certain federal agencies, including the United States Environmental Protection Agency, are conducting an inquiry concerning certain railcars which were destined for the Company's Kimball, Nebraska incinerator. Several railcars containing waste materials generated by the Company's waste treatment plants were not delivered to the Company's Sterling, Colorado rail transfer facility in a timely manner by the railroad company. The Company has cooperated fully with the federal and state authorities and has arranged for company personnel to be interviewed and has produced records, documents and other materials concerning the railcars in question. The Company has conducted its own internal investigation and believes that there has been no wrongdoing on the part of the Company with respect to the late delivery of railcars. However, assurances cannot be given that the government authorities may not reach a different conclusion or attempt to levy penalties.

In October 1995 an employee was killed in an accident when a drum exploded at a facility in Cincinnati, Ohio operated by a subsidiary, Spring Grove Resource Recovery, Inc. ("Spring Grove"). During 1999 the Company was notified by the Justice Department that the Department believed it had a cause of action against a subsidiary for potential civil and/or criminal violations of its RCRA permit as a result of the 1995 accident. The Company has conducted an exhaustive internal review of the circumstances leading up to the accident and believes that the subsidiary did not knowingly violate any relevant terms of its RCRA permit. The Company has also engaged the services of external legal and regulatory experts to review the situation and they have also concluded that the available evidence does not support a conclusion that the subsidiary knowingly violated its permit. Assurances cannot be given, however, that government authorities will not reach a different conclusion and proceed with legal action or levy penalties. The Company has executed tolling agreements with the government and is presently engaged in discussions with the government in an effort to resolve this matter.





(7) LEGAL MATTERS AND OTHER CONTINGENCIES AND COMMITMENTS (CONTINUED)

(B) ENVIRONMENTAL MATTERS

Under the Federal Resources Conservation and Recovery Act of 1976 ("RCRA"), every facility that treats, stores or disposes of hazardous waste must obtain a RCRA permit from the 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 Baltimore, Maryland; Chicago, Illinois; Braintree, Massachusetts; Natick, Massachusetts; Woburn, Massachusetts; and Cincinnati, Ohio. The Company is also involved in site studies at its non-RCRA facilities in Cleveland, Ohio; Kingston, Massachusetts; and South Portland, Maine.

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 the existing improvements on the ChemWaste site in exchange for agreeing to share the costs of dismantling an existing hazardous waste incinerator and cleaning up the site. Under the sharing arrangement with ChemWaste, the Company will manage the RCRA corrective action investigation at the site and over a period of 15 years could 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. The Company had accruals of $1,627,000 and $1,532,000 relating to this liability at December 31, 1999 and 1998, respectively, which are the unused amounts of a remediation accrual that was established as part of the acquisition of ChemWaste's Chicago facility. In addition, the Company believes that it would be able to appropriately capitalize the remediation expenditures in excess of the amount accrued that it may be obligated to make under the agreement. No estimate can be made as to when the remediation activities will be completed.

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. The prior owner of the Woburn facility provided a limited indemnity for any costs incurred or liability arising from contamination on-site due to prior ownership.

The following table summaries non-reimbursed environmental remediation expenditures capitalized and expenses incurred relating to the Company's facilities for the years ended December 31 (in thousands):

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Environmental expenditures capitalized.................. | $274 | $674 | $564 |
| Environmental expenses incurred......................... | 37 | 95 | 256 |
| | $311 | $769 | $820 |





(7) LEGAL MATTERS AND OTHER CONTINGENCIES AND COMMITMENTS (CONTINUED)

The Company expects environmental remediation expenditures of the magnitude incurred for the last three years to continue for the foreseeable future.

The Company was also involved in a RCRA corrective action investigation at a site in Chester, Pennsylvania owned by PECO Energy Company ("PECO"). The site consists of approximately 30 acres which PECO had 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 was estimated to be in the range of $2,000,000, by, among other things, performing field services work and analytical services required to complete the site studies and providing other environmental services to PECO at discounted rates. The Company had provided discounts and credits to PECO totaling $908,000 through August 2, 1999. The Company and PECO then negotiated an amendment to their 1994 agreement, whereby the Company's responsibility for its share of the cost of site studies was capped at $1,733,000. The studies are expected to be concluded in early 2000, whereupon the EPA's order will terminate. The Company had accrued $825,000 and $877,000 relating to this liability at December 31, 1999 and 1998, respectively. The $825,000 balance owed under the amendment will be paid in 2000.

(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 without which the Company's operations would be adversely affected are subject to periodic renewal. 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, 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.

## (8) OTHER ACCRUED EXPENSES

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

| | 1999 | 1998 |
|---|---|---|
| Insurance | $ 2,329 | $ 3,160 |
| Other items | 9,031 | 8,839 |
| | $11,360 | $11,999 |





## (9) FINANCING ARRANGEMENTS

As amended, the Company has a $30,500,000 Loan Agreement (the "Loan Agreement") with a financial institution. The Loan Agreement provides for a $24,500,000 revolving credit portion (the "Revolver") and a $6,000,000 term promissory note (the "Term Note"). In May 1999, the Term Note was amended. The Term Note as amended allowed the Company to increase the amount borrowed under the Term Note by $4,139,000 from the $1,861,000 owed prior to the amendment of the Term Note to the $6,000,000 principal amount of the Term Note as amended. The Term Note has monthly principal payments of $100,000 with the last payment due in May, 2004. The Revolver allows the Company to borrow up to $24,500,000 in cash and letters of credit, based on a formula of eligible accounts receivable. Letters of credit may not exceed $20,000,000 at any one time. At December 31, 1999 and 1998, funds available to borrow under the Revolver were $8,603,000 and $8,351,000, respectively. The Revolver requires the Company to pay a line fee of one half of one percent on the unused portion of the line. In June 1999, the term of the Revolver was extended from May 8, 2000 to May 8, 2001.

The Loan Agreement allows for up to 80% of the outstanding balance of the Revolver and 100% of the balance of the 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, and the Loan Agreement provides for certain covenants including, among others, maintenance of a minimum level of working capital and adjusted net worth. At December 31, 1999, the Loan Agreement required minimum levels of working capital and adjusted net worth of $6,000,000 and $33,000,000, respectively. At December 31, 1999, the Company had working capital and adjusted net worth of $14,565,000 and $34,171,000, respectively. 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. In the first half of 1999 and the first quarter of 2000, the Company violated this covenant, which was or has been waived by the financial institution through May 15, 1999 and 2000, respectively.

In the first quarter of 2000, the Loan Agreement was amended and an additional term promissory note (the "2000 Term Note") was entered into with the financial institution. The original principal amount of the 2000 Term Note is $3,000,000, it bears interest at the "prime" rate plus 1.5% or the Eurodollar rate plus 3.0%, and it is payable in 36 monthly installments commencing on May 1, 2000.

In the first quarter of 2000, the due date of the Revolver was extended from May 8, 2001 to May 8, 2003. The Company has $50,000,000 of 12.50% Senior Notes due May 15, 2001 (the "Senior Notes"). In May 2000, the Senior Notes will be reclassified from a long-term liability to a current liability, since they will then be payable within one year. The Loan Agreement, as amended, redefines the working capital covenant to specifically exclude the Senior Notes as a component of working capital and requires that the Company maintain $6,000,000 of working capital, excluding the Senior Notes. The net worth covenant was changed to require $30,000,000 of adjusted net worth.





(9) FINANCING ARRANGEMENTS (CONTINUED)

In 1996 the Company issued $10,000,000 of 10.75% Economic Development Revenue Bonds due September 1, 2026 issued by the City of Kimball, Nebraska (the "Bonds"). In connection with the issuance of the Bonds, the Company entered into a facilities lease with the City of Kimball, whereby the City acquired a leasehold interest in the Facility and the Company leased the Facility back from the City. The Company retains title to the facility. The Bonds were issued at 100% of their principal value. The Bonds are not redeemable prior to September 1, 2006. From that date until September 1, 2008, the Bonds are redeemable at a premium. After September 1, 2008, the Bonds are redeemable at par. Sinking fund payments began on September 1, 1999 in the amount of $100,000 annually and continue in this amount until the year 2008, when the annual sinking fund payment will gradually increase.

The Bonds provide for certain covenants and requirements relating to, among others, incurrence of additional debt, payment of dividends and a debt service coverage ratio of earnings before interest, income taxes, and depreciation and amortization ("EBITDA") to total debt service. At December 31, 1997, the debt service coverage ratio of 1.04 to 1 was less than the 1.25 to 1 required. Under the terms of the Bonds, the deficiency in the debt coverage ratio did not and will not result in a default, but the Company was required to pay into a debt service fund held by the Trustee for the Bonds a total amount equal to the annual debt service for one year on the Bonds. Through March 31, 1999, the Company paid $1,075,000 into this fund, as required. Under the terms of the Bonds, the Company can request that the balance of the debt service reserve fund be returned to the Company if a debt service coverage ratio of 1.50 to 1 is met for two consecutive quarters. For the quarters ended March 31, 1999 and December 31, 1998, the debt service coverage ratios were 1.68 and 1.58, respectively. In May 1999, the Trustee for the Bonds returned the balance of the debt service reserve fund to the Company. The balance of the debt service reserve fund was reflected as a component of restricted cash at December 31, 1998. At December 31, 1999 the debt service coverage ratio of 1.68 to 1 was greater than the 1.25 to 1 required.

The Company has outstanding $50,000,000 of 12.50% Senior Notes due May 15, 2001. The Senior Notes are not collateralized, and 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 October 1999, the Company made the final $1,000,000 installment payment on its 10% senior convertible notes.





(9) FINANCING ARRANGEMENTS (CONTINUED)

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

| | DECEMBER 31, 1999 | DECEMBER 31, 1998 |
|---|---|---|
| | (IN THOUSANDS) | |
| Long-term obligations consist of the following: | | |
| Economic development revenue bonds, bearing interest at 10.75% | $ 9,900 | $10,000 |
| Revolving credit with a financial institution, bearing interest at the Eurodollar rate (6.461% at December 31, 1999) plus 3.00% or the "prime" rate (8.5% at December 31, 1999) plus 1.50%, collateralized by substantially all assets | 9,597 | 9,921 |
| Term note payable, bearing interest at the Eurodollar rate (6.461% at December 31, 1999) plus 3.00% or the "prime" rate (8.5% at December 31, 1999) plus 1.50% collateralized by substantially all assets | 5,300 | 3,111 |
| Senior notes payable, bearing interest at 12.50% | 50,000 | 50,000 |
| Senior convertible notes, bearing interest at 10.00% | -- | 1,000 |
| | 74,797 | 74,032 |
| Less current maturities | 1,300 | 4,100 |
| Less unamortized financing costs | 814 | 1,158 |
| Long-term obligations | $72,683 | $68,774 |

Below is a summary of minimum principal payments due under the Company's long-term obligations (in thousands):

| YEAR | AMOUNT |
|---|---|
| 2000 | $ 1,300 |
| 2001 | 51,300 |
| 2002 | 1,300 |
| 2003 | 10,897 |
| 2004 | 600 |
| Thereafter | 9,400 |
| Total minimum payments due under long-term obligations including current maturities | $74,797 |

(10) 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 | TOTAL OPERATING LEASES |
|---|---|
| 2000 | $ 6,615 |
| 2001 | 4,837 |
| 2002 | 3,533 |
| 2003 | 2,604 |
| 2004 | 1,630 |
| Thereafter | 1,343 |
| | $20,562 |

During the years 1999, 1998 and 1997 rent expense was approximately $14,058,000, $13,328,000, and $12,421,000, respectively.

(11) FEDERAL AND STATE INCOME TAXES

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

| | 1999 | 1998 | 1997 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Federal: Current | $(78) | $ -- | $ -- |
| Deferred | -- | -- | 1,878 |
| State: Current | 360 | 247 | 269 |
| Deferred | -- | 113 | 2,698 |
| Net provision for income taxes | $282 | $360 | $4,845 |

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

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Depreciation | $(282) | $ (403) | $ (370) |
| Provision for doubtful accounts | (58) | 15 | 2 |
| Insurance reserves | 91 | (194) | 415 |
| Litigation | 21 | 174 | (157) |
| Tax attributes | -- | (2,197) | (864) |
| Permits | (115) | 796 | (212) |
| Other | (58) | 786 | (288) |
| Valuation Allowance | 401 | 1,136 | 6,050 |
| Total deferred tax provision | $ -- | $ 113 | $4,576 |





(11) FEDERAL AND STATE INCOME TAXES (CONTINUED)

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

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Statutory rate | (34.0)% | (34.0)% | (34.0)% |
| Increase (decrease) in taxes resulting from: | | | |
| Valuation allowance | 20.4 | 32.5 | 68.1 |
| Adjustment of prior year's estimated attributes | (9.4) | -- | 11.9 |
| Goodwill amortization | 12.6 | 7.0 | 3.0 |
| State income taxes, net of federal benefit | 18.4 | 7.1 | 3.0 |
| Income tax refund | (4.0) | -- | -- |
| Other permanent differences | 10.4 | (2.3) | 2.5 |
| Net provision for (benefit from) income taxes | 14.4% | 10.3% | 54.5% |

The components of the total net deferred tax asset at December 31, 1999 and 1998 were as follows (in thousands):

| | 1999 | 1998 |
|---|---|---|
| Current: | | |
| Workmens' compensation accrual | $ 731 | $ 822 |

| | | |
|---|---|---|
| Accrued closure | 506 | 277 |
| Provision for doubtful accounts | 466 | 408 |
| Litigation accruals | 279 | 300 |
| Accrued rent holiday | 104 | 99 |
| Health insurance accrual | 34 | 34 |
| Miscellaneous | 197 | 220 |
| Permits | (226) | (276) |
| Valuation allowance | (2,091) | (1,884) |
| Total current deferred tax asset | $ -- | $ -- |
| Long-term: | | |
| Net operating loss carryforwards | $11,198 | $11,192 |
| Tax credit carryforwards | 1,927 | 1,927 |
| Other | -- | 39 |
| Property, plant and equipment | (4,410) | (4,522) |
| Permits | (2,440) | (2,555) |
| Valuation allowance | (6,275) | (6,081) |
| Total long-term deferred tax asset | $ -- | $ -- |
| Net deferred tax asset | $ -- | $ -- |

SFAS 109, "Accounting for Income Taxes," requires that a valuation allowance be established when, based on an evaluation of objective verifiable evidence, there is a likelihood that some portion or all of the deferred tax assets will not be realized. The Company continually reviews the adequacy of the valuation allowance for deferred tax assets, and, in 1997, based upon this review, the valuation allowance was





increased by $6,050,000, which resulted in a non-cash charge to operations of the same amount. The valuation allowance was increased by $401,000 and $1,136,000 in 1999 and 1998, respectively. The actual realization of the net operating loss carryforwards and other tax assets depend on having future taxable income of the appropriate character prior to their expiration.

For federal income tax purposes at December 31, 1999, the Company had regular tax net operating loss carryforwards of $26,304,000 which expire in 2010 and thereafter and alternative minimum tax net operating loss carryforwards of $29,645,000, which have no expiration and which may be used to offset future taxable income, if any. The Company also had $3,333,000 of SRLY net operating loss carryforwards which may only be used to offset future taxable income, if any, of former ChemClear entities. These net operating loss carryforwards expire in the amounts of $489,000, $648,000 and $2,196,000 in the years 2001, 2002 and 2003, respectively.

During the ordinary course of its business, the Company is audited by federal and state tax authorities, which may result in proposed assessments. In 1996, the Company received a notice of intent to assess state income taxes from one of the states in which it operates. This case is currently undergoing administrative appeal. If the Company loses the administrative appeal, the Company may be required to make a payment of approximately $3,000,000 to the state. The Company cannot currently predict when the decision for the administrative appeal will be made. The Company believes that it has properly reported its state income and intends to contest the assessment vigorously. While the Company believes that the final outcome of the dispute will not have a material adverse effect on the Company's financial condition or results of operations, no assurance can be given as to the final outcome of the audit, the amount of any final adjustment or the potential impact of such adjustments on the Company's financial condition or results of operations.

(12) LOSS PER SHARE

The following is a reconciliation of basic and diluted loss per share computations (in thousands except for per share amounts):

| | YEAR ENDED 1999 | | |
|---|---|---|---|
| | INCOME (NUMERATOR) | SHARES (DENOMINATOR) | PER-SHARE LOSS |
| Net loss | $ (2,244) | | |
| Less preferred dividends | 448 | | |
| Basic and diluted EPS (loss available to shareholders) | $ (2,692) | 10,649 | $(0.25) |

| | YEAR ENDED 1998 | | |
|---|---|---|---|
| | INCOME (NUMERATOR) | SHARES (DENOMINATOR) | PER-SHARE LOSS |
| Net loss | $ (3,854) | | |
| Less preferred dividends | 448 | | |
| Basic and diluted EPS (loss available to shareholders) | $ (4,302) | 10,309 | $(0.42) |





(12) LOSS PER SHARE (CONTINUED)

| | YEAR ENDED 1997 | | |
|---|---|---|---|
| | INCOME (NUMERATOR) | SHARES (DENOMINATOR) | PER-SHARE LOSS |
| Net loss | $(13,728) | | |
| Less preferred dividends | 448 | | |
| Basic and diluted EPS (loss available to shareholders) | $(14,176) | 9,959 | $(1.42) |

The Company has issued options, warrants and convertible preferred stock which are potentially dilutive to earnings. These have not been included in the above calculations, since their inclusion would have been antidilutive for the years ended December 31, 1999, 1998 and 1997.

(13) STOCKHOLDERS' EQUITY

(A) STOCK OPTION PLANS

In 1987, the Company adopted a nonqualified stock option plan ("1987 Plan"). In 1992, the Company adopted an equity incentive plan, which provides for a variety of incentive awards, including stock options ("1992 Plan"). As of December 31, 1999, 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, 1999, the Company had reserved 955,600 and 1,250,000 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. No compensation expense related to stock option grants was recorded in 1999, 1998 or 1997, as the option exercise prices were equal to, or greater than, the fair market value on the date of grant.

(B) SUPPLEMENTAL DISCLOSURES FOR STOCK-BASED COMPENSATION

The Company applies APB Opinion No. 25 and related Interpretations in accounting for the Plans. Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", ("SFAS 123"), issued in 1995, defined a fair value method of accounting for stock options and other equity instruments. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. The Company elected to continue to apply the accounting provisions of APB Opinion No. 25 for stock options. The required disclosures under SFAS 123 as if the Company had applied the new method of accounting are made below.





(13) STOCKHOLDERS' EQUITY (CONTINUED)

Activity under the Plans for the three years ended December 31, 1999 is as follows:

| | NUMBER OF SHARES | WEIGHTED AVERAGE EXERCISE PRICE |
|---|---|---|
| Outstanding at December 31, 1996 | 1,466,948 | $2.52 |
| Granted at fair value | 137,750 | 2.01 |
| Forfeited | (293,338) | 3.66 |
| Exercised | (8,800) | 2.13 |
| Outstanding at December 31, 1997 | 1,302,560 | 2.21 |
| Granted at fair value | 618,125 | 1.77 |
| Forfeited | (516,536) | 2.16 |
| Exercised | (2,700) | 2.13 |
| Outstanding at December 31, 1998 | 1,401,449 | 2.04 |
| Granted at fair value | 40,500 | 1.91 |
| Granted at a value greater than fair value | 2,750 | 1.50 |
| Forfeited | (145,286) | 2.07 |
| Exercised | -- | -- |

| | | |
|---|---|---|
| Outstanding at December 31, 1999 | 1,299,413 | $2.03 |

Summarized information about stock options outstanding at December 31, 1999 is as follows:

| RANGE OF EXERCISE PRICES | NUMBER OF OPTIONS OUTSTANDING | WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE | WEIGHTED AVERAGE EXERCISE PRICE | EXERCISABLE NUMBER OF OPTIONS | EXERCISABLE WEIGHTED AVERAGE EXERCISE PRICE |
|---|---|---|---|---|---|
| $1.44- 1.75 | 113,250 | 7.64 | 1.50 | 30,100 | 1.54 |
| 1.81- 1.81 | 431,250 | 8.32 | 1.81 | 87,690 | 1.81 |
| 2.00- 2.00 | 36,000 | 8.19 | 2.00 | 4,000 | 2.00 |
| 2.13- 2.13 | 696,793 | 4.47 | 2.13 | 603,353 | 2.13 |
| 3.13-13.25 | 22,120 | 0.99 | 5.81 | 22,120 | 5.81 |

Options exercisable at December 31, 1999, 1998 and 1997 were 747,263, 599,605 and 579,872, respectively. The weighted average exercise prices for the exercisable options at December 31, 1999, 1998 and 1997 were $2.17, $2.28, and $2.34, respectively.

The fair value of each option granted during 1999, 1998 and 1997 is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Dividend yield | none | none | none |
| Expected volatility | 75.2% | 75.0% | 61.9% |
| Risk-free interest rate | 5.4% | 5.8% | 6.3% |
| Expected life | 6.0 | 6.0 | 6.0 |





(13) STOCKHOLDERS' EQUITY (CONTINUED)

Weighted average fair value of options granted at fair value during:

| | |
|---|---|
| 1999 | $1.91 |
| 1998 | $1.81 |
| 1997 | $0.93 |

Weighted average fair value of options granted at greater than fair value during:

| | |
|---|---|
| 1999 | $1.50 |
| 1998 | $1.44 |
| 1997 | $0.88 |

Had compensation cost for the Company's stock option grants been determined based on the fair value at the grant dates, as calculated in accordance with SFAS 123, the Company's net income and net income per common share for the years ended December 31, 1999, 1998 and 1997, would approximate the pro forma amounts as compared to the amounts reported:

| | NET LOSS | NET LOSS PER BASIC AND DILUTED SHARE |
|---|---|---|
| As reported: | | |
| 1999 | $ (2,244,000) | $(0.25) |
| 1998 | (3,854,000) | (0.42) |
| 1997 | (13,728,000) | (1.42) |
| Pro forma: | | |
| 1999 | $ (2,945,000) | $(0.28) |
| 1998 | (3,947,000) | (0.43) |
| 1997 | (14,091,000) | (1.46) |

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts. Additional awards in future years are anticipated.

(C) EMPLOYEE STOCK PURCHASE PLAN

In May of 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 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, 1999 and 1998, 98,200 and 94,000 shares, respectively, of common stock had





(13) STOCKHOLDERS' EQUITY (CONTINUED)

been purchased under the ESPP. The weighted average fair per share value of the purchase rights granted under the ESPP during 1999, 1998 and 1997 were $0.25, $0.41 and $0.33, respectively.

(D) 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 $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 $5 per share to the three banks which provided the Revolver. These warrants are exercisable at any time until February 6, 2001.

(E) PREFERRED STOCK

On February 16, 1993 the Company issued 112,000 shares of Series B Convertible Preferred Stock, $0.01 par value ("Preferred Stock"), for the acquisition of its Spring Grove facility. The liquidation value of each preferred share 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. There is no expiration date associated with the conversion option. The Company had the option to redeem such Preferred Stock at liquidation value plus a redemption premium of 3%, if the redemption occurred on or before August 16, 1999; thereafter, the redemption premium declines 1% each year. Each preferred share entitles its holder to receive a cumulative annual cash dividend of $4.00 per share, 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 1999 dividends in common stock with a market value equal to the amount of the dividend payable. During 1999 the Company issued 278,933 shares of common stock to the holders of the Preferred Stock. The Company anticipates that the Preferred Stock dividends payable through 2000 will be paid in common stock.

(14) 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. The Company has an option of contributing to the plan, but no contribution was made by the Company in 1999, 1998, or 1997.





(15) QUARTERLY DATA (UNAUDITED)

| | FIRST QUARTER | SECOND QUARTER | THIRD QUARTER | FOURTH QUARTER |
|---|---|---|---|---|
| | (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) | | | |
| 1999 | | | | |
| Revenue | $44,648 | $51,118 | $54,602 | $52,597 |
| Income (loss) from operations | (523) | 2,995 | 2,635 | 1,530 |
| Net income (loss) | (2,842) | 705 | 317 | (424) |
| Net income (loss) per common share | (0.28) | 0.06 | 0.02 | (0.05) |
| 1998 | | | | |
| Revenue | $40,376 | $53,591 | $50,884 | $52,588 |
| Income (loss) from operations | (1,149) | 3,184 | 1,307 | 2,795 |
| Net income (loss) | (3,579) | 776 | (1,135) | 84 |
| Net income (loss) per common share | (0.36) | 0.06 | (0.12) | 0.00 |

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) OTHER INCOME

During 1997, the Company recorded a $950,000 receivable in connection with the settlement of a lawsuit and incurred approximately $150,000 in costs related to the litigation. The Company recognized a pre-tax gain, net of related legal fees, of $800,000 resulting from the settlement, which is included in other income, net, in the consolidated statements of operations.



CLEAN HARBORS, INC. AND SUBSIDIARIES

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

FOR THE THREE YEARS ENDED DECEMBER 31, 1999

(IN THOUSANDS)

| ALLOWANCE FOR DOUBTFUL ACCOUNTS | BALANCE BEGINNING OF PERIOD | ADDITIONS CHARGED TO OPERATING EXPENSE | DEDUCTIONS FROM RESERVES(A) | BALANCE END OF PERIOD |
|---|---|---|---|---|
| 1997 | $1,063 | $683 | $696 | $1,050 |
| 1998 | 1,050 | 699 | 736 | 1,013 |
| 1999 | 1,013 | 683 | 539 | 1,157 |

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(a) Amounts deemed uncollectible, net of recoveries.



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 2000 Annual Meeting of Stockholders, which definitive proxy statement is expected to be filed with the Commission not later than April 30, 2000.

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 will be set forth in the Company's definitive proxy statement for its 2000 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, 1999 | 33 |
| Consolidated Balance Sheets, December 31, 1999 and 1998 | 34-35 |
| Consolidated Statements of Cash Flows for the Three Years Ended December 31, 1999 | 36 |
| Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 1999 | 37 |
| Notes to Consolidated Financial Statements | 38-56 |
| 2. Financial Statement Schedule: | |
| Schedule II Valuation and Qualifying Accounts | 57 |

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 | (8) |
| 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 | (8) |
| 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 | (8) |
| 4.9 | Third Amendment to Financing Agreements dated September 6, 1996 by and between Congress Financial Corporation (New England), the Company's Subsidiaries as Borrowers, and Clean Harbors, Inc. as Guarantor | (8) |
| 4.10 | Fourth Amendment to Financing Agreements dated June 20, 1997 by and between Congress Financial Corporation (New England), the Company's Subsidiaries as Borrowers, and Clean Harbors, Inc. as Guarantor | (9) |



| ITEM NO. | DESCRIPTION | LOCATION |
|---|---|---|
| | | See Note: |
| 4.11 | Fifth Amendment to Financing Agreements dated January 1, 1998 by and between Congress Financial Corporation (New England), the Company's Subsidiaries as Borrowers, and Clean Harbors, Inc. as Guarantor | (9) |
| 4.12 | Sixth Amendment to Financial Agreements dated June 23, 1998 by and between Congress Financial Corporation (New England), the Company's Subsidiaries as Borrowers, and Clean Harbors, Inc. as guarantor | (11) |
| 4.13 | Seventh Amendment to Financial Agreements dated May 24, 1999 by and between Congress Financial Corporation (New England), the Company's Subsidiaries as Borrowers, and Clean Harbors, Inc. as guarantor | (13) |
| 4.14 | Second Amendment and Restated Term Promissory Notes Dated May 24, 1999 by and between Congress Financial Corporation (New England), the Company's Subsidiaries as Borrowers, and Clean Harbors, Inc. as guarantor | (13) |
| 4.15 | Eighth Amendment to Financial Agreements dated March 28, 2000 by and between Congress Financial Corporation (New England), the Company's Subsidiaries as Borrowers, and Clean Harbors, Inc. as guarantor | Filed herewith...... |
| 4.16 | 2000 Term Promissory Note Dated March 28, 2000 by and between Congress Financial Corporation (New England), the Company's Subsidiaries as Borrowers, and Clean Harbors, Inc. as guarantor | 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) |
| 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........... | (8) |
| 10.42 | Employment Agreement between the Company and David A. Eckert dated March 14, 1996, as modified on March 4, 1998.......... | (9) |
| 10.43 | Key Employee Retention Plan................................ | (12) |
| 21 | Subsidiaries............................................... | Filed herewith |
| 23 | Consent of Independent Accountants.......................... | Filed herewith |



| ITEM NO. | DESCRIPTION | LOCATION |
|---|---|---|
| | | See Note: |
| 24 | Power of Attorney for Christy W. Bell, John F. Kaslow, Daniel J. McCarthy, John T. Preston, Thomas J. Shields and Lorne R. Waxlax............................................ | Filed herewith |
| 27 | Financial Data Schedule.................................... | Filed herewith |

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(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.

(8) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year 1995.

(9) Incorporated, by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year 1996.

(10) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended September 30, 1996.

(11) Incorporated by reference to Exhibit 4.12 to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended June 30, 1998.

(12) Incorporated by reference to the similarly numbered exhibit to the

Company's Form 10-Q Quarterly Report for the Quarterly Period ended March 31, 1999.

(13) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended June 30, 1999.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of 1999.



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 27, 2000.

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 27, 2000 |
| /s/ ROGER A. KOENECKE Roger A. Koenecke | Senior Vice President and Chief Financial Officer | March 27, 2000 |
| * Christy W. Bell | Director | March 27, 2000 |
| * John F. Kaslow | Director | March 27, 2000 |
| * Daniel J. McCarthy | Director | March 27, 2000 |
| * John T. Preston | Director | March 27, 2000 |
| * Thomas J. Shields | Director | March 27, 2000 |
| * Lorne R. Waxlax | Director | March 27, 2000 |

*By: /s/ ALAN S. MCKIM,

Alan S. McKim,
ATTORNEY-IN-FACT

EXHIBIT 4.15

March 28, 2000

CLEAN HARBORS ENVIRONMENTAL
SERVICES, INC.

CLEAN HARBORS KINGSTON FACILITY
CORPORATION
CLEAN HARBORS OF BRAINTREE, INC.
CLEAN HARBORS SERVICES, INC.
CLEAN HARBORS OF NATICK, INC.
CLEAN HARBORS OF CONNECTICUT, INC.
MURPHY'S WASTE OIL SERVICE, INC.
MR. FRANK, INC.
SPRING GROVE RESOURCE RECOVERY, INC.
HARBOR MANAGEMENT CONSULTANTS, INC.

Re: EIGHTH AMENDMENT TO FINANCING AGREEMENTS ("EIGHTH 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. This Agreement is referred to as the "Eighth Amendment".

Borrowers have requested that the Lender consent to the acquisition by CHES of certain motor vehicles and rolling stock (as hereinafter defined, the "Acquired Vehicles") that have been subject to leases as described on Exhibit A hereto. In addition, Borrowers have requested that Lender agree to advance an additional term loan (the "2000 Term Loan") in the original principal amount of $3,000,000, to a change in the definition of "Working Capital," to a change in the Adjusted Net Worth covenant and to an extension of the term of the Financing Agreements to May 8, 2003. Subject to the terms and conditions hereof and effective on the Eighth Amendment Effective Date (as defined herein), the Lender agrees with the Borrowers as follows:

(1) Subject to the conditions, representations, acknowledgements and affirmations set forth in this Eighth Amendment, Lender hereby consents to the acquisition of the Acquired Vehicles (the "Acquisition"), and waives Section 9.10 of the Loan Agreement with respect to the Acquisition, PROVIDED that the aggregate purchase price of the Acquisition (after rental rebates) does not exceed $3,500,000.00. Lender's



consent given herein is limited strictly to its terms and shall apply only to the specific provisions described herein. The consent contained herein shall not extend to or affect any other Obligations of the Borrowers or the Obligors and shall not impair or prejudice any rights consequent thereon.

(2) The Loan Agreement is amended to delete Section 1.53 and to substitute the following in place thereof:

> "1.53 "Working Capital" shall mean as to any Person, at any time, in accordance with GAAP, on a consolidated basis for such Person and its subsidiaries (if any), the amount equal to

the difference between: (a) the aggregate net book value of all current assets of such Person and its subsidiaries (as determined in accordance with GAAP), and (b) all current liabilities of such Person and its subsidiaries (as determined in accordance with GAAP), PROVIDED, THAT, as to Borrowers, for purposes of Section 9.13, the liabilities of Borrowers and their subsidiaries to Lender under this Agreement shall not be considered current liabilities (whether or not classified as current liabilities in accordance with GAAP) and, as to Parent, for purposes of Section 9.13, the liabilities of Parent (as issuer) and its subsidiaries (as guarantors) on the Senior Unsecured Notes shall not be considered current liabilities (whether or not classified as current liabilities in accordance with GAAP)."

(3) The Loan Agreement is amended to add the following Section 2.3A thereto, immediately following Section 2.3:

2.3A 2000 TERM LOAN. On the Eighth Amendment Effective Date (as defined in the Eighth Amendment), Lender is making the 2000 Term Loan to Borrowers in the original principal amount of $3,000,000. The 2000 Term Loan (a) is evidenced by a 2000 Term Promissory Note (the "2000 Term Promissory Note" and together with the existing Term Promissory Note, the "Term Note") in such original principal amount duly executed and delivered by the Borrowers to Lender concurrently with the Eighth Amendment; (b) is to be repaid, together with interest and other amounts, in accordance with this Agreement, the 2000 Term Promissory Note, and other Financing Agreements; (c) is secured by all of the Collateral; and (d) the proceeds of the 2000 Term Loan shall be used to purchase the Acquired Vehicles."

(4) Section 9.14 of the Loan Agreement is deleted and the following is substituted in the place thereof:

"9.14 ADJUSTED NET WORTH. Parent shall, at all times, maintain an Adjusted Net Worth of not less than $30,000,000."



(5) The first sentence of Section 12.1(a) of the Loan Agreement is deleted and replaced with the following sentence:

"This Agreement and the other Financing Agreements shall become effective as of the date set forth on the first page hereof and shall continue in full force and effect for a term ending on the date eight (8) years from the date hereof (the "Renewal Date"), and from year to year thereafter, unless sooner terminated pursuant to the terms hereof; PROVIDED, THAT, Lender may, at its option, extend the Renewal Date to the date nine (9) years from the date hereof by giving Borrowers notice at least one hundred twenty (120) days prior to the eighth anniversary of this Agreement."

(6) Section 12.1(c) of the Loan Agreement is deleted in its entirety and replaced with the following:

"If for any reason this Agreement is terminated prior to the end of the then current term or renewal term of this Agreement, in view of the impracticality and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of Lender's lost profits as a result thereof, Borrowers agree to pay to Lender, upon the effective date of such termination, an early termination fee in the amount of: 1 1/2% of the Revolving Credit Limit if such termination is effective in the period from the date of the Eighth Amendment to and including May 8, 2001; 1% of the Revolving Credit Limit if such termination is effective in the period from May 9, 2001 to and including May 8, 2002; and 1/2% of the Revolving Credit Limit if such termination is effective in the period from May 9, 2002 to and including May 8, 2003. Such early termination fee shall be presumed to be the amount of damages sustained by Lender as a result of such early termination and Borrowers agree that it is reasonable under the circumstances currently existing. The refinancing and repayment of the Term Loan through the issuance of pollution control authority industrial revenue bonds shall not trigger the payment of the early termination fee. The early termination fee provided for in this Section 12.1 shall be deemed included in the Obligations."

(7) This Eighth Amendment and the Lender's obligations hereunder shall not be effective until each of the following conditions are satisfied (the "Eighth Amendment Effective Date"):

(a) Borrowers shall have duly executed and delivered this Eighth Amendment, the 2000 Term Promissory Note and all other instruments, documents and agreements required by Lender;

(b) Borrowers shall have furnished (i) a complete list of all the Borrowers' motor vehicles and of the Acquired Vehicles to be acquired by the Borrowers



in connection with the Acquisition, (ii) certificates of title for all motor vehicles now owned by Borrowers with Lender's lien noted thereon, and (iii) evidence satisfactory to Lender that certificates of title for all of the Acquired Vehicles will be delivered to Lender within thirty (30) days of the date hereof; and Borrowers shall have executed and delivered (or in the case of certificates of title for the Acquired Vehicles, shall concurrently with the delivery thereof to Lender execute and deliver) to Lender all documents that are necessary for the Lender's lien to be noted thereon at the appropriate state departments and agencies for the registration of motor vehicles so that Lender shall have valid and perfected first priority security interests in and liens upon all of the Borrowers' motor vehicles and rolling stock, subject only to security interests and liens permitted under the Agreement and other Loan Documents;

(c) all requisite corporate action and proceedings of the Borrowers in connection with this Eighth Amendment shall be satisfactory in form and substance to Lender and Lender shall receive certified copies of such corporate action and proceedings and a legal opinion of counsel to the Borrowers as to the due authorization and enforceability of this Amendment and the Financing Agreements entered into pursuant hereto;

(d) no material adverse change shall have occurred in the assets (including the Acquired Vehicles), 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;

(e) Borrowers shall pay to Lender, and hereby direct Lender to debit their loan account for, an additional facility fee equal to $50,000.00, which fee shall be fully earned and non-refundable on the date hereof;

(f) Lender shall have received, in form and substance satisfactory to Lender, evidence that all instruments, documents and agreements entered into pursuant to the Acquisition or relating thereto (the "Purchase Agreements") have been duly executed and delivered by and to the appropriate parties thereto and the transactions contemplated under the terms of the Purchase Agreements have been consummated prior to or contemporaneously with the execution of the Eighth Amendment (except for the execution and delivery of certain documents within 30 days of the date hereof as described in clause (b) above); and

(f) Lender shall have received the consent of its Participant, Pilgrim America Prime Rate Trust to this Eighth Amendment.

(8) Each Borrower represents and warrants to Lender the following:



(a) The Purchase Agreements and the transactions contemplated thereunder have been duly executed, delivered and performed in accordance with their terms by the respective parties thereto in all respects, including the fulfillment (not merely the waiver, except as may be disclosed to Lender and consented to in writing by Lender) of all conditions precedent set forth therein and giving effect to the terms of the Purchase Agreements and the assignments to be executed and delivered thereunder, CHES has acquired and has good and marketable title to the Acquired Vehicles, free and clear of all claims, liens, pledges and encumbrances of any kind, except as permitted hereunder;

(b) All actions and proceedings required by the Purchase Agreements or applicable law or regulation have been taken and the transactions required thereunder have been duly and validly taken and consummated;

(c) No court of competent jurisdiction has issued any injunction, restraining order or other order which prohibits consummation of the transactions described in the Purchase Agreements and no governmental or other action or proceeding has been threatened or commenced, seeking any injunction, restraining order or other order which seeks to void or otherwise modify the transactions described in the Purchase Agreements; and

(d) Borrowers have delivered, or caused to be delivered, to Lender, true, correct and complete copies of the Purchase Agreements.

(9) 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), (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 and (c) that all certificates of title and documents necessary to note Lender's first priority lien thereon duly executed by Borrowers and satisfactory to Lender shall be delivered to Lender within thirty (30 days of the date hereof.

(10) Each Obligor, 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 Obligor's liability to Lender with respect to the payment and other performance obligations of the Obligors pursuant to the

Guarantees, dated May 8, 1995 executed for the benefit of Lender. Each Obligor 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 Obligor has no defenses, counterclaims or setoffs with respect to full, complete and timely payment of any and all Obligations.

(11) 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.

[Remainder of Page Intentionally Left Blank]



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/ MARK E. SWARTZ
--------------------------------
Name: Mark E. Swartz
Title: Sr. Vice President

AGREED:

CLEAN HARBORS ENVIRONMENTAL
SERVICES, INC.

By: /s/ STEPHEN MOYNIHAN
----------------------------------
Name: Stephen Moynihan
Title: Sr. Vice President

CLEAN HARBORS KINGSTON FACILITY

CORPORATION

By: /s/ STEPHEN MOYNIHAN
-----------------------------------
Name: Stephen Moynihan
Title: Sr. Vice President

CLEAN HARBORS OF BRAINTREE, INC.

By: /s/ STEPHEN MOYNIHAN
-----------------------------------
Name: Stephen Moynihan
Title: Sr. Vice President



CLEAN HARBORS SERVICES, INC.

By: /s/ STEPHEN MOYNIHAN
-----------------------------------
Name: Stephen Moynihan
Title: Sr. Vice President

CLEAN HARBORS OF NATICK, INC.

By: /s/ STEPHEN MOYNIHAN
-----------------------------------
Name: Stephen Moynihan
Title: Sr. Vice President

CLEAN HARBORS OF CONNECTICUT, INC.

By: /s/ STEPHEN MOYNIHAN
-----------------------------------
Name: Stephen Moynihan
Title: Sr. Vice President

MURPHY'S WASTE OIL SERVICE, INC.

By: /s/ STEPHEN MOYNIHAN
-----------------------------------
Name: Stephen Moynihan
Title: Sr. Vice President

MR. FRANK, INC.

By: /s/ STEPHEN MOYNIHAN
-----------------------------------
Name: Stephen Moynihan
Title: Sr. Vice President

SPRING GROVE RESOURCE RECOVERY, INC.

By: /s/ STEPHEN MOYNIHAN
-----------------------------------
Name: Stephen Moynihan
Title: Sr. Vice President

HARBOR MANAGEMENT CONSULTANTS, INC.

By: /s/ STEPHEN MOYNIHAN
----------------------------------
Name: Stephen Moynihan
Title: Sr. Vice President

OBLIGORS:

CLEAN HARBORS, INC.

By: /s/ STEPHEN MOYNIHAN
----------------------------------
Name: Stephen Moynihan
Title: Sr. Vice President

CLEAN HARBORS OF BALTIMORE, INC.

By: /s/ STEPHEN MOYNIHAN
----------------------------------
Name: Stephen Moynihan
Title: Sr. Vice President

EXHIBIT 4.16

2000 TERM PROMISSORY NOTE

$3,000,000.00 Boston, Massachusetts
March 28, 2000

FOR VALUE RECEIVED, the undersigned, (collectively, the "Debtors"), hereby unconditionally and jointly and severally 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, Massachusetts 02109, or at such other place as the Payee or any holder hereof may from time to time designate, the principal sum of THREE MILLION DOLLARS ($3,000,000.00) in lawful money of the United States of America and in immediately available funds, in thirty-six (36) consecutive monthly installments (or earlier as hereinafter provided) on the first day of each month commencing May 1, 2000 of which the first thirty-five (35) installments shall each be in the amount of EIGHTY THREE THOUSAND THREE HUNDRED THIRTY THREE DOLLARS AND THIRTY-THREE CENTS ($83,333.33), and the last installment shall be in the amount of the entire unpaid balance of this Note.

Each Debtor hereby further promises jointly and severally 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, 2000 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 First Union National Bank, or its successors, 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, 1995, as amended, between Debtors and Payee, as the same now exists or may hereafter be amended, 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 is announced. The increase or decrease shall be 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 2000 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 Debtors' 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 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.

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 Debtors 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 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 any 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 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 to it 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 Debtor 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 Debtor 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 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.

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 Debtors. 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.

| | |
|---|---|
| ATTEST: | CLEAN HARBORS ENVIRONMENTAL SERVICES, INC. |
| /s/ C. MICHAEL MALM | By: /s/ STEPHEN MOYNIHAN |
| Secretary<br>[Corporate Seal] | Title: SENIOR VICE PRESIDENT |
| ATTEST: | CLEAN HARBORS KINGSTON FACILITY CORPORATION |
| /s/ C. MICHAEL MALM | By: /s/ STEPHEN MOYNIHAN |
| Secretary<br>[Corporate Seal] | Title: SENIOR VICE PRESIDENT |
| ATTEST: | CLEAN HARBORS OF BRAINTREE, INC. |

/s/ C. MICHAEL MALM
-----------------------------------
Secretary
[Corporate Seal]

By: /s/ STEPHEN MOYNIHAN
----------------------------------

Title: SENIOR VICE PRESIDENT
-------------------------------



ATTEST:

CLEAN HARBORS SERVICES, INC.

/s/ C. MICHAEL MALM
-------------------------------------
Secretary
[Corporate Seal]

By: /s/ STEPHEN MOYNIHAN
-----------------------------------

Title: SENIOR VICE PRESIDENT
--------------------------------

ATTEST:

CLEAN HARBORS OF NATICK, INC.

/s/ C. MICHAEL MALM
-------------------------------------
Secretary
[Corporate Seal]

By: /s/ STEPHEN MOYNIHAN
-----------------------------------

Title: SENIOR VICE PRESIDENT
--------------------------------

ATTEST:

CLEAN HARBORS OF CONNECTICUT, INC.

/s/ C. MICHAEL MALM
-------------------------------------
Secretary
[Corporate Seal]

By: /s/ STEPHEN MOYNIHAN
-----------------------------------

Title: SENIOR VICE PRESIDENT
--------------------------------

ATTEST:

MURPHY'S WASTE OIL SERVICE, INC.

/s/ C. MICHAEL MALM
-------------------------------------
Secretary
[Corporate Seal]

By: /s/ STEPHEN MOYNIHAN
-----------------------------------

Title: SENIOR VICE PRESIDENT
--------------------------------

ATTEST:

MR. FRANK, INC.

/s/ C. MICHAEL MALM
-------------------------------------
Secretary
[Corporate Seal]

By: /s/ STEPHEN MOYNIHAN
-----------------------------------

Title: SENIOR VICE PRESIDENT
--------------------------------

ATTEST:

SPRING GROVE RESOURCE RECOVERY, INC.



/s/ C. MICHAEL MALM
-------------------------------------
Secretary
[Corporate Seal]

By: /s/ STEPHEN MOYNIHAN
-----------------------------------

Title: SENIOR VICE PRESIDENT
--------------------------------

ATTEST

HARBOR MANAGEMENT CONSULTANTS, INC.

| | |
|---|---|
| /s/ C. MICHAEL MALM | By: /s/ STEPHEN MOYNIHAN |
| Secretary | |
| [Corporate Seal] | Title: SENIOR VICE PRESIDENT |

Exhibit 21

CLEAN HARBORS, INC. AND SUBSIDIARIES
SUBSIDIARIES

| | STATE OF INCORPORATION | PRINCIPAL PLACE OF BUSINESS |
|---|---|---|
| Clean Harbors Environmental Services, Inc. | MA | 1501 Washington Street Braintree, MA 02185-0327 |
| Clean Harbors of Natick, Inc. | MA | 1501 Washington Street Braintree, MA 02185-0327 |
| Clean Harbors of Braintree, Inc. | MA | 1501 Washington Street Braintree, MA 02185-0327 |
| Clean Harbors Services, Inc. | MA | 1501 Washington Street Braintree, MA 02185-0327 |
| Clean Harbors of Baltimore, Inc. | MA | 1501 Washington Street Braintree, MA 02185-0327 |
| Clean Harbors of Connecticut, Inc. | CT | 1501 Washington Street Braintree, MA 02185-0327 |
| Clean Harbors Kingston Facility Corporation | MA | 1501 Washington Street Braintree, MA 02185-0327 |
| Harbor Management Consultants, Inc. | MA | 1501 Washington Street Braintree, MA 02185-0327 |
| Murphy's Waste Oil Service, Inc. | MA | 1501 Washington Street Braintree, MA 02185-0327 |
| Mr. Frank, Inc. | IL | 1501 Washington Street Braintree, MA 02185-0327 |
| Northeast Casualty Risk Retention Group, Inc. | VT | 1501 Washington Street Braintree, MA 02185-0327 |
| Spring Grove Resource Recovery, Inc. | DE | 1501 Washington Street Braintree, MA 02185-0327 |

Exhibit 23

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, No. 33-60187 and No. 333-46159) of our report dated February 3, 2000 relating to the consolidated financial statements and the financial statement schedule of Clean Harbors, Inc., which appears in Item 8 of this Form 10-K.

PricewaterhouseCoopers LLP

Boston, Massachusetts
March 28, 2000

EXHIBIT 24

POWER OF ATTORNEY

Know all men by these presents, that the individuals whose signatures appear below constitute and appoint Alan S. McKim and Roger A. Koenecke, and each of them acting alone, his true and lawful attorneys-in-fact and agents with full power of substitution and resubtitution, to sign the Clean Harbors, Inc. 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, 1999, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and 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 substitues may lawfully do or cause to be done by virtue hereof.

| SIGNATURE | TITLE | DATE |
| --- | --- | --- |
| /s/ CHRISTY W. BELL<br>Christy W. Bell | Director | March 27, 2000 |
| /s/ JOHN F. KASLOW<br>John F. Kaslow | Director | March 27, 2000 |
| /s/ DANIEL J. MCCARTHY<br>Daniel J. McCarthy | Director | March 27, 2000 |
| /s/ JOHN T. PRESTON<br>March 27, 2000<br>John T. Preston | Director | |
| /s/ THOMAS J. SHIELDS<br>Thomas J. Shields | Director | March 27, 2000 |
| /s/ LORNE R. WAXLAX<br>Lorne R. Waxlax | Director | March 27, 2000 |

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE C0NSOLIDATED FINANCIAL STATEMENTS OF CLEAN HARBORS, INC. AND SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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<MULTIPLIER> 1,000

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