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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 0-16379

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

Massachusetts	04-2997780
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
1501 Washington Street, Braintree, Massachusetts	02184-7535
(Address of principal executive offices)	(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 February 28, 2001, the aggregate market value of the voting stock of the registrant held by nonaffiliates of the registrant was $14,730,644. Reference is made to Part III of this report for the assumptions on which this calculation is based.

On February 28, 2001, there were outstanding 11,317,155 shares of Common Stock, $.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive proxy statement for its 2001 annual meeting of stockholders (which is expected to be filed with the Commission not later than April 30, 2001) are incorporated by reference into part III of this report.

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 2001.

PART I

ITEM 1. BUSINESS

Clean Harbors, Inc., through its subsidiaries (collectively, the "Company"), operates in one industry segment providing a wide range of environmental 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 a 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 environmental services in the United States. The Company has three major competitors, namely, Safety-Kleen Corp, ONYX-North America (the waste management subsidiary of the Paris-based Vivendi) and Philip Services 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 environmental 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 environmental service companies and government agencies.

The Company's past earnings were adversely affected by poor conditions in the environmental services industry. Intense price competition, waste minimization by industrial firms and unpredictable event business all contributed to weakness across all segments of the environmental services 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 environmental services 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, improving utilization of existing facilities by increasing volumes of waste processed, developing new waste management services, capitalizing on industry consolidation and providing e-commerce solutions. In addition, the Company expects to achieve growth through strategic acquisitions.

Expanded Network of Service Centers. The Company currently has 37 service centers, 5 of which were opened in 2000. 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. Much of the additional waste that is generated can be sent to existing facilities to increase the utilization of the plants and thereby increase their profitability.

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 service to 4 locations, 1 of which was opened in 2000. 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.

Capitalization on Industry Consolidation. The Company believes that its large industrial customers are increasingly requiring a comprehensive range of

environmental services including: 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 environmental services it offers and has as part of its strategy to acquire companies in existing, contiguous and new market areas. Acquisitions within the Company's existing areas of operation will 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 environmental services industry and that increasing the percentage of transactions that utilize e-commerce will result in lower costs of services.

Acquisitions

The Company has completed one acquisition since January 1, 1996.

Date of Acquisition	Acquisition	Purchase Price
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 environmental services. The services provided can be discussed in three primary 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(R)"). The Company also provides transportation for all forms of hazardous wastes ("Transportation and Logistics Management, and Analytical Testing Services"); and information management and training services. Although they are discussed separately to provide an understanding of the services offered, Site Services, CleanPack(R), 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 environmental services 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 appropriate 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(R) 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(R) chemists utilize the Company's CHOICE(TM) waste management software system to support the Company's lab pack services and complete the regulatory information required for every pick-up. The CleanPack(R) 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(R) 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(R) operations include:

High Hazard Services. Reactive Materials Technicians utilize specialized equipment and training to stabilize and desensitize highly reactive and potentially explosive chemicals.

CustomPack(R) 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(R) 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.

Information Management and Personnel Training Services

Information Management Services. The Company provides customers with software to streamline their environmental programs. The Company has developed

a proprietary software product CHOICE(R), 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 internet to the Company through CleanLink(R) web enabled software. CHOICE(R) combined with CleanLink(R) 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 environmental services 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, the Mid-Atlantic and Upper Midwest, provide it with a recurring revenue base. The Company estimates that more than 80% of its revenues are derived from previously served customers with recurring needs for the Company's services. For the years ended December 31, 2000, 1999 and 1998, 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 2000. Approximately 20% of the Company's revenues in 2000 were from the chemical, pharmaceutical and allied products industry, while approximately 14% were from the electric, gas and sanitary industry. In 1999, those same two industries each provided over 10% of the Company's revenue, with approximately 20% of the Company's revenues in 1999 from the chemical, pharmaceutical and allied products industry and approximately 14% 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 and state agencies allocate their resources to remediation projects that they determine to be of high priority. None of the Company's RCRA facilities has been assessed a high priority by the EPA or state agency. This results in site investigation and environmental remediation being performed according to the timetable set by the EPA or state agencies. The following table summarizes non-reimbursed environmental remediation expenditures capitalized and expenses incurred for the years ended December 31 (in thousands):

	2000	1999	1998

Environmental expenditures capitalized	$ 92	$274	$674
Environmental expenses incurred	225	37	95
	$317	$311	$769

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, the Company's wastewater facilities, 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 commercial 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 for waste processing 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. Steadfast Insurance Company (a unit of Zurich Insurance N.A.) provides pollution liability coverage for waste in-transit with single occurrence and aggregate liability limits of $30,000,000. This Steadfast 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 commercial umbrella liability policy provides additional coverage for in-transit pollution losses from accidents for a total of $60,000,000 of in-transit coverage.

Federal and state regulations require liability insurance coverage for all facilities that treat, store or dispose of hazardous waste. The Resource

Conservation Recovery Act (RCRA) and the Toxic Substances Control Act (TOSCA) 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 for sudden occurrences and $3,000,000 per occurrence and $6,000,000 in the aggregate for non-sudden occurrences. In May 2000, the Company purchased from Steadfast Insurance Company a policy insuring the Company's treatment, storage and disposal activities that meets the regulatory requirements. In addition, this policy provides excess limits above the regulatory requirements up to $30,000,000.

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 had purchased closure surety bonds from Frontier Insurance Company, as had a number of other companies that operate hazardous waste facilities. In June 2000 due to deteriorating financial condition, Frontier Insurance Company was dropped from the listing of approved

sureties. This required any company that had obtained financial assurance through Frontier Insurance Company to obtain financial assurance through some other source. In July 2000, the Company replaced the required financial assurance for closure through another qualified insurance company. Obtaining this replacement insurance required the Company to place $5,250,000 of collateral in the form of a letter of credit. The decrease in available funds to borrow due to the issuance of the letter of credit was partially offset by the release to the Company's general use of restricted investments of $1,152,000. These funds were released when financial assurance that had been provided by the Company's captive insurance company was placed with Steadfast Insurance Company. The Company utilizes its captive insurance company to provide financial assurance for the lagoons and incinerator located at the Chicago facility. Financial assurance for closure and post-closure relating the Company's incineration facility located in Kimball, Nebraska is provided under separate policies issued by Steadfast Insurance Company.

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 environmental services 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, commercial 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, Safety-Kleen Corp., ONYX-North America (the environmental services subsidiary of the Paris-based Vivendi) and Philip Services 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 environmental 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 environmental 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 environmental services 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 and CleanPack, 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 February 26, 2001, the Company employed 1,459 full time employees. 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 37 service centers, various environmental remediation equipment, and a fleet of approximately 1,000 registered pieces of transportation equipment. Most service center locations are leased, and occasionally move to other locations as operations 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. Substantially all of the Company's properties are pledged as collateral for its loans.

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.

Some 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. In 2000, this agreement was amended. The amended agreement reduced

the royalty paid per ton processed and extended the term through 2009.

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 for a five year term.

Natick, MA. The Natick, Massachusetts facility is located just west of Boston. 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. Subsequent to year end the Company decided to sell the facility and the facility is going through RCRA closure in preparation for sale.

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 Prince George, 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 environmental services 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, unless a specific exemption exists, 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. The Cleveland facility operates under a RCRA exemption for wastewater treatment tank systems and is subject to regulations under the Clean Water Act.

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 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 $317,000, $311,000 and $769,000 on corrective action at the foregoing facilities for the years ended December 31, 2000, 1999 and 1998, 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 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 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 Company had accrued $825,000 relating to this liability at December 31, 1999. The $825,000 balance owed under the amendment was 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, and 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 ("POTW"). In the course of its treatment process, the Company's wastewater treatment facilities generate wastewater, which they discharge to POTW pursuant to permits issued by the appropriate governmental authority. In December 2000 the EPA promulgated new effluent limitations, pretreatment standards and source performance standards for centralized waste treatment ("CWT") facilities. The Company's Bristol, Connecticut; Baltimore, Maryland; Chicago, Illinois; Cleveland and Cincinnati, Ohio; South Portland, Maine; and Prince George, Virginia facilities are subject to the CWT regulations. The Company has until December 22, 2003 to achieve compliance with the new regulations. Compliance is achieved by meeting the effluent limits for specific contaminants using the best practicable treatment or "equivalent" technology. "Equivalent" technology is demonstrated by procedures negotiated with the local governmental authority responsible for operating the pretreatment program for the POTW. Until such time as the governmental authorities issue guidance on procedures to determine "equivalence" there is no way for the Company to quantify the impact of the CWT regulation on the facilities.

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 1990 Clean Air Act Amendments, the EPA regulates emissions into the air of potentially harmful substances. The recently promulgated Maximum Achievable Control Technology ("MACT") rule of the Clean Air Act, effective September 30, 2002, places a new set of technology-based emissions standards on incinerators, cement kilns and lightweight aggregate kilns. The Company's Kimball, Nebraska incinerator has demonstrated emissions levels that are at or below MACT standards with negligible investments or facility modifications.

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 interim status facility under RCRA. 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 now parent company, Cemex, S.A., 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, 2000 and 1999, the Company had accrued environmental costs of $144,000 and $285,000, 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, conducted 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 may attempt to levy penalties. The Company is engaged in settlement negotiations with the government.

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 permit issued under the Federal Resources Conservation and Recovery Act of 1976 ("RCRA") 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 can not be given, however, that government authorities will not reach a different conclusion and proceed with legal action or attempt to 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 2000.

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.

	High	Low
1999		
First Quarter	$2.438	$1.563
Second Quarter	2.000	1.563
Third Quarter	1.813	1.313
Fourth Quarter	1.813	1.063

	High	Low
2000		
First Quarter	$4.250	$1.188
Second Quarter	2.969	1.531
Third Quarter	3.250	1.563
Fourth Quarter	3.000	1.500

On February 26, 2001 there were 656 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, and the Company is prohibited under its loan agreements from paying 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.

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 was required to pay the 2000 dividends in common stock due to restrictions under its loan agreements. The share price of the common stock and the shares of common stock issued to holders of preferred stock during 2000 were as follows:

Record Date	Share Price	Common Stock Issued
January 1, 2000	$1.206	92,849
April 1, 2000	2.859	39,169
July 1, 2000	2.025	55,308
October 1, 2000	2.831	39,558

The Company anticipates that commencing in the third quarter of 2001 the Preferred Stock dividends will be paid in cash.

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:	2000	1999	1998	1997	1996
	(in thousands except per share amounts)				
Revenues	$233,466	$202,965	$197,439	$183,767	$200,213
Cost of revenues	166,303	149,637	147,214	140,926	154,773
Selling, general and administrative expenses	42,238	37,190	34,976	34,114	36,161
Depreciation and amortization of intangible assets	10,656	9,501	9,112	9,228	9,827
Income (loss) from operations	14,269	6,637	6,137	(501)	(548)
Other income, net	--	--	--	800	--
Interest expense, net	9,167	8,599	9,631	9,182	9,170
Income (loss) before provision for (benefit from) income taxes	5,102	(1,962)	(3,494)	(8,883)	(9,718)
Provision for (benefit from) income taxes	(2,016)	282	360	4,845	(2,775)
Net income (loss)	$ 7,118	$ (2,244)	$ (3,854)	$(13,728)	$ (6,943)
Basic earnings (loss) per share	$ 0.60	$ (0.25)	$ (0.42)	$ (1.42)	$ (0.77)
Diluted earnings (loss) per share	$ 0.59	$ (0.25)	$ (0.42)	$ (1.42)	$ (0.77)
Weighted average number of common shares outstanding	11,085	10,649	10,309	9,959	9,653
Weighted average common shares plus potentially dilutive common shares	11,305	10,649	10,309	9,959	9,653

Financial Data:					
Earnings before interest, taxes, depreciation and amortization (EBITDA).....	$ 24,925	$ 16,138	$ 15,249	$ 9,527	$ 9,279
Working capital.....	$(33,474)	$ 14,565	$ 11,245	$ 10,448	$ 14,245
Total assets.....	$149,568	$145,247	$145,910	$147,850	$177,997
Debt.....	$ 67,727	$ 74,797	$ 74,032	$ 73,707	$ 75,373
Stockholders' equity.....	$ 41,635	$ 34,171	$ 36,310	$ 40,024	$ 53,584

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

Provision for (benefit from) income taxes. The 1997 provision for income taxes was primarily due to an increase in the valuation allowance for deferred taxes. The 2000 benefit from income taxes was primarily due to the partial reversal of this valuation reserve. See item captioned Income Taxes in Item 7, Management's Discussion and Analysis of Financial Condition.

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,				
	2000	1999	1998	1997	1996
Revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues:					
Disposal costs paid to third parties.....	10.9	12.5	14.3	13.9	13.8
Other costs.....	60.3	61.2	60.3	62.8	63.4
Total cost of revenues.....	71.2	73.7	74.6	76.7	77.2
Selling, general and administrative expenses.....	18.1	18.3	17.7	18.6	18.2
Depreciation and amortization of intangible assets.....	4.6	4.7	4.6	5.0	4.9
Income (loss) from operations.....	6.1	3.3	3.1	(0.3)	(0.3)
Other income, net.....	--	--	--	0.4	--
Interest expense, net.....	3.9	4.3	4.9	4.9	4.6

Income (loss) before provision for (benefit from) income taxes.....	2.2	(1.0)	(1.8)	(4.8)	(4.9)
Provision for (benefit from) income taxes.....	(0.8)	0.1	0.2	2.7	(1.4)
Net income (loss).....	3.0%	(1.1)%	(2.0)%	(7.5)%	(3.5)%

Revenues for 2000 were $233,466,000 up $30,501,000 or 15.0% compared to revenues of $202,965,000 for 1999. Of the total revenue increase for the year, approximately 52% came from site services, which includes higher margin emergency response events, and 48.0% came from transportation and disposal services. The volume of waste processed through the Company's facilities increased 16.9%. The pricing of waste processed was flat. The Company cannot predict whether or not recent trends in volumes or pricing will continue.

Revenues for 1999 were $202,965,000 as compared to $197,439,000 for 1998, an increase of $5,526,000 or 2.8%. Of the total revenue increase for the year, approximately $7,722,000 came from site services, due to a greater amount of services performed, which was partially offset by a $2,196,000 decrease in transportation and disposal services. The acquisition of the Texas Transportation and Brokerage Divisions of American Ecology Environmental Services resulted in a 0.4% increase in revenues. The volume of waste processed through the Company's facilities declined by 8.1%. 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%.

In June 2000, a major competitor of the Company, Safety-Kleen Corp., announced that it had filed for Chapter 11 bankruptcy protection. The Company does not believe that revenues for the year ended December 31, 2000 were significantly impacted by Safety-Kleen's announcement.

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.

Cost of Revenues. Cost of revenues was $166,303,000 for 2000 compared to $149,637,000 for 1999, an increase of $16,666,000. As a percentage of revenues, cost of revenues decreased from 73.7% for 1999 to 71.2% for 2000. One of the largest components of cost of revenues is the cost of sending waste to other companies for disposal. Disposal costs paid to third parties as a percentage of revenue declined from 12.5% for 1999 to 10.9% for 2000. This decrease was due to disposal revenues decreasing as a percentage of total revenues due to the revenue mix, and to continuing efforts to internalize the disposal of waste, to develop alternative lower cost disposal technologies and to identify lower cost suppliers. Other costs of revenues as a percentage of revenues declined from 61.2% for 1999 to 60.3% for 2000. This decrease was primarily due to increased margins on site service work performed due to the mix of jobs performed and due to increased margins on waste processed through the Company's facilities due to the increase in the volume of waste processed and fixed cost nature of the facilities.

Cost of revenues was $149,637,000 for 1999 compared to $147,214,000 for 1998. As a percentage of revenues, cost of revenues decreased from 74.6% for 1998 to 73.7% for 1999. One of the largest components of cost of revenues is the cost of sending waste to other companies for disposal. Disposal costs paid to third parties declined from 14.3% for 1998 to 12.5% for 1999. The costs of sending waste to third parties decreased as a percentage of revenues primarily

due to 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.

The Company believes that its ability to manage operating costs is an important factor in its ability to remain price competitive. The Company continues 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 addition during the first quarter 1999, the Company commenced a strategic sourcing initiative in order to reduce operating costs by identifying suppliers that are able to supply goods and services at lower costs, by obtaining volume discounts where the Company is currently purchasing goods and services from various suppliers and consolidating these purchases with a small number of suppliers, and by reducing the internal costs of purchasing goods and services by reducing the number of suppliers that the Company uses through reducing the number of purchase orders that must be prepared and invoices that must be processed. No assurance can be given that the Company's efforts to manage future operating expenses will be successful. Efforts to reduce costs are ongoing.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $42,238,000 for 2000 from $37,190,000 for 1999, an increase of $5,048,000 or 13.6%. The increase in amounts earned under management incentive and commission plans due to improved results of operations and increased sales, as well as 401(K) contributions linked to the Company's performance, accounted for the largest portion of the increase in selling, general and administrative expenses. The next largest components of the increase resulted from increases in headcount due to higher levels of 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. Strategic initiatives related to e-commerce and Harbor Industrial Services also resulted in increases in selling, general and administrative expenses. Partially offsetting these increases were decreases achieved across a number of expense categories through cost reductions.

Selling, general and administrative expenses increased to $37,190,000 in 1999 from $34,976,000 in 1998 an increase of $2,214,000 or 6.3%. 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.

Interest Expense, Net. Interest expense increased from $8,599,000 in 1999 to $9,167,000 in 2000. A large part of the increase was due to interest income of $439,000 recorded on an income tax refund in 1999. The remainder of the increase was due primarily to higher variable interest rates on the revolving credit facility and term notes.

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 income recorded 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.

Income Taxes. In 2000, an income tax benefit of $2,016,000 was recorded on pre-tax income $5,102,000, for an effective tax rate of (39.5%), as compared to income tax expense of $282,000 that was recorded on a pre-tax loss of $(1,962,000) for an effective tax rate of (14.4%) in 1999, and as compared to 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%) for the year ended 1998. 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 to cover almost all net deferred tax assets. In 1998 and 1999 the valuation allowance was adjusted so as to reserve all net deferred tax assets. In the fourth quarter of 2000, the Company once again reviewed the valuation allowance for deferred tax assets. Based on the level of earnings for 2000 and management's projections for profits in future years, it was determined that it was more likely than not that $2,400,000 of the net deferred tax assets would be utilized. Accordingly, the 2000 provision for income taxes included a $2,400,000 benefit related to adjusting the valuation allowance. 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. The 1998 tax expense consists of $247,000 of state income tax expense, which was primarily due to 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. The 2000 tax benefit consists of the $2,400,000 partial reversal of the valuation allowance and an $81,000 federal income tax refund. These benefits were partially offset by $360,000 of tangible property and net worth taxes that are levied as a component of state income taxes and $105,000 of federal alternative minimum taxes.

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 reports losses in the future, some portion or all of the 2000 benefit of $2,400,000 may be reversed which would increase income tax expense in future years. If the Company reports earnings from operations in the future, and depending on the level of these earnings, some portion or all of the $2,217,000 valuation reserve at December 31, 2000 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; and generate incremental volumes of waste to be handled through its facilities from existing sales offices and service centers.

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 recently promulgated Maximum Achievable Control Technology ("MACT") rule of the Clean Air Act, places a new set of technology-based emissions standards on incinerators, cement kilns and lightweight aggregate kilns. Although the Company's only impacted facility, its Kimball, Nebraska incinerator, has demonstrated emissions levels that are at or below MACT standards with negligible investments or facility modifications, the Company believes that facilities owned or operated by others may be uneconomic to upgrade to the new MACT standards. Management believes this could result in the closure of facilities, causing a reduction in incineration capacity and lead to improved pricing for incineration. However, no assurance can be given that this will happen.

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 yearend 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, operated under Chapter 11 bankruptcy protection and undergone major restructurings during the past several years. Periodically, the Company reviews long-lived assets for financial impairment. At the end of 2000, 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 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 the Company's operations and could have a material adverse impact on financial results.

Certain Company subsidiaries have transported or generated waste sent to sites which have been designated state or federal Superfund sites. As a result, the Company has been named as a potentially responsible party at 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 $144,000 and $285,000 for cleanup of Superfund sites at December 31, 2000 and 1999, 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 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. 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 of $1,729,000 and $1,627,000 relating to this liability at December 31, 2000 and 1999, 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 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):

	2000	1999	1998
Environmental expenditures capitalized	$ 92	$274	$674
Environmental expenses incurred	225	37	95
	$317	$311	$769

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 Company had accrued $825,000 relating to this liability at December 31, 1999. The $825,000 balance owed under the amendment was 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.

Liquidity and Capital Resources

For the year ended December 31, 2000, the Company generated $13,569,000 of cash from operations. Sources of cash consisted primarily of $7,118,000 of net income for the period and non-cash expenses of $10,656,000 for depreciation and amortization, $684,000 for the allowance for doubtful accounts and $345,000 for the amortization of deferred financing costs. Partially offsetting the non-cash expenses of $11,685,000 was a non-cash tax benefit related to the partial reversal of the valuation allowance for deferred taxes of $2,400,000 and a $70,000 gain on sale of fixed assets. Additional sources of cash from operations totaled $2,686,000 and consisted primarily of increases in other accrued expenses, accrued disposal costs and accounts payable. These increases in accrued expenses and accounts payable were primarily due to the greater amount of business performed in the fourth quarter of 2000 as compared to the fourth quarter of 1999. Partially offsetting these sources of cash were uses of cash from operations which totaled $5,450,000 and consisted primarily of a $4,105,000 increase in accounts receivable which was due to the greater amount of business performed in the fourth quarter of 2000 as compared to the fourth quarter of 1999.

The Company defines free cash flow as cash provided by operations less cash required to maintain property, plant and equipment and additions to permits. In 2000, additions to property, plant and equipment totaled $7,403,000 which consisted of approximately $2,500,000 relating to the purchase of vehicles and rolling stock that had previously been leased under operating leases and approximately $4,900,000 in expenditures to maintain property, plant and equipment. The purchase of the vehicles and rolling stock was financed by borrowings under a $3,000,000 term note. Additions to permits were $92,000. The Company utilized the approximately $8,577,000 of free cash flow together with the $500,000 in term note borrowings in excess of vehicles and rolling stock purchased, a net reduction in restricted cash of $384,000, proceeds from

the employee stock purchase plan of $154,000, proceeds from the exercise of stock options of $156,000, proceeds from the sale of fixed assets of $148,000 and a $154,000 reduction in cash on hand to reduce debt by $10,070,000.

The Company expects 2001 capital expenditures to be approximately $7,500,000. This consists of $5,000,000 that is required to maintain existing property, plant and equipment and $2,500,000 of strategic initiatives to expand the Company's capabilities. The Company believes that it has all of the facilities required for the foreseeable future. Thus, capital expenditures are expected to be limited to maintaining existing capital assets, replacing site services equipment, upgrading information technology hardware and software, and specific strategic initiatives. 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 $7,500,000 currently planned.

The goal of the Company is to maximize shareholder value over time. The Company believes that shareholder value will be maximized by using free cash flow to make strategic investments in fixed assets to expand the Company's capabilities, to expand operations within or contiguous to the regions in which it operates, to expand its capabilities through acquisitions and to reduce debt. However, no assurance can be given that the Company will be able to generate free cash flow in the future.

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 had proceeds of $1,225,000 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 proceeds together with cash from operations and financing activities 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.

As amended, the Company had at December 31, 2000, a $33,500,000 Loan Agreement (the "Loan Agreement") with a financial institution. The Loan Agreement provided for a $24,500,000 revolving credit portion (the "Revolver"), a $6,000,000 term promissory note (the "Term Note"), and a $3,000,000 term promissory note (the "2000 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 had monthly principal payments of $100,000 with the last payment due in May, 2004. In March 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, and it is payable in 36 monthly installments commencing on May 1, 2000. The funds provided from the 2000 Term Note have been used primarily to purchase vehicles and rolling stock that the Company previously leased under operating leases. The Revolver allowed 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, 2000 and 1999, funds available to borrow under the Revolver were $12,760,000 and $8,603,000, 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 March 2000, the term of the Revolver was extended from May 8, 2001 to May 8, 2003.

The Loan Agreement allowed for up to 80% of the outstanding balance of the Revolver and 100% of the balance of the term notes 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 was collateralized by substantially all of the Company's assets, and the Loan Agreement provided for certain covenants including, among others, maintenance of a minimum level of working capital and adjusted net worth. The Loan Agreement as amended in March 2000 redefined the working capital covenant to specifically exclude the Senior Notes as a component of working capital and required 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. At December 31, 2000, the Company had working capital and adjusted net worth of $16,526,000 and $41,635,000, respectively. The Company was required to 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 waived by the financial institution through May 15, 1999 and 2000, respectively. Since May 15, 2000 the Company has been in compliance with this covenant.

In 1996 the Company assumed $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.

Effective June 1, 2000, the Bond Documents were amended in order to modify the limitation on additional debt covenant and certain related debt service reserve fund requirements. Under the amended Bond Documents, the Company may now issue Bank Debt up to $35,000,000 provided that after the issuance, the ratio of the Company's total debt to total capital (debt plus stockholders' equity) does not exceed 72% (which ratio will be reduced to 70% on January 1, 2006 and 65% on January 1, 2011).

The amended Bond Documents require that the Company make six equal monthly payments of $125,000 each for a total of $750,000 into a debt service reserve fund held by the trustee, if either of the following occurs: (i) the Company's ratio of earnings before interest, taxes, depreciation and amortization ("EBITDA") to total interest (the "EBITDA coverage ratio") for most recently completed fiscal year is less than 1.5 to 1.0, or (ii) the Company's ratio of debt to total capital at the end of such fiscal year is greater than 65%. The amended bond documents required that the Company satisfy these ratios retroactively to December 31, 1999. Because the Company did not satisfy both of these ratios as of December 31, 1999, the amended Bond Documents required

that the Company make six monthly payments of $125,000 each into the debt service reserve fund commencing on June 1, 2000, for total of $750,000. In addition to the $750,000 required to be deposited into the debt service reserve fund based upon the level of the Company's additional debt, the Company could be required to make additional payments to bring the total of the debt service reserve fund to a maximum of approximately $1,200,000 (including the $750,000 described above) if the EBITDA coverage ratio for any fiscal year is less than 1.25 to 1.0. The EBITDA coverage ratio for the year ended December 31, 1999 was 1.39 to 1.0, and the Company was therefore not required to make any such additional payments into the debt service reserve fund based upon the Company's EBITDA coverage ratio. The maximum amount of the debt service reserve fund of approximately $1,200,000 is the same as under the Bond Documents prior to the amendment, but the amendment modified the terms under which the Company may be required to make payments into the fund described above.

As of December 31, 2000, Bank Debt totaled $7,927,000 which was less than the $35,000,000 allowed; the Company's total debt to total capital ratio was 61.9% which is less than the 72.0% allowed; and the EBITDA coverage ratio was 2.24 to 1.0 which is greater than the 1.50 to 1.0 required. The Company expects to be in compliance with the Bond covenants at December 31, 2001. Under the Bond covenants, if the Company attains an EBITDA coverage ratio at the end of a calendar year of greater than 1.5 to 1.0, the balance on deposit in the debt service reserve fund in excess of $750,000 will be released for the Company's general use. The Bond Documents require that a minimum balance of $750,000 be maintained in the debt service reserve fund until the Bonds mature.

The Company has outstanding $50,000,000 of 12.50% Senior Notes due May 15, 2001 (the "Senior Notes"). 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. The Senior Notes require that the Company provide not less than 30-day prior notice if the Senior Notes are to be redeemed prior to the due date. Notice of redemption has been given to the holders of the Senior Notes, providing for redemption on April 30, 2001. As described below, on April 12, 2001, the Company signed two agreements with lenders which provide that such lenders will provide the funds required to redeem the Senior Notes on the redemption date.

As described previously, the Company had at December 31, 2000 a $33,500,000 Loan Agreement (the "Loan Agreement") with a financial institution (the "Lender"). The Loan Agreement provided for a $24,500,000 revolving credit facility (the "Revolver"), a $6,000,000 term promissory note (the "Term Note"), and a $3,000,000 term promissory note (the "2000 Term Note"). On April 12, 2001, the Company signed and closed a $51,000,000 Amended and Restated Loan Agreement (the "Amended Loan Agreement") with the Lender. The Amended Loan Agreement increased the amount available to borrow under the Revolver to $30,000,000 and extended the term of the Revolver to April 12, 2004. The Revolver allows the Company to borrow up to $30,000,000 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. The Revolver requires the Company to pay an unused line fee of one-half of one percent on the unused portion of the line. The Amended Loan Agreement required the payment on April 12 of the then $3,800,000 outstanding balance on the Term Note and provided for the issuance of a new $19,000,000 term promissory note (the "Term Note B"). On April 12, 2001, $4,000,000 was advanced under Term Note B to pay the Term Note and other amounts then borrowed by the Company. The Amended Loan Agreement provides for the $15,000,000 balance of Term Note B to be advanced on April 30 to redeem the Senior Notes on that date, provided the representations of the Company in the Amended Loan Agreement remain true and correct in all material

respects, the Company is not then in default of the Amended Loan Agreement, and the Company has then issued the Subordinated Notes described below. The interest rate for Term Note B is the greater of the prime rate plus 3.50% or 12.00%, and it is payable in 84 monthly installments commencing May 1, 2001. The terms of the 2000 Term Note remain unchanged.

The Amended Loan Agreement allows for up to 80% of the outstanding balance of the Revolver and 100% of the balance of the 2000 Term Note to bear interest at the Eurodollar rate plus three percent; the remaining balance bears interest at the "prime" rate plus one and one-half percent. The Amended Loan Agreement is collateralized by substantially all of the Company's assets, and the Amended Loan Agreement provides for certain covenants including, among others, maintenance of a minimum level of working capital, adjusted net worth and earnings before interest, income taxes, depreciation and amortization ("EBITDA"). The Amended Loan Agreement requires that the Company maintain $10,000,000 of working capital excluding the current portion of liabilities under the Amended Loan Agreement and the Subordinated Note Agreement. The Company had $18,726,000 of working capital calculated on a pro forma basis as if the redemption had taken place on December 31, 2000. The net worth covenant requires that the Company maintain $35,000,000 of net worth until the Subordinated Notes described below are funded and, once the Notes are funded, the net worth covenant requires adjusted net worth, defined as net worth plus the the balance owned on the Subordinated Notes, to be greater than $60,000,000. At December 31, 2000, the pro forma adjusted net worth calculated as if the redemption had taken place on December 31, 2000 was $76,635,000. The Amended Loan Agreement requires that the Company maintain on a rolling four quarter basis a minimum EBITDA of $20,000,000. For the four quarter period ended December 31, 2000, the Company reported EBITDA of $24,925,000. The Amended Loan Agreement also requires that the Company maintain a Senior Debt to EBITDA ratio of not more than 2.25 to 1.0. At December 31, 2000, the pro forma ratio calculated as if the redemption had taken place on December 31, 2000 was 1.33 to 1.0. The Amended Loan Agreement also has conditions precedent to making loans (including the Revolver) including no material adverse change in assets, business or prospects of the Company.

On April 12, 2001, the Company also signed a Securities Purchase Agreement (the "Subordinated Note Agreement") providing for the Company to issue on April 30, 2001, $35,000,000 of 16% Senior Subordinated Notes (the "Subordinated Notes"). Until October 30, 2006, the Company, at its option, may pay the interest at the 16% rate or may pay interest at 14% and defer payment of the remaining 2% until the Subordinated Notes are due. Interest payable in cash on the Subordinated Notes is due in semi-annual payments on April 30 and October 30. In conjunction with the Subordinated Notes, the Company will issue detachable warrants for 1,519,020 shares of common stock that are exercisable at $0.01 per share. One-half of the Subordinated Notes are due on April 30, 2007 with the balance due on April 30, 2008. The Subordinated Note Agreement calls for the $35,000,000 to be advanced on April 30, 2001 in order to redeem the Senior Notes. The Subordinated Note Agreement contains conditions of closing the most restrictive of which are that representations by the Company in the Agreement remain true, that the Company have not less than $3,500,000 available under the Revolver on

April 30, 2001, and that no material adverse change shall have occurred prior to April 30, 2001 in the business and financial condition of the Company. The Subordinated Note Agreement provides that the holders of the Subordinated Notes will be able to call the Notes in the event of a change in control of the Company.

The Subordinated Note Agreement contains covenants the most restrictive of which require that the Company maintain a rolling four quarter fixed charge coverage ratio of not less than 1.10 to 1.0. For the year ended December 31, 2000, the fixed charge coverage ratio was 1.82 to 1.0. The Subordinated Notes require that the Company maintain a tangible capital base of not less than $27,000,000 for the quarters ending March 31 and June 30, 2001, not less than $30,500,000 for the quarter ending September 30, 2001, not less than

$33,000,000 for the quarter ending December 31, 2001 and not less than $35,500,000 for quarters ending thereafter. At December 31, 2000, the tangible capital base was $45,169,000. The Company is required to maintain rolling four quarter earnings before interest, income taxes, depreciation and amortization (EBITDA) of not less than $18,000,000. For the four quarter period ended December 31, 2000, EBITDA was $24,925,000. The Company shall maintain a priority debt to EBITDA ratio calculated as of the last day of each fiscal quarter of not more than 2.25 to 1.0. Priority debt currently consists of debt issued under the Amended Loan Agreement. At December 31, 2000, the pro forma priority debt to EBITDA ratio calculated as if the redemption had taken place on December 31, 2000 was 1.33 to 1.0. The Company is required to maintain a ratio of total liabilities to tangible capital base of not more than 3.00 to 1.0 for the fiscal quarters ending June 30, September 30 and December 31, 2001 and for the quarters ending March 31, 2002 and thereafter a ratio of not more than 2.75 to 1.0. At December 31, 2000 the total liabilities to tangible capital base ratio was 1.61 to 1.0.

The Company believes that cash generated from operations in the future together with availability under its Revolver will be sufficient to operate the business and fund capital expenditures. In addition, the Company believes that interest expense in 2001 will be somewhat higher than in 2000 with an increase in interest expense due to higher average interest rates being partially offset by lower average debt outstanding.

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 been required to pay the dividends in common stock due to restrictions under its loan agreements. The Company issued a total of 227,000 shares of common stock to the holders of the preferred stock for the year 2000. The Company anticipates that commencing in the third quarter of 2001 the preferred stock dividends will be paid in cash.

New Accounting Pronouncements

In March 2000, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 44, "Accounting for Certain Transactions involving Stock Compensation" ("FIN 44"). FIN 44 clarifies the application of APB Opinion No. 25 and, among other issues, clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a non-compensatory plan; the accounting consequences of various modifications to the terms of previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000 but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. The application of FIN 44 did not have a material impact on the Company's results of operations or its financial position.

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." This bulletin summarizes certain views of the staff on applying generally accepted accounting principles to revenue recognition in financial statements. The staff believes that revenue is realized or realizable and earned when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; and collectibility is reasonably assured. The Company believes that its current revenue recognition policy complies with the Commission's guidelines. SAB 101 became effective in the fourth quarter of 2000.

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. As previously discussed, the Company has outstanding $50,000,000 of 12.50% Senior Notes due May 15, 2001. The Senior Notes require that the Company provide not less than 30-day notice if the Senior Notes are to be redeemed prior to the due date. Notice of redemption has been given to the holders of the Senior Notes, providing for redemption on April 30, 2001. The following table provides information regarding the Company's fixed rate borrowings assuming that the Senior Notes are redeemed as expected and partially replaced with $35,000,000 of Subordinated Notes (dollars in thousands):

Scheduled Maturity Dates	2001	2002	2003	2004	2005	Thereafter	Total
Economic Development Revenue Bonds	$100	$100	$100	$100	$100	$ 9,300	$ 9,800
Subordinated Notes	--	--	--	--	--	35,000	35,000
Total	$100	$100	$100	$100	$100	$44,300	$44,800
Weighted average interest rate on fixed rate borrowings excluding amortization of debt discount for warrants issued	13.8%	14.9%	14.9%	14.9%	14.9%		

In addition to the fixed rate borrowings described in the table above, the Company had at December 31, 2000 borrowings at variable interest rates of $7,927,000 under the Revolver and Term Notes which bear interest at the "prime" rate (9.50% at December 31, 2000) plus 1.5% or at the Eurodollar rate (6.64% at December 31, 2000) plus 3.0%. As previously discussed, notice of redemption has been given to the holders of the Senior Notes. The redemption of the Senior Notes is expected to result in a larger amount of variable rate debt being outstanding in 2001 as compared to the amount of variable rate debt outstanding at December 31, 2000. If the redemption of the Senior Notes had occurred on December 31, 2000, the amount of variable rate debt outstanding at December 31, 2000 would have been $22,927,000. The following table presents hypothetical situations of the amount of interest expense that would be incurred in 2001 if the redemption had taken place December 31, 2000, assuming that this amount remained outstanding for the entire year and assuming three scenario for interest rates: (i) interest rates remain unchanged from those on December 31, 2000, (ii) interest rates increase by 200 basis points and (iii) interest rates decrease by 200 basis points (dollars in thousands):

Description of Debt	Pro Forma Principal Balance	Interest if Interest Rates Remain Unchanged	Interest if Interest Rates Increase 200 b.p.	Interest if Interest Rates Decrease 200 b.p.
Term Note B	$19,000	$2,470	$2,850	$2,280
2000 Term Note	2,333	225	271	178
Revolver	1,594	171	203	139
Total	$22,927	$2,866	$3,324	$2,597

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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

PricewaterhouseCoopers LLP

Boston, Massachusetts
February 6, 2001 (except for Note 16, as to which the date is April 12, 2001)

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share amounts)

	For the years ended December 31,		
	2000	1999	1998
Revenues	$233,466	$202,965	$197,439
Cost of revenues	166,303	149,637	147,214
Selling, general and administrative expenses	42,238	37,190	34,976
Depreciation and amortization of intangible assets	10,656	9,501	9,112
Income from operations	14,269	6,637	6,137
Interest expense, net	9,167	8,599	9,631

Income (loss) before provision for (benefit from) income taxes	5,102	(1,962)	(3,494)
Provision for (benefit from) income taxes	(2,016)	282	360
Net income (loss)	$ 7,118	$ (2,244)	$ (3,854)
Basic earnings (loss) per share	$ 0.60	$ (0.25)	$ (0.42)
Diluted earnings (loss) per share	$ 0.59	$ (0.25)	$ (0.42)
Weighted average common shares outstanding	11,085	10,649	10,309
Weighted average common shares outstanding plus potentially dilutive common shares	11,305	10,649	10,309

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,	
	2000	1999
Current assets:		
Cash and cash equivalents	$ 2,629	$ 2,783
Restricted cash or investments	768	1,116
Accounts receivable, net of allowance for doubtful accounts of $1,549 and $1,157, respectively	47,201	43,780
Prepaid expenses	1,563	1,094
Supplies inventories	3,379	2,808
Income tax receivable	203	122
Deferred tax assets	2,400	--
Total current assets	58,143	51,703
Property, plant and equipment:		
Land	8,478	8,478
Buildings and improvements	42,700	40,612
Vehicles and equipment	90,794	84,528
Furniture and fixtures	2,225	2,219
Construction in progress	794	1,224
	144,991	137,061
Less--accumulated depreciation and amortization	89,389	80,849
	55,602	56,212
Other assets:		
Goodwill, net	19,799	20,566

Permits, net	11,667	12,633
Other	4,357	4,133
	35,823	37,332
Total assets	$149,568	$145,247

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,	
	2000	1999
Current liabilities:		
Current maturities of long-term obligations	$ 52,300	$ 1,300
Accounts payable	19,100	17,830
Accrued disposal costs	7,479	6,591
Other accrued expenses	12,601	11,360
Income taxes payable	137	57
Total current liabilities	91,617	37,138
Other liabilities:		
Long-term obligations, less current maturities	14,958	72,683
Other	1,358	1,255
Total other liabilities	16,316	73,938
Commitments and contingent liabilities (Notes 5, 7, 9, 10, 11 and 16)		
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 11,216,107 and 10,798,007 shares, respectively	112	108
Additional paid-in capital	61,999	61,245
Accumulated other comprehensive loss	--	(36)
Accumulated deficit	(20,477)	(27,147)
Total stockholders' equity	41,635	34,171

Total liabilities and stockholders' equity.....	$149,568	$145,247

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,		
	2000	1999	1998
Cash flows from operating activities:			
Net income (loss).....	$ 7,118	$(2,244)	$(3,854)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	10,656	9,501	9,112
Allowance for doubtful accounts.....	684	683	559
Amortization of deferred financing costs.....	345	344	490
Deferred income taxes.....	(2,400)	--	113
(Gain) loss on sale of fixed assets.....	(70)	--	15
Changes in assets and liabilities, net of acquisition:			
Accounts receivable.....	(4,105)	(2,800)	(4,132)
Prepaid expenses.....	(469)	(155)	579
Supplies inventories.....	(571)	50	(47)
Income tax receivable.....	(81)	1,114	433
Other assets.....	(224)	463	(198)
Accounts payable.....	374	(231)	4,107
Accrued disposal costs.....	888	256	(765)
Other accrued expenses.....	1,241	(769)	(2,573)
Income taxes payable.....	80	7	40
Other liabilities.....	103	(113)	17
Net cash provided by operating activities.....	13,569	6,106	3,896
Cash flows from investing activities:			
Additions to property, plant and equipment.....	(7,403)	(5,080)	(4,534)
Acquisition.....	--	(1,900)	--
Proceeds from sales and maturities of restricted investments.....	1,152	1,225	150
Cost of restricted investments purchased.....	(768)	--	(1,425)
Proceeds from sale of fixed assets.....	148	--	83
Increase in permits.....	(92)	(359)	(674)
Net cash used in investing activities.....	(6,963)	(6,114)	(6,400)
Cash flows from financing activities:			
Payments on long-term obligations.....	(1,867)	(3,050)	(4,037)
Net borrowings (payments) under long-term revolver.....	(8,203)	(324)	4,363
Issuance of long-term debt.....	3,000	4,139	--
Proceeds from employee stock purchase plan.....	154	131	133
Proceeds from exercise of stock options.....	156	--	5

Net cash provided by (used in) financing activities	(6,760)	896	464
Increase (decrease) in cash and cash equivalents	(154)	888	(2,040)
Cash and cash equivalents, beginning of year	2,783	1,895	3,935
Cash and cash equivalents, end of year	$ 2,629	$ 2,783	$ 1,895
Supplemental information:			
Cash payments (receipts) for interest and income taxes:			
Interest, net	$ 9,172	$ 7,463	$ 9,967
Income taxes, net	381	(1,236)	(201)
Non cash investing and financing activities:			
Stock dividend on preferred stock	$ 448	$ 448	$ 448
Property, plant & equipment accrued	896	194	131

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT 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)	Retained Earnings/ (Accumulated Deficit)	Total Stockholders' Equity
Balance at December 31, 1997	112	$ 1	10,101	$101	$60,087	--	$(12)	$(20,153)	$40,024
Net loss	--	--	--	--	--	$(3,854)	--	(3,854)	(3,854)
Other comprehensive loss, net of tax									
Unrealized holding gains arising in the period	--	--	--	--	--	2	--	--	--
Reclassification adjustment for gains included in net loss	--	--	--	--	--	--	--	--	--
Other comprehensive income	--	--	--	--	--	2	2	--	2
Comprehensive loss	--	--	--	--	--	$(3,852)	--	--	--
Preferred stock dividends:									
Series B	--	--	229	2	446	--	--	(448)	--
Employee stock purchase plan	--	--	88	1	132	--	--	--	133
Proceeds from exercise of stock options	--	--	3	--	5	--	--	--	5
Balance at December 31, 1998	112	$ 1	10,421	$104	$60,670	--	$(10)	$(24,455)	$36,310
Net Loss	--	--	--	--	--	$(2,244)	--	(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		--	--	--	--	(26)	--	--	--
Other comprehensive loss	--	--	--	--	--	(26)	(26)	--	(26)
Comprehensive loss	--	--	--	--	--	$(2,270)	--	--	--
Preferred stock dividends:									
Series B	--	--	279	3	445	--	--	(448)	--

Employee stock purchase plan	--	--	98	1	130	--	--	--	131
Balance at December 31, 1999	112	$ 1	10,798	$108	$61,245	--	$(36)	$(27,147)	$34,171
Net Income	--	--	--	--	--	$ 7,118	--	7,118	7,118
Other comprehensive income, net of tax									
Unrealized holding gains arising in the period	--	--	--	--	--	--	--	--	--
Reclassification adjustment for losses included in net income	--	--	--	--	--	36	--	--	--
Other comprehensive income	--	--	--	--	--	36	36	--	36
Comprehensive income	--	--	--	--	--	$ 7,154	--	--	--
Preferred stock dividends:									
Series B	--	--	227	2	446	--	--	(448)	--
Employee stock purchase plan	--	--	115	1	153	--	--	--	154
Proceeds from exercise of stock options	--	--	76	1	155	--	--	--	156
Balance at December 31, 2000	112	$ 1	11,216	$112	$61,999	--	$ --	$(20,477)	$41,635

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; industrial cleaning and maintenance; 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

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.

(2) SIGNIFICANT ACCOUNTING POLICIES--(Continued)

(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 amortized 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 $8,831,000 for 2000, $7,694,000 for 1999 and $7,461,000 for 1998. 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.

Repairs and maintenance costs are expensed as incurred.

(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.

(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.

(2) SIGNIFICANT ACCOUNTING POLICIES--(Continued)

(m) Letters of Credit

The Company utilizes letters of credit to provide collateral assurance to regulatory authorities that certain funds will be available for closure as described in Note 5. In addition the Company utilizes letters of credit to provide collateral for casualty insurance programs, to provide collateral for the vehicle lease line and to provide collateral for a transportation permit. As of December 31, 2000 and 1999, the Company had outstanding letters of credit amounting to $10,347,000 and $6,299,000, respectively.

As of December 31, 2000, 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 2000 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 and Houston, 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 years ended December 31, 2000 and 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 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 industrial development revenue bonds (the "Bonds") cannot be determined, since there is no active market in these securities. At December 31, 2000 and 1999, the estimated fair values of the Company's financial instruments are as follows (in thousands):

	Carrying Amount	Fair Value	Net Unrealized Loss
December 31, 2000			
Cash and cash equivalents	$2,629	$2,629	$ --
Restricted cash and cash equivalents	768	768	--
Senior Notes and Bonds for which no quoted market prices are available	59,800	--	--
Other long-term obligations	7,827	7,827	--
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	--

Restricted cash and cash equivalents at December 31, 2000, as further discussed in Note 9, consists of investments in money market funds held in a debt service reserve fund. Available for sale securities are mortgage backed securities. Held to maturity securities consists 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. As further discussed in Note 5, securities available for sale and held to maturity were sold in 2000 when financial assurance for closure and post closure care of facilities was placed with a qualified insurance company.

(5) RESTRICTED INVESTMENTS

Operators of hazardous waste handling facilities are 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 had purchased closure insurance from Frontier Insurance Company, as had a number of other companies that operate hazardous waste facilities. In June 2000 due to deteriorating financial condition, Frontier Insurance Company was dropped from the listing of approved sureties. This required any company that had obtained financial assurance through Frontier Insurance Company to obtain financial assurance through some other source within 60 days. In July 2000, the Company obtained the required closure insurance through a qualified insurance company. As part of this transaction, closure insurance that had been placed with a wholly-owned captive insurance company was cancelled and placed with insurance from a third party insurer. The cancellation of the insurance with the wholly-owned captive insurance company allowed for the sale of the previously restricted securities. No restricted securities were held by the wholly-owned captive insurance company at December 31, 2000.

(5) RESTRICTED INVESTMENTS--(Continued)

At December 31, 1999 the wholly-owned captive insurance company held securities that were restricted for future payment of insurance claims. These securities had an amortized cost of $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 of $276,000.

In 2000 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, 2000, these payments plus interest earned totaled $768,000.

(6) INTANGIBLE ASSETS

Below is a summary of intangible assets at December 31, 2000 and 1999 (in thousands):

	2000	1999
Goodwill	$28,948	$28,948
Permits	20,693	20,601

	49,641	49,549
Less accumulated amortization	18,175	16,350
	$31,466	$33,199

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 $92,000 and $359,000 in 2000 and 1999, respectively.

Amortization expense approximated $1,825,000, $1,807,000 and $1,651,000, for the years 2000, 1999, and 1998, 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, 2000, 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 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

(7) LEGAL MATTERS AND OTHER CONTINGENCIES AND COMMITMENTS--(Continued)

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 $144,000 and $285,000 for cleanup of Superfund sites at December 31, 2000 and 1999, 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, conducted 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. The Company is engaged in settlement negotiations with the government.

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 the subsidiary for potential civil and/or criminal violations of its permit issued under the Federal Resources Conservation and Recovery Act of 1976 ("RCRA") 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 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. No assurances can be given, however, that government authorities will not reach a different conclusion and proceed with legal action or attempt to 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.

(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 $1,729,000 and $1,627,000 relating to this liability at December 31, 2000 and 1999, respectively, which are the unused amounts of a remediation accrual plus accrued interest 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):

	2000	1999	1998
Environmental expenditures capitalized	$ 92	$274	$674
Environmental expenses incurred	225	37	95
	$317	$311	$769

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 were completed in 2000, whereupon the EPA's order will terminate. The Company had accrued $825,000 relating to this liability at December 31, 1999. The $825,000 balance owed under the amendment at the end of 1999 was 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):

	2000	1999
Insurance	$ 2,597	$ 2,329
Other items	10,004	9,031
	$12,601	$11,360

(9) FINANCING ARRANGEMENTS

The following table is a summary of the Company's long-term debt obligations:

	December 31, 2000	1999
	(in thousands)	

Long-term obligations consist of the following:

Economic development revenue bonds, bearing interest at 10.75%	$ 9,800	$ 9,900
Revolving credit with a financial institution, bearing interest at the Eurodollar rate (6.64% at December 31, 2000) plus 3.00% or the "prime" rate (9.50% at December 31, 2000) plus 1.50%, collateralized by substantially all assets	1,394	9,597
Term note payable, bearing interest at the Eurodollar rate (6.64% at December 31, 2000) plus 3.00% or the "prime" rate (9.50% at December 31, 2000) plus 1.50% collateralized by substantially all assets	4,200	5,300
2000 Term Note payable, bearing interest at the Eurodollar rate (6.64% at December 31, 2000 plus 3.00% or the "prime" rate (9.50% at December 31, 2000) plus 1.50% collateralized by substantially all assets	2,333	--
Senior notes payable, bearing interest at 12.50%	50,000	50,000
	67,727	74,797
Less current maturities	52,300	1,300
Less unamortized financing costs	469	814
Long-term obligations	$14,958	$72,683

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

Year	Amount
2001	$52,300
2002	2,300
2003	3,027
2004	700
2005	100
Thereafter	9,300
Total minimum payments due under long-term obligations including current maturities	$67,727

As amended, the Company had a $33,500,000 Loan Agreement (the "Loan Agreement") with a financial institution. Subsequent to year end and as further disclosed in Note 16, the Company signed and closed on a $51,000,000 Amended and Restated Loan Agreement with the same financial institution. The Loan Agreement provided for a $24,500,000 revolving credit portion (the "Revolver"), a $6,000,000 term promissory note (the "Term Note"), and a $3,000,000 term promissory note (the "2000 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 had monthly principal payments of $100,000 with the last payment due in May, 2004. In March of 2000, the Loan Agreement was amended and an additional

(9) FINANCING ARRANGEMENTS--(Continued)

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, and it is payable in 36 monthly installments commencing on May 1, 2000. The funds provided from the 2000 Term Note have been used primarily to purchase vehicles and rolling stock that the Company previously leased under operating leases. The Revolver allowed 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, 2000 and 1999, funds available to borrow under the Revolver were $12,760,000 and $8,603,000, 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 March 2000, the term of the Revolver was extended from May 8, 2001 to May 8, 2003.

The Loan Agreement allowed for up to 80% of the outstanding balance of the Revolver and 100% of the balance of the term notes 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 was collateralized by substantially all of the Company's assets, and the Loan Agreement provided for certain covenants including, among others, maintenance of a minimum level of working capital and adjusted net worth. The Loan Agreement, as amended in March 2000, redefined the working capital covenant to specifically exclude the Senior Notes as a component of working capital and required 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. At December 31, 2000, the Company had working capital and adjusted net worth of $16,526,000 and $41,635,000, 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 waived by the financial institution through May 15, 1999 and 2000, respectively. Since May 15, 2000 the Company has been in compliance with this covenant.

In 1996 the Company assumed $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.

Effective June 1, 2000, the Bond Documents were amended in order to modify the limitation on additional debt covenant and certain related debt service reserve fund requirements. Under the amended Bond Documents, the Company may now issue Bank Debt up to $35,000,000 provided that after the issuance, the ratio of the Company's total debt to total capital (debt plus stockholders' equity) does not exceed 72% (which ratio will be reduced to 70% on January 1, 2006 and 65% on January 1, 2011).

The amended Bond Documents require that the Company make six equal monthly payments of $125,000 each for a total of $750,000 into a debt service reserve fund held by the trustee, if either of the following occurs: (i) the Company's ratio of earnings before interest, taxes, depreciation and amortization ("EBITDA") to total interest (the "EBITDA coverage ratio") for most recently completed fiscal year is less than 1.5 to 1.0, or (ii) the Company's ratio of debt to total capital at the end of such fiscal year is greater than 65%. The amended bond documents required that the Company satisfy these ratios retroactively to December 31, 1999. Because the

(9) FINANCING ARRANGEMENTS--(Continued)

Company did not satisfy both of these ratios as of December 31, 1999, the amended Bond Documents required that the Company make six monthly payments of $125,000 each into the debt service reserve fund commencing on June 1, 2000, for total of $750,000. In addition to the $750,000 required to be deposited into the debt service reserve fund based upon the level of the Company's additional debt, the Company could be required to make additional payments to bring the total of the debt service reserve fund to a maximum of approximately $1,200,000 (including the $750,000 described above) if the EBITDA coverage ratio for any fiscal year is less than 1.25 to 1.0. The EBITDA coverage ratio for the year ended December 31, 1999 was 1.39, and the Company was therefore not required to make any such additional payments into the debt service reserve fund based upon the Company's EBITDA coverage ratio. The maximum amount of the debt service reserve fund of approximately $1,200,000 is the same as under the Bond Documents prior to the amendment, but the amendment modified the terms under which the Company may be required to make payments into the fund described above.

As of December 31, 2000, Bank Debt totaled $7,927,000 which was less than the $35,000,000 allowed; the Company's total debt to total capital ratio was 61.9% which is less than the 72.0% allowed; and the EBITDA coverage ratio was 2.24 to 1.0 which is greater than the 1.50 to 1.0 required. Under the Bond covenants, if the Company attains an EBITDA coverage ratio of greater than 1.5 to 1.0, the balance on deposit in the debt service reserve fund in excess of $750,000 will be released for the Company's general use. The Bond Documents require that a minimum balance of $750,000 be maintained in the debt service reserve fund until the Bonds mature.

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. The Senior Notes require that the Company provide not less than 30-day prior notice if the Senior Notes are to be redeemed prior to the due date. Notice of redemption has been given to the holders of the Senior Notes, providing for redemption on April 30, 2001. As further described in Note 16, the Company signed two agreements with lenders which provide that such lenders will provide the funds required to redeem the Senior Notes on the redemption date.

In October 1999, the Company made the final $1,000,000 installment payment on its 10% senior convertible notes.

(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
2001	$ 5,929
2002	4,988
2003	4,070
2004	2,861
2005	1,746
Thereafter	1,167
	$20,761

During the years 2000, 1999 and 1998 rent expense was approximately $13,289,000, $14,058,000, and $13,328,000, respectively.

(11) FEDERAL AND STATE INCOME TAXES

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

	2000	1999	1998
Federal: Current	$ 24	$(78)	$ --
Deferred	(2,025)	--	--
State: Current	360	360	247
Deferred	(375)	--	113
Net provision for (benefit from) income taxes	$(2,016)	$282	$360

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

	2000	1999	1998
Statutory rate	34.0%	(34.0)%	(34.0)%
Increase (decrease) in taxes resulting from:			
Valuation allowance	(120.5)	20.4	32.5
Adjustment of prior year's estimated attributes	24.7	(9.4)	--
State income taxes, net of federal benefit	12.7	18.4	7.1
Goodwill amortization	5.1	12.6	7.0
Meals and entertainment	4.5	10.4	5.8
Other permanent differences	--	(4.0)	(8.1)
Net provision for (benefit from) income taxes	(39.5)%	14.4%	10.3%

(11) FEDERAL AND STATE INCOME TAXES--(Continued)

The components of the total net deferred tax asset at December 31, 2000 and 1999 were as follows (in thousands):

	2000	1999
Current:		
Net operating loss carryforwards	$ 778	$ --
Workmens' compensation accrual	745	731
Accrued closure	14	506
Provision for doubtful accounts	624	466
Litigation accruals	250	279
Accrued rent holiday	99	104
Health insurance accrual	34	34
Miscellaneous	81	197
Permits	(225)	(226)
Valuation allowance	--	(2,091)
Total current deferred tax asset	$2,400	$ --
Long-term:		
Net operating loss carryforwards	$6,374	$11,198
Tax credit carryforwards	1,951	1,927
Property, plant and equipment	(3,915)	(4,410)
Permits	(2,193)	(2,440)
Valuation allowance	(2,217)	(6,275)
Total long-term deferred tax asset	$ --	$ --
Net deferred tax asset	$2,400	$ --

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 to cover almost all net deferred tax assets. In 1998 and 1999 the valuation allowance was adjusted so as to reserve all net deferred tax assets. In the fourth quarter of 2000, the Company once again reviewed the valuation allowance for deferred tax assets. Based on the level of earnings for 2000 and management's projections for profits in future years, it was determined that it was more likely than not that $2,400,000 of the net deferred tax assets would be utilized. Accordingly, the 2000 provision for income taxes included a $2,400,000 benefit related to adjusting the valuation allowance. 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, 2000, the Company had regular tax net operating loss carryforwards of $14,887,000 which expire in 2010 and thereafter. 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.

(11) FEDERAL AND STATE INCOME TAXES--(Continued)

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) INCOME (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 2000		
	Income (Numerator)	Shares (Denominator)	Per-Share Income
Net income	$ 7,118		
Less preferred dividends	448		
Basic EPS (income available to shareholders)	6,670	11,085	0.60
Effect of dilutive securities	--	220	(0.01)
Diluted EPS Income available to common shareholders plus assumed conversions	$ 6,670	11,305	$ 0.59

	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)

The Company has issued options, warrants and convertible preferred stock which are potentially dilutive to earnings. For the year ended December 31, 2000, some of the options outstanding but none of the warrants or convertible preferred stock are dilutive. Only those options where the options' exercise price was less than the average market price of the common shares for the period are included in the above calculations. For the years ended December 31, 1999 and 1998, the options, warrants and convertible stock outstanding have not been included in the above calculations, since their inclusion would have been antidilutive for the period.

(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"), and in 2000, the Company adopted a stock incentive plan, which provides for awards in the form of incentive stock options, non-qualified stock options and restricted stock ("2000 Plan"). As of December 31, 2000, all awards under the 1992 and 2000 Plans were in the form of non-qualified 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, 2000, the Company has reserved 955,600, 1,250,000 and 800,000 shares of common stock for issuance under the 1987, 1992 and 2000 Plans, respectively.

Under the terms of the 1987, 1992 and 2000 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 2000, 1999 or 1998, 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.

Activity under the Plans for the three years ended December 31, 2000 is as follows:

	Number of Shares	Weighted Average Exercise Price
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
Granted at fair value	603,894	2.32
Forfeited	(280,035)	2.25
Exercised	(75,800)	2.06
Outstanding at December 31, 2000	1,547,472	$2.10

(13) STOCKHOLDERS' EQUITY--(Continued)

Summarized information about stock options outstanding at December 31, 2000 is as follows:

				Exercisable	
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$1.44-1.75	113,250	6.64	$1.50	52,400	$1.52
1.81-1.81	344,025	7.32	1.81	139,050	1.81
1.88-2.06	241,250	7.68	1.98	16,000	1.97
2.13-2.13	476,403	3.74	2.13	453,533	2.13
2.42-13.25	372,544	8.19	2.58	74,694	2.89

Options exercisable at December 31, 2000, 1999 and 1998 were 735,677,

747,263 and 599,605, respectively. The weighted average exercise prices for the exercisable options at December 31, 2000, 1999 and 1998 were $2.10, $2.17, and $2.28, respectively.

The fair value of each option granted during 2000, 1999 and 1998 is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2000	1999	1998
Dividend yield	none	none	none
Expected volatility	80.5%	75.2%	75.0%
Risk-free interest rate	6.3%	5.4%	5.8%
Expected life	6.0	6.0	6.0

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

2000	$2.32
1999	$1.91
1998	$1.81

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

2000	$ --
1999	$1.50
1998	$ --

(13) STOCKHOLDERS' EQUITY--(Continued)

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, 2000, 1999 and 1998, would approximate the pro forma amounts as compared to the amounts reported:

	Net Income (Loss)	Net Income (Loss) per Diluted Share

As reported:		
2000	$ 7,118,000	$ 0.59
1999	(2,244,000)	(0.25)
1998	(3,854,000)	(0.42)
Pro forma:		
2000	$ 6,261,000	$ 0.55
1999	(2,945,000)	(0.28)
1998	(3,947,000)	(0.43)

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. A total of one million shares of common stock under the ESPP has been reserved for offering to employees through April 1, 2005. Employees who elect to participate in an offering may utilize up to 10% of their pay 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. For the years ended December 31, 2000 and 1999, 114,991 and 98,200 shares, respectively, of common stock had been purchased under the ESPP. The weighted average fair per share value of the purchase rights granted under the ESPP during 2000, 1999 and 1998 were $0.92, $0.25 and $0.41, 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 expired on 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 expired on February 6, 2001.

(13) STOCKHOLDERS' EQUITY--(Continued)

(e) Preferred

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 2%, if the redemption occurred on or before August 16, 2000; 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 2000 dividends in common stock with a market value equal to the amount of the dividend payable. During 2000 the Company issued 226,884 shares of common stock to the holders of the Preferred Stock. The Company anticipates that commencing in the third quarter of 2001 the Preferred Stock dividends will be paid in cash.

(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 accrued $600,000 for the plan in 2000 which was paid in 2001. No contribution was made by the Company for 1999 or 1998.

(15) QUARTERLY DATA (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands except per share amounts)			
2000				
Revenue	$52,737	$62,242	$60,290	$58,197
Income from operations	938	6,094	4,366	2,871
Net income (loss)	(1,440)	3,639	1,907	3,012
Basic earnings (loss) per share	(0.14)	0.32	0.16	0.26
Diluted earnings (loss) per share	(0.14)	0.32	0.15	0.25
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)
Basic and diluted earnings (loss) per share	(0.28)	0.06	0.02	(0.05)

As further discussed in Note 11, included in the net income for the fourth quarter of 2000 is a $2,400,000 benefit related to the partial reversal of a valuation allowance for deferred tax assets. With the exception of the partial reversal of the valuation allowance, the above quarterly data reflects all adjustments that are necessary to fairly state the results of the interim periods presented, and adjustments required are of a normal recurring nature.

Earnings per share are computed independently for each of the quarters presented. Due to this, the 2000 quarterly diluted earnings (loss) per share do not equal the total computed for the year.

(16) SUBSEQUENT EVENT

The Company has outstanding $50,000,000 of 12.50% Senior Notes due May 15, 2001 (the "Senior Notes"). The Senior Notes require that the Company provide not less than 30-day prior notice if the Senior Notes are to be redeemed prior to the due date. Notice of redemption has been given to the holders of the Senior Notes, providing for redemption on April 30, 2001. As described below, on April 12, 2001, the Company signed two agreements with lenders which provide that such lenders will provide the funds required to redeem the Senior Notes on the redemption date.

As described in Note 9, the Company had at December 31, 2000 a $33,500,000 Loan Agreement (the "Loan Agreement") with a financial institution (the "Lender"). The Loan Agreement provided for a $24,500,000 revolving credit facility (the "Revolver"), a $6,000,000 term promissory note (the "Term Note"), and a $3,000,000 term promissory note (the "2000 Term Note"). On April 12, 2001, the Company signed and closed a $51,000,000 Amended and Restated Loan Agreement (the "Amended Loan Agreement") with the Lender. The Amended Loan Agreement increased the amount available to borrow under the Revolver to $30,000,000 and extended the term of the Revolver to April 12, 2004. The Revolver allows the Company to borrow up to $30,000,000 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. The Revolver requires the Company to pay an unused line fee of one-half of one percent on the unused portion of the line. The Amended Loan Agreement required the payment on April 12 of the then $3,800,000 outstanding balance on the Term Note and provided for the issuance of a new $19,000,000 term promissory note (the "Term Loan B"). On April 12, 2001, $4,000,000 was advanced under Term Note B to pay the Term Note and other amounts then borrowed by the Company. The Amended Loan Agreement provides for the $15,000,000 balance of Term Note B to be advanced on April 30 to redeem the Senior Notes on that date, provided the representations of the Company in the Amended Loan Agreement remain true and correct in all material respects, the Company is not then in default of the Amended Loan Agreement, and the Company has then issued the Subordinated Notes described below. The interest rate for Term Note B is the greater of the prime rate plus 3.50% or 12.00%, and it is payable in 84 monthly installments commencing May 1, 2001. The terms of the 2000 Term Note remain unchanged.

The Amended Loan Agreement allows for up to 80% of the outstanding balance of the Revolver and 100% of the balance of the 2000 Term Note to bear interest at the Eurodollar rate plus three percent; the remaining balance bears interest at the "prime" rate plus one and one-half percent. The Amended Loan Agreement is collateralized by substantially all of the Company's assets, and the Amended Loan Agreement provides for certain covenants including, among others, maintenance of a minimum level of working capital, adjusted net worth and earnings before interest, income taxes, depreciation and amortization ("EBITDA"). The Amended Loan Agreement requires that the Company maintain $10,000,000 of working capital excluding the current portion of liabilities under the Amended Loan Agreement and the Subordinated Note Agreement. The Company had $18,726,000 of working capital calculated on a pro forma basis as if the redemption had taken place on December 31, 2000. The net worth covenant requires that the Company maintain $35,000,000 of adjusted net worth until the Subordinated Notes described below are funded, and once the Notes are funded, the net worth covenant requires adjusted net worth, defined as net worth plus the balance owed on the subordinated notes, to be greater than $60,000,000. At December 31, 2000, the pro forma adjusted net worth calculated as if the redemption had taken place on December 31, 2000 was $76,635,000. The Amended Loan Agreement requires that the Company maintain on a rolling four quarter basis a minimum EBITDA of $20,000,000. For the four quarter period ended December 31, 2000 the Company reported EBITDA of $24,925,000. The Amended Loan Agreement also requires that the Company maintain a Senior Debt to EBITDA ratio of not more than 2.25 to 1.0. At December 31, 2000 the pro forma ratio calculated as if the redemption had taken place on December 31, 2000 was 1.33 to 1.0. The Amended Loan Agreement also has conditions precedent to making loans (including the Revolver) including no material adverse change in the assets, business or prospects of the Company.

(16) SUBSEQUENT EVENT--(Continued)

On April 12, 2001, the Company also signed a Securities Purchase Agreement (the "Subordinated Note Agreement") providing for the Company to issue on April 30, 2001, $35,000,000 of 16% Senior Subordinated Notes (the "Subordinated Notes"). Until October 30, 2006, the Company, at its option, may pay the interest at the 16% rate or may pay interest at 14% and defer payment of the remaining 2% until the Subordinated Notes are due. Interest payable in cash on the Subordinated Notes is due in semi-annual payments on April 30 and October 30. In conjunction with the Subordinated Notes, the Company will issue detachable warrants for 1,519,020 shares of common stock that are exercisable at $0.01 per share. One-half of the Subordinated Notes are due on April 30, 2007 with the balance due on April 30, 2008. The Subordinated Note Agreement calls for the $35,000,000 to be advanced on April 30, 2001 in order to redeem the Senior Notes. The Subordinated Note Agreement contains conditions of closing the most restrictive of which are that representations by the Company in the Agreement remain true, that the Company have not less than $3,500,000 available under the Revolver on April 30, 2001, and that no material adverse change shall have occurred prior to April 30, 2001 in the business and financial condition of the Company. The Subordinated Note Agreement provides that the holders of the Subordinated Notes will be able to call the Notes in the event of a change in control of the Company.

The Subordinated Note Agreement contains covenants the most restrictive of which require that the Company maintain a rolling four quarter fixed charge coverage ratio of not less than 1.10 to 1.0. For the year ended December 31, 2000, the fixed charge coverage ratio was 1.82 to 1.0. The Subordinated Notes require that the Company maintain a tangible capital base of not less than $27,000,000 for the quarters ending March 31 and June 30, 2001, not less than $30,500,000 for the quarter ending September 30, 2001, not less than $33,000,000 for the quarter ending December 31, 2001 and not less than $35,500,000 for quarters ending thereafter. At December 31, 2001, the tangible capital base was $45,169,000. The Company is required to maintain rolling four quarter earnings before interest, income taxes, depreciation and amortization (EBITDA) of not less than $18,000,000. For the four quarter period ended December 31, 2000, EBITDA was $24,925,000. The Company shall maintain a priority debt to EBITDA ratio calculated as of the last day of each fiscal quarter of not more than 2.25 to 1.0. Priority debt currently consists of debt issued under the Amended Loan Agreement. At December 31, 2000, the pro forma priority debt to EBITDA ratio calculated as if the redemption had taken place on December 31, 2000 was 1.33 to 1.0. The Company is required to maintain a ratio of total liabilities to tangible capital base of not more than 3.00 to 1.0 for the fiscal quarters ending June 30, September 30 and December 31, 2001 and for the quarters ending March 31, 2002 and thereafter a ratio of not more than 2.75 to 1.0. At December 31, 2000 the total liabilities to tangible capital base ratio was 1.61 to 1.0.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

For the Three Years Ended December 31, 2000

(in thousands)

Additions

Allowance for Doubtful Accounts	Balance Beginning of Period	Charged to Operating Expense	Deductions From Reserves(a)	Balance End of Period
1998	$1,050	$559	$596	$1,013
1999	1,013	683	539	1,157
2000	1,157	684	292	1,549

(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 2001 Annual Meeting of Stockholders, which definitive proxy statement is expected to be filed with the Commission not later than April 30, 2001.

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 2001 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

2. Financial Statement Schedule:

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)
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)

Item No.	Description	Location
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.....	(14)
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.....	(14)
4.17	Amended and Restated Loan and Security Agreement dated April 12, 2001 by and between Congress Financial Corporation (New England), the Company's Subsidiaries as Borrowers, And Clean Harbors, Inc. as Guarantor.....	Filed herewith
4.18	Term Promissory Note B dated April 12, 2001 by and between Congress Financial Corporation (New England), the Company's Subsidiaries as Borrowers, and Clean Harbors, Inc. as Guarantor.....	Filed herewith
4.19	Securities Purchase Agreement dated April 12, 2001 by and between institutional investors and Clean Harbors, Inc.....	Filed herewith
4.20	Subordination Agreement dated April 12, 2001 by and between Clean Harbors, Inc. and its subsidiaries, Congress Financial Corporation (New England) and institutional investors.....	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	Clean Harbors, Inc. 2000 Stock Incentive Plan.....	(15)
10.43	Key Employee Retention Plan.....	(12)
21	Subsidiaries.....	Filed herewith
23	Consent of Independent Accountants.....	Filed herewith

Item No.	Description	Location
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

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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.

(14) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year 1999.

(15) Incorporated by reference to the Company's Form DEF 14A Proxy Statement filed on April 28, 2000.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of 2000.

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 April 12, 2001.

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 and Chief Executive Officer	April 12, 2001
/s/ Roger A. Koenecke Roger A. Koenecke	Senior Vice President and Chief Financial Officer	April 12, 2001
* Christy W. Bell	Director	April 12, 2001
* John F. Kaslow	Director	April 12, 2001
* Daniel J. McCarthy	Director	April 12, 2001
* John T. Preston	Director	April 12, 2001
* Thomas J. Shields	Director	April 12, 2001
*	Director	April 12, 2001

____
Lorne R. Waxlax

/s/ Alan S. McKim

*By: _______________________________________
Alan S. McKim
(Attorney-in-Fact)

Exhibit 4.17

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

by and between

CONGRESS FINANCIAL CORPORATION (NEW ENGLAND)
as Lender

and

CLEAN HARBORS, INC.
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.

as Borrowers

Dated: April 12, 2001

TABLE OF CONTENTS

INDEX TO
EXHIBITS AND SCHEDULES

AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

This Amended and Restated Loan and Security Agreement dated April 12, 2001 is entered into by and between Congress Financial Corporation (New England), a Massachusetts corporation ("Lender") and Clean Harbors, Inc., a Massachusetts corporation ("Parent"), Clean Harbors Environmental Services, Inc., a Massachusetts corporation ("CHES"), Clean Harbors Kingston Facility Corporation, a Massachusetts corporation, Clean Harbors of Braintree, Inc., a Massachusetts corporation, Clean Harbors Services, Inc., a Massachusetts corporation, Clean Harbors of Natick, Inc., a Massachusetts corporation, Clean Harbors of Connecticut, Inc., a Connecticut corporation, Murphy's Waste Oil Service, Inc., a Massachusetts corporation, Mr. Frank, Inc., an Illinois corporation, Spring Grove Resource Recovery, Inc., a Delaware corporation, and Harbor Management Consultants, Inc., a Massachusetts corporation (each, a "Borrower" and, collectively, the "Borrowers").

W I T N E S S E T H:

WHEREAS, Borrowers (excluding the Parent, which was a guarantor) (together with Clean Harbors Technology Corporation, a Massachusetts corporation, which has since been merged into CHES, and Clean Harbors of Cleveland, Inc., a Massachusetts corporation, which has since been merged into Parent) and Lender entered into a Loan and Security Agreement dated May 8, 1995 (as amended and modified, the "Original Loan Agreement"), pursuant to which the Lender extended certain credit facilities to the Borrowers, and the Borrowers and the Lender desire that the Original Loan Agreement be amended and restated in its entirety as set forth in this Agreement, provided that all other Financing Agreements (as defined in the Original Loan Agreement) shall remain valid and binding except as otherwise provided hereunder;

WHEREAS, the Borrowers have requested that Lender enter into certain financing arrangements with Borrowers pursuant to which Lender may make loans and provide other financial accommodations to Borrowers; and

WHEREAS, Lender is willing to make such loans and provide such financial accommodations on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

All terms used herein which are defined in Article 1 or Article 9 of the Uniform Commercial Code shall have the meanings given therein unless otherwise defined in this Agreement. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to Borrowers and Lender pursuant to the definitions set

forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 11.3. Any accounting term used herein unless otherwise defined in this Agreement shall have the meanings customarily given to such term in accordance with GAAP. For purposes of this Agreement, the following terms shall have the respective meanings given to them below:

1.1. "Accounts" shall mean all accounts and all present and future rights of each Borrower to payment for goods sold or leased or for services rendered, which are not evidenced by instruments or chattel paper, and whether or not earned by performance.

1.2. "Adjusted Eurodollar Rate" shall mean, with respect to each Interest Period for any Eurodollar Rate Loan, the rate per annum (rounded upwards, if necessary, to the next one-sixteenth (1/16) of one (1%) percent) determined by dividing the Eurodollar Rate for such Interest Period by a percentage equal to: (i) one (1) minus (ii) the Reserve Percentage. For purposes hereof, "Reserve Percentage" shall mean the reserve percentage, expressed as a decimal, prescribed by any United States or foreign banking authority for determining the reserve requirement which is or would be applicable to deposits of United States dollars in a non-United States or an international banking office of Reference Bank used to fund a Eurodollar Rate Loan or any Eurodollar Rate Loan made with the proceeds of such deposit, whether or not the Reference Bank actually holds or has made any such deposits or loans. The Adjusted Eurodollar Rate shall be adjusted on and as of the effective day of any change in the Reserve Percentage.

1.3. "Adjusted Net Worth" shall mean as to any Person, at any time, in accordance with GAAP (except as otherwise specifically set forth below), on a

consolidated basis for such Person and its subsidiaries (if any), the amount equal to: (a) the difference between: (i) the aggregate net book value of all assets of such Person and its subsidiaries, after deducting from such book values all appropriate reserves in accordance with GAAP (including all reserves for doubtful receivables, obsolescence, depreciation and amortization) and (ii) the aggregate amount of the indebtedness and other liabilities of such Person and its subsidiaries (including tax and other proper accruals) plus (b) indebtedness of such Person and its subsidiaries which is subordinated by written agreement in right of payment to the full and final payment of all of the Obligations on terms and conditions acceptable to Lender.

1.4. "Availability Reserves" shall mean the sum of (A) as of any date of determination, such amounts as Lender may from time to time establish and revise in good faith reducing the amount of Revolving Loans and Letter of Credit Accommodations which would otherwise be available to Borrowers under the lending formula(s) provided for herein: (a) to reflect events, conditions, contingencies or risks which, as determined by Lender in good faith, (i) do affect or have a reasonable likelihood of affecting either the Collateral or any other property which is security for the Obligations or its value or the security interests and other rights of Lender in the Collateral (including the enforceability, perfection and priority thereof) (ii) have

a reasonable likelihood of resulting in or causing a material adverse change in the assets, business or prospects of any Borrower or any Obligor or (b) to reflect Lender's good faith belief that any collateral report or financial information furnished by or on behalf of any Borrower or any Obligor to Lender is or may have been incomplete, inaccurate or misleading in any material respect or (c) in respect of any state of facts which Lender determines in good faith constitutes a Default or an Event of Default, plus such amounts as Lender may determine in good faith to be necessary to reserve for rent and other amounts that may be payable from time to time to the owners of real property leased or used by Borrowers which owners do not sign agreements satisfactory to Lender in accordance with Section 4.1(d).

1.5. "Blocked Accounts" shall have the meaning set forth in Section 6.3 hereof.

1.6. "Business Day" shall mean (a) for the Prime Rate Loans, any day other than a Saturday, Sunday, or other day on which commercial banks are authorized or required to close under the laws of the Commonwealth of Massachusetts, State of New York or the Commonwealth of Pennsylvania, and a day on which the Reference Bank and Lender are open for the transaction of business, and (b) for all Eurodollar Rate Loans, any such day as described in (a) above in this definition of Business Day, excluding any day on which banks are closed for dealings in US dollar deposits in the London interbank market or other applicable Eurodollar Rate market.

1.7. "CHES" shall mean Clean Harbors Environmental Services, Inc., a Massachusetts corporation, and its successors and assigns.

1.8. "Code" shall mean the Internal Revenue Code of 1986, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented, together with all rules, regulations and interpretations thereunder or related thereto.

1.9. "Collateral" shall have the meaning set forth in Section 5 hereof.

1.10. "Default" shall mean any event or condition the occurrence of which might, with notice, or the passage of time or both, unless cured or waived as provided herein, become an Event of Default.

1.10A. "EBITDA" shall mean, as to any Person, for any period, net income (determined on a consolidated basis without duplication in accordance with GAAP) for such period calculated before interest, taxes, depreciation, amortization and any other non-cash income or charges accrued for such period including, to

the extent such items were added or deducted in computing net income (a) any extraordinary and unusual gains or losses during such period and (b) the proceeds from any casualty to property or disposition of property other than in the ordinary course.

1.11. "Eligible Accounts" shall mean Accounts created by Borrowers which are and continue to be acceptable to Lender based on the criteria set forth below. In general, Accounts of the Borrowers shall be Eligible Accounts if:

(a) such Accounts arise from the actual and bona fide sale and delivery of goods by a Borrower or rendition of services by such Borrower in the ordinary course of its business which transactions are completed in accordance with the terms and provisions contained in any documents related thereto;

(b) such Accounts are not unpaid more than ninety (90) days after the date of the original invoice for them;

(c) such Accounts comply with the terms and conditions contained in Section 7.2(b) of this Agreement;

(d) such Accounts do not arise from sales on consignment, guaranteed sale, sale and return, sale on approval, or other terms under which payment by the account debtor may be conditional or contingent;

(e) the chief executive office of the account debtor with respect to such Accounts is located in the United States of America, Canada or Puerto Rico or if located in another jurisdiction, at Lender's option, either: (i) the account debtor has delivered to a Borrower an irrevocable letter of credit issued or confirmed by a bank satisfactory to Lender, sufficient to cover such Account, in form and substance satisfactory to Lender and, if required by Lender, the original of such letter of credit has been delivered to Lender or Lender's agent and the issuer thereof notified of the assignment of the proceeds of such letter of credit to Lender, or (ii) such Account is subject to credit insurance payable to Lender issued by an insurer and on terms and in an amount acceptable to Lender, or (iii) such Account is otherwise acceptable in all respects to Lender (subject to such lending formula with respect thereto as Lender may determine);

(f) such Accounts do not consist of progress billings, bill and hold invoices or retainage invoices, except as to bill and hold invoices, unless a Borrower shall have received an agreement in writing from the account debtor, in form and substance satisfactory to Lender, confirming the unconditional obligation of the account debtor to pay such invoice;

(g) the account debtor with respect to such Accounts has not asserted a counterclaim, defense or dispute and does not have, and does not engage in transactions which may give rise to, any right of setoff against such Accounts (but the portion of such Accounts that is verified to not be subject to such counterclaim, defense, dispute or right of setoff may be deemed an Eligible Account);

(h) there are no facts, events or occurrences which would impair the validity, enforceability or collectability of such Accounts or reduce the amount payable or delay payment thereunder;

(i) such Accounts are subject to the first priority, valid and perfected security interest of Lender and any goods giving rise thereto are not, and were not at the time of the sale thereof, subject to any liens except those permitted in this Agreement;

(j) neither the account debtor nor any officer or employee of the account debtor with respect to such Accounts is affiliated with any Borrower

directly or indirectly by virtue of ownership or control;

(k) the account debtors with respect to such Accounts are not any foreign government;

(l) such Accounts are Federal Government Accounts that satisfy the other criteria for Eligible Accounts, provided that upon Lender's request, the Federal Assignment of Claims Act of 1940, as amended shall be complied with in a manner satisfactory to Lender;

(m) such Accounts are Municipal Government Accounts that satisfy the other criteria for Eligible Accounts, provided that upon Lender's request, any state or local law establishing filing or notification requirements for the recognition of Lender's security interest shall be complied with in a manner satisfactory to Lender;

(n) there are no proceedings or actions which are threatened or pending against the account debtors with respect to such Accounts which might result in any material adverse change in any such account debtor's financial condition;

(o) such Accounts of a single account debtor or its affiliates do not constitute more than twenty (20%) percent of all otherwise Eligible Accounts (but the portion of the Accounts not in excess of such percentage may be deemed Eligible Accounts);

(p) such Accounts are not owed by an account debtor who has Accounts unpaid more than ninety (90) days after the date of the original invoice for them which constitute more than fifty (50%) percent of the total Accounts of such account debtor;

(q) such Accounts are owed by account debtors whose total indebtedness to Borrowers does not exceed the credit limit with respect to such account debtors as determined by Lender from time to time (but the portion of the Accounts not in excess of such credit limit may still be deemed Eligible Accounts); and

(r) such Accounts are owed by account debtors deemed creditworthy at all times by Lender, as determined by Lender.

General criteria for Eligible Accounts may be established and revised from time to time by Lender in good faith. Any Accounts which are not Eligible Accounts shall nevertheless be part of the Collateral.

1.12 "Environmental Laws" shall mean all applicable federal, state, district, local and foreign laws, rules, regulations, ordinances, and consent decrees relating to health, safety, Hazardous Materials, pollution and environmental matters, as now or at any time hereafter in effect, applicable to Borrowers' businesses and facilities (whether or not owned), including laws

relating to emissions, discharges, releases or threatened releases of pollutants, contamination, chemicals, or hazardous, toxic or dangerous substances, materials or wastes into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the generation, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals, or hazardous, toxic or dangerous substances, materials or wastes.

1.13 "ERISA" shall mean the United States Employee Retirement Income Security Act of 1974, as the same now exists or may hereafter from time to time be amended, modified, recodified or supplemented, together with all rules, regulations and interpretations thereunder or related thereto.

1.14 "ERISA Affiliate" shall mean any person required to be aggregated

with any Borrower or any of their subsidiaries under Sections 414(b), 414(c), 414(m) or 414(o) of the Code.

1.15 "Excess Availability" shall mean the amount, as determined by Lender, calculated at any time, equal to: (a) the lesser of (i) the amount of the Revolving Loans available to Borrowers as of such time based on the applicable lending formulas multiplied by the Net Amount of Eligible Accounts, as determined by Lender, and subject to the sublimits and Availability Reserves from time to time established by Lender hereunder and (ii) Revolving Credit Limit, minus (b) the sum of: (i) the amount of all then outstanding and unpaid Obligations (but not including for this purpose the then outstanding principal amount of the Term Loans), plus (ii) the aggregate amount of all trade payables of Borrowers which are more than sixty (60) days past due as of such time.

1.16 "Existing Senior Notes" shall mean the 12.5% Senior Notes due May 15, 2001 issued under the Indenture dated as of August 4, 1994, between the Parent, certain subsidiaries of the Parent and Shawmut Bank, N.A., as trustee of the holders of such notes.

1.16A "Existing Senior Note Redemption Date" means April 30, 2001, the date on which the Parent has notified the holders of the Existing Senior Notes that the Existing Senior Notes will be redeemed in accordance with the terms of the Indenture for a cash payment equal to the Existing Senior Note Redemption Price.

1.16B "Existing Senior Note Redemption Price" means $52,864,583.00, which equals the principal and accrued interest on the Existing Senior Notes on the Existing Senior Note Redemption Date.

1.17 "Eurodollar Rate Loans" shall mean any Loans (excluding the Term Loan B) or portion thereof on which interest is payable based on the Adjusted Eurodollar Rate in accordance with the terms hereof.

1.18 "Eurodollar Rate" shall mean with respect to the Interest Period for a Eurodollar Rate Loan, the interest rate per

annum equal to the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the next one-sixteenth (1/16) of one (1%) percent) at which Reference Bank is offered deposits of United States dollars in the London interbank market (or other Eurodollar Rate market selected by Borrowers and approved by Lender) on or about 9:00 a.m. (New York time) two (2) Business Days prior to the commencement of such Interest Period in amounts substantially equal to the principal amount of the Eurodollar Rate Loans requested by and available to Borrowers in accordance with this Agreement, with a maturity of comparable duration to the Interest Period selected by Borrowers.

1.19 "Equipment" shall mean all of Borrowers' now owned and hereafter acquired equipment, machinery, computers and computer hardware and software (whether owned or licensed), vehicles, tools, furniture, fixtures, all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, and substitutions and replacements thereof, wherever located.

1.20 "Event of Default" shall mean the occurrence or existence of any event or condition described in Section 10.1 hereof.

1.21 "Federal Government Account" shall mean an Account in which the account debtor with respect to such Account is the United States of America or a department, agency or instrumentality thereof.

1.22 "Financing Agreements" shall mean, collectively, this Agreement and all notes, guarantees, Mortgages, security agreements and other agreements, documents and instruments now or at any time hereafter executed and/or delivered by any Borrower or any Obligor in connection with this Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. Financing Agreements also shall mean Loan

Documents.

1.23 "GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Boards which are applicable to the circumstances as of the date of determination consistently applied, except that, for purposes of Sections 9.13, 9.14, 9.14A, and 9.14B hereof, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the audited financial statements delivered to Lender prior to the date hereof.

1.24 "Hazardous Materials" shall mean any hazardous, toxic or dangerous substances, materials and wastes, including, without limitation, hydrocarbons (including naturally occurring or man-made petroleum and hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, biological substances, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including, without limitation, materials which include hazardous constituents), sewage, sludge, industrial slag, solvents and/or any other similar substances, materials, or wastes and including any other substances, materials or wastes that are or become regulated under any Environmental Law

(including, without limitation any that are or become classified as hazardous or toxic under any Environmental Law).

1.25 "Information Certificates" shall mean the Information Certificates of Borrowers constituting Exhibit A hereto containing material information with respect to Borrowers, their business and assets provided by or on behalf of Borrowers to Lender in connection with the preparation of this Agreement and the other Financing Agreements and the financing arrangements provided for herein.

1.26 "Interest Period" shall mean for any Eurodollar Rate Loan, a period of approximately one (1), two (2), or three (3) months duration as Borrowers may elect, the exact duration to be determined in accordance with the customary practice in the applicable Eurodollar Rate market; provided, that, Borrowers may not elect an Interest Period which will end after the last day of the then-current term of this Agreement.

1.27 "Interest Rate" shall mean as to Prime Rate Loans, a rate of one and one-half (1-1/2%) 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 (based on the Eurodollar Rate applicable for the Interest Period selected by Borrowers as in effect three (3) Business Days after the date of receipt by Lender of the request of Borrowers for such Eurodollar Rate Loans in accordance with the terms hereof, whether such rate is higher or lower than any rate previously quoted to Borrower); provided, that, the Interest Rate shall mean the rate of four (4.0%) percent per annum in excess of the Prime Rate as to Prime Rate Loans and the rate of five and one-half (5.5%) percent per annum in excess of the Adjusted Eurodollar Rate as to Eurodollar Rate Loans, at Lender's option, without notice, (a) for the period on and after the date of termination hereof, or the date of the occurrence of any Event of Default or event which with notice or passage of time or both would constitute an Event of Default, and for so long as such Event of Default or other event is continuing as determined by Lender and until such time as all Obligations are indefeasibly paid in full (notwithstanding entry of any judgment against any Borrower) and (b) on the Revolving Loans at any time outstanding in excess of the amounts available to Borrowers under Section 2 (whether or not such excess(es), arise or are made with or without Lender's knowledge or consent and whether made before or after an Event of Default).

1.28 "Inventory" shall mean all of Borrowers' now owned and hereafter existing or acquired raw materials, work in process, finished goods and all other inventory of whatsoever kind or nature, wherever located.

1.29 "Investment Property" shall mean all of Borrowers' now owned or hereafter existing or acquired securities, financial assets, securities accounts, securities entitlements and all other investment property of whatsoever kind or nature, wherever located.

1.29A "Kimball IRB Documents" means the Lease Agreement dated as of September 1, 1996 between Clean Harbors Technology Corporation and the City of Kimball, Nebraska, and the related Guarantee of Lease Obligations and Indenture pursuant to which $10,000,000 of City

of Kimball, Nebraska Economic Development Bonds (Clean Harbors, Inc.) Series 1996 were issued, as amended, and the related agreements, instruments and documents relating thereto.

1.30 "Letter of Credit Accommodations" shall mean the letters of credit, merchandise purchase or other guaranties which are from time to time either (a) issued or opened by Lender for the account of any Borrower or any Obligor or (b) with respect to which Lender has agreed to indemnify the issuer or guaranteed to the issuer the performance by any Borrower of its obligations to such issuer.

1.31 "Loan Documents" shall mean the Financing Agreements.

1.32 "Loans" shall mean the Revolving Loans, the Term Loan B and the 2000 Term Loan.

1.33 "Maximum Credit" shall mean $51,000,000.00.

1.34 "Mortgages" shall mean, individually and collectively, each of the mortgages or deeds of trust (as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced) by Borrowers in favor of Lender with respect to the Real Property and related assets of Borrowers.

1.35 "Municipal Government Account" shall mean an Account in which the account debtor with respect to such Account is a state or a political subdivision, department, agency or instrumentality thereof.

1.36 "Net Amount of Eligible Accounts" shall mean the gross amount of Eligible Accounts less (a) sales, excise or similar taxes included in the amount thereof and (b) returns, discounts, claims, credits and allowances of any nature at any time issued, owing, granted, outstanding, available or claimed with respect thereto.

1.37 "Obligations" shall mean any and all Revolving Loans, the Term Loan B, the 2000 Term Loan, Letter of Credit Accommodations and all other obligations, liabilities and indebtedness of every kind, nature and description owing by any Borrower to Lender and/or its affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under this Agreement or otherwise, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any case with respect to any Borrower under the United States Bankruptcy Code or any similar statute (including, without limitation, the payment of interest and other amounts which would accrue and become due but for the commencement of such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by Lender.

1.38 "Obligor" shall mean any guarantor, endorser, acceptor, surety or other person liable on or with respect to the Obligations including, without limitation, Clean Harbors of

Baltimore, Inc., a Pennsylvania corporation, or who is the owner of any property which is security for the Obligations, other than Borrowers.

1.39 "Parent" shall mean Clean Harbors, Inc., a Massachusetts corporation, and its successors and assigns.

1.40 "Participant" shall mean any person which at any time participates with Lender in respect of the Loans, the Letter of Credit Accommodations or other Obligations or any portion thereof.

1.41 "Payment Account" shall have the meaning set forth in Section 6.3 hereof.

1.42 "Person" or "person" shall mean any individual, sole proprietorship, partnership, corporation (including, without limitation, any corporation which elects subchapter S status under the Internal Revenue Code of 1986, as amended), business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

1.43 "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.

1.44 "Prime Rate Loans" shall mean any Loans (excluding the Term Loan B) or portion thereof on which interest is payable based on the Prime Rate in accordance with the terms thereof.

1.45 "Real Property" shall mean all now owned and hereafter acquired real property of Borrowers, including leasehold interests, together with all buildings, structures, and other improvements located thereon and all licenses, easements and appurtenances relating thereto, wherever located, including without limitation, the real property and related assets more particularly described in the Mortgages.

1.46 "Records" shall mean all of Borrowers' present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of Borrowers with respect to the foregoing maintained with or by any other person).

1.47 "Reference Bank" shall mean First Union National Bank or such other bank as Lender may from time to time designate.

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

1.49 "Revolving Loans" shall mean the loans now or hereafter made by Lender to or for the benefit of Borrowers on a revolving basis (involving advances, repayments and readvances) as set forth in Section 2.1 hereof.

1.50 "Senior Subordinated Notes" shall mean the 16% Senior Subordinated Notes due 2008 issued pursuant to the Securities Purchase Agreement.

1.51 "Securities Purchase Agreement" shall mean the Securities Purchase Agreement dated as of April 12, 2001 between Parent and the purchasers thereunder with respect to the Senior Subordinated Notes.

1.51A "Senior Debt" shall mean the sum of the Loans, Letter of Credit Accommodations and all other Obligations hereunder, plus senior secured purchase money obligations, and capital lease obligations of any of the Borrowers.

1.52 "Term Loan B" shall mean the term loan made by Lender to Borrowers as provided for in Section 2.3 hereof.

1.53 "Term Loans" shall mean the 2000 Term Loan and the Term Loan B.

1.54 "2000 Term Loan" shall mean the term loan previously made by Lender to Borrowers as provided for in Section 2.3A hereof.

1.55 "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 Borrowers, for purposes of Section 9.13, the liabilities of Borrowers on the Senior Subordinated Notes shall not be considered current liabilities (whether or not classified as current liabilities in accordance with GAAP).

SECTION 2. CREDIT FACILITIES

2.1 Revolving Loans.

(a) Subject to, and upon the terms and conditions contained herein, Lender agrees to make Revolving Loans to Borrowers from time to time in amounts requested by CHES, as agent for Borrowers pursuant to Section 2.5, up to the amount equal to the sum of:

(i) eighty (80%) percent of the Net Amount of Eligible Accounts (including all Municipal Government Accounts that are Eligible Accounts), plus

(ii) sixty-five (65%) percent of the Net Amount of Federal Government Accounts that are Eligible Accounts, less

(iii) one hundred (100%) percent of the then undrawn amounts of the outstanding Letter of Credit Accommodations, less

(iv) any Availability Reserves;

(b) Lender may, in its discretion, from time to time, upon not less than five (5) days prior notice to CHES, (i) reduce the lending formula with respect to Eligible Accounts to the extent that Lender determines in good faith that: (A) the dilution with respect to the Accounts for any period (based on the ratio of (1) the aggregate amount of reductions in Accounts other than as a result of payments in cash to (2) the aggregate amount of total sales) has increased in any material respect or may be reasonably anticipated to increase in any material respect above historical levels, or (B) the general creditworthiness of account debtors has declined in any material respect. In determining whether to reduce the lending formula(s), Lender may consider events, conditions, contingencies or risks which are also considered in determining Eligible Accounts or in establishing Availability Reserves.

(c) Except in Lender's discretion, the aggregate amount of the Revolving Loans and the Letter of Credit Accommodations outstanding at any time shall not exceed the Revolving Credit Limit. In the event that the outstanding amount of any component of the Revolving Loans, or the aggregate amount of the outstanding Revolving Loans and Letter of Credit Accommodations, exceed the amounts available under the lending formulas, the sublimits for Letter of Credit Accommodations set forth in Section 2.2(c) or the Revolving Credit Limit as applicable, such event shall not limit, waive or otherwise affect any rights of Lender in that circumstance or on any future occasions and Borrowers shall, upon demand by Lender, which may be made at any time or from time to time,

immediately repay to Lender the entire amount of any such excess(es) for which payment is demanded.

2.2 Letter of Credit Accommodations.

(a) Subject to, and upon the terms and conditions contained herein, at the request of CHES, as agent for Borrowers, Lender agrees to provide or arrange for Letter of Credit Accommodations for the account of any Borrower containing terms and conditions acceptable to Lender and the issuer thereof. Letters of credit issued pursuant to Letter of Credit Accommodations shall be issued by First Union National Bank or other banks acceptable to Lender and CHES. Any payments made by Lender to any issuer thereof and/or related parties in connection with the Letter of Credit Accommodations shall constitute additional Revolving Loans to Borrowers pursuant to this Section 2.

(b) In addition to any charges, fees or expenses charged by any bank or issuer in connection with the Letter of Credit Accommodations, Borrowers shall pay to Lender a letter of credit fee at a rate equal to three (3%) percent per annum on the daily outstanding balance of the Letter of Credit Accommodations for the immediately preceding month (or part

thereof), payable in arrears as of the first day of each succeeding month; provided that the letter of credit fee shall mean the rate of five and one half percent (5.5%) per annum at Lender's option, without notice, for the period on or after the date of termination hereof, or the date of the occurrence of an Event of Default, and for so long as such Event of Default is continuing as determined by Lender and until such time as all Obligations are indefeasibly paid in full (notwithstanding entry of any judgment against any Borrower). Such letter of credit fee shall be calculated on the basis of a three hundred sixty (360) day year and actual days elapsed and the obligation of Borrowers to pay such fee shall survive the termination or non-renewal of this Agreement.

(c) No Letter of Credit Accommodations shall be available unless on the date of the proposed issuance of any Letter of Credit Accommodations, the Revolving Loans available to Borrowers (subject to the Revolving Credit Limit and any Availability Reserves) are equal to or greater than an amount equal to one hundred (100%) percent of the face amount thereof and all other commitments and obligations made or incurred by Lender with respect thereto. Effective on the issuance of each Letter of Credit Accommodation, the amount of Revolving Loans which might otherwise be available to Borrowers shall be reduced by the applicable amount set forth in this Section 2.2(c).

(d) Except in Lender's discretion, the amount of all outstanding Letter of Credit Accommodations and all other commitments and obligations made or incurred by Lender in connection therewith, shall not at any time exceed $20,000,000.00. At any time an Event of Default exists or has occurred and is continuing, upon Lender's request, Borrowers will either furnish cash collateral to secure the reimbursement obligations to the issuer in connection with any Letter of Credit Accommodations or furnish cash collateral to Lender for the Letter of Credit Accommodations, and in either case, the Revolving Loans otherwise available to Borrowers shall not be reduced as provided in Section 2.2(c) to the extent of such cash collateral.

(e) Borrowers shall indemnify and hold Lender harmless from and against any and all losses, claims, damages, liabilities, costs and expenses which Lender may suffer or incur in connection with any Letter of Credit Accommodations and any documents, drafts or acceptances relating thereto, including, but not limited to, any losses, claims, damages, liabilities, costs and expenses due to any action taken by any issuer or correspondent with respect to any Letter of Credit Accommodation. Borrowers assume all risks with respect to the acts or omissions of the drawer under or beneficiary of any Letter of Credit Accommodation and for such purposes the drawer or beneficiary shall be deemed Borrowers' agent. Borrowers assume all risks for, and agree to pay, all foreign, Federal, State and local taxes, duties and levies relating to any goods subject to any Letter of Credit Accommodations or any documents, drafts or

acceptances thereunder. Borrowers hereby release and hold Lender harmless from and against any acts, waivers, errors, delays or omissions, whether caused by any Borrower, by any issuer or correspondent or otherwise with respect to or relating to any Letter of Credit Accommodation. The provisions of this Section 2.2(e) shall survive the payment of Obligations and the termination or non-renewal of this Agreement.

(f) Nothing contained herein shall be deemed or construed to grant Borrowers any right or authority to pledge the credit of Lender in any manner. Lender shall have no liability of any kind with respect to any Letter of Credit Accommodation provided by an issuer other than Lender unless Lender has duly executed and delivered to such issuer the application or a guarantee or indemnification in writing with respect to such Letter of Credit Accommodation. Borrowers shall be bound by any interpretation made in good faith by Lender, or any other issuer or correspondent under or in connection with any Letter of Credit Accommodation or any documents, drafts or acceptances thereunder, notwithstanding that such interpretation may be inconsistent with any instructions of any Borrower. Lender shall have the sole and exclusive right and authority to, and Borrowers shall not: (i) at any time an Event of Default exists or has occurred and is continuing, (A) approve or resolve any questions of non-compliance of documents, (B) give any instructions as to acceptance or rejection of any documents or goods or (C) execute any and all applications for steamship or airway guaranties, indemnities or delivery orders, and (ii) at all times, (A) grant any extensions of the maturity of, time of payment for, or time of presentation of, any drafts, acceptances, or documents, and (B) agree to any amendments, renewals, extensions, modifications, changes or cancellations of any of the terms or conditions of any of the applications, Letter of Credit Accommodations, or documents, drafts or acceptances thereunder or any letters of credit included in the Collateral. Lender may take such actions either in its own name or in any Borrower's name.

(g) Any rights, remedies, duties or obligations granted or undertaken by Borrowers to any issuer or correspondent in any application for any Letter of Credit Accommodations, or any other agreement in favor of any issuer or correspondent relating to any Letter of Credit Accommodation, shall be deemed to have been granted or undertaken by Borrowers to Lender. Any duties or obligations undertaken by Lender to any issuer or correspondent in any application for any Letter of Credit Accommodation, or any other agreement by Lender in favor of any issuer or correspondent relating to any Letter of Credit Accommodation, shall be deemed to have been undertaken by all Borrowers to Lender and to apply in all respects to all Borrowers.

2.3 Term Loan B. Lender hereby agrees to make the Term Loan B to Borrowers in the original principal amount of $19,000,000 in two advances of (a) $4,000,000 at such time as the conditions precedent in Sections 4.1 and 4.2 (other than Section 4.2(c)) are satisfied and (b) $15,000,000 on the Existing Senior Note Redemption Date; provided, that, at such time Borrowers satisfy the conditions of Section 4.2 (including the conditions of Section 4.2(c)). The proceeds of Term Loan B will be used to repay the outstanding principal of the original Term Loan made on May 8, 1995 (as increased to $15,000,000 on March 20, 1996 and decreased to $6,000,000 on May 24, 1999), with the excess proceeds to be used to pay $15,000,000 of the Existing Senior Notes Redemption Price. The Term Loan B is (a) evidenced by a Term Promissory Note B (the "Term Note B") in such original principal amount duly executed and delivered by the Borrowers to Lender concurrently herewith; (b) to be repaid, together with interest and other amounts, in accordance with this Agreement, the Term Note B, and other Financing Agreements; and (c) secured by all of the Collateral.

2.3A 2000 Term Loan. On or about March 28, 2000, Lender made a term loan to Borrowers in the original principal amount of $3,000,000 (the "2000 Term Loan"). The 2000 Term Loan (a) is evidenced by a 2000 Term Promissory Note dated March 28, 2000 (the "2000 Term Promissory Note"); (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; and (c) is secured by all of the Collateral.

2.4 Availability Reserves. All Revolving Loans otherwise available to Borrowers pursuant to the lending formulas and subject to the Maximum Credit and other applicable limits hereunder shall be subject to Lender's continuing right to establish and revise Availability Reserves.

2.5 Appointment of CHES as Agent for Requesting Loans and Receipt of Statements.

(a) Each Borrower hereby irrevocably appoints and constitutes CHES as its agent to request Revolving Loans, Letter of Credit Accommodations and the Term Loans, to select the interest rates applicable to the Loans pursuant to Section 3 and to otherwise take action pursuant to this Agreement in the name or on behalf of each of and all of the Borrowers. Lender may distribute Loans to such Borrowers' account(s) or otherwise make such Loans to Borrowers as specified by CHES, or as otherwise determined by Lender, without notice to any other Borrower or any Obligor.

(b) Each Borrower hereby irrevocably appoints and constitutes CHES as its agent to receive statements of account and all other notices and materials from Lender under this Agreement and the other Financing Agreements or otherwise in connection with or related to the Obligations.

(c) No purported termination of the appointment of CHES as agent as aforesaid shall be effective, except after thirty (30) business days prior written notice to Lender and appointment of a substitute agent acceptable to Lender in all respects.

SECTION 3. INTEREST AND FEES

3.1 Interest.

(a) Borrowers shall pay to Lender interest on the outstanding principal amount of the non-contingent Obligations (excluding the Term Loan B) at the Interest Rate. Borrowers shall pay to Lender interest on the outstanding principal amount of the Term Loan B at the interest rate provided in the Term Note B. All interest accruing hereunder on and after the date of any Event of Default or termination or non-renewal hereof shall be payable on demand.

(b) CHES, as agent for Borrowers, may from time to time request that Prime Rate Loans be converted to Eurodollar Rate Loans or that any existing Eurodollar Rate Loans continue for an additional Interest Period. Such request from CHES shall specify the amount of

the Prime Rate Loans which will constitute Eurodollar Rate Loans (subject to the limits set forth below) and the Interest Period to be applicable to such Eurodollar Rate Loans. Subject to the terms and conditions contained herein, three (3) Business Days after receipt by Lender of such a request from CHES, such Prime Rate Loans shall be converted to Eurodollar Rate Loans or such Eurodollar Rate Loans shall continue, as the case may be, provided, that, (i) no Event of Default, or event which with notice or passage of time or both would constitute an Event of Default exists or has occurred and is continuing, (ii) no party hereto shall have sent any notice of termination or non-renewal of this Agreement, (iii) Borrowers shall have complied with such customary procedures as are established by Lender and specified by Lender to Borrowers from time to time for requests by Borrowers for Eurodollar Rate Loans, (iv) no more than four (4) Interest Periods may be in effect at any one time, (v) the aggregate amount of the Eurodollar Rate Loans must be in an amount not less than $5,000,000.00 or an integral multiple of $1,000,000.00 in excess thereof, (vi) the maximum amount of the Eurodollar Rate Loans at any time requested by Borrowers shall not exceed the amount equal to (A) the principal amount of the 2000 Term Loan which it is anticipated will be outstanding as of the last day of the applicable Interest

Period plus (B) eighty (80%) percent of the daily average of the principal amount of the Revolving Loans which it is anticipated will be outstanding during the applicable Interest Period, in each case as determined by Lender (but with no obligation of Lender to make such Revolving Loans) and (vii) Lender shall have determined that the Interest Period or Adjusted Eurodollar Rate is available to Lender through the Reference Bank and can be readily determined as of the date of the request for such Eurodollar Rate Loan by Borrowers. Any request by Borrowers to convert Prime Rate Loans to Eurodollar Rate Loans or to continue any existing Eurodollar Rate Loans shall be irrevocable. Notwithstanding anything to the contrary contained herein, Lender and Reference Bank shall not be required to purchase United States Dollar deposits in the London interbank market or other applicable Eurodollar Rate market to fund any Eurodollar Rate Loans, but the provisions hereof shall be deemed to apply as if Lender and Reference Bank had purchased such deposits to fund the Eurodollar Rate Loans.

(c) Any Eurodollar Rate Loans shall automatically convert to Prime Rate Loans upon the last day of the applicable Interest Period, unless Lender has received and approved a request to continue such Eurodollar Rate Loan at least three (3) Business Days prior to such last day in accordance with the terms hereof. Any Eurodollar Rate Loans shall, at Lender's option, upon notice by Lender to Borrowers, convert to Prime Rate Loans in the event that (i) an Event of Default or event which with the notice or passage of time or both would constitute an Event of Default, shall exist, (ii) this Agreement shall terminate or not be renewed, or (iii) the aggregate principal amount of the Prime Rate Loans which have previously been converted to Eurodollar Rate Loans or existing Eurodollar Rate Loans continued, as the case may be, at the beginning of an Interest Period shall at any time during such Interest Period exceed either (A) the aggregate principal amount of the Loans then outstanding, or (B) the sum of the then outstanding principal amount of the 2000 Term Loan, plus the Revolving Loans then available to Borrowers under Section 2 hereof. Borrowers shall pay to Lender, upon demand by Lender (or Lender may, at its option, charge any loan account(s) of Borrowers) any amounts required to compensate Lender, the Reference Bank or any participant with Lender for any loss (including loss of anticipated profits), cost or expense incurred by such person, as a result of the conversion of Eurodollar Rate Loans to Prime Rate Loans pursuant to any of the foregoing.

(d) Interest shall be payable by Borrowers to Lender monthly in arrears not later than the first day of each calendar month and shall be calculated on the basis of a three hundred sixty (360) day year and actual days elapsed. The interest rate on non-contingent Obligations (other than Eurodollar Rate Loans) shall increase or decrease by an amount equal to each increase or decrease in the Prime Rate effective on the first day of the month after any change in such Prime Rate is announced based on the Prime Rate in effect on the last day of the month in which any such change occurs. In no event shall charges constituting interest payable by Borrowers to Lender exceed the maximum amount or the rate permitted under any applicable law or regulation, and if any such part or provision of this Agreement is in contravention of any such law or regulation, such part or provision shall be deemed amended to conform thereto.

3.2 Closing Fee. Borrowers shall pay to Lender as a closing fee the amount of $390,000, which shall be fully earned as of and payable on the date hereof.

3.3 Servicing Fee; Administrative Fee; Facility Fee.

(a) Borrowers shall pay to Lender a servicing fee in an amount equal to $17,500.00 in respect of Lender's services for each calendar quarter (or part thereof) while this Agreement remains in effect and for so long thereafter as any of the Obligations are outstanding, which fee shall be fully earned as of and payable in advance on the date hereof and on the first day of July, October, January and April hereafter.

(b) Borrowers shall pay to Lender an administrative fee of $2,000 per

month in respect of the Term Loan B (the "Administrative Fee") for each month (or part thereof) while the Term Loan B remains outstanding, which fee shall be fully earned as of and payable in advance on the date hereof and on the first day of each calendar month.

(c) Borrowers shall pay to Lender an annual facility fee in respect of the Term Loan B (the "Facility Fee") on each anniversary of the date hereof that the Term Loan B remains outstanding, commencing on April 12, 2002 in the amount equal to 1% of the then outstanding principal balance of the Term Loan, which fee shall be fully earned as of and payable on each such anniversary.

3.4 Unused Line Fee. Borrower shall pay to Lender monthly an unused line fee equal to one half of one (1/2 of 1%) percent per annum calculated upon the amount by which Revolving Credit Limit exceeds the average daily principal balance of the outstanding Revolving Loans and Letter of Credit Accommodations during the immediately preceding month (or part thereof) while this Agreement is in effect and for so long thereafter as any of the Obligations are outstanding, which fee shall be payable on the first day of each month in arrears.

3.5 Changes in Laws and Increased Costs of Loans.

(a) Notwithstanding anything to the contrary contained herein, all Eurodollar Rate Loans shall, upon notice by Lender to CHES, convert to Prime Rate Loans in the event that

(i) any change in applicable law or regulation (or the interpretation or administration thereof) shall either (A) make it unlawful for Lender, Reference Bank or any Participant to make or maintain Eurodollar Rate Loans or to comply with the terms hereof in connection with the Eurodollar Rate Loans, by an amount deemed by Lender to be material, or (B) shall result in the increase in the costs to Lender, Reference Bank or any Participant of making or maintaining any Eurodollar Rate Loans or (C) reduce the amounts received or receivable by Lender in respect thereof, by an amount deemed by Lender to be material or (ii) the cost to Lender, Reference Bank or any Participant of making or maintaining any Eurodollar Rate Loans shall otherwise increase by an amount deemed by Lender to be material. Borrowers shall pay to Lender, upon demand by Lender (or Lender may, at its option, charge any loan account of any Borrower) any amounts required to compensate Lender, the Reference Bank or any Participant with Lender for any loss (including loss of anticipated profits), cost or expense incurred by such person as a result of the foregoing, including, without limitation, any such loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such person to make or maintain the Eurodollar Rate Loans or any portion thereof. A certificate of Lender setting forth the basis for the determination of such amount necessary to compensate Lender as aforesaid shall be delivered to Borrowers and shall be conclusive, absent manifest error.

(b) If any payments or prepayments in respect of the Eurodollar Rate Loans are received by Lender other than on the last day of the applicable Interest Period (whether pursuant to acceleration, upon maturity or otherwise), including any payments pursuant to the application of collections under Section 6.3 or any other payments made with the proceeds of Collateral, Borrowers shall pay to Lender upon demand by Lender (or Lender may, at its option, charge any loan accounts of Borrowers) any amounts required to compensate Lender, the Reference Bank or any participant with Lender for any additional loss (including loss of anticipated profits), cost or expense incurred by such person as a result of such prepayment or payment, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such person to make or maintain such Eurodollar Rate Loans or any portion thereof.

SECTION 4. CONDITIONS PRECEDENT

4.1 Conditions Precedent to Initial Loans and Letter of Credit Accommodations . Each of the following is a condition precedent to Lender making

the initial Loans and providing the initial Letter of Credit Accommodations hereunder:

(a) Lender shall have received evidence, in form and substance satisfactory to Lender, that Lender has valid perfected and first priority security interests in and liens upon the Collateral and any other property which is intended to be security for the Obligations or the liability of any Obligor in respect thereof, subject only to the security interests and liens permitted herein or in the other Financing Agreements;

(b) all requisite corporate action and proceedings in connection with this Agreement and the other Financing Agreements shall be satisfactory in form and substance to Lender, and Lender shall have received all information and copies of all documents, including,

without limitation, records of requisite corporate action and proceedings which Lender may have requested in connection therewith, such documents where requested by Lender or its counsel to be certified by appropriate corporate officers or governmental authorities;

(c) no material adverse change shall have occurred in the assets, business or prospects of any Borrower since the date of Lender's latest field examination and no change or event shall have occurred which would impair the ability of any Borrower or any Obligor to perform its obligations hereunder or under any of the other Financing Agreements to which it is a party or of Lender to enforce the Obligations or realize upon the Collateral;

(d) Lender shall have received, in form and substance satisfactory to Lender, all consents, waivers, acknowledgments and other agreements from third persons which Lender may deem necessary or desirable in order to permit, protect and perfect its security interests in and liens upon the Collateral or to effectuate the provisions or purposes of this Agreement and the other Financing Agreements, including, without limitation, acknowledgments by lessors, mortgagees and warehousemen of Lender's security interests in the Collateral, waivers by such persons of any security interests, liens or other claims by such persons to the Collateral and agreements permitting Lender access to, and the right to remain on, the premises to exercise its rights and remedies and otherwise deal with the Collateral;

(e) the Excess Availability as determined by Lender, as of the date hereof, shall be not less than $3,500,000.00 after giving effect to the initial Loans made or to be made and Letter of Credit Accommodations issued or to be issued in connection with the initial transactions hereunder;

(f) Lender shall have received evidence of insurance and loss payee endorsements required hereunder and under the other Financing Agreements, in form and substance satisfactory to Lender, and certificates of insurance policies and/or endorsements naming Lender as loss payee;

(g) Lender shall have received, in form and substance satisfactory to Lender, such opinion letters of counsel to Borrowers with respect to the Financing Agreements and such other matters as Lender may request;

(h) Lender shall have received evidence, satisfactory to Lender, that Borrowers have obtained and are in material compliance with all material licenses, permits, certificates, approvals and similar authorizations that Borrowers are required to obtain under Environmental Laws and that all such licenses, permits, certificates, approvals and similar authorizations are in full force and effect and Borrower shall have furnished to Lender a complete listing of all operating permits and approvals for its waste processing, storage and transportation facilities with the expiration dates thereof;

(i) Borrowers and the holders of the Senior Subordinated Notes shall have entered into the Securities Purchase Agreement in the form previously delivered to Lender;

(j) Lender and the holders of the Senior Subordinated Notes shall have entered into a Subordination Agreement in form and substance satisfactory to Lender;

(k) Lender shall have received (or shall have previously received) the original certificates of title for all motor vehicles and other rolling stock of Borrowers that are subject to state certificate of title statutes and duly executed, undated applications and other documents required to note Lender's lien thereon;

(l) Lender shall have received a schedule (which may serve as Schedule 8.4 hereto) of all outstanding purchase money indebtedness, including capital leases, of the Borrowers that is secured by Equipment or Real Property showing payee, outstanding amount of such indebtedness and the specific collateral securing such indebtedness; and

(m) the other Financing Agreements and all instruments and documents hereunder and thereunder shall have been duly executed and delivered to Lender, in form and substance satisfactory to Lender.

4.2 Conditions Precedent to All Loans and Letter of Credit Accommodations. Each of the following is an additional condition precedent to Lender making Loans and/or providing Letter of Credit Accommodations to Borrowers, including the initial Loans and Letter of Credit Accommodations and any future Loans and Letter of Credit Accommodations:

(a) all representations and warranties contained herein and in the other Financing Agreements shall be true and correct in all material respects (except for changes permitted by the covenants in Section 9 hereof) with the same effect as though such representations and warranties had been made on and as of the date of the making of each such Loan or providing each such Letter of Credit Accommodation and after giving effect thereto;

(b) no Event of Default and no event or condition which, with notice or passage of time or both, would constitute an Event of Default, shall exist or have occurred and be continuing on and as of the date of the making of such Loan or providing each such Letter of Credit Accommodation and after giving effect thereto; and

(c) in the case of the funding on the Existing Senior Note Redemption Date of $15,000,000 of the proceeds of the Term Note B as provided in Section 2.3, (i) the Securities Purchase Agreement shall have closed in accordance with the terms thereof and (ii) such $15,000,000, together with the proceeds of the Securities Purchase Agreement and approximately $2,900,000 of Revolving Loans then to be funded in accordance with Section 2.1, shall be sufficient to pay in full the Existing Senior Note Redemption Price as evidenced by a letter from the Trustee of the Existing Senior Notes to Lender confirming that, under the Indenture, the amount of the Existing Senior Note Redemption Price on the Existing Senior Note Redemption Date is $52,864,583.00 and, upon deposit with the Trustee of such amount in immediately available funds by not later than 11:00 A.M. Boston time on the Existing Senior Note Redemption Date, the Existing Senior Notes will cease to be outstanding and interest on them will cease to accrue. All of such proceeds shall then be delivered to the trustee for the

Existing Senior Notes solely for the purpose of paying the Existing Senior Note Redemption Price.

4.3 Conditions Subsequent. (a) Within sixty (60) days of the date of this Agreement, Borrowers shall (i) deliver to Lender in form and substance satisfactory to Lender, valid and effective title insurance policies issued by companies and agents acceptable to Lender for the Borrowers' Real Property in

Cincinnati, Ohio, Baltimore, Maryland and Bristol, Connecticut (collectively, the "Parcels") (A) insuring the priority, amount and sufficiency of the Mortgages of the Lender on such Parcels, (B) insuring against matters that would be disclosed by surveys and (C) containing any reasonably available endorsements, assurances or affirmative coverage requested by Lender for protection of its interests, and (ii) deliver to Lender ALTA surveys and surveyor certificates with respect to such Parcels.

(b) Within thirty (30) days of the Existing Senior Note Redemption Date, Borrowers will obtain a letter from the Trustee of the Existing Senior Notes that the Existing Senior Notes have been paid in full and that the indenture therefore has been terminated (except as to the provisions thereof that expressly survive such termination).

(c) Within forty-five (45) days of this Agreement, Borrowers shall cause to be delivered to Lender, certificates of title with Lender's first priority lien duly noted thereon by the appropriate state agencies for all certificates of title for motor vehicles and rolling stock of Borrowers owned by Borrowers that do not currently have Lender's first priority lien so noted thereon.

(d) Within thirty (30) days of the date of this Agreement, Borrowers shall cause to be duly executed and recorded in favor of Lender, Mortgages, in form and substance satisfactory to Lender, and cause to be delivered to Lender, mortgagee title commitments, in form and substance satisfactory to Lender, with respect to the following parcels of Real Property: 21207 County Road 32-2 Sterling, Co; South Portland, ME (adjacent to the Borrowers' other South Portland, ME Real Property parcels); and 14 Main Street, Portland, ME. In addition, within thirty (30) days of the date of this Agreement, Borrowers shall cause to be duly executed and recorded an amendment to the Lender's existing Mortgage on the Real Property parcel located at 131 N. Richey St., Pasadena, TX.

SECTION 5. GRANT OF SECURITY INTEREST

To secure payment and performance of all Obligations, each Borrower hereby grants to Lender a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Lender as security, the following property and interests in property, whether now owned or hereafter acquired or existing, and wherever located (collectively, the "Collateral"):

5.1 Accounts;

5.2 all present and future contract rights, general intangibles (including, but not limited to, tax and duty refunds, registered and unregistered patents, trademarks, service marks,

copyrights, trade names, applications for the foregoing, trade secrets, goodwill, processes, drawings, blueprints, customer lists, licenses, whether as licensor or licensee, permits, authorizations, approvals and other similar rights, choses in action and other claims and existing and future leasehold interests in equipment, real estate and fixtures), chattel paper, documents, instruments, letters of credit, letter of credit rights, commercial tort claims, payment in tangibles, software, supporting obligations, bankers' acceptances and guaranties;

5.3 all present and future monies, securities, credit balances, deposits, deposit accounts and other property of Borrower now or hereafter held or received by or in transit to Lender or its affiliates or at any other depository or other institution from or for the account of Borrower, whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Accounts and other Collateral, including, without limitation, (a) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral, (b) rights of stoppage in transit, replevin,

repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, (c) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Accounts or other Collateral, including, without limitation, returned, repossessed and reclaimed goods, and (d) deposits by and property of account debtors or other persons securing the obligations of account debtors;

5.4 Inventory;

5.5 Equipment;

5.6 Real Property;

5.7 Investment Property;

5.8 Records; and

5.9 all products and proceeds of the foregoing, in any form, including, without limitation, insurance proceeds and all claims against third parties for loss or damage to or destruction of any or all of the foregoing.

SECTION 6. COLLECTION AND ADMINISTRATION

6.1 Borrowers' Loan Account. Lender shall maintain one or more loan account(s) on its books in which shall be recorded (a) all Loans, Letter of Credit Accommodations and other Obligations and the Collateral, (b) all payments made by or on behalf of Borrowers and (c) all other appropriate debits and credits as provided in this Agreement, including, without limitation, fees, charges, costs, expenses and interest. All entries in the loan account(s) shall be made in accordance with Lender's customary practices as in effect from time to time.

6.2 Statements. Lender shall render to CHES each month a statement setting forth the balance in the Borrowers' loan account(s) maintained by Lender for Borrowers pursuant to the provisions of this Agreement, including principal, interest, fees, costs and expenses. Each such statement shall be subject to subsequent adjustment by Lender but shall, absent manifest errors or omissions, be considered correct and deemed accepted by Borrowers and conclusively binding upon Borrowers as an account stated except to the extent that Lender receives a written notice from Borrowers of any specific exceptions of Borrowers thereto within thirty (30) days after the date such statement has been mailed by Lender. Until such time as Lender shall have rendered to CHES a written statement as provided above, the balance in Borrowers' loan account(s) shall be presumptive evidence of the amounts due and owing to Lender by Borrowers.

6.3 Collection of Accounts.

(a) Borrowers shall establish and maintain, at their expense, blocked accounts or lockboxes and related blocked accounts (in either case, "Blocked Accounts"), as Lender may specify, with such banks as are acceptable to Lender into which Borrowers shall promptly deposit and direct their account debtors to directly remit all payments on Accounts and all payments constituting proceeds of other Collateral in the identical form in which such payments are made, whether by cash, check or other manner. The banks at which the Blocked Accounts are established shall enter into an agreement, in form and substance satisfactory to Lender, providing that all items received or deposited in the Blocked Accounts are the property of Lender, that the depository bank has no lien upon, or right to setoff against, the Blocked Accounts, the items received for deposit therein, or the funds from time to time on deposit therein and that the depository bank will wire, or otherwise transfer, in immediately available funds, on a daily basis, all funds received or deposited into the Blocked Accounts to such bank account of Lender as Lender may from time to time designate for such purpose ("Payment Account"). Borrowers agree that all payments made to such Blocked Accounts or other funds received and collected by Lender, whether on the Accounts or as proceeds of other Collateral or otherwise

shall be the property of Lender.

(b) For purposes of calculating interest on the Obligations, such payments or other funds received will be applied (conditional upon final collection) to the Obligations one (1) business day following the date of receipt of immediately available funds by Lender in the Payment Account. For purposes of calculating the amount of the Revolving Loans available to Borrowers such payments will be applied (conditional upon final collection) to the Obligations on the business day of receipt by Lender in the Payment Account, if such payments are received within sufficient time (in accordance with Lender's usual and customary practices as in effect from time to time) to credit Borrowers' loan account on such day, and if not, then on the next business day.

(c) Borrowers and all of their affiliates, subsidiaries, shareholders, directors, employees or agents shall, acting as trustee for Lender, receive, as the property of Lender, any monies, checks, notes, drafts or any other payment relating to and/or proceeds of Accounts, Equipment, or other Collateral which come into their possession or under their control and immediately upon receipt thereof, shall deposit or cause the same to be deposited in the Blocked

Accounts, or remit the same or cause the same to be remitted, in kind, to Lender. In no event shall the same be commingled with Borrowers' own funds. Borrowers agree to reimburse Lender on demand for any amounts owed or paid to any bank at which a Blocked Account is established or any other bank or person involved in the transfer of funds to or from the Blocked Accounts arising out of Lender's payments to or indemnification of such bank or person. The obligation of Borrowers to reimburse Lender for such amounts pursuant to this Section 6.3 shall survive the termination or non-renewal of this Agreement.

6.4 Payments. All Obligations shall be payable to the Payment Account as provided in Section 6.3 or such other place as Lender may designate from time to time. Lender may apply payments received or collected from Borrowers or for the account of Borrowers (including, without limitation, the monetary proceeds of collections or of realization upon any Collateral) to such of the Obligations, whether or not then due, in such order and manner as Lender determines. At Lender's option, all principal, interest, fees, costs, expenses and other charges provided for in this Agreement or the other Financing Agreements may be charged directly to the loan account(s) of Borrowers. Borrowers shall make all payments to Lender on the Obligations free and clear of, and without deduction or withholding for or on account of, any setoff, counterclaim, defense, duties, taxes, levies, imposts, fees, deductions, withholding, restrictions or conditions of any kind. If after receipt of any payment of, or proceeds of Collateral applied to the payment of, any of the Obligations, Lender is required to surrender or return such payment or proceeds to any Person for any reason, then the Obligations intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Agreement shall continue in full force and effect as if such payment or proceeds had not been received by Lender. Borrowers shall be liable to pay to Lender, and do hereby indemnify and hold Lender harmless for the amount of any payments or proceeds surrendered or returned. This Section 6.4 shall remain effective notwithstanding any contrary action which may be taken by Lender in reliance upon such payment or proceeds. This Section 6.4 shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

6.5 Authorization to Make Loans. Lender is authorized to make the Loans and provide the Letter of Credit Accommodations based upon written or telephonic (confirmed promptly in writing) instructions received from an authorized officer of CHES or other authorized person (as initially set forth in the Information Certificates) or, at the discretion of Lender, if such Loans are necessary to satisfy any Obligations. All requests for Loans or Letter of Credit Accommodations hereunder shall specify the date on which the requested advance is to be made or Letter of Credit Accommodations established (which day shall be a business day) and the amount of the requested Loan. Requests received after 11:00 a.m. Boston, Massachusetts time on any day shall be deemed to have been made as of the opening of business on the immediately following

business day. All Loans and Letter of Credit Accommodations under this Agreement shall be conclusively presumed to have been made to, and at the request of and for the benefit of, Borrowers when deposited to the credit of Borrowers or otherwise disbursed or established in accordance with the instructions of CHES or in accordance with the terms and conditions of this Agreement.

6.6 Use of Proceeds. Borrowers shall use the initial proceeds of the Loans provided by Lender to Borrowers hereunder only for: (a) payments to each of the persons listed in the disbursement direction letter furnished by Borrowers to Lender on or about the date hereof, (b) payment of a portion of the Existing Senior Note Redemption Price in accordance with Sections 2.3 and 4.3(c), and (c) costs, expenses and fees in connection with the preparation, negotiation, execution and delivery of this Agreement and the other Financing Agreements. All other Loans made or Letter of Credit Accommodations provided by Lender to Borrowers pursuant to the provisions hereof shall be used by Borrowers only for general operating, working capital and other proper corporate purposes of Borrowers not otherwise prohibited by the terms hereof. None of the proceeds will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security or for the purposes of reducing or retiring any indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might cause any of the Loans to be considered a "purpose credit" within the meaning of Regulation G of the Board of Governors of the Federal Reserve System, as amended.

SECTION 7. COLLATERAL REPORTING AND COVENANTS

7.1 Collateral Reporting. Borrowers shall provide Lender with the following documents in a form satisfactory to Lender: (a) on a regular basis as required by Lender, a schedule of Accounts; (b) on a monthly basis or more frequently as Lender may request, agings of accounts payable, (c) upon Lender's request, (i) copies of customer statements and credit memos, remittance advices and reports, and copies of deposit slips and bank statements, (ii) copies of shipping and delivery documents, and (iii) copies of purchase orders, invoices and delivery documents for Equipment acquired by Borrower; (d) agings of accounts receivable on a weekly basis or more frequently as Lender may request; and (e) such other reports as to the Collateral as Lender shall request from time to time. If any of Borrowers' records or reports of the Collateral are prepared or maintained by an accounting service, contractor, shipper or other agent, Borrowers hereby irrevocably authorize such service, contractor, shipper or agent to deliver such records, reports, and related documents to Lender and to follow Lender's instructions with respect to further services at any time that an Event of Default exists or has occurred and is continuing.

7.2 Accounts Covenants.

(a) Borrowers shall notify Lender promptly of: (i) any material delay in any Borrower's performance of any of its obligations to any account debtor or the assertion of any material claims, offsets, defenses or counterclaims by any account debtor, or any disputes with account debtors, or any settlement, adjustment or compromise thereof, (ii) all material adverse information known to any Borrower relating to the financial condition of any account debtor and (iii) any event or circumstance which, to any Borrower's knowledge would cause Lender to consider any then existing Accounts as no longer constituting Eligible Accounts. No credit, discount, allowance or extension or agreement for any of the foregoing shall be granted to any account debtor without Lender's consent, except in the ordinary course of Borrowers' business in accordance with practices and policies previously disclosed in writing to Lender. So long as no Event of Default exists or has occurred and is continuing, Borrowers shall settle, adjust or

compromise any claim, offset, counterclaim or dispute with any account debtor.

At any time that an Event of Default exists or has occurred and is continuing, Lender shall, at its option, have the exclusive right to settle, adjust or compromise any claim, offset, counterclaim or dispute with account debtors or grant any credits, discounts or allowances.

(b) With respect to each Account: (i) the amounts shown on any invoice delivered to Lender or schedule thereof delivered to Lender shall be true and complete, (ii) no payments shall be made thereon except payments immediately delivered to Lender pursuant to the terms of this Agreement, (iii) no credit, discount, allowance or extension or agreement for any of the foregoing shall be granted to any account debtor except as reported to Lender in accordance with this Agreement and except for credits, discounts, allowances or extensions made or given in the ordinary course of Borrowers' business in accordance with practices and policies previously disclosed to Lender, (iv) there shall be no setoffs, deductions, contras, defenses, counterclaims or disputes existing or asserted with respect thereto except as reported to Lender in accordance with the terms of this Agreement, (v) none of the transactions giving rise thereto will violate any applicable State or Federal laws or regulations, all documentation relating thereto will be legally sufficient under such laws and regulations and all such documentation will be legally enforceable in accordance with its terms.

(c) Lender shall have the right at any time or times, in Lender's name or in the name of a nominee of Lender, to verify the validity, amount or any other matter relating to any Account or other Collateral, by mail, telephone, facsimile transmission or otherwise. Lender will notify CHES of its conducting telephone verifications after doing so.

(d) Borrowers shall deliver or cause to be delivered to Lender, with appropriate endorsement and assignment, with full recourse to Borrowers, all chattel paper and instruments which any Borrower now owns or may at any time acquire immediately upon such Borrower's receipt thereof, except as Lender may otherwise agree.

(e) Lender may, at any time or times that an Event of Default exists or has occurred and is continuing, (i) notify any or all account debtors that the Accounts have been assigned to Lender and that Lender has a security interest therein and Lender may direct any or all accounts debtors to make payment of Accounts directly to Lender, (ii) extend the time of payment of, compromise, settle or adjust for cash, credit, return of merchandise or otherwise, and upon any terms or conditions, any and all Accounts or other obligations included in the Collateral and thereby discharge or release the account debtor or any other party or parties in any way liable for payment thereof without affecting any of the Obligations, (iii) demand, collect or enforce payment of any Accounts or such other obligations, but without any duty to do so, and Lender shall not be liable for its failure to collect or enforce the payment thereof nor for the negligence of its agents or attorneys with respect thereto and (iv) take whatever other action Lender may deem necessary or desirable for the protection of its interests. At any time that an Event of Default exists or has occurred and is continuing, at Lender's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to Lender and are payable directly and only to Lender and Borrowers shall

deliver to Lender such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Lender may require.

7.3 Equipment Covenants. With respect to the Equipment: (a) upon Lender's request, Borrowers shall, at their expense, at any time or times as Lender may request on or after an Event of Default, deliver or cause to be delivered to Lender written reports or appraisals as to the Equipment in form, scope and methodology acceptable to Lender and by an appraiser acceptable to Lender; (b) Borrowers shall keep the Equipment in good order, repair, running and marketable condition (ordinary wear and tear excepted); (c) Borrowers shall

use the Equipment with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with all applicable laws; (d) the Equipment is and shall be used in Borrowers' business and not for personal, family, household or farming use; (e) Borrowers shall not remove any Equipment from the locations set forth or permitted herein, except to the extent necessary to have any Equipment repaired or maintained in the ordinary course of the business of Borrowers or to move Equipment directly from one location set forth or permitted herein to another such location and except for the movement of motor vehicles used by or for the benefit of Borrowers in the ordinary course of business; (f) subject to Section 4.3(c) hereof, Borrowers for all motor vehicles and rolling stock hereafter owned or acquired by any Borrower, upon the acquisition of such vehicles, Borrowers shall cause to be delivered to Lender original certificates of title for such motor vehicles and other rolling stock together with Lender's first priority lien noted thereon; (g) the Equipment is now and shall remain personal property and Borrowers shall not permit any of the Equipment to be or become a part of or affixed to real property; and (h) Borrowers assume all responsibility and liability arising from the use of the Equipment.

7.4 Power of Attorney. Each Borrower hereby irrevocably designates and appoints Lender (and all persons designated by Lender) as Borrowers' true and lawful attorney-in-fact, and authorizes Lender, in any Borrowers' or Lender's name, to: (a) at any time a Default or an Event of Default exists or has occurred and is continuing (i) demand payment on Accounts or other proceeds of Collateral, (ii) enforce payment of Accounts by legal proceedings or otherwise, (iii) exercise all of Borrowers' rights and remedies to collect any Account or other Collateral, (iv) sell or assign any Account upon such terms, for such amount and at such time or times as the Lender deems advisable, (v) settle, adjust, compromise, extend or renew an Account, (vi) discharge and release any Account, (vii) prepare, file and sign Borrowers' name on any proof of claim in bankruptcy or other similar document against an account debtor, (viii) notify the post office authorities to change the address for delivery of Borrowers' mail to an address designated by Lender, and open and dispose of all mail addressed to any Borrower, and (ix) do all acts and things which are necessary, in Lender's determination, to fulfill Borrower's obligations under this Agreement and the other Financing Agreements and (b) at any time to (i) take control in any manner of any item of payment or proceeds thereof, (ii) have access to any lockbox into which any Borrower's mail is deposited, (iii) endorse any Borrower's name upon any items of payment or proceeds thereof and deposit the same in the Lender's account for application to the Obligations, (iv) endorse any Borrower's name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Account or any goods pertaining thereto or any other Collateral, (v) sign any Borrower's name on any verification of Accounts and notices thereof to account debtors, (vi) execute in any Borrower's name and file any UCC

financing statements or amendments thereto or any application or other document to note Lender's lien on any certificate of title, and (viii) execute in any Borrower's name and file any application or document necessary to obtain, extend, modify or amend any order, license, permit, certificate, approval, or similar authorization necessary or appropriate for the conduct of any Borrower's business. Each Borrower hereby releases Lender and its officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of Lender's own gross negligence or willful misconduct as determined pursuant to a final non- appealable order of a court of competent jurisdiction.

7.5 Right to Cure. Lender may, at its option, (a) cure any default by any Borrower under any agreement with a third party if such default might have a material adverse effect on the business, operations or prospects of any Borrower or pay or bond on appeal any judgment entered against any Borrower, if the execution of such judgment is not effectively stayed, on appeal or otherwise, (b) discharge taxes, liens, security interests or other encumbrances at any time levied on or existing with respect to the Collateral and (c) pay any amount, incur any expense or perform any act which, in Lender's judgment, is necessary

or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Lender with respect thereto. Lender may add any amounts so expended to the Obligations and charge Borrowers' account(s) therefor, such amounts to be repayable by Borrower(s) on demand. Lender shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of any Borrower. Any payment made or other action taken by Lender under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

7.6 Access to Premises. From time to time as requested by Lender, at the cost and expense of Borrowers, (a) Lender or its designee shall have complete access to all of Borrowers' premises during normal business hours and after notice to CHES, or at any time and without notice to any Borrower if an Event of Default exists or has occurred and is continuing, for the purposes of inspecting, verifying and auditing the Collateral and all of Borrowers' books and records, including, without limitation, the Records, and (b) Borrowers shall promptly furnish to Lender such copies of such books and records or extracts therefrom as Lender may request, and (c) use during normal business hours such of Borrowers' personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing and if an Event of Default exists or has occurred and is continuing for the collection of Accounts and realization of other Collateral.

7.7 Surveys of Real Property. Lender reserves the right at any time in its discretion, with respect to all Real Property (other than the Parcels identified in Section 4.3 for which ALTA surveys will be provided in accordance with such Section), (i) upon and following a Default or an Event of Default, or (ii) any time that the Excess Availability is less than $2,500,000.00, to require that Borrowers cause ALTA surveys to be conducted with respect to such Real Property and that Borrowers obtain title insurance endorsements without any survey exceptions; provided, however, that Lender may at any time require an instrument survey and such title insurance endorsements with respect to any parcel of Real Property if any third party claim is made or threatened.

SECTION 8. REPRESENTATIONS AND WARRANTIES

Each Borrower hereby represents and warrants to Lender the following (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the making of Loans and providing Letter of Credit Accommodations by Lender to Borrowers:

8.1 Corporate Existence, Power and Authority; Subsidiaries. Each Borrower is a corporation duly organized and in good standing under the laws of its state of incorporation and is duly qualified as a foreign corporation and in good standing in all states or other jurisdictions where the nature and extent of the business transacted by it or the ownership of assets makes such qualification necessary, except for those jurisdictions in which the failure to so qualify would not have a material adverse effect on any Borrower's financial condition, results of operation or business or the rights of Lender in or to any of the Collateral. The execution, delivery and performance of this Agreement, the other Financing Agreements and the transactions contemplated hereunder and thereunder are all within each Borrower's corporate powers, have been duly authorized and are not in contravention of law or the terms of any Borrower's certificate of incorporation, by-laws, or other organizational documentation, or any indenture, agreement or undertaking to which any Borrower is a party or by which any Borrower or its property are bound. This Agreement and the other Financing Agreements constitute legal, valid and binding obligations of each Borrower enforceable in accordance with their respective terms. Borrowers do not have any subsidiaries except as set forth on the Information Certificates.

8.2 Financial Statements; No Material Adverse Change. All financial statements relating to Borrowers which have been or may hereafter be delivered by Borrowers to Lender have been prepared in accordance with GAAP and fairly present the financial condition and the results of operation of Borrowers as at the dates and for the periods set forth therein. Except as disclosed in any

interim financial statements furnished by Borrowers to Lender prior to the date of this Agreement, there has been no material adverse change in the assets, liabilities, properties and condition, financial or otherwise, of Borrowers, since the date of the most recent audited financial statements furnished by Borrowers to Lender prior to the date of this Agreement.

8.3 Chief Executive Office; Collateral Locations. The chief executive office of each Borrower and Borrowers' Records concerning Accounts are located only at the addresses set forth below and their only other places of business and the only other locations of Collateral, if any, are the addresses set forth in the Information Certificates, subject to the right of Borrowers to establish new locations in accordance with Section 9.2 below. The Information Certificates correctly identify any of such locations which are not owned by any Borrowers and sets forth the owners and/or operators thereof.

8.4 Priority of Liens; Title to Properties. The security interests and liens granted to Lender under this Agreement and the other Financing Agreements constitute valid and perfected first priority liens and security interests in and upon the Collateral subject only to the liens indicated on Schedule 8.4 hereto and the other liens permitted under Section 9.8 hereof.

Borrowers have good and marketable title to all of their properties and assets subject to no liens, mortgages, pledges, security interests, encumbrances or charges of any kind, except those granted to Lender and such others as are specifically listed on Schedule 8.4 hereto or permitted under Section 9.8 hereof.

8.5 Tax Returns. Borrowers have filed, or caused to be filed, in a timely manner all tax returns, reports and declarations which are required to be filed by them (without requests for extension except as previously disclosed in writing to Lender). All information in such tax returns, reports and declarations is complete and accurate in all material respects. Borrowers have paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Borrowers and with respect to which adequate reserves have been set aside on their books. Adequate provision has been made for the payment of all accrued and unpaid Federal, State, county, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.

8.6 Litigation. Except as set forth on the Information Certificates, there is no present investigation by any governmental agency pending, or to the best of Borrowers' knowledge threatened, against or affecting any Borrower, its assets or business and there is no action, suit, proceeding or claim by any Person pending, or to the best of Borrowers' knowledge threatened, against any Borrower or its assets or goodwill, or against or affecting any transactions contemplated by this Agreement, which if adversely determined against any Borrower would result in any material adverse change in the assets, business or prospects of such Borrower or would impair the ability of such Borrower to perform its obligations hereunder or under any of the other Financing Agreements to which it is a party or of Lender to enforce any Obligations or realize upon any Collateral.

8.7 Compliance with Other Agreements and Applicable Laws. Borrowers are not in default in any material respect under, or in violation in any material respect of any of the terms of, any agreement, contract, instrument, lease or other commitment to which any of them is a party or by which any of them or any of their assets are bound and Borrowers are in compliance in all material respects with all applicable provisions of laws, rules, regulations, licenses, permits, approvals and orders of any foreign, Federal, State or local governmental authority.

8.8 Environmental Compliance. Except as shown or reflected in the financial statements of Borrowers previously furnished to Lender and to be furnished to Lender under Section 9.6 hereof, unless such matters would not have

a material adverse effect upon the business, assets or prospects of the Borrowers on a consolidated basis:

(a) No Borrower has generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Materials, on or off its premises (whether or not owned by it) in any manner which at any time violates any applicable Environmental Law or any order, license, permit, certificate, approval or similar authorization thereunder and the operations of Borrowers comply in all material respects with all Environmental

Laws and all orders, licenses, permits, certificates, approvals and similar authorizations thereunder.

(b) There has been no investigation, proceeding, complaint, order, directive, claim, citation or notice by any governmental authority or any other person, nor is any pending, with respect to any non-compliance with or violation of the requirements of any Environmental Law by any Borrower or the release, spill or discharge, threatened or actual, of any Hazardous Material or any properties at or from which any Borrower has transported, stored or disposed of any Hazardous Materials, and all handling, production or disposal of any Hazardous Materials by Borrowers has been conducted in compliance with all applicable Environmental Laws, all laws and regulations relating to health and safety matters and all orders, licenses, permits, certificates, approvals and similar authorizations relating thereto.

(c) Borrowers have no material liability (contingent or otherwise) in connection with (i) a release, spill or discharge, threatened or actual, of any Hazardous Materials, (ii) the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or (iii) any service or remediation performed by any Borrower at any location.

(d) Borrowers have obtained and are in material compliance with all licenses, permits, certificates, approvals or similar authorizations required in connection with the operations of Borrowers under any Environmental Law and, to the best of Borrowers' knowledge, all of such licenses, permits, certificates, approvals or similar authorizations are valid and in full force and effect.

8.9 Employee Benefits. (a) Borrowers have not engaged in any transaction in connection with which any Borrower or any of its ERISA Affiliates could be subject to either a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code, including any accumulated funding deficiency described in Section 8.9(c) hereof and any deficiency with respect to vested accrued benefits described in Section 8.9(d) hereof.

(b) No liability to the Pension Benefit Guaranty Corporation has been or is expected by Borrowers to be incurred with respect to any employee pension benefit plan of any Borrower or any of its ERISA Affiliates. There has been no reportable event (within the meaning of Section 4043(b) of ERISA) or any other event or condition with respect to any employee pension benefit plan of any Borrower or any of its ERISA Affiliates which presents a risk of termination of any such plan by the Pension Benefit Guaranty Corporation.

(c) Full payment has been made of all amounts which any Borrower or any of its ERISA Affiliates is required under Section 302 of ERISA and Section 412 of the Code to have paid under the terms of each employee pension benefit plan as contributions to such plan as of the last day of the most recent fiscal year of such plan ended prior to the date hereof, and no accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, exists with respect to any employee pension benefit plan,

including any penalty or tax described in Section 8.9(a) hereof and any

deficiency with respect to vested accrued benefits described in Section 8.9(d) hereof.

(d) The current value of all vested accrued benefits under all employee pension benefit plans maintained by Borrowers that are subject to Title IV of ERISA does not exceed the current value of the assets of such plans allocable to such vested accrued benefits, including any penalty or tax described in Section 8.9(a) hereof and any accumulated funding deficiency described in Section 8.9(c) hereof. The terms "current value" and "accrued benefit" have the meanings specified in ERISA.

(e) No Borrower nor any ERISA Affiliates thereof is or has ever been obligated to contribute to any "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA) that is subject to Title IV of ERISA.

8.10 Interrelated Businesses. (a) Parent owns beneficially and of record all the outstanding capital stock of each other Borrower, subject to no liens or encumbrances of any kind; (b) the financial condition and business prospects of each Borrower are of direct economic benefit to the other Borrowers; and (c) each Borrower's access to the financing arrangements through Lender significantly enhances its own financial condition and business prospects and, consequently, directly benefits all other Borrowers.

8.11 Accuracy and Completeness of Information. All information furnished by or on behalf of Borrowers in writing to Lender in connection with this Agreement or any of the other Financing Agreements or any transaction contemplated hereby or thereby, including, without limitation, all information on the Information Certificates is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading. No event or circumstance has occurred which has had or could reasonably be expected to have a material adverse affect on the business, assets or prospects of Borrowers, which has not been fully and accurately disclosed to Lender in writing.

8.12 Bank Accounts. All of the deposit accounts, investment accounts or other accounts in the name of or used by any Borrower maintained at any bank or other financial institution are set forth on Schedule 8.12 hereto, subject to the right of Borrowers to establish new accounts in accordance with Section 9.17 hereof.

8.13 Survival of Warranties; Cumulative. All representations and warranties contained in this Agreement or any of the other Financing Agreements shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to Lender on the date of each additional borrowing or other credit accommodation hereunder and shall be conclusively presumed to have been relied on by Lender regardless of any investigation made or information possessed by Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which Borrowers shall now or hereafter give, or cause to be given, to Lender.

SECTION 9. AFFIRMATIVE AND NEGATIVE COVENANTS

9.1 Maintenance of Existence. Each Borrower shall at all times preserve, renew and keep in full force and effect its corporate existence and rights and franchises with respect thereto and maintain in full force and effect all permits, licenses, trademarks, tradenames, approvals, authorizations, leases and contracts necessary to carry on the business as presently or proposed to be conducted. Each Borrower shall give Lender thirty (30) days prior written notice of any proposed change in its corporate name, which notice shall set forth the new name and such Borrower shall deliver to Lender a copy of the amendment to the Certificate of Incorporation, Articles of Organization or other charter document of such Borrower providing for the name change certified by the Secretary of State of the jurisdiction of incorporation of Borrower as soon as it is available.

9.2 New Collateral Locations. Borrowers may open any new location within the continental United States provided (a) Borrowers give Lender written notice (i) thirty (30) days prior to the intended opening of any such new location where the value of the Collateral located or to be located at such location does or will equal or exceed $100,000 and (ii) within ten (10) days of the opening of any new location where the value of the Collateral located or to be located at such location is less than $100,000 and (b) execute and deliver, or cause to be executed and delivered, to Lender such agreements, documents, and instruments as Lender may deem reasonably necessary or desirable to protect its interests in the Collateral at such location, including, without limitation, UCC financing statements.

9.3 Compliance with Laws, Regulations, Etc. Each Borrower shall, at all times, comply in all material respects with all laws, rules, regulations, licenses, permits, approvals and orders applicable to it and duly observe all requirements of any Federal, State or local governmental authority, including, without limitation, the Employee Retirement Security Act of 1974, as amended, the Occupational Safety and Hazard Act of 1970, as amended, the Fair Labor Standards Act of 1938, as amended, and all statutes, rules, regulations, orders, permits and stipulations relating to environmental pollution and employee health and safety, including, without limitation, all of the Environmental Laws, if failure to so comply could result in the imposition of substantial fines or penalties or otherwise materially and adversely affect the business, assets or prospects of the Borrowers on a consolidated basis.

(a) Each Borrower shall establish and maintain, at its expense, a system and policies to assure and monitor its continued compliance with all Environmental Laws in all of its operations, which system and policies shall include periodic reviews of such compliance by employees or agents of Borrowers who are familiar with the requirements of the Environmental Laws. Copies of all such periodic reviews shall be made available by Borrowers for inspection by Lender and, upon Lender's request, copies of all environmental reviews, surveys, audits, assessments, feasibility studies and results of remedial investigations shall be promptly furnished, or caused to be furnished, by Borrowers to Lender. Borrowers shall take prompt and appropriate action to respond to any non-compliance with any of the Environmental Laws and shall regularly report to Lender on such response.

(b) Borrowers shall give both oral and written notice to Lender promptly upon any Borrower's receipt of any notice of, or any Borrower's otherwise obtaining knowledge of, any of the following which could result in the imposition of substantial fines or penalties or otherwise materially and adversely affect the business, assets or prospects of the Borrowers on a consolidated basis: (i) the occurrence of any event involving the release, spill or discharge, threatened or actual, of any Hazardous Material or (ii) any investigation, proceeding, complaint, order, directive, claims, citation or notice with respect to: (A) any non-compliance with or violation of any Environmental Law by any Borrower or (B) the release, spill or discharge, threatened or actual, of any Hazardous Material or (C) the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Material in a manner that is not in compliance with Environmental Laws or any order, license, permit, certificate, approval or similar authorization relating thereto, (D) any other environmental, health or safety matter, which may materially and adversely affect any Borrower or its business, operations or assets, or (E) any properties at which any Borrower transported, stored or disposed of any Hazardous Materials.

(c) Without limiting the generality of the foregoing, whenever Lender reasonably determines that there is non-compliance, or any condition which requires any action by or on behalf of any Borrower in order to avoid any material non-compliance, with any Environmental Law which could result in the imposition of substantial fines or penalties or otherwise materially and adversely affect the business, assets or prospects of the Borrowers on a consolidated basis, Borrowers shall, at Lender's request and Borrowers' expense:

(i) cause an independent environmental engineer acceptable to Lender to conduct such assessments, investigations or tests of the site where any Borrower's non-compliance or alleged non-compliance with such Environmental Laws has occurred as to such non-compliance and prepare and deliver to Lender a report as to such non-compliance setting forth the results of such tests, a proposed plan for responding to any environmental problems described therein, and an estimate of the costs thereof and (ii) provide to Lender a supplemental report of such engineer whenever the scope of such non-compliance, or Borrower's response thereto or the estimated costs thereof, shall change in any material respect.

(d) Borrowers shall maintain in full force and effect all orders, licenses, permits, certificates, approvals and similar authorizations necessary or appropriate for the conduct of their business, unless the failure to have or maintain the same will not have a material adverse effect on the business assets or prospects of Borrowers on a consolidated basis, and shall promptly give notice to Lender of any rescission, termination, lapse, breach (including all citations, fines or notices of non-compliance), modification or amendment thereof which might have a material adverse effect on the business, assets or prospects of Borrowers on a consolidated basis.

(e) Each Borrower shall indemnify and hold harmless Lender, its directors, officers, employees, agents, invitees, representatives, successors and assigns, from and against any and all losses, claims, damages, liabilities, costs, and expenses (including attorneys' fees and legal expenses) directly or indirectly arising out of or attributable to the use, generation, manufacture, reproduction, storage, release, threatened release, spill, discharge, disposal or

presence of a Hazardous Material, including, without limitation, the costs of any required or necessary repair, cleanup or other remedial work with respect to any property of any Borrower and the preparation and implementation of any closure, remedial or other required plans or any actions of Lender relating thereto.

(f) Borrowers acknowledge and agree that neither the Financing Agreements or the actions of Lender pursuant thereto shall operate or be deemed (i) to place upon Lender any responsibility for the operation, control, care, service, management, maintenance or repair of property or facilities of Borrowers or (ii) to make Lender the "owner" or "operator" of any property or facilities of Borrowers or a "responsible party" within the meaning of applicable Environmental Laws. For purposes of this Section 9.3, "substantial fines or penalties" will be determined based upon fines or penalties that have been assessed by governmental agencies or courts in other instances of noncompliance or violation of Environmental Laws by similarly situated entities. All representations, warranties, covenants and indemnifications in Sections 8.8 and 9.3 shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

9.4 Payment of Taxes and Claims. Each Borrower shall duly pay and discharge all taxes, assessments, contributions and governmental charges upon or against it or its properties or assets, except for taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Borrowers and with respect to which adequate reserves have been set aside on its books. Borrowers shall be liable for any tax or penalties imposed on Lender as a result of the financing arrangements provided for herein and Borrowers agree to indemnify and hold Lender harmless with respect to the foregoing, and to repay to Lender on demand the amount thereof, and until paid by Borrowers such amount shall be added and deemed part of the Loans, provided, that, nothing contained herein shall be construed to require Borrowers to pay any income or franchise taxes attributable to the income of Lender from any amounts charged or paid hereunder to Lender. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

9.5 Insurance. Borrowers shall, at all times, maintain with

financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to Lender as to form, amount and insurer. Borrowers shall furnish certificates, policies or endorsements to Lender as Lender shall require as proof of such insurance, and, if Borrowers fail to do so, Lender is authorized, but not required, to obtain such insurance at the expense of Borrowers. All policies shall provide for at least thirty (30) days prior written notice to Lender of any cancellation or reduction of coverage and that Lender may act as attorney for Borrower in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and canceling such insurance. Borrowers shall cause Lender to be named as a loss payee and an additional insured (but without any liability for any premiums) under such insurance policies and Borrowers shall obtain non-contributory lender's loss payable endorsements to all insurance policies in form and substance satisfactory to Lender. Such lender's loss payable endorsements shall specify that the proceeds

of such insurance shall be payable to Lender as its interests may appear and further specify that Lender shall be paid regardless of any act or omission by Borrowers or any of their affiliates. At its option, Lender may apply any insurance proceeds received by Lender at any time to the cost of repairs or replacement of Collateral and/or to payment of the Obligations, whether or not then due, in any order and in such manner as Lender may determine or hold such proceeds as cash collateral for the Obligations.

9.6 Financial Statements and Other Information.

(a) Borrowers shall keep proper books and records in which true and complete entries shall be made of all dealings or transactions of or in relation to the Collateral and the business of Borrowers and their and its subsidiaries (if any) in accordance with GAAP and Borrowers shall furnish or cause to be furnished to Lender: (i) within thirty (30) days after the end of each fiscal month (or forty-five (45) days, if such month is the last month of a fiscal quarter), monthly unaudited consolidated financial statements of the Parent, Borrowers and their subsidiaries (including in each case balance sheets, statements of income and loss and statements of shareholders' equity), all in reasonable detail, fairly presenting the financial position and the results of the operations of Parent, Borrowers and their respective subsidiaries as of the end of and through such fiscal month and (ii) within ninety (90) days after the end of each fiscal year, audited consolidated financial statements (120 days in the case of the financial statements for the fiscal year ended December 31, 2000) of Parent, Borrower and their subsidiaries (including in each case balance sheets, statements of income and loss, statements of cash flow and statements of shareholders' equity), and the accompanying notes thereto, all in reasonable detail, fairly presenting the financial position and the results of the operations of Parent, Borrowers and their respective subsidiaries as of the end of and for such fiscal year, together with the opinion of independent certified public accountants, which accountants shall be an independent accounting firm selected by Parent and Borrowers and reasonably acceptable to Lender, that such financial statements have been prepared in accordance with GAAP, and present fairly the results of operations and financial condition of Parent, Borrowers and their respective subsidiaries as of the end of and for the fiscal year then ended.

(b) Borrowers shall promptly notify Lender in writing of the details of (i) any material loss, damage, investigation, action, suit, proceeding or claim relating to the Collateral or any other property which is security for the Obligations or which would result in any material adverse change in any Borrower's business, properties, assets, goodwill or condition, financial or otherwise and (ii) the occurrence of any Event of Default or event which, with the passage of time or giving of notice or both, would constitute an Event of Default.

(c) Borrowers shall promptly after the sending or filing thereof furnish or cause to be furnished to Lender copies of all reports which Parent sends to its stockholders generally and copies of all reports and registration statements which Parent or any Borrower files with the Securities and Exchange Commission, any national securities exchange or the National Association of Securities Dealers, Inc.

(d) Borrowers shall furnish or cause to be furnished to Lender such budgets, forecasts, projections and other information respecting the Collateral and the business of Borrowers, as Lender may, from time to time, reasonably request. Lender is hereby authorized to deliver a copy of any financial statement or any other information relating to the business of Borrowers to any court or other government agency or to any participant or assignee or prospective participant or assignee. Borrowers hereby irrevocably authorize and direct all accountants or auditors to deliver to Lender, at Borrowers' expense, copies of the financial statements of Borrowers and any reports or management letters prepared by such accountants or auditors on behalf of Borrowers and to disclose to Lender such information as they may have regarding the business of Borrowers. Any documents, schedules, invoices or other papers delivered to Lender may be destroyed or otherwise disposed of by Lender one (1) year after the same are delivered to Lender, except as otherwise designated by Borrowers to Lender in writing.

9.7 Sale of Assets, Consolidation, Merger, Dissolution, Etc. Borrowers shall not, directly or indirectly, (a) merge into or with or consolidate with any other Person or permit any other Person to merge into or with or consolidate with any Borrower (except for merger or consolidations among Borrowers and mergers of subsidiaries of Borrowers into Borrowers), or (b) sell, assign, lease, transfer, abandon or otherwise dispose of any stock or indebtedness to any other Person or any of their assets to any other Person (except for (i) the Real Property now owned by Clean Harbors of Natick, Inc. at 10 Mercer Road, Natick, Massachusetts or (ii) the disposition of Equipment or Equipment no longer used or useful in the business of Borrowers so long as any proceeds are paid to Lender and such sales do not involve Equipment having an aggregate fair market value in excess of $500,000.00 for all such Equipment disposed of in any fiscal year of Borrowers), or (c) form or acquire any subsidiaries, or (d) wind up, liquidate or dissolve (unless the Borrower being wound up, liquidated or dissolved is neither Parent nor CHES and the business of the Borrower being wound up, liquidated or dissolved is continued by another Borrower), or (e) agree to do any of the foregoing.

9.8 Encumbrances. Borrowers shall not create, incur, assume or suffer to exist any security interest, mortgage, pledge, lien, charge or other encumbrance of any nature whatsoever on any of its assets or properties, including, without limitation, the Collateral, except: (a) liens and security interests of Lender; (b) liens securing the payment of taxes, either not yet overdue or the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Borrowers and with respect to which adequate reserves have been set aside on its books; (c) non-consensual statutory liens (other than liens securing the payment of taxes or clean-up, containment, removal, remediation or restoration of property of Borrowers or their subsidiaries under any applicable Environmental Laws) arising in the ordinary course of Borrowers' business to the extent: (i) such liens secure indebtedness which is not overdue or (ii) such liens secure indebtedness relating to claims or liabilities which (subject to normal deductibles) are fully insured and being defended at the sole cost and expense and at the sole risk of the insurer or being contested in good faith by appropriate proceedings diligently pursued and available to Borrowers, in each case prior to the commencement of foreclosure or other similar proceedings and with respect to which adequate reserves have been set aside on their books; (d) zoning restrictions, easements, licenses, covenants and other restrictions affecting the use of any Real Property which do not interfere in any material respect with the use of such Real Property

or ordinary conduct of the business of Borrower as presently conducted thereon or materially impair the value of the real property which may be subject thereto; (e) pledges or deposits under workers' compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of indebtedness) or leases to which a Borrower is a party, or deposits to secure public or statutory obligations of a Borrower or deposits or cash or United States government bonds to secure surety or appeal bonds to which a Borrower is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business; (f) purchase money security interests in Equipment (including capital leases) and purchase money mortgages on real estate not to exceed $5,000,000 in the aggregate at any time outstanding so long as such security interests and mortgages do not apply to any property of Borrower other than the Equipment or real estate so acquired, and the indebtedness secured thereby does not exceed the cost of the Equipment or real estate so acquired, as the case may be; (g) debt service reserve funds in an aggregate amount not to exceed $1,275,000 at any one time which may be required under the Kimball IRB Documents to be deposited from time to time with the Trustee thereunder; and (h) the security interests and liens set forth on Schedule 8.4 hereto. This covenant is not intended to restrict Borrowers from entering into operating leases, as determined in accordance with GAAP.

9.9 Indebtedness. Borrowers shall not incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any indebtedness, except (a) the Obligations; (b) trade obligations and normal accruals in the ordinary course of business not yet due and payable, or with respect to which the Borrowers are contesting in good faith the amount or validity thereof by appropriate proceedings diligently pursued and available to Borrowers, and with respect to which adequate reserves have been set aside on their books; (c) obligations and indebtedness under the Kimball IRB Documents and lease obligations or purchase money indebtedness (including capital leases) to the extent not incurred or secured by liens (including capital leases) in violation of any other provision of this Agreement; provided, that, (i) Borrowers may only make regularly scheduled payments of principal and interest (and, in the case of the Kimball IRB Documents, debt service reserve fund payments) in respect of such indebtedness in accordance with the terms of the agreement or instrument evidencing or giving rise to such indebtedness as in effect on the date hereof, (ii) Borrowers shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such indebtedness or any agreement, document or instrument related thereto as in effect on the date hereof, or (B) redeem, retire, defease, purchase or otherwise acquire such indebtedness, or set aside or otherwise deposit or invest any sums for such purpose (except as otherwise permitted in this Agreement), and (iii) Borrowers shall furnish to Lender all notices or demands in connection with such indebtedness either received by any Borrower or on its behalf, promptly after the receipt thereof, or sent by any Borrower or on its behalf, concurrently with the sending thereof, as the case may be; (d) guaranty, suretyship or indemnification obligations in connection with the Borrowers' performance of services in the ordinary course of business; (e) indebtedness under the Existing Senior Notes (provided that such indebtedness shall remain outstanding only until the Existing Senior Notes are redeemed in accordance with Sections 2.3 and 4.3(c)); (f) the Senior Subordinated Notes and guaranties provided in connection with the Senior Subordinated Notes; provided, that, (i) Borrowers shall not make payments on the Senior Subordinated Notes except as permitted under the terms and conditions of the Subordination Agreement between the Lender and the holders of the Senior

Subordinated Notes, (ii) Borrowers shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such indebtedness or any agreement, document or instrument related thereto as in effect on the date hereof except as provided in the Subordination Agreement, or (B) redeem, retire, defease, purchase or otherwise acquire such indebtedness, or set aside or otherwise deposit or invest any sums for such purpose (except as permitted by the Subordination Agreement), and (iii) Borrowers shall furnish to Lender all notices or demands in connection with such indebtedness either received by any

Borrower or on its behalf, promptly after the receipt thereof, or sent by any Borrower or on its behalf, concurrently with the sending thereof, as the case may be; and (g) refinancings of the Senior Subordinated Notes as provided in Schedule 9.11 hereto.

9.10 Loans, Investments, Guarantees, Etc. Borrowers shall not, directly or indirectly, make any loans or advance money or property to any person, or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the stock or indebtedness or all or a substantial part of the assets or property of any person, or guarantee, assume, endorse, or otherwise become responsible for (directly or indirectly) the indebtedness, performance, obligations or dividends of any Person or agree to do any of the foregoing, except: (a) the endorsement of instruments for collection or deposit in the ordinary course of business; (b) investments in: (i) short-term direct obligations of the United States Government, (ii) negotiable certificates of deposit issued by any bank satisfactory to Lender, payable to the order of the Borrower or to bearer and delivered to Lender, and (iii) commercial paper rated A1 or P1; provided, that, as to any of the foregoing, unless waived in writing by Lender, Borrowers shall take such actions as are deemed necessary by Lender to perfect the security interest of Lender in such investments; (c) the guarantees set forth in the Information Certificates; (d) guarantees and loans among Borrowers entered into in the ordinary course of Borrowers' business; and (e) loans and advances to employees in the ordinary course of business in an aggregate amount not to exceed $200,000 at any time outstanding.

9.11 Dividends and Redemptions. Borrowers shall not, directly or indirectly, declare or pay any dividends on account of any shares of class of capital stock of Borrower now or hereafter outstanding, or set aside or otherwise deposit or invest any sums for such purpose, or redeem, retire, defease, purchase or otherwise acquire any shares of any class of capital stock (or set aside or otherwise deposit or invest any sums for such purpose) for any consideration other than common stock or apply or set apart any sum, or make any other distribution (by reduction of capital or otherwise) in respect of any such shares or agree to do any of the foregoing, except as set forth on Schedule 9.11 hereto.

9.12 Transactions with Affiliates. Borrowers shall not enter into any transaction for the purchase, sale or exchange of property or the rendering of any service to or by any affiliate, except in the ordinary course of and pursuant to the reasonable requirements of Borrowers' business and upon fair and reasonable terms no less favorable to Borrowers than Borrowers would obtain in a comparable arm's length transaction with an unaffiliated person.

9.13 Working Capital. Parent shall, at all times, maintain Working Capital of not less than $10,000,000.00.

9.14 Adjusted Net Worth. Parent shall, at all times, maintain an Adjusted Net Worth of not less than (i) until such time as the Senior Subordinated Notes are issued and are outstanding, $35,000,000.00 and (ii) upon the issuance of the Senior Subordinated Notes and thereafter, $60,000,000.00.

9.14A Senior Debt to EBITDA. During the period that the Term Loan B (or any portion thereof) is outstanding, Parent shall maintain, on a consolidated basis, as of the last day of each fiscal quarter, a ratio of: (i) Senior Debt as of such date; to (ii) EBITDA, for the period of twelve consecutive months ending on such date, of not more than 2.25 to 1.00.

9.14B Minimum EBITDA. During the period that the Term Loan B (or any portion thereof) is outstanding, Parent shall maintain, on a consolidated basis, as of the last day of each fiscal quarter, EBITDA, for the period of twelve consecutive months ending on such date, of not less than $20,000,000:

9.15 Compliance with ERISA. Borrowers shall not with respect to any "employee pension benefit plans" maintained by any Borrower or any of its ERISA Affiliates.

(i) terminate any of such employee pension benefit plans so as to incur any liability to the Pension Benefit Guaranty Corporation established pursuant to ERISA, (ii) allow or suffer to exist any prohibited transaction involving any of such employee pension benefit plans or any trust created thereunder which would subject any Borrower or such ERISA Affiliate to a tax or penalty or other liability on prohibited transactions imposed under Section 4975 of the Code or ERISA, (iii) fail to pay to any such employee pension benefit plan any contribution which it is obligated to pay under Section 302 of ERISA, Section 412 of the Code or the terms of such plan, (iv) allow or suffer to exist any accumulated funding deficiency, whether or not waived, with respect to any such employee pension benefit plan, (v) allow or suffer to exist any occurrence of a reportable event or any other event or condition which presents a material risk of termination by the Pension Benefit Guaranty Corporation of any such employee pension benefit plan that is a single employer plan, which termination could result in any liability to the Pension Benefit Guaranty Corporation or (vi) incur any withdrawal liability with respect to any multiemployer pension plan.

As used in this Section 9.15, the term "employee pension benefit plans," "employee benefit plans", "accumulated funding deficiency" and "reportable event" shall have the respective meanings assigned to them in ERISA, and the term "prohibited transaction" shall have the meaning assigned to it in Section 4975 of the Code and ERISA.

9.16 Costs and Expenses. Borrowers shall pay to Lender on demand all costs, expenses, filing fees and taxes paid or payable by Lender and Participants in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, Lender's rights in the Collateral, this Agreement, the other Financing Agreements and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including, but not limited to: (a) all costs

and expenses of filing or recording (including Uniform Commercial Code financing statement filing taxes and fees, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable); (b) all title insurance and other insurance premiums, environmental audits, surveys, assessments, engineering reports and inspections, appraisal fees and search fees; (c) costs and expenses of remitting loan proceeds, collecting checks and other items of payment, and establishing and maintaining the Blocked Accounts, together with Lender's customary charges and fees with respect thereto; (d) customary issuance, transfer and other charges, fees or expenses charged by any bank or issuer in connection with the Letter of Credit Accommodations; (e) costs and expenses of preserving and protecting the Collateral; (f) costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Lender, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Financing Agreements or defending any claims made or threatened against Lender or any Participant arising out of the transactions contemplated hereby and thereby (including, without limitation, preparations for and consultations concerning any such matters); (g) all out-of-pocket expenses and costs heretofore and from time to time hereafter incurred by Lender and any Participant during the course of periodic field examinations of the Collateral and Borrower's operations, plus a per diem charge at the rate of $600 per person per day for Lender's examiners in the field and office; and (h) the fees and disbursements of counsel (including legal assistants) to Lender and any Participant in connection with any of the foregoing.

9.17 Additional Bank Accounts. Borrower shall not, directly or indirectly, open, establish or maintain any deposit account, investment account or any other account with any bank or other financial institution, other than the Blocked Accounts and the accounts set forth in Schedule 8.12 hereto, except: (a) as to any new or additional Blocked Accounts and other such new or

additional accounts which contain any Collateral or proceeds thereof, with the prior written consent of Lender and subject to such conditions thereto as Lender may establish and (b) as to any accounts used by Borrower to make payments of payroll, taxes or other obligations to third parties, after prior written notice to Lender.

9.18 Further Assurances. At the request of Lender at any time and from time to time, Borrowers shall, at their expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary or proper to evidence, perfect, maintain and enforce the security interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of this Agreement or any of the other Financing Agreements. Lender may at any time and from time to time request a certificate from an officer of CHES or any other Borrower representing that all conditions precedent to the making of Loans and providing Letter of Credit Accommodations contained herein are satisfied. In the event of such request by Lender, Lender may, at its option, cease to make any further Loans or provide any further Letter of Credit Accommodations until Lender has received such certificate and, in addition, Lender has determined that such conditions are satisfied. Where permitted by law, Borrowers hereby authorize Lender to execute and file one or more UCC financing statements signed only by Lender.

SECTION 10. EVENTS OF DEFAULT AND REMEDIES

10.1 Events of Default. The occurrence or existence of any one or more of the following events are referred to herein individually as an "Event of Default", and collectively as "Events of Default":

(a) (i) Any Borrower fails to pay any of the Obligations (other than third party fees and expenses as set forth in Section 10.1(a)(ii)) when the same becomes due and payable, or (ii) any Borrower fails to pay any third party fees or expenses of Lender within five (5) Business Days of the due date, or (iii) any Borrower or any Obligor fails to perform any of the terms, covenants, conditions or provisions contained in this Agreement or any of the other Financing Agreements other than as described in Section 10.1(a)(i) or (ii) and such failure shall continue unremedied for fourteen (14) days; provided, that, such fourteen (14) day period shall not apply in the case of: (A) any failure to observe any such term, covenant, condition or provision which is not capable of being cured at all or within such fourteen (14) day period or which has been the subject of a prior failure within a six (6) month period or (B) an intentional breach by any Borrower or any Obligor of any such term, covenant, condition or provision, or (C) the failure to observe or perform any of the covenants or provisions contained in Sections 4.3, 6, 7, 9.1, 9.5, 9.7, 9.8, 9.9, 9.11, 9.13, 9.14, 9.14A or 9.14B of this Agreement or any covenants or agreements covering substantially the same matters as such specified sections in any of the other Financing Agreements; or

(b) any representation, warranty or statement of fact made by any Borrower to Lender in this Agreement, the other Financing Agreements or any other agreement, schedule, confirmatory assignment or otherwise shall when made or deemed made be false or misleading in any material respect;

(c) any Obligor revokes, terminates or fails to perform any of the terms, covenants, conditions or provisions of any guarantee, endorsement or other agreement of such party in favor of Lender;

(d) any judgment for the payment of money is rendered against any Borrower or any Obligor in excess of $100,000.00 in any one case or in excess of $250,000.00 in the aggregate (after deducting any undisputed insurance coverage) and shall remain undischarged (or provision made for such discharge), unvacated and unbonded for a period in excess of sixty (60) days or execution shall at any time not be effectively stayed, or any judgment other than for the payment of money, or injunction, attachment, garnishment or execution is rendered against Borrower or any Obligor or any of their assets which has a material adverse

effect on the business, assets or prospects of Borrowers on a consolidated basis;

(e) any Borrower or any Obligor, which is a partnership or corporation, dissolves or suspends or discontinues doing business (except as permitted by Section 9.7);

(f) any Borrower or any Obligor becomes insolvent (however defined or evidenced), makes an assignment for the benefit of creditors, makes or sends notice of a bulk transfer or calls a meeting of its creditors or principal creditors;

(g) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed against any Borrower or any Obligor or all or any part of its properties and such petition or application is not dismissed within thirty (30) days after the date of its filing or any Borrower or any Obligor shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;

(h) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at a law or equity) is filed by any Borrower or any Obligor or for all or any part of its property; or

(i) any default by any Borrower or any Obligor under any agreement, document or instrument relating to any indebtedness for borrowed money owing to any person other than Lender, or any capitalized lease obligations, contingent indebtedness in connection with any guarantee, letter of credit, indemnity or similar type of instrument in favor of any person other than Lender, in any case in an amount in excess of $100,000.00, which default continues unwaived for more than the applicable cure period, if any, with respect thereto, or any default by any Borrower or any Obligor under any material contract, lease, license or other obligation to any person other than Lender, which default continues unwaived for more than the applicable cure period, if any, with respect thereto;

(j) any change in the ownership of any Borrower or in the controlling ownership of Parent;

(k) the indictment or threatened indictment of any Borrower or any Obligor under any criminal statute, or commencement or threatened commencement of criminal or civil proceedings against any Borrower or any Obligor, pursuant to which statute or proceedings the penalties or remedies sought or available include forfeiture of any of the property of any Borrower or such Obligor;

(l) there shall be a default under the Securities Purchase Agreement or under any of the agreements, instruments or documents relating thereto;

(m) there shall be a material adverse change in the business, assets or prospects of any Borrower or any Obligor after the date hereof;

(n) there shall be an event of default under any of the other Financing Agreements; or

(o) there shall be a default under the Kimball IRB Documents.

10.2 Remedies.

(a) At any time an Event of Default exists or has occurred and is continuing, Lender shall have all rights and remedies provided in this Agreement, the other Financing Agreements, the Uniform Commercial Code and other applicable law, all of which rights and remedies may be exercised without notice to or consent by any Borrower or any Obligor, except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to Lender hereunder, under any of the other Financing Agreements, the Uniform Commercial Code or other applicable law, are cumulative, not exclusive and enforceable, in Lender's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include, without limitation, the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by any Borrower of this Agreement or any of the other Financing Agreements. Lender may, at any time or times, proceed directly against any Borrower or any Obligor to collect the Obligations without prior recourse to the Collateral.

(b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Lender may, in its discretion and without limitation, (i) accelerate the payment of all Obligations and demand immediate payment thereof to Lender (provided, that, upon the occurrence of any Event of Default described in Sections 10.1(g) and 10.1(h), all Obligations shall automatically become immediately due and payable), (ii) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral, (iii) require Borrowers, at Borrowers' expense, to assemble and make available to Lender any part or all of the Collateral at any place and time designated by Lender, (iv) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral, (v) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose, (vi) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including, without limitation, entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Lender or elsewhere) at such prices or terms as Lender may deem reasonable, for cash, upon credit or for future delivery, with the Lender having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of Borrowers, which right or equity of redemption is hereby expressly waived and released by Borrowers and/or (vii) terminate this Agreement. If any of the Collateral is sold or leased by Lender upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Lender. If notice of disposition of Collateral is required by law, five (5) days prior notice by Lender to Borrowers designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be reasonable notice thereof and

Borrower waives any other notice. In the event Lender institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, each Borrower waives the posting of any bond which might otherwise be required.

(c) Lender may apply the cash proceeds of Collateral actually received by Lender from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations, in whole or in part and in such order as Lender may elect, whether or not then due and regardless of the adequacy of any Collateral. Borrowers shall remain liable to Lender for the payment of any deficiency with interest at the highest rate provided for herein and all costs and expenses of collection or enforcement, including attorneys' fees and legal expenses.

(d) Without limiting the foregoing, upon the occurrence of a Default or an Event of Default, Lender may, at its option, without notice, (i) cease

making Loans or arranging for Letter of Credit Accommodations or reduce the lending formulas or amounts of Revolving Loans and Letter of Credit Accommodations available to Borrowers and/or (ii) terminate any provision of this Agreement providing for any future Loans or Letter of Credit Accommodations to be made by Lender to Borrowers.

(e) Whether or not any Borrower is or all Borrowers are then insolvent, and whether or not any deficiency balance is anticipated, any rights of the Lender hereunder may be exercised by a court appointed receiver. In connection therewith, such a receiver shall be appointed upon a petition, motion, or application filed by the Lender with any court of competent jurisdiction and, effective after the occurrence and during the continuation of an Event of Default. Each Borrower hereby irrevocably consents to and approves, without prior notice or hearing, the immediate appointment of a receiver (in connection with a foreclosure action or otherwise) and waives any right to object thereto without regard to the value of the Collateral or the adequacy of any Collateral.

(f) As the subject matter of this Agreement involves general intangibles such as permits, licenses, certificates, approvals, and authorizations by governmental authorities which by their nature are unique, the Borrowers agree and acknowledge that their failure to observe the provisions hereof will cause irreparable harm to the Lender for which there is no adequate remedy at law and so the provisions hereof shall be specifically enforceable by Lender in a court of equity by injunctive relief without any requirement for Lender to provide a bond or other security or prove or allege that its remedies at law are inadequate.

SECTION 11. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

11.1 Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver

(a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the Commonwealth of Massachusetts (without giving effect to principles of conflicts of law).

(b) each Borrower and Lender irrevocably consent and submit 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 waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or any of the other Financing Agreements or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Agreement 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 agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that Lender shall have the right to bring any action or proceeding against any Borrower or its property in the courts of any other jurisdiction which Lender deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against Borrower or its property).

(c) Each Borrower 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 its address set forth on the signature pages hereof 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 Lender's option, by service upon Borrowers in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, Borrowers shall appear in answer to such process, failing which Borrowers shall be deemed in default and judgment may be entered by Lender against Borrowers for the amount of the claim and other relief requested.

(d) EACH BORROWER AND LENDER HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT 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. EACH BORROWER AND LENDER HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY BORROWER OR LENDER MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) (i) Lender shall not have any liability to Borrowers (whether in tort, contract, equity or otherwise) for losses suffered by any Borrower in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Lender, that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation,

Lender shall be entitled to the benefit of the rebuttable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement.

(ii) The exercise by Lender of any one or more of the rights and remedies set forth herein shall not operate or be deemed (A) to place upon Lender any responsibility for the operation, control, care, service, management, maintenance or repair of any property or facilities of Borrowers, or (B) make Lender the "owner" or "operator" of any property or facilities of Borrowers or a "responsible party" within the meaning of applicable Environmental Laws.

11.2 Waiver of Notices. Each Borrower hereby expressly waives demand, presentment, protest and notice of protest and notice of dishonor with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on any Borrower which Lender may elect to give shall entitle any Borrower to any other or further notice or demand in the same, similar or other circumstances.

11.3 Amendments and Waivers. Neither this Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Lender. Lender shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of Lender. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Lender of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

11.4 Waiver of Counterclaims. Each Borrower waives all rights to interpose any claims, deductions, setoffs or counterclaims of any nature (other then compulsory counterclaims) in any action or proceeding with respect to this Agreement, the Obligations, the Collateral or any matter arising therefrom or relating hereto or thereto.

11.5 Indemnification. Each Borrower shall indemnify and hold Lender, and its directors, agents, employees and counsel, harmless from and against any and all losses, claims, damages, liabilities, costs or expenses

imposed on, incurred by or asserted against any of them in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of this Agreement, any other Financing Agreements, or any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto, including, without limitation, amounts paid in settlement, court costs, and the fees and expenses of counsel. To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section may be unenforceable because it violates any law or public policy, Borrowers shall pay the maximum portion which it is

permitted to pay under applicable law to Lender in satisfaction of indemnified matters under this Section. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

SECTION 12. TERM OF AGREEMENT; MISCELLANEOUS

12.1 Term.

(a) 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 three (3) years from the date hereof (the "Termination Date"), unless, at the Borrowers' request, the Lender and each Participant elect in their sole and absolute discretion to extend the Termination Date. Unless extended with the consent of the Lender and Participants, this Agreement and the other Financing Agreements shall terminate effective on the Termination Date. Upon the effective date of termination of the Financing Agreements, Borrower shall pay to Lender, in full, all outstanding and unpaid Obligations and shall furnish cash collateral or a letter of credit, from a bank and in form acceptable to Lender, to Lender in such amounts as Lender determines are reasonably necessary to secure Lender from loss, cost, damage or expense, including attorneys' fees and legal expenses, in connection with any contingent Obligations, including issued and outstanding Letter of Credit Accommodations and checks or other payments provisionally credited to the Obligations and/or as to which Lender has not yet received final and indefeasible payment. Such cash collateral shall be remitted by wire transfer in Federal funds to such bank account of Lender, as Lender may, in its discretion, designate in writing to Borrower for such purpose. Interest shall be due until and including the next business day, if the amounts so paid by Borrower to the bank account designated by Lender are received in such bank account later than 12:00 noon, Boston, Massachusetts time.

(b) No termination of this Agreement or the other Financing Agreements shall relieve or discharge Borrower of its respective duties, obligations and covenants under this Agreement or the other Financing Agreements until all Obligations have been fully and finally discharged and paid, and Lender's continuing security interest in the Collateral and the rights and remedies of Lender hereunder, under the other Financing Agreements and applicable law, shall remain in effect until all such Obligations have been fully and finally discharged and paid.

(c) If for any reason this Agreement is terminated prior to the end of the 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 1/4% of the Revolving Credit Limit plus the outstanding amount of the 2000 Term Loan. 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 Term Loan B may be prepaid in part or in whole as provided in the Term Note B without premium or termination fee. The early termination fee provided for in this Section 12.1 shall be deemed included in the Obligations.

12.2 Notices. All notices, requests and demands hereunder shall be in writing and (a) made to Lender at its address set forth below and to Borrowers at the addresses set forth below, or to such other address as either party may designate by written notice to the other in accordance with this provision, and (b) deemed to have been given or made: if delivered in person, immediately upon delivery; if by facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next business day, one (1) business day after sending; and if by certified mail, return receipt requested, five (5) days after mailing.

12.3 Partial Invalidity. If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

12.4 Successors. This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon and inure to the benefit of and be enforceable by Lender, Borrowers and their respective successors and assigns, except that Borrowers may not assign their rights under this Agreement, the other Financing Agreements and any other document referred to herein or therein without the prior written consent of Lender. Lender may, after notice to Borrowers, assign its rights and delegate its obligations under this Agreement and the other Financing Agreements and further may assign, or sell participations in, all or any part of the Loans, the Letter of Credit Accommodations or any other interest herein to another financial institution or other person, in which event, the assignee or participant shall have, to the extent of such assignment or participation, the same rights and benefits as it would have if it were the Lender hereunder, except as otherwise provided by the terms of such assignment or participation.

12.5 Participant's Security Interest. If a Participant shall at any time participate with Lender in the Loans, Letter of Credit Accommodations or other Obligations, Borrowers hereby grant to such Participant and such Participant shall have and is hereby given, a continuing lien on and security interest in any money, securities and other property of Borrowers in the custody or possession of the Participant, including the right of setoff, to the extent of the Participant's participation in the Obligations and regardless of the adequacy of any Collateral, and such Participant shall be deemed to have the same right of setoff to the extent of its participation in the Obligations, as it would have if it were a direct lender.

12.6 Confidentiality.

(a) Lender shall use all reasonable efforts to keep confidential, in accordance with its customary procedures for handling confidential information and safe and sound lending practices, any non-public information supplied to it by Borrower pursuant to this Agreement which is clearly and conspicuously marked as confidential at the time such information is furnished by Borrowers to Lender, provided, that, nothing contained herein shall limit the

disclosure of any such information: (i) to the extent required by statute, rule, regulation, subpoena or court order, (ii) to bank examiners and other regulators, auditors and/or accountants, (iii) in connection with any litigation to which Lender is a party, (iv) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant (or prospective assignee or participant) shall have first agreed in writing to treat such information as confidential in accordance with this Section 12.6, or (v) to counsel for Lender or any participant or assignee (or prospective participant or

assignee).

(b) In no event shall this Section 12.6 or any other provision of this Agreement or applicable law be deemed: (i) to apply to or restrict disclosure of information that has been or is made public by Borrowers or any third party without breach of this Section 12.6 or otherwise become generally available to the public other than as a result of a disclosure in violation hereof, (ii) to apply to or restrict disclosure of information that was or becomes available to Lender on a non-confidential basis from a person other than Borrowers, (iii) require Lender to return any materials furnished by Borrowers to Lender or (iv) prevent Lender from responding to routine informational requests in accordance with the Code of Ethics for the Exchange of Credit Information promulgated by The Robert Morris Associates or other applicable industry standards relating to the exchange of credit information. The obligations of Lender under this Section 12.6 shall supersede and replace the obligations of Lender under any confidentiality letter signed prior to the date hereof.

12.7 Joint and Several Liability. All Loans made hereunder are made to or for the benefit of each of the Borrowers. The Borrowers are jointly and severally, directly and primarily liable for the full and indefeasible payment when due and performance of all Obligations and for the prompt and full payment and performance of all of the promises, covenants, representations, and warranties made or undertaken by each Borrower under the Financing Agreements and Borrowers agree that such liability is independent of the duties, obligations, and liabilities of each of the joint and several Borrowers. In furtherance of the foregoing, each Borrower jointly and severally, absolutely and unconditionally guaranties to Lender and agrees to be liable for the full and indefeasible payment and performance when due of all the Obligations.

12.8 Suretyship Waivers and Consents.

(a) Each Borrower acknowledges that the obligations of such Borrower undertaken herein might be construed to consist, at least in part, of the guaranty of obligations of persons other than such Borrower (including the other Borrowers) and, in full recognition of that fact, each Borrower consents and agrees that Lender may, at any time and from time to time, without notice or demand (except as provided in and in accordance with the terms of this Agreement), whether before or after any actual or purported termination, repudiation or revocation of this Agreement by any Borrower, and without affecting the enforceability or continuing effectiveness hereof as to each Borrower: (i) increase, extend, or otherwise change the time for payment or the terms of the Obligations or any part thereof; (ii) supplement, restate, modify, amend, increase, decrease, or waive, or enter into or give any agreement, approval or consent with respect to, the Obligations or any part thereof, or any of the Financing Agreements or any additional security or guarantees, or any condition, covenant, default, remedy, right,

representation, or term thereof or thereunder; (iii) accept new or additional instruments, documents, or agreements in exchange for or relative to any of the Financing Agreements or the Obligations or any part thereof; (iv) accept partial payments on the Obligations; (v) receive and hold additional security or guarantees for the Obligations or any part thereof; (vi) release, reconvey, terminate, waive, abandon, fail to perfect, subordinate, exchange, substitute, transfer, or enforce any security or guarantees, and apply any security and direct the order or manner of sale thereof as Lender in its sole and absolute discretion may determine; (vii) release any person from any personal liability with respect to the Obligations or any part thereof; (viii) settle, release on terms satisfactory to Lender or by operation of applicable laws or otherwise liquidate or enforce any Obligations and any security therefor or guaranty thereof in any manner, consent to the transfer of any security and bid and purchase at any sale; or (ix) consent to the merger, change, or any other restructuring or termination of the corporate or partnership existence of any Borrower, and correspondingly restructure the Obligations, and any such merger, change, restructuring, or termination shall not affect the liability of any Borrower or the continuing effectiveness hereof, or the enforceability hereof

with respect to all or any part of the Obligations.

(b) Lender may enforce this Agreement independently as to each Borrower and independently of any other remedy or security Lender at any time may have or hold in connection with the Obligations, and it shall not be necessary for Lender to marshal assets in favor of any Borrower or any Obligor or to proceed upon or against or exhaust any security or remedy before proceeding to enforce this Agreement. Each Borrower expressly waives any right to require Lender to marshal assets in favor of any Borrower or any guarantor of the Obligations or to proceed against any other Borrower, and agrees that Lender may proceed against Borrowers or any Collateral in such order as Lender shall determine in its sole and absolute discretion.

(c) Lender may file a separate action or actions against any Borrower, whether such action is brought or prosecuted with respect to any security or against any guarantor of the Obligations, or whether any other person is joined in any such action or actions. Each Borrower agrees that Lender and each Borrower and any affiliate of any Borrower may deal with each other in connection with the Obligations or otherwise, or alter any contracts or agreements now or hereafter existing between any of them, in any manner whatsoever, all without in any way altering or affecting the continuing efficacy of this Agreement. Each Borrower, as a joint and several Borrower hereunder, expressly waives the benefit of any statute of limitations affecting its joint and several liability hereunder (but not its primary liability) or the enforcement of the Obligations or any rights of Lender created or granted herein.

(d) Lender's rights hereunder shall be reinstated and revived, and the enforceability of this Agreement shall continue, with respect to any amount at any time paid on account of the Obligations which thereafter shall be required to be restored or returned by Lender, all as though such amount had not been paid. The rights of Lender created or granted herein and the enforceability of this Agreement at all times shall remain effective to cover the full amount of all the Obligations even though the Obligations, including any part thereof or any other security or guaranty therefor, may be or hereafter may become invalid or otherwise

unenforceable as against any Borrower and whether or not any Borrower shall have any personal liability with respect thereto.

(e) Each Borrower expressly waives any and all defenses now or hereafter arising or asserted by reason of (i) any disability or other defense of the other Borrower with respect to the Obligations; (ii) the unenforceability or invalidity of any security or guaranty for the Obligations or the lack of perfection or continuing perfection or failure of priority of any security for the Obligations; (iii) the cessation for any cause whatsoever of the liability of the any Borrower (other than by reason of the full payment and performance of all Obligations); (iv) any failure of Lender to marshall assets in favor of any Borrower; (v) any failure of Lender to give notice to any Borrower of sale or other disposition of Collateral of another Borrower or any defect in any notice that may be given in connection with any such sale or disposition of Collateral of any Borrower securing the Obligations; (vi) any failure of Lender to comply with applicable law in connection with the sale or other disposition of any Collateral or other security of any Borrower, for any Obligation, including any failure of Lender to conduct a commercially reasonable sale or other disposition of any Collateral or other security of the other Borrower for any Obligation; (vii) any act or omission of Lender or others that directly or indirectly results in or aids the discharge or release of the other Borrower or the Obligations of the other Borrower or any security or guaranty therefor by operation of law or otherwise; (viii) any law which provides that the obligation of a surety or guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal or which reduces a surety's or guarantor's obligation in proportion to the principal obligation; (ix) any failure of Lender to file or enforce a claim in any bankruptcy or other proceeding with respect to any Borrower; (x) the avoidance of any lien or

security interest in assets of the other Borrower in favor of Lender for any reason; or (xi) any action taken by Lender that is authorized by this section or any other provision of any Loan Document. Until such time, if any, as all of the Obligations have been indefeasibly paid and performed in full and no portion of any commitment of Lender to Borrowers under any Financing Agreement remains in effect, Borrowers' rights of subrogation, contribution, reimbursement, or indemnity against the other shall be fully and completely subordinated to the indefeasible repayment in full of the Obligations, and each Borrower expressly waives any right to enforce any remedy that it now has or hereafter may have against any other Person and waives the benefit of, or any right to participate in, any Collateral now or hereafter held by Lender.

(f) To the fullest extent permitted by applicable law, each Borrower expressly waives and agrees not to assert, any and all defenses in its favor based upon an election of remedies by Lender which destroys, diminishes, or affects such Borrower's subrogation rights against the other Borrowers, or against any Obligor, and/or (except as explicitly provided for herein) any rights to proceed against each other Borrower, or any other party liable to Lender, for reimbursement, contribution, indemnity, or otherwise.

(g) Borrowers and each of them warrant and agree that each of the waivers and consents set forth herein are made after consultation with legal counsel and with full knowledge of their significance and consequences, with the understanding that events giving rise to any defense or right waived may diminish, destroy, or otherwise adversely affect rights which Borrowers otherwise may have against each other, Lender, or others, or against Collateral, and

that, under the circumstances, the waivers and consents herein given are reasonable and not contrary to public policy or law. If any of the waivers or consents herein are determined to be contrary to any applicable law or public policy, such waivers and consents shall be effective to the maximum extent permitted by law.

12.9 Contribution Agreement. As an inducement to Lender to enter into the Financing Agreements and to make the loans and extend credit to the Borrowers, each Borrower and each Obligor agrees to indemnify and hold the other harmless from and each shall have a continuing right of contribution against the other Borrowers and any Obligors, if and to the extent that a Borrower makes or is caused to make disproportionate payments in excess of that Borrower's Proportionate Share of the Loans or contributions (from dispositions of its assets or otherwise) to the repayment and satisfaction of the Obligations. These indemnification and contribution obligations shall be unconditional and continuing obligations of the Borrowers and Obligors and shall not be waived, rescinded, modified, limited or terminated in any way whatsoever without the prior written consent of Lender, in its sole discretion. For purposes hereof, the Proportionate Share of a Borrower shall mean the Adjusted Net Worth of such Borrower divided by the Adjusted Net Worth of all the Borrowers in the aggregate on the date of this Agreement.

12.10 PREJUDGMENT REMEDIES. EACH BORROWER HEREBY WAIVES SUCH RIGHTS AS IT MAY HAVE TO NOTICE AND/OR HEARING UNDER ANY APPLICABLE FEDERAL OR STATE LAWS INCLUDING, WITHOUT LIMITATION, CONNECTICUT GENERAL STATUTES SECTIONS 52-278A, ET-SEQ., AS AMENDED, PERTAINING TO THE EXERCISE BY LENDER OF SUCH RIGHTS AS THE LENDER MAY HAVE INCLUDING, BUT NOT LIMITED TO, THE RIGHT TO SEEK PREJUDGMENT REMEDIES AND/OR DEPRIVE ANY BORROWER OF OR AFFECT THE USE OF OR POSSESSION OR ENJOYMENT OF A BORROWER'S PROPERTY PRIOR TO THE RENDITION OF A FINAL JUDGMENT AGAINST A BORROWER. EACH BORROWER FURTHER WAIVES ANY RIGHT IT MAY HAVE TO REQUIRE LENDER TO PROVIDE A BOND OR OTHER SECURITY AS A PRECONDITION TO OR IN CONNECTION WITH ANY PREJUDGMENT REMEDY SOUGHT BY LENDER.

12.11 Entire Agreement. This Agreement, the other Financing Agreements, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and

thereof between the parties hereto, and supersede all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

12.12 Original Loan Agreement and Financing Agreements. The Borrowers and the Lender agree that, upon the satisfaction of each of the conditions set forth in Section 4.1, this Agreement amends, restates, and supercedes the Original Loan Agreement, provided that each of the Obligations outstanding under the Original Loan Agreement (other than the Term Loan which will be repaid with the Term Loan B) shall become Obligations under this Agreement and

all interest, fees and charges payable under the Original Loan Agreement shall continue in effect and be payable as provided under this Agreement subject to any change or modification thereto that is provided in this Agreement. The Borrower acknowledges and agrees that from and after the date of this Agreement that (i) all Financing Agreements shall continue without any diminution thereof and shall remain in full force and effect, (ii) each reference in the Financing Agreements to "Lender" shall be references to "Lender" as defined in this Agreement, (iii) each reference in the Financing Agreements to "Borrowers" shall be references to "Borrowers" as defined in this Agreement, (iv) each reference in the Financing Agreements to "Obligations" shall be references to "Obligations" as defined in this Agreement, and (v) each reference in the Financing Agreements to "Loan Agreement", "Loan and Security Agreement" or "Agreement" shall be references to this "Agreement" as defined in this Agreement.

12.13 Parent Security Documents. In connection with the Original Loan Agreement and Parent's Guarantee dated May 8, 1995 and in order to secure the obligations thereunder, Parent executed and delivered to the Lender a General Security Agreement, Pledge And Security Agreement (Stock and Other Securities), Trademark Collateral Assignment And Security Agreement, and Patent Collateral Assignment and Security Agreement, each dated May 8, 1995 (together with all other instruments, financing statements, documents and agreements executed and/or delivered from time to time by Parent, as each has been amended, modified and/or supplemented, the "Parent Security Documents"). Notwithstanding that the Parent Security Documents were initially executed and/or delivered at a time when Parent was a guarantor and not a borrower, Parent hereby ratifies and confirms that each of the Parent Security Documents, the security interests and liens granted thereunder, and the collateral and property to which such security interests and liens attach, shall secure Parent's Obligations as a Borrower under this Loan Agreement and the other Financing Agreements.

IN WITNESS WHEREOF, Lender and Borrowers have caused these presents to be duly executed as of the day and year first above written.

[SIGNATURES CONTINUED ON NEXT PAGE]

LENDER	BORROWERS
CONGRESS FINANCIAL CORPORATION (NEW ENGLAND)	CLEAN HARBORS, INC.
By: /s/ Edward Shifman	By: /s/ Stephen H. Moynihan
Name: Edward Shifman	Name: Stephen H. Moynihan
Title: Senior Vice President	Title: Senior Vice President
Address:	Chief Executive Office

One Post Office Square
Boston, MA 02109

1501 Washington Street
Braintree, MA 02184

CLEAN HARBORS ENVIRONMENTAL SERVICES, INC.

By: /s/ Stephen H. Moynihan

Name: Stephen H. Moynihan
Title: Senior Vice President

Chief Executive Office

1501 Washington Street
Braintree, MA 02184

CLEAN HARBORS KINGSTON FACILITY CORPORATION

By: /s/ Stephen H. Moynihan

Name: Stephen H. Moynihan
Title: Senior Vice President

Chief Executive Office:

1501 Washington Street
Braintree, MA 02184

CLEAN HARBORS OF BRAINTREE, INC.

By: /s/ Stephen H. Moynihan

Name: Stephen H. Moynihan
Title: Senior Vice President

Chief Executive Office:

1501 Washington Street
Braintree, MA 02184

CLEAN HARBORS SERVICES, INC.

By: /s/ Stephen H. Moynihan

Name: Stephen H. Moynihan
Title: Senior Vice President

Chief Executive Office:

1501 Washington Street
Braintree, MA 02184

CLEAN HARBORS OF NATICK, INC.

By: /s/ Stephen H. Moynihan

Name: Stephen H. Moynihan
Title: Senior Vice President

Chief Executive Office:

1501 Washington Street
Braintree, MA 02184

CLEAN HARBORS OF CONNECTICUT, INC.

By: /s/ Stephen H. Moynihan

Name: Stephen H. Moynihan
Title: Senior Vice President

Chief Executive Office:

761 Middle Street
Bristol, CT 06010

MURPHY'S WASTE OIL SERVICE, INC.

By: /s/ Stephen H. Moynihan

Name: Stephen H. Moynihan
Title: Senior Vice President

Chief Executive Office:

1501 Washington Street
Braintree, MA 02184

MR. FRANK, INC.

By: /s/ Stephen H. Moynihan

Name: Stephen H. Moynihan
Title: Senior Vice President

Chief Executive Office:

1501 Washington Street
Braintree, MA 02184

SPRING GROVE RESOURCE RECOVERY, INC.

By: /s/ Stephen H. Moynihan

Name: Stephen H. Moynihan
Title: Senior Vice President

Chief Executive Office:

4879 Spring Grove Avenue
Cincinnati, OH 45232

HARBOR MANAGEMENT CONSULTANTS, INC.

By: /s/ Stephen H. Moynihan

Name: Stephen H. Moynihan
Title: Senior Vice President

Chief Executive Office

1501 Washington Street
Braintree, MA 02184

SCHEDULE 8.4

EXISTING LIENS

There are no existing liens (other than liens permitted under Section 9.8 which secure debt now outstanding)

SCHEDULE 9.11

PERMITTED REFINANCINGS, PAYMENTS AND DIVIDENDS

1. Refinancing of Senior Subordinated Notes. So long as no Default or Event of Default exists and is continuing or would occur as a result of an action taken hereby, Borrowers may refinance the Senior Subordinated Notes as long as (i) the material terms and conditions (including, without limitation, term, interest rate, fees, covenants and events of default) of the replacement subordinated notes are no less advantageous to the Borrowers than the terms and conditions of the Senior Subordinated Notes, (ii) the original principal amount of such replacement subordinated notes does not exceed the principal amount of the Senior Subordinated Notes on the date of such refinancing, and (iii) the holders of the replacement subordinated notes enter into a Subordination Agreement on substantially the same terms and conditions as the Subordination Agreement between Lender and the holders of the Senior Subordinated Notes.

2. Payments on the Kimball IRB Documents. Subject to Section 9.11, the Borrowers may make regularly scheduled interest and sinking fund payments, and any debt service reserve fund payments, as are required by the Kimball IRB Documents as in effect on the date of the Agreement.

3. Dividends on Outstanding Preferred Stock. So long as no Default or Event of Default exists and is continuing or would occur as the result of a payment made hereby, the Parent may make regularly scheduled dividend payments upon its 112,000 outstanding shares of Series B Convertible Preferred Stock (which require quarterly payments at an annual rate of $4.00 per share).

Exhibit 4.18

TERM PROMISSORY NOTE B

$19,000,000.00 Boston, Massachusetts
April 12, 2001

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 NINETEEN MILLION DOLLARS ($19,000,000.00) in lawful money of the United States of America and in immediately available funds, in eighty-four (84) consecutive monthly installments (or earlier as hereinafter provided) on the first day of each month commencing May 1, 2001 of which the first eighty-three (83) installments shall each be in the amount of TWO HUNDRED TWENTY-SIX THOUSAND ONE HUNDRED NINETY AND 48/100 DOLLARS ($226,190.48), and the last installment, which shall be due and payable on the third anniversary of the date of the Loan Agreement (as hereinafter defined), 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 May 1, 2001 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, a rate of three and one-half (3.5%) percent per annum in excess of the greater of (i) eight and one-half percent (8.5%) or (ii) Prime Rate; provided, that, upon and after an Event of Default or termination of the Loan Agreement, at Payee's option, the Interest Rate shall mean a rate of six (6.0%) percent per annum in excess of the greater of (i) eight and one-half percent (8.5%) or (ii) Prime Rate.

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 Amended and Restated Loan and Security Agreement, dated April 12, 2001, 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 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 Term Loan B 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. This Note is an instrument under seal under Massachusetts law.

WITNESS/ATTEST: CLEAN HARBORS, INC.

By: /s/ Stephen H. Moynihan
---------- ----------
[Corporate Seal] Name: Stephen H. Moynihan
Title: Senior Vice President

WITNESS/ATTEST: CLEAN HARBORS ENVIRONMENTAL SERVICES, INC.

By: /s/ Stephen H. Moynihan
---------- ----------

[Corporate Seal]

Name: Stephen H. Moynihan
Title: Senior Vice President

WITNESS/ATTEST:

CLEAN HARBORS KINGSTON FACILITY CORPORATION

By: /s/ Stephen H. Moynihan

[Corporate Seal]

Name: Stephen H. Moynihan
Title: Senior Vice President

WITNESS/ATTEST:

CLEAN HARBORS OF BRAINTREE, INC.

/s/ Stephen H. Moynihan
By:

[Corporate Seal]

Name: Stephen H. Moynihan
Title: Senior Vice President

WITNESS/ATTEST:

CLEAN HARBORS SERVICES, INC.

/s/ Stephen H. Moynihan
By:

[Corporate Seal]

Name: Stephen H. Moynihan
Title: Senior Vice President

WITNESS/ATTEST:

CLEAN HARBORS OF NATICK, INC.

/s/ Stephen H. Moynihan
By:

[Corporate Seal]

Name: Stephen H. Moynihan
Title: Senior Vice President

WITNESS/ATTEST:

CLEAN HARBORS OF CONNECTICUT, INC.

/s/ Stephen H. Moynihan
By:

[Corporate Seal]

Name: Stephen H. Moynihan
Title: Senior Vice President

WITNESS/ATTEST:

MURPHY'S WASTE OIL SERVICE, INC.

/s/ Stephen H. Moynihan
By:

[Corporate Seal]

Name: Stephen H. Moynihan
Title: Senior Vice President

WITNESS/ATTEST:

MR. FRANK, INC.

/s/ Stephen H. Moynihan
By:

[Corporate Seal]

Name: Stephen H. Moynihan
Title: Senior Vice President

WITNESS/ATTEST: SPRING GROVE RESOURCE RECOVERY, INC.

/s/ Stephen H. Moynihan
---------- By: ----------
[Corporate Seal] Name: Stephen H. Moynihan
Title:Senior Vice President

WITNESS/ATTEST HARBOR MANAGEMENT CONSULTANTS, INC.

/s/ Stephen H. Moynihan
---------- By: ----------
[Corporate Seal] Name: Stephen H. Moynihan
Title: Senior Vice President

EXHIBIT 4.19

CLEAN HARBORS, INC.

16% SENIOR SUBORDINATED NOTES DUE 2008

WITH DETACHABLE WARRANTS FOR COMMON STOCK

SECURITIES PURCHASE AGREEMENT

Dated as of April 12, 2001

SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT, dated as of April 12, 2001, is among CLEAN HARBORS, INC., a Massachusetts corporation (together with its successors and assigns, the "COMPANY"), and the institutional investors identified on ANNEX 1 (the "PURCHASERS").

RECITAL

The Company desires to sell to the Purchasers and the Purchasers are willing to purchase upon and subject to the terms and conditions of this Agreement, Thirty-Five Million Dollars ($35,000,000) in aggregate original principal amount of the Company's 16% Senior Subordinated Notes due 2008, with detachable warrants entitling the holders to purchase, in the aggregate, 1,519,020 shares of common stock, $.01 par value of the Company (the "COMMON STOCK") at the time of issue.

AGREEMENT

NOW, THEREFORE, it is agreed:

1. AUTHORIZATION; RANKING.

1.1 AUTHORIZATION OF ISSUE OF THE NOTES AND WARRANTS.

(i) The Company will authorize the issue and sale of its 16% Senior Subordinated Notes in the aggregate principal amount of $35,000,000 to be dated the date of issue, to be due on April 30, 2008 and to otherwise be repaid and to bear interest as provided herein, which Notes shall be in the form of EXHIBIT A (the "NOTES").

(ii) The Company will authorize the issue and sale, pursuant to the Warrant Agreement, of warrants (collectively, the "WARRANTS"; together with the Notes, the "SECURITIES") to be dated the date of issue, entitling the holders thereof to purchase, in the aggregate, 1,519,020 shares of Common Stock of the Company at the time of issue.

Certain capitalized terms used in this Agreement are defined in SECTION 10; references to a "SCHEDULE", "ANNEX" or an "EXHIBIT" are, unless otherwise specified, to a Schedule, Annex or an Exhibit attached to this Agreement.

1.2 RANKING. The Notes are expressly subordinated to the Senior Indebtedness as set forth in the Subordination Agreement and will otherwise rank not less than pari passu in priority of payment with each other and all other outstanding Debt of the Company, present or future, except to the extent such other Debt is preferred as a result of being secured (but only to the extent such security is not prohibited by SECTION 6.2 and then only to the extent of such security).

1.3 INTEREST ON THE NOTES. The Company shall pay to the Holders interest on the unpaid principal amount of the Notes owing to each Holder at the rates, time and manner set forth below.

(i) RATE OF INTEREST. Each Note shall bear interest on the unpaid principal amount thereof, including accrued interest compounded and added to the principal of each Note pursuant to clause (ii) of this SECTION 1.3, from the date issued through maturity (whether by prepayment, acceleration or otherwise) at the annual rate of 16%.

(ii) INTEREST PAYMENTS. Interest on each Note shall be payable semi-annually in arrears on October 30th and April 30th of each year (each, an "INTEREST PAYMENT DATE"), commencing on the first of such dates to follow the Closing Date, and upon any prepayment or repayment of such Note. Interest shall be paid as follows:

(a) on each Interest Payment Date through the Interest Payment Date occurring on October 30, 2006 (1) interest accrued on the Notes since the last Interest Payment Date at an annual rate of 14% shall be paid in cash and (2) interest in excess thereof accrued on the Notes since the last Interest Payment Date shall be compounded, shall be added to and from thereafter shall be deemed to be principal amount outstanding of such Note and shall itself bear interest as provided in clause (i) of this SECTION 1.3 or, at the election of the Company given by irrevocable written notice at least 30 days, and not more than 60 days, prior to an Interest Payment Date, shall be paid in cash;

(b) on each Interest Payment Date after October 30, 2006, all then accrued interest on each Note shall be due and payable in cash; and

(c) upon any date on which principal is prepaid or repaid, all accrued interest on the principal amount being prepaid or repaid shall be due and payable in cash.

(iii) DEFAULT INTEREST. After the occurrence and during the continuance of any default in payment of any amount due on the Notes, the Notes shall bear interest on the unpaid principal amount thereof at a rate per annum (the "DEFAULT RATE") equal to the lesser of, (a) the highest rate allowed by applicable law; or (b) 18%. After the occurrence and during the continuance of any other Event of Default (other than a default in payment on the Notes), at the election of the Required Holders, the Notes shall bear interest on the unpaid principal amount thereof at the Default Rate.

(iv) COMPUTATION OF INTEREST. Interest on the Notes shall be computed on the basis of a 360-day year and twelve 30-day months. In computing interest on the Notes, the date of the issuance of the Notes shall be included and the date of payment shall be excluded.

2. PURCHASE AND SALE OF THE SECURITIES; CLOSING.

2.1 PURCHASE AND SALE OF THE SECURITIES. Subject to the terms and conditions of this Agreement, the Company shall sell to each Purchaser, and each Purchaser shall purchase from the Company, Notes in the principal amount specified below such Purchaser's name in ANNEX 1, at a price equal to 100% of such principal amount. The Warrants will be issued to the Purchasers pro rata in the same proportion as the principal amount of Notes purchased by each Purchaser

bears to the aggregate original principal amount of the Notes. Notwithstanding the foregoing, each Purchaser's obligations under this Agreement are several and not joint and no

Purchaser shall have any obligation or liability for the performance or non-performance by any other Purchaser of such other Purchaser's obligations under this Agreement.

2.2 CLOSING. The purchase and sale of the Securities shall take place at the offices of Sullivan & Worcester LLP, One Post Office Square, Boston, Massachusetts 02109 at a closing (the "CLOSING") to be held on April 30, 2001 or on such other Business Day or at such other place as the Purchasers and the Company may agree (the "CLOSING DATE"). At the Closing, the Company will deliver to each Purchaser the Securities to be purchased by it, against payment of the purchase price therefor by transfer of immediately available funds in accordance with the wiring instructions set forth on ANNEX 2. If at the Closing, the Company fails to tender any Securities to any Purchaser as provided in this SECTION 2.2, or if any of the conditions specified in SECTION 3 shall not have been fulfilled to a Purchaser's satisfaction, such Purchaser may, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or non-fulfillment.

2.3 CERTAIN AGREEMENTS OF THE COMPANY AND THE HOLDERS. The Company and each Holder, by such Holder's acceptance of the Notes, acknowledges and agrees that the Company's obligations under this Agreement and the Notes, and all rights and remedies of the Holders under this Agreement, the Subsidiary Guaranties and the Notes, are expressly subordinated to the Bank Debt and all rights of the lenders under the Bank Loan Documents pursuant to the terms of the Subordination Agreement. The Company and the Holders further acknowledge and agree that so long as any portion of the Bank Debt shall remain outstanding, the Notes shall bear the following legend:

> THIS NOTE IS SUBJECT TO A SUBORDINATION AGREEMENT DATED AS OF APRIL 12, 2001 AMONG THE HOLDER, THE COMPANY, THE SUBSIDIARIES, AND CONGRESS FINANCIAL CORPORATION (NEW ENGLAND) WHICH, AMONG OTHER THINGS, SUBORDINATES THE COMPANY'S OBLIGATIONS TO THE HOLDER TO THE COMPANY'S OBLIGATIONS TO THE HOLDERS OF SENIOR INDEBTEDNESS AS DEFINED IN SAID AGREEMENT.

3. CONDITIONS OF CLOSING. Each Purchaser's obligation to purchase and pay for its Securities is subject to the fulfillment to its satisfaction or its written waiver, on or before the Closing Date, of the following conditions:

3.1 ARTICLES OF ORGANIZATION AND PROCEEDINGS. On or before the Closing Date, the Articles of Organization of the Company and each other organizational document of the Company and all other proceedings taken or to be taken in connection with the Transaction Documents and all documents incidental hereto and thereto shall be satisfactory in form and substance to the Purchasers, and the Purchasers shall have received the following items, each of which shall be in form and substance satisfactory to the Purchasers and, unless otherwise noted, dated the Closing Date, and in sufficient copies (except for the Securities) for each Purchaser:

(i) Certified copies of resolutions of the Board of Directors of the Company approving this Agreement, the issuance of Securities, and other Transaction Documents to which the Company is or is to be a party, and of all documents evidencing other necessary corporate action and governmental and other third party approvals and

consents, if any, with respect to this Agreement, the Securities, and each other Transaction Document.

(ii) A copy of the Articles of Organization and each amendment thereto of the Company, certified (as of a date reasonably near the Closing Date) by the Secretary of State of the Commonwealth of Massachusetts as being a true and correct copy thereof.

(iii) Copies of the By-Laws of the Company certified by the Clerk or an Assistant Clerk as being a true, complete and correct copy as in effect as of the Closing Date.

(iv) Copies of certificates (as of a date reasonably near the Closing Date) of the Secretary of State of the Commonwealth of Massachusetts, and of each State in which the Company is identified on SCHEDULE 8.1 as being qualified in such State, stating that the Company, is duly qualified and in good standing in such State and, if the form of such certificate so provides, has filed all annual reports required to be filed to the date of such certificate.

(v) An Officers' Certificate from the Company, dated the Closing Date (and the statements made in such certificate shall be true on and as of the Closing Date) certifying as to (a) the absence of any amendments to its Articles of Organization since the date of the Secretary of State's certificate referred to in subsection (ii) above, (b) the absence of any proceeding for the dissolution or liquidation of the Company, (c) the matters set forth in SECTION 3.4, (d) the absence of any Default or an Event of Default, (e) the names and true signatures of its officers authorized to sign this Agreement, the Securities, each other Transaction Document to which it is or is to be a party and the other documents to be delivered hereunder and thereunder and (f) the Solvency of the Company and the Consolidated Group both immediately before and immediately after giving effect to consummation of the incurrence of the Bank Debt and the transactions contemplated by the Transaction Documents.

(vi) Originals of this Agreement, the Securities to be issued to each Purchaser in the respective principal amounts set forth below such Purchaser's name on ANNEX 1 and each other Transaction Document executed by a Senior Officer of the Company to the extent a party thereto.

3.2 OPINION OF COMPANY COUNSEL. The Purchasers shall have received a favorable opinion, dated the Closing Date and addressed to them, from Davis, Malm & D'Agostine, P.C. counsel to the Company, in the form of EXHIBIT B and such other matters as any Purchaser or Special Counsel may reasonably request in form and substance reasonably acceptable to the Purchasers. To the extent that any opinion referred to in this SECTION 3.2 is rendered in reliance upon the opinion of any other counsel, the Purchasers shall have received a copy of the opinion of such other counsel, dated the Closing Date and addressed to them, or a letter from such other counsel, dated the Closing Date and addressed to them, authorizing them to rely on such other counsel's opinion. The opinions of counsel to the Company and any such other counsel shall be in form and substance reasonably satisfactory to the Purchasers and Special Counsel.

3.3 OPINION OF PURCHASERS' SPECIAL COUNSEL. The Purchasers shall have received from Special Counsel an opinion satisfactory to them as to such matters incident to the

transactions contemplated by this Agreement as they may reasonably request and confirmation that Special Counsel has completed a satisfactory review of the environmental permits held by the Company and its Subsidiaries.

3.4 REPRESENTATIONS AND WARRANTIES AND COMPLIANCE. The representations and warranties contained in SECTION 8 shall be true on and as of the Closing Date after giving effect to the issue and sale of the Securities (and application of the proceeds as contemplated by SECTION 5.9), no Default or Event of Default shall have occurred or be continuing, and the Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it at or prior to the Closing.

3.5 PURCHASE PERMITTED BY APPLICABLE LAWS. The offering, issuance, purchase and sale of and payment for, the Securities on the Closing Date on the terms and conditions of this Agreement (including the use of the proceeds of such sale) shall be permitted by the laws and regulations of each jurisdiction to which a Purchaser is subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by life insurance companies without restriction as to the character of the particular investment, shall not violate any applicable law or governmental regulation (including, without limitation, section 5 of the Securities Act or Regulation T, U or X of the Board of Governors of the Federal Reserve System) and shall not subject any Purchaser to any tax, penalty, liability or other condition adverse to it under or pursuant to any applicable law or governmental regulation, and the Purchasers shall have received such certificates or other evidence as to matters of fact as they may reasonably request to enable them to determine whether such purchase is so permitted.

3.6 PRIVATE PLACEMENT NUMBERS. Private Placement Numbers shall have been assigned to the Notes and the Warrants by Standard & Poor's CUSIP Service Bureau.

3.7 SALE OF ALL SECURITIES. The Company shall have sold to each other Purchaser, and each other Purchaser shall have purchased, the Securities to be purchased by it as set forth in ANNEX 1.

3.8 CONSENT OF OTHER PERSONS. The Company shall have received all authorizations, consents and approvals necessary in connection with the transactions contemplated hereby, including those identified in SCHEDULE 8.12, in form and substance satisfactory to the Purchasers.

3.9 PAYMENT OF SPECIAL COUNSEL FEES. Without limiting the provisions of SECTION 12.1, the Company shall have paid the reasonable fees, charges and disbursements of Special Counsel (which may include a reasonable reserve for anticipated fees and expenses) to the extent reflected in a statement of Special Counsel rendered to the Company at or before the Closing.

3.10 GUARANTIES. Each Subsidiary of the Company, other than Northeast Casualty, shall have executed and delivered to the Purchasers a guaranty of all obligations of the Company under the Notes and the other Transaction Documents in the form of EXHIBIT C (each a "SUBSIDIARY GUARANTY" and collectively, including any Subsidiary Guaranties executed after the date hereof pursuant to SECTION 5.12, the "SUBSIDIARY GUARANTIES").

3.11 OTHER TRANSACTION DOCUMENTS. The Company shall have executed and delivered to the Purchasers (a) the Registration Rights Agreement in the form of EXHIBIT D (the "REGISTRATION RIGHTS AGREEMENT"); and (b) the Warrant Agreement in the form of EXHIBIT E (the "WARRANT AGREEMENT").

3.12 BANK LOAN DOCUMENTS. The Purchasers shall have received a complete and correct copy of each of the Bank Loan Documents (including all Exhibits and Schedules thereto), certified in each case by a Senior Officer as being true, complete and correct copies of the executed versions thereof. The Bank Loan Documents shall be in full force and effect and unmodified since the date of this Agreement and the Purchasers shall have received evidence satisfactory to them that the full amount of the Term Loan B (as such term is defined in the Bank Loan Agreement) shall be extended by the Bank simultaneously with the Closing and that the Company has not less than $3,500,000 of undrawn availability under the Revolving Loans (as such term is defined in the Bank Loan Agreement).

3.13 EXISTING SENIOR NOTES. The contemporaneous redemption in full of the Existing Senior Notes.

3.14 2000 FINANCIAL STATEMENTS. The Company's auditors shall have released their audit of the Consolidated Group's balance sheet dated as of December 31,

2000 and the related statement of income, retained earnings and cash flows for the 12 months ended on such date in a form containing no material changes from the draft previously delivered to the Purchasers.

3.15 CLOSING FEE. The Company shall have paid each Purchaser a fee equal to 1% of the principal amount of Notes purchased by such Purchaser.

4. PREPAYMENT AND REPAYMENT. The Notes may be prepaid only under the circumstances set forth in SECTIONS 4.1 and 4.4 and shall be repaid in accordance with SECTION 4.3 and upon any acceleration of final maturity as provided in SECTION 7.2.

4.1 OPTIONAL PREPAYMENT OF NOTES AT ANY TIME. The Company may prepay the Notes, in full, or in part in integral multiples of $1,000,000 on any date. Prepayments of the principal of any Notes shall be made together with (a) interest accrued on the principal amount being prepaid to the Settlement Date and (b) the Make Whole Amount.

4.2 NOTICE OF OPTIONAL PREPAYMENT. The Company shall give each Holder irrevocable written notice of any prepayment to be made pursuant to SECTION 4.1 at least 30 days, and not more than 60 days, prior to the Settlement Date specifying:

(i) the Settlement Date and the aggregate amount of the Called Principal of the Notes;

(ii) that such prepayment is to be made pursuant to SECTION 4.1; and

(iii) an estimate of the Make Whole Amount payable on the Called Principal of the Notes (calculated as if the date of such notice were the date of prepayment), together with the details of such computation.

Upon the giving of such notice, the Called Principal of the Notes together with interest accrued thereon to the Settlement Date and the Make Whole Amount shall become due and payable on the Settlement Date.

4.3 SCHEDULED REPAYMENT OF NOTES. On April 30, 2007 the Company shall repay one half of all outstanding principal of the Notes and on April 30, 2008 (the "MATURITY DATE") the Company shall repay in full all outstanding principal of the Notes. In each case outstanding principal shall include interest deemed to be principal pursuant to clause (a) of SECTION 1.3(II).

4.4 PREPAYMENT OF NOTES UPON A CHANGE OF CONTROL. The Company shall give written notice (a "CHANGE OF CONTROL NOTICE") to each Holder not less than 30, and not more than 60 days, prior to the occurrence of any event which may reasonably be expected to result in a Change of Control. The Change of Control Notice shall identify the event, the reason why such event may result in or has resulted in a Change of Control and the Persons involved, and shall include such financial and other information as is available to the Company or which may be obtained by the Company with reasonable effort that would be reasonably necessary for a Holder to make an informed decision as to whether to elect to require prepayment of its Notes under this SECTION 4.4 and shall set forth the proposed effective date for, or if the Change of Control has occurred, the actual date, of such Change of Control. Any Holder, by giving written notice to the Company of such election (an "ELECTION NOTICE") not later than 5 Business Days prior to the effective date of such Change of Control, if the Change of Control Notice is given at least 30 days prior to such effective date, shall have the option to require the Company to prepay all of its Notes at 100% of the principal amount thereof plus interest accrued thereon to the Settlement Date and the Make Whole Amount. Once given, any Election Notice may be revoked, by notice, given at any time up to the last date an Election Notice could have been given with respect to the Change of Control Notice. If the proposed terms of a Change of Control change substantially, or if any other event which may result in a Change of Control may or has occurred, the Company shall give each Holder a revised Change of Control Notice and each Holder shall then have another

opportunity to elect to require prepayment of its Notes under this SECTION 4.4 by delivering to the Company a new Election Notice or to revoke, by written notice to the Company, any prior Election Notice, not later than 30 days following the date such revised Change of Control Notice is given. The prepayment of a Holder's Notes pursuant to this SECTION 4.4 shall occur on the later of (a) the effective date of such Change of Control or (b) 5 Business Days following the date such Holder's Election Notice is given. Notwithstanding the foregoing, no prepayment shall be required pursuant to this SECTION 4.4 unless a Change of Control occurs or has occurred.

If the Company fails to give a Change of Control Notice and a Change of Control occurs, or fails to give a proper Change of Control Notice as to a Change of Control which has occurred, any Holder may, at any time after the occurrence of such Change of Control, without waiver of any right on the part of the Holder to accelerate its Notes pursuant to SECTION 7.2, require the Company, on demand pursuant to this SECTION 4.4, to prepay all of such Holder's Notes issued by the Company at 100% of the principal amount thereof plus accrued interest to the Settlement Date and the Make Whole Amount.

4.5 PAYMENTS PRO RATA; APPLICATION OF PAYMENTS. Upon any prepayment or repayment of the Notes, the principal amount so repaid plus the interest accrued thereon and the Make Whole Amount shall be allocated among the Holders in proportion to the respective outstanding principal amounts of the Notes held by them to which such prepayment or repayment applies.

4.6 RETIREMENT OF NOTES. The Company shall not, and shall not permit any of its Affiliates to, prepay or otherwise retire any Note in whole or in part, prior to its stated maturity (other than by prepayment pursuant to SECTION 4.1 or 4.4, scheduled repayment pursuant to SECTION 4.3 or upon acceleration of final maturity pursuant to SECTION 7.2), or purchase or otherwise acquire, directly or indirectly, any Note held by any Holder unless the Company or such Affiliate shall have offered to prepay or otherwise retire, purchase, redeem or otherwise acquire, as the case may be, the same proportion of the aggregate outstanding principal amount of Notes held by each other Holder at the time outstanding upon the same terms and conditions. Any such offer shall provide each Holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 10 Business Days. If the Required Holders accept such offer, the Company shall promptly notify the remaining Holders of such fact and the expiration date for the acceptance by such Holders of such offer shall be extended by the number of days necessary to give each such Holder at least 10 Business Days from its receipt of such notice to accept such offer. No Notes so prepaid or otherwise retired or purchased or otherwise acquired by the Company or any of its Affiliates shall thereafter be reissued or deemed to be outstanding for any purpose under this Agreement.

4.7 MANNER OF PAYMENT.

(i) MANNER OF PAYMENT. Except as specified in clause (a) of SECTION 1.3(II), the Company shall pay all amounts payable with respect to each Note (without any presentment of such Note, unless such payment is the final payment thereon, in which case the original of the Note shall be delivered to the Company promptly thereafter, and without any notation of such payment being made thereon) by crediting, by federal funds bank wire transfer, the account of the Holder thereof in any bank in the United States of America as may be designated in writing by such Holder, or in such other manner or to such other address in the United States of America as may be reasonably designated in writing by such Holder. Absent subsequent notice from a Purchaser, ANNEX 1 shall constitute the designation by the Purchasers to the Company with respect to payments to be made to the Purchasers on their Notes. In the absence of a written designation by a Holder, all amounts payable with respect to each Note held by such Holder shall be paid by check mailed and addressed to the applicable Holder at such Holder's Home Office. All payments of principal, interest, Make Whole Amount, Expenses and fees hereunder and under the

Notes by the Company shall be made without defense, set-off or counterclaim.

(ii) PAYMENTS DUE ON HOLIDAYS. If any payment due on, or with respect to, any Note shall fall due on a day other than a Business Day, then such payment shall be made on the first Business Day following the day on which such payment was due; provided that if all or any portion of such payment shall consist of a payment of interest, for purposes of calculating such interest, such payment shall be deemed to have been originally due on such first following Business Day, such interest shall accrue and be payable to (but not including) the actual date of payment, and the amount of the next succeeding interest payment shall be adjusted accordingly.

(iii) PAYMENTS, WHEN RECEIVED. Any payment to be made to the Holders hereunder or under the Notes shall be deemed to have been made on the Business Day such payment actually becomes available at such Holder's bank prior to 1:00 p.m. local time of such bank.

4.8 TAXES.

(i) Any and all payments by the Company hereunder or under the Notes shall be made free and clear of and without deduction for any and all present or future Taxes and all liabilities with respect thereto, excluding, (A) in the case of each Holder, net income taxes or withholding obligations therefor that are imposed by the United States and net income taxes (or franchise taxes imposed in lieu thereof) that are imposed on such Holder by the state or foreign jurisdiction under the laws of which such Holder is organized or any political subdivision thereof, and (B) in the case of each Holder, that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) and that does not comply with SECTION 4.8(IV), any taxes imposed by the United States by means of withholding at the source unless such withholding results from a change in applicable law, treaty or regulations or the interpretation or administration thereof (including, without limitation, any guideline or policy not having the force of law) by any authority charged with the administration thereof subsequent to the date such Holder becomes a Holder, (all such Taxes and liabilities other than those excluded in clauses (A) and (B) being referred to as "COVERED TAXES"). If the Company shall be required by law to deduct any Covered Taxes from or in respect of any sum payable hereunder or under any Note to any Holder, (a) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this SECTION 4.8) such Holder receives an amount equal to the sum it would have received had no such deductions been made, (b) the Company shall make such deductions and (c) the Company shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(ii) In addition, the Company shall pay any present or future stamp, documentary, excise, property or similar Taxes that arise from or in connection with or as a result of the issuance of the Securities, any payment made hereunder or under the Securities or the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or the Securities, or any modification, waiver or amendment of this Agreement, the Securities or any other Transaction Document ("OTHER TAXES").

(iii) Without reduction of the rights under SECTION 4.8(I), the Company shall indemnify each Holder for the full amount of Covered Taxes and Other Taxes imposed by any jurisdiction on amounts payable under this SECTION 4.8, imposed on or paid by such Holder and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto, whether or not such Covered Taxes were correctly or legally imposed. This indemnification shall be made within thirty (30) days from the date such Holder makes written demand on the Company specifying in

reasonable detail the basis therefor.

(iv) Each Holder that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) agrees to deliver to the Company prior to the Closing Date, or in the case of a Holder that becomes a Holder after the Closing Date, on or prior to the date of such assignment to such Holder, becomes a Holder together with any other certificate or statement of exemption required under the Code to establish that such Holder is not subject to deduction or withholding of United States federal income tax with respect to any payments to such Holder, two accurate and complete original

signed copies of IRS Form W-8 or W-8ECI (or successor forms) certifying to such Holder's entitlement to a complete exemption from United States withholding tax with respect to payments to be made under this Agreement and under any Note. In addition, each Holder agrees that from time to time after the Closing Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Company two new accurate and complete original signed copies of IRS Form W-8 or W-8BEN and W-8ECI, or Form W-8 and a Section 4.7(d)(ii) Certificate, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Holder to a continued exemption from or reduction in United States withholding Tax with respect to payments under this Agreement and any Note, or it shall immediately notify the Company of its inability to deliver any such form or certificate. Notwithstanding anything to the contrary contained in SECTION 4.8(I), or in the immediately succeeding sentence, (x) the Company shall be entitled, to the extent it is required to do so by law, to deduct or withhold income or similar Taxes imposed by the United States (or any political subdivision or taking authority thereof or therein) from interest, fees or other amounts payable hereunder for the account of any Holder which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for United States Federal income tax purposes to the extent that such Holder has not provided to the Company IRS Forms that establish a complete exemption from such deduction or withholding and (y) shall be obligated pursuant to SECTION 4.8(I) hereof to gross-up payments to be made to such Holder in respect of income or similar Taxes imposed by the United States unless upon timely notice from the Company, such Holder has not provided to the Company the IRS Forms required to be provided to the Company pursuant to this SECTION 4.8(IV). Notwithstanding anything to the contrary contained in the preceding sentence or elsewhere in this SECTION 4.8, the Company agrees to pay additional amounts and to indemnify each Holder in the manner set forth in SECTION 4.8(I) (without regard to the identity of the jurisdiction requiring the deduction or withholding) in respect of any amounts deducted or withhold by it as described in the immediately preceding sentence as a result of any changes after the Closing Date in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of income or similar Taxes.

(v) Within thirty (30) days after the date of any payment of Covered Taxes or Other Taxes, the Company shall furnish to the subject Holder a copy of the original receipt, certified as true and correct by a Senior Officer. If the Company determines that no Covered Taxes or Other Taxes are payable in respect thereof, the Company shall furnish, or shall cause such payor to furnish, to the Holders an opinion of counsel or other reasonably satisfactory evidence stating that such payment is exempt from Covered Taxes or Other Taxes.

4.9 MAKE WHOLE AMOUNT. The Company acknowledges that the Make Whole Amount due at any optional or required prepayment of the Notes (including any prepayment required pursuant to any provision of SECTION 4 or SECTION 7.2) has been negotiated with the Purchasers to provide a bargained for rate of return on the Purchasers' investment in the Notes and is not a penalty.

5. AFFIRMATIVE COVENANTS.

5.1 FINANCIAL AND OTHER REPORTING BY THE COMPANY. The Company will deliver to each Holder:

(i) as soon as practicable, and in any event not more than 45 days after the end of each Fiscal Quarter (other than the fourth quarter), the unaudited consolidated balance sheet of the Consolidated Group as at the end of such Fiscal Quarter (other than the fourth quarter) and the related unaudited consolidated statements of income and retained earnings and of cash flows of the Consolidated Group for such Fiscal Quarter and for the Fiscal Year to date, setting forth, in each case in comparative form the amounts set forth for such period(s), figures for the corresponding period(s) in the preceding Fiscal Year, all in reasonable detail and in accordance with GAAP, and certified by the chief accounting officer or chief financial officer of the Company as fairly presenting the financial condition of the Consolidated Group as at the dates indicated and the results of its operations and cash flows, in each case for the periods indicated, in conformity with GAAP (except as disclosed in such certificate) with any changes in accounting policies discussed in reasonable detail, subject to changes resulting from year-end adjustments not material in scope or amount;

(ii) as soon as practicable, and in any event not more than 90 days after the end of each Fiscal Year, the consolidated balance sheet of the Consolidated Group as of the end of such Fiscal Year and the related consolidated statements of income and retained earnings and of cash flows of the Consolidated Group for such year, and setting forth, in each case, in comparative form, corresponding figures for the preceding Fiscal Year, all in reasonable detail and in accordance with GAAP, and accompanied by an opinion thereon of the Approved Auditor, which opinion shall be without limitation as to the scope of the audit and shall state that such financial statements present fairly in all material respects, the consolidated financial condition of the Consolidated Group as at the dates indicated and the results of their consolidated operations and cash flows for the periods indicated in conformity with GAAP (except as otherwise specified in such report) and that the audit by such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards and provides a reasonable basis for such opinion;

(iii) together with each delivery of financial statements of the Consolidated Group pursuant to subsection (ii) of this SECTION 5.1 and within 45 days of the end of each Fiscal Quarter (other than the fourth Fiscal Quarter), a certificate of the chief financial officer of the Company (a) stating that the signer has reviewed the terms of the Transaction Documents and has made, or caused to be made under such signer's supervision, a review in reasonable detail of the transactions and condition of the Consolidated Group during the fiscal period covered by such financial statements and that such review has not disclosed the existence during or at the end of such fiscal period, of any Default or Event of Default or, if any such Default or Event of Default existed or exists, specifying the nature and period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto; (b) demonstrating (if applicable, with computations in reasonable detail) compliance by the Company with the provisions of SECTION 6.10; and (c) analyzing the principal changes in the results of operations of the Consolidated Group for such Fiscal Year or Fiscal

Quarter from the results of operations of the Consolidated Group for the immediately preceding Fiscal Year or Fiscal Quarter, if any;

(iv) together with each delivery of financial statements pursuant to subsection (ii) of this SECTION 5.1, a certificate by the Approved Auditor stating (a) that their audit examination has included a review of the terms of this Agreement as they relate to accounting matters and that such review is sufficient to enable them to make the statement referred to in clause (c) of this subsection (iv), (b) whether, in the course of their audit examination, there has been disclosed the existence during the fiscal year covered by such financial statements (and whether they have knowledge of the existence as of the date of such accountants' certificate) of any condition or event which constitutes a Default or Event of Default under SECTION 6.10 and if during their audit examination there has been disclosed (or if they have knowledge of) such a condition or event, specifying the nature and period of existence thereof (it being understood, however, that such accountants shall not be liable to any Person by reason of their failure to obtain knowledge of any Default or Event of Default which would not be obtained in the course of an audit conducted in accordance with generally accepted auditing standards), and (c) that based on their annual examination nothing came to their attention which causes them to believe that the information contained in the certificate of the chief financial officer of the Company delivered therewith pursuant to subsection (iii) of this SECTION 5.1 is not correct or that the matters set forth in such certificate are not stated in accordance with the terms of this Agreement;

(v) promptly after receipt thereof by the Company, copies of all management letters, if any, submitted to any member of the Consolidated Group by independent public accountants or consultants in connection with each annual, interim or special audit of the books of the Consolidated Group;

(vi) promptly after any Senior Officer obtains actual knowledge (a) of any Default or Event of Default, (b) that any Holder has given notice to the Company or taken any other action with respect to a claimed Default or Event of Default under this Agreement, or (c) that any Person has given any notice to the Company or any other member of the Consolidated Group or taken any other action with respect to a claimed default or event or condition of the type referred to in subsection (iii) of SECTION 7.1, an Officers' Certificate specifying the nature and period of existence of any such Default or Event of Default, or specifying the notice given or action taken by such Holder or Person and the nature of such claimed Default, Event of Default, event or condition, and what action the Company or such member has taken, is taking or proposes to take with respect thereto;

(vii) promptly, and in any event within 5 days after any Senior Officer obtains knowledge of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or any of their ERISA Affiliates proposes to take with respect thereto:

(a) with respect to any Plan, any "reportable event" (as defined in section 4043(b) of ERISA) for which notice thereof has not been waived pursuant to regulations of the DOL or "prohibited transaction" (as such term is defined in section 406 of ERISA or section 4975 of the Code) in connection with any Plan or any trust created thereunder; or

(b) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, and any distress termination notice delivered to the PBGC under section 4041 of ERISA in respect of any Plan, and any determination of the PBGC in respect thereof;

(c) the placement of any Multiemployer Plan in reorganization status under Title IV of ERISA, any Multiemployer Plan becoming "insolvent" (as such term is defined in section 4245 of ERISA) under Title IV of ERISA, or the whole or partial withdrawal of the Company

or any of their ERISA Affiliates from any Multiemployer Plan and the withdrawal liability incurred in connection therewith; or

(d) any event, transaction or condition that could reasonably be expected to result in the incurrence of any liability by the Company or any of its ERISA Affiliates, or the imposition of any Lien on any of the rights, properties or assets of the Company or any of their ERISA Affiliates, pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(viii) (a) promptly after transmission thereof, copies of all financial statements, proxy statements, notices and reports as the Company shall send or make available to its stockholders or holders of public debt and copies of all registration statements (with exhibits), prospectuses and all periodic reports which it files with the SEC or any stock exchange and of all press releases and other statements made available generally by the Company to the public concerning material developments and (b) promptly after receipt thereof, copies of any reports, statements and notices the Company may receive in accordance with Section 13(d) or 14(d) of the Exchange Act or the rules and regulations of any stock exchange;

(ix) promptly after the commencement of any action or proceeding relating to any member of the Consolidated Group in any court or before any Governmental Authority or arbitration board or tribunal as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected to have a Material Adverse Effect, a notice specifying the nature and period of existence thereof and what action such member has taken, is taking or proposes to take with respect thereto; and

(x) with reasonable promptness, such other information and data with respect to any member of the Consolidated Group or relating to the ability of the Company to perform its obligations under the Transaction Documents as may from time to time be reasonably requested by any Holder.

5.2 INFORMATION REQUIRED BY RULE 144A. The Company will, upon the request of any Holder, provide to such Holder, and any Qualified Institutional Buyer designated by such Holder, such financial and other information as such Holder may reasonably determine to be necessary in order to permit compliance with the information requirements of Rule 144A in connection with a resale or proposed resale of any Security.

5.3 INSPECTION OF PROPERTY. Each member of the Consolidated Group will permit the representatives of any Holder to visit and inspect any of its Properties, to examine its books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss its affairs, finances and accounts with its and each other member's officers, employees and independent public accountants (and by this provision the Company authorizes said accountants to discuss the finances and affairs of the Consolidated Group) all at such reasonable times and as often as may be reasonably requested in advance. At all times during which there exists a Default or Event of Default, any reasonable out-of-pocket expenses incurred by the Holders in connection with this SECTION 5.3 shall be paid by the Company in accordance with SECTION 12.1.

5.4 EXISTENCE, ETC. Except as otherwise specifically permitted by this Agreement, each member of the Consolidated Group will at all times preserve and keep in full force and effect its existence as a corporation or other legal entity, and rights and franchises material to its business, and qualify and maintain its qualification to do business and good standing in any jurisdiction where the failure to do so individually or in the aggregate would have a Material Adverse Effect.

5.5 PAYMENT OF TAXES AND CLAIMS.

(i) Each member of the Consolidated Group will file all Tax returns required to be filed in any jurisdiction and pay all Taxes shown to be due and payable on such returns and all other Taxes imposed upon it or any of its Properties or in respect of any of its franchises, business, income, sales and services, or profits when the same become due and payable, but in any event before any penalty or interest accrues thereon, and all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which have or might become a Lien upon any of its properties or assets, provided, that no such Tax or claim need be paid if (a) it is being actively contested in good faith by appropriate proceedings and if adequate surety bonds or reasonable reserves or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor, and (b) the failure to pay such Tax or claim is not expected, if such contest were adversely determined, to have a Material Adverse Effect.

(ii) No member of the Consolidated Group will consent to or permit the filing of or be a party to any consolidated income tax return on its behalf or on behalf of any member of the Consolidated Group with any Person (other than a consolidated return that includes solely the Consolidated Group).

5.6 COMPLIANCE WITH LAWS, ETC. Each member of the Consolidated Group will comply with all applicable laws, rules, regulations and orders of any Governmental Authority to which it is subject, and obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of its Properties or to the conduct of its businesses, in each case to the extent necessary to reasonably ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, permits, franchises and other governmental authorizations in the aggregate do not, and could not reasonably be expected to, have a Material Adverse Effect.

5.7 MAINTENANCE OF PROPERTIES AND LEASES. Each member of the Consolidated Group will maintain, in good repair and working order and condition (ordinary wear and tear and

obsolescence excepted) all Properties used in the Consolidated Group's business (except to the extent the failure to so maintain, repair and keep in good working order does not, and is not reasonably expected to, have a Material Adverse Effect), and from time to time make or cause to be made all appropriate repairs, renewals, replacements, additions and improvements thereof as needed and comply in all material respects with the provisions of all leases or licenses under which it leases or licenses any such properties (except to the extent the failure to do so does not, and is not reasonably expected to, have a Material Adverse Effect).

5.8 INSURANCE. Each member of the Consolidated Group will maintain, with financially sound and reputable insurers, insurance with respect to its properties and business of such types and in such forms and amounts (including deductibles, co-insurance and self-insurance if adequate reserves are maintained with respect thereto) and against such risks as is reasonable and prudent in the circumstances and as are customarily insured against by Persons of established reputation engaged in the same or similar business and similarly situated.

5.9 USE OF PROCEEDS. The Company will use the proceeds it receives from the sale of the Notes only for repayment of the Existing Senior Notes and for working capital and not for any purpose which would violate any applicable law or governmental regulation or which is otherwise prohibited under SECTION 8.10.

5.10 ENVIRONMENTAL COMPLIANCE AND INDEMNIFICATION.

5.10.1 Each member of the Consolidated Group will (a) obtain and maintain all permits, licenses, and other authorizations that are required of it under all Environmental Laws other than those which the failure to obtain or maintain individually or in the aggregate do not, and could not reasonably be expected to have, a Material Adverse Effect, and (b) comply with all terms and conditions of all such permits, licenses, and authorizations and with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules, and timetables contained in all Environmental Laws or in any regulation, ordinance or code applicable to it or in any, plan, order, decree, judgment, injunction, notice, or demand letter issued, entered, promulgated, or approved thereunder directly applicable to it, except to the extent of noncompliance which, in the aggregate, does not, and could not reasonably be expected to, have a Material Adverse Effect, and (c) operate all property owned or leased by it such that no claims or obligations, including clean-up obligations, which in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect, shall arise under any Environmental Law, and if any claim is made against it or any such obligation shall arise under any Environmental Law, it shall at its own cost and expense, timely satisfy such claim or obligation, provided no such claim or obligation need be satisfied for so long as (1) it is being actively contested in good faith by appropriate proceedings and (2) adequate surety bonds or such reserves or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor.

5.10.2 Each member of the Consolidated Group will defend, indemnify and hold the Purchasers, each Holder and their respective affiliates, employees, agents, officers and directors harmless from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way relating to the violation of, noncompliance with or liability under any Environmental Laws applicable to any member of the Consolidated Group (whether or not such noncompliance constitutes a violation of the other covenants set

forth in this SECTION 5.10) or any orders, requirements or demands of any Governmental Authority related thereto, including, with limitation, reasonable attorney's and consultants' fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing directly result from the gross negligence or willful misconduct of the party seeking indemnification therefor.

5.11 MAINTENANCE OF BOOKS AND RECORDS. Each member of the Consolidated Group will: (i) keep proper records and books of account with respect to its business activities in which proper entries are made in the ordinary course of all dealings or transactions of or in relation to its business and affairs; (ii) set up on its books adequate reserves with respect to all Taxes, assessments, charges, levies and claims; and (iii) set up on its books reserves against doubtful accounts receivable, advances and all other proper reserves (including reserves for depreciation, obsolescence or amortization of its property). All determinations pursuant to this SECTION 5.11 shall be made in accordance with, or as required by, GAAP in order to fairly reflect all of the Consolidated Group's financial transactions. Notwithstanding the foregoing, the members of the Consolidated Group may make adjustments and changes in the manner in which their books and records are kept, provided, that:

(a) all such adjustments and changes shall be required or permitted by GAAP, but need not conform with the prior accounting practice of such member or its predecessor;

(b) each Holder shall be given written notice of all such changes or adjustments together with the financial statements required by subsection (i) of SECTION 5.1 for the Fiscal Quarter in which such change occurred, and together with the financial statements required by subsection (ii) of SECTION 5.1, a year-end listing and description of all such changes and adjustments and the effect thereof by the chief financial officer of the Company;

(c) the financial covenants and ratios set forth in SECTION 6.10 shall continue to be calculated without regard to such adjustments or changes unless and until the Required Holders have consented thereto; and

(d) the Company may not change its Fiscal Year unless and until the Required Holders have consented thereto, such consent not to be unreasonably withheld, delayed or conditioned.

5.12 SUBSIDIARY GUARANTIES. The Company will cause each of its Subsidiaries, other than Northeast Casualty, hereafter existing to guaranty the obligations of the Company under this Agreement, the Notes and the other Transaction Documents by executing and delivering to each Holder contemporaneously with the organization or acquisition of such Subsidiary, a Subsidiary Guaranty accompanied by copies of the organizational documents of such Subsidiary and corporate resolutions (or equivalent) authorizing such transaction, in each case certified as true and correct by an appropriate officer of such Subsidiary and such opinions of counsel with respect thereto as the Required Holders reasonably request.

5.13 BOARD VISITATION RIGHTS. While any of the Notes shall remain outstanding, the Required Holders shall be entitled to designate one representative who is reasonably acceptable to the Company who shall receive prior notice of and shall have the right to attend or participate telephonically in any meetings of the Board of Directors or any committee thereof.

6. NEGATIVE COVENANTS.

6.1 INDEBTEDNESS. After the Closing, no member of the Consolidated Group will create, incur, assume or permit to exist (regardless of when incurred) any Debt, except:

6.1.1 the Senior Indebtedness;

6.1.2 the Notes;

6.1.3 Debt existing on the date hereof which is set forth in SCHEDULE 6.1 and has been designated on such schedule as Debt that will remain outstanding following the Closing (such Debt, "EXISTING DEBT"), and any extension, renewal, refunding or replacement of any such Debt that does not increase the principal amount thereof;

6.1.4 Debt of any Subsidiary Guarantor to the Company or any other Subsidiary Guarantor except that the aggregate amount of all Debt of Northeast Casualty to the other members of the Consolidated Group at any time shall not exceed $500,000;

6.1.5 other Debt of the Consolidated Group (determined on a consolidated basis without duplication in accordance with GAAP) consisting of Capitalized Lease Obligations and/or secured by Liens permitted under SECTION 6.2.8, in an aggregate principal amount at any time outstanding not in excess of $1,000,000 (which amount shall include Existing Debt consisting of Capitalized Lease Obligations or Debt secured by Liens permitted under SECTION 6.2.8) at any one time outstanding;

6.1.6 Subordinated Debt;

6.1.7 Guarantees permitted under SECTION 6.3; and

6.1.8 other unsecured Debt not expressly permitted under SECTIONS 6.1.1 through 6.1.6 in an aggregate amount not to exceed $1,000,000 at any time.

6.2 LIENS. No member of the Consolidated Group will create, incur, assume or permit to exist any Lien on any Property now owned or hereafter acquired by

it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except (the following being called "PERMITTED LIENS"):

6.2.1 Liens created under the Bank Loan Documents and any Refinancing Debt Documents;

6.2.2 any Lien on any Property existing on the date hereof and set forth in SCHEDULE 6.1 provided that (i) after the Closing Date such Lien is not extended to any other property or asset and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

6.2.3 Liens imposed by any Governmental Authority for taxes, assessments or charges not yet delinquent or (in the case of property taxes and assessments not exceeding $200,000 in the aggregate more than 90 days overdue) which are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Consolidated Group in accordance with GAAP;

6.2.4 landlords', carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens, and vendors' Liens imposed by statute or common law not securing the repayment of Debt, arising in the ordinary course of business which are not overdue for a period of more than 60 days or which are being contested in good faith and by appropriate proceedings and Liens securing judgments (including, without limitation, pre-judgment attachments) but only to the extent for an amount and for a period not resulting in an Event of Default under SECTION 7.1(XIII);

6.2.5 pledges or deposits under worker's compensation, unemployment insurance and other social security legislation and pledges or deposits to secure the performance of bids, tenders, trade contracts (other than for borrowed money), leases (other than capital leases), utility purchase obligations, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

6.2.6 easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of Property or minor imperfections in title thereto which, in the aggregate, are not material in amount, and which do not, in the aggregate, materially detract from the value of the Property or materially interfere with the ordinary conduct of the business of any member of the Consolidated Group;

6.2.7 Liens consisting of bankers' liens and rights of setoff, in each case, arising by operation of law, and Liens on documents presented in letter of credit drawings; and

6.2.8 Liens on fixed or capital assets, including real or personal property, acquired, constructed or improved by a member of the Consolidated Group after the Closing Date, provided that (A) such Liens secure solely Debt (including Capitalized Lease Obligations) permitted under SECTION 6.1.5, (B) such Liens and the Debt secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement or were in effect at the time such member acquired such fixed or capital asset, (C) the Debt secured thereby does not exceed the cost of acquiring, constructing or improving such fixed or capital assets, and (D) such security interests shall not apply to any other Property of any other member of the Consolidated Group.

6.3 CONTINGENT LIABILITIES. No member of the Consolidated Group will Guarantee the Debt or other obligations of any Person, or Guarantee the payment of dividends or other distributions upon the stock of, or the earnings of, any Person, except:

6.3.1 endorsements of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;

6.3.2 Guarantees of obligations of a member of the Consolidated Group to the extent constituting Debt incurred under the Bank Loan Agreement or the Transaction Documents (provided that the other members of the Consolidated Group shall not guarantee, in the aggregate, more than $500,000 of Debt of Northeast Casualty at any time);

6.3.3 Guarantees and letters of credit in effect on the date hereof which are disclosed in SCHEDULE 6.1, and any replacements thereof in amounts not exceeding such Guarantees; and

6.3.4 obligations in respect of letters of credit issued under the Bank Loan Agreement.

6.4 FUNDAMENTAL CHANGES; ASSET SALES.

6.4.1 No member of the Consolidated Group will enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve (or suffer any liquidation or dissolution). No member of the Consolidated Group will acquire any business or Property from, or capital stock of, or other equity interests in, or be a party to any acquisition of, any Person except for purchases of Property to be used in the ordinary course of business, Investments permitted under SECTION 6.5 and Capital Expenditures. No member of the Consolidated Group will form or acquire any Subsidiary after the Closing Date unless such Subsidiary has entered into a Subsidiary Guaranty pursuant to SECTION 5.12.

6.4.2 No member of the Consolidated Group will convey, sell, lease, transfer or otherwise dispose (including any Disposition) of, in one transaction or a series of transactions, any part of its business or Property, whether now owned or hereafter acquired, including, without limitation, receivables and leasehold interests, but excluding obsolete or worn-out property (including leasehold interests), tools or equipment no longer used or useful in its business and any inventory or other property sold or disposed of in the ordinary course of business and on ordinary business terms, provided that each may sublease real property to the extent such sublease would not interfere with the operation of the business of any member of the Consolidated Group.

6.4.3 Notwithstanding the foregoing provisions of this SECTION 6.4:

(i) any Subsidiary (other than Northeast Casualty) may be merged or combined with or into any Subsidiary Guarantor or the Company; provided that if any such transaction shall be between a Subsidiary and the Company or a Wholly-Owned Subsidiary, the Company or such Wholly-Owned Subsidiary, as applicable, shall be the continuing or surviving corporation;

(ii) any Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its Property (upon voluntary liquidation or otherwise) to the Company or a Wholly-Owned Subsidiary (provided that no member of the Consolidated Group shall transfer any Property to Northeast Casualty other than Debt permitted under SECTION 6.1.4, Guarantees permitted under SECTION 6.3.2 and Investments permitted under SECTION 6.5.1);

(iii) any Wholly-Owned Subsidiary (other than Northeast Casualty) may be merged or combined with any other Person not a Subsidiary if (a) such Wholly-Owned Subsidiary is the surviving entity, (b) immediately after giving effect to such transaction, such Wholly-Owned Subsidiary will not be liable with respect to any Debt, or its property subject to any Lien, which it could not incur or become liable for or allow its property to be or become subject to, under this Agreement on the date of such merger or combination, (c) after giving effect to such merger or combination the Consolidated Group would, if such merger or combination occurred on the

last day of the most recently ended Fiscal Quarter, have been in compliance with its financial covenants set forth in SECTION 6.10, and (d) immediately before and immediately after giving effect to such merger or combination, no Default or Event of Default shall exist; and

(iv) the capital stock of any Subsidiary may be sold, transferred or otherwise disposed of to the Company or a Wholly-Owned Subsidiary (other than Northeast Casualty).

6.5 INVESTMENTS; INTEREST RATE PROTECTION PRODUCTS.

6.5.1 No member of the Consolidated Group will make or permit to remain outstanding any Investment, other than:

(i) Investments consisting of Guarantees permitted by SECTION 6.3.3 and Debt permitted by SECTION 6.1; loans and advances by the Company to any Wholly-Owned Subsidiary or by any Subsidiary to the Company or another wholly-owned Subsidiary in the ordinary course of business; and capital contributions by the Company to any Wholly-Owned Subsidiary or by any Wholly-Owned Subsidiary to a Wholly-Owned Subsidiary; provided that the aggregate amount of all loans, advances, Guaranties and capital contributions made by the Consolidated Group to Northeast Casualty after the Closing Date shall not exceed $500,000;

(ii) Permitted Investments; and

(iii) Checking and deposit accounts with banks used in the ordinary course of business.

6.5.2 No member of the Consolidated Group will enter into any Interest Rate Protection Product, other than Interest Rate Protection Products required to be entered into under the terms of the Bank Loan Agreement and such other Interest Rate Protection Products entered into in the ordinary course of business to hedge or mitigate risks to which the Consolidated Group is exposed in the normal conduct of its businesses or the management of its liabilities.

6.6 RESTRICTED JUNIOR PAYMENTS. No member of the Consolidated Group will declare or make any Restricted Junior Payment at any time; provided, however, (i) that any Subsidiary Guarantor may pay dividends to the Company or any other Subsidiary Guarantor which is a Wholly-Owned Subsidiary (except that no dividends shall be paid to Northeast Casualty); (ii) a member of the Consolidated Group may make regularly scheduled payments of principal and interest on Subordinated Debt if such payments are not otherwise prohibited under the terms under which such Subordinated Debt has been subordinated to the Notes; and (iii) so long as no Default shall have occurred and be continuing and no Default shall be caused thereby, the Company may make required quarterly dividends payable on the Outstanding Preferred Stock.

6.7 TRANSACTIONS WITH AFFILIATES. Except as expressly permitted by this Agreement, no member of the Consolidated Group will directly or indirectly (a) make any Investment in an Affiliate; (b) transfer, sell, lease, assign or otherwise dispose of any Property to an Affiliate; (c) merge into or consolidate with an Affiliate, or purchase or acquire Property from an Affiliate; or (d) enter into any other transaction directly or indirectly with or for the benefit of an Affiliate (including, without limitation, guarantees and assumptions of obligations of an Affiliate); provided that:

(i) any Affiliate who is an individual may serve as a director, officer, employee or consultant of the Company or any Subsidiary, receive reasonable

compensation for his or her services in such capacity and benefit from

Permitted Investments to the extent specified in clause (v) of the definition thereof;

(ii) each may engage in and continue the transactions with or for the benefit of Affiliates which are referred to in SECTION 6.6 (but only to the extent specified in such section); and

(iii) each may engage in transactions with Affiliates in the ordinary course of business on terms which are no less favorable to it those likely to be obtained in an arms' length transaction between it and a non-Affiliated third party.

6.8 RESTRICTIVE AGREEMENTS. No member of the Consolidated Group will, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement (other than the Transaction Documents and the Bank Loan Documents) that prohibits, restricts or imposes any condition upon (a) the ability of any member of the Consolidated Group to pay dividends or other distributions with respect to any shares of their Equity Interests or to make or repay loans or advances to any other member of the Consolidated Group or to Guarantee Debt of any other member of the Consolidated Group; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on SCHEDULE 8.8 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of stock or Property of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder.

6.9 SALE-LEASEBACK TRANSACTIONS; BILL-AND-HOLD SALES, ETC.

6.9.1 No member of the Consolidated Group will, directly or indirectly, enter into any arrangements with any Person whereby such entity shall sell or transfer (or request another Person to purchase) any property, real, personal or mixed, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property from any Person.

6.9.2 No member of the Consolidated Group will make any sale to any customer on a bill-and-hold, guaranteed sale, sale and return, sale-on-approval, or consignment basis, or any sale on a repurchase or return basis.

6.10 CERTAIN FINANCIAL COVENANTS. All of the following covenants shall be measured at the end of each Fiscal Quarter, based on the four immediately preceding Fiscal Quarters.

6.10.1 FIXED CHARGE COVERAGE RATIO. The Fixed Charge Coverage Ratio as of the end of each Fiscal Quarter shall not be less than 1.10 to 1.

6.10.2 TANGIBLE CAPITAL BASE. The Tangible Capital Base as of the end of each Fiscal Quarter set forth below shall not be less than the amount set forth opposite such Fiscal Quarter below:

Fiscal Quarter	Minimum Tangible Capital Base Amount
Fiscal Quarter ending 3/31/01	$27,000,000
Fiscal Quarter ending 6/30/01	$27,000,000
Fiscal Quarter ending 9/30/01	$30,500,000
Fiscal Quarter ending 12/31/01	$33,000,000
Each Fiscal Quarter thereafter	$35,500,000

6.10.3 TOTAL LIABILITIES TO TANGIBLE CAPITAL BASE RATIO. The Total Liabilities to Tangible Capital Base Ratio as of the end of each Fiscal Quarter set forth below shall not exceed the ratio set forth opposite such Fiscal Quarter below:

Fiscal Quarter	Ratio
Fiscal Quarters ending 6/30/01, 9/30/01 and 12/31/01	3.00 to 1
Fiscal Quarter ending 3/31/02 and each Fiscal Quarter thereafter	2.75 to 1

6.10.4 CAPITAL EXPENDITURES. Neither the Company nor any Subsidiary Guarantor shall make any Capital Expenditures (including, without limitation, incurring any Capitalized Lease Obligations) during any Fiscal Year which, in the aggregate in any Fiscal Year, exceed 20% of the Tangible Capital Base as of the end of the Fiscal Year then most recently ended.

6.10.5 MINIMUM EBITDA. EBITDA as at the end of each Fiscal Quarter shall be not less than $18,000,000.

6.10.6 PRIORITY DEBT TO EBITDA. The Company shall maintain, on a consolidated basis, as of the last day of each fiscal quarter, a ratio of: (i) Priority Debt as of such date; to (ii) EBITDA of not more than 2.25 to 1.00.

6.11 LINES OF BUSINESS. No member of the Consolidated Group will engage to any substantial extent in any line or lines of business activity other than (i) the types of businesses engaged in by the members of the Consolidated Group as of the date hereof and businesses substantially related thereto, and (ii) such other lines of business as may be consented to by the Required Holders.

6.12 OTHER INDEBTEDNESS. No member of the Consolidated Group will purchase, redeem, retire or otherwise acquire for value, or set apart any money for a sinking, defeasance or other analogous fund for the purchase, redemption, retirement or other acquisition of, or make any voluntary payment or prepayment of the principal of or interest on, or any other amount owing in respect of any Subordinated Debt, except to the extent permitted by SECTION 6.6.

6.13 MODIFICATIONS OF CERTAIN DOCUMENTS. No member of the Consolidated Group will consent to any modification, supplement or waiver of any of the provisions of any documents or agreements evidencing or governing any Subordinated Debt. Without limiting the

generality of the foregoing, no Subsidiary Guarantor will Guarantee any Subordinated Debt without the prior consent of the Required Holders.

6.14 AMENDMENTS TO SENIOR INDEBTEDNESS DOCUMENTS. No member of the Consolidated Group will enter into or amend any Bank Debt Document or enter into any agreement governing, evidencing or otherwise executed in connection with Refinancing Debt (a "REFINANCING DEBT DOCUMENT"), if such amendment or the terms of such Bank Debt Document or Refinancing Debt Document would (i) directly prohibit the Company or any Subsidiary Guarantor from making payments in respect of the Notes in any manner which is not already specifically prohibited in the Subordination Agreement; (ii) cause the terms and conditions of any financial covenant or defined term used therein in any Bank Loan Document or in any Refinancing Debt Document to be less favorable to the Consolidated Group than those set forth in Section 9.13 through Section 9.14B of the Bank Loan Agreement and the defined terms used therein as of the date hereof or provide for new financial covenants or defined terms which do not correspond to the financial covenants set forth in Section 9.13 through 9.14B of the Bank Loan Agreement and the defined terms used therein as of the date hereof, unless prior to such amendment or agreement taking effect, the Holders are given written notice describing such less favorable or different terms and at the option of the Required Holders, exercised within five (5) Business Days of the Holders' receipt of the notice describing such less favorable or different terms, conforming amendments to this Agreement are made contemporaneously with such amendment or the execution of such agreement; (iii) extend the maturity of any Bank Debt or Refinancing Debt to a date beyond April 30, 2008; (iv) permit the maximum principal amount of the Senior Indebtedness to exceed at any time $65,000,000; or (v) amend the definition of "Collateral" as set forth in the Bank Loan Agreement as in effect as of the date of this Agreement except as may

be necessary to conform to amendments to the Uniform Commercial Code.

6.15 COMPLIANCE WITH ERISA. The Company and its ERISA Affiliates will not:

(i) engage in any transaction in connection with which the Company or any ERISA Affiliate could be subject to either a civil penalty assessed pursuant to section 502(i) of ERISA or a tax imposed by section 4975 of the Code, terminate or withdraw from any Plan (other than a Multiemployer Plan) in a manner, or take any other action with respect to any such Plan (including, without limitation, a substantial cessation of business operations or an amendment of a Plan within the meaning of section 4041(e) of ERISA), which could reasonably be expected to result in any liability to the PBGC, to a Plan, to a Plan participant, to the Department of Labor or to a trustee appointed under section 4042(b) or (c) of ERISA, incur any liability to the PBGC or a Plan on account of a withdrawal from or a termination of a Plan under section 4063 or 4064 of ERISA, incur any liability for post-retirement benefits under any and all welfare benefit plans (as defined in section 3(1) of ERISA), fail to make full payment when due of all amounts which, under the provisions of any Plan or applicable law, it is required to pay as contributions thereto, or permit to exist any accumulated funding deficiency, whether or not waived, with respect to any Plan (other than a Multiemployer Plan) other than such penalties, taxes, liabilities, failures or deficiencies which individually and in the aggregate do not, and are not reasonably e xpected to have in the future, a Material Adverse Effect;

(ii) at any time permit the termination of any defined benefit pension plan intended to be qualified under section 401(a) and section 501(a) of the Code unless such plan is funded so that the value of all benefit liabilities upon the termination date

does not exceed the then current value of all assets in such plan by an amount the payment of which would have a Material Adverse Effect; or

(iii) at any time permit the aggregate complete or partial withdrawal liability under Title IV of ERISA with respect to Multiemployer Plans incurred by the Company and any ERISA Affiliate, or the aggregate liability under Title IV of ERISA incurred by the Consolidated Group and any ERISA Affiliate, to exceed an amount the payment of which would have a Material Adverse Effect.

For the purposes of subsection (iii) of this SECTION 6.15, the amount of the withdrawal liability of the Company and its ERISA Affiliates at any date shall be the aggregate present value of the amounts claimed to have been incurred less any portion thereof as to which the Company reasonably believes, after appropriate consideration of possible adjustments arising under subtitle E of Title IV of ERISA, that no member of the Consolidated Group nor any ERISA Affiliate will have any liability, provided, that the Company shall promptly obtain written advice from independent actuarial consultants supporting such determination. The Company will (x) once in each calendar year, beginning in 2001, request and obtain a current statement of withdrawal liability from each Multiemployer Plan to which any member of the Consolidated Group or any ERISA Affiliate is or has been obligated to contribute and (y) transmit a copy of such statement to each Holder, within 15 days after the Company receives the same. As used in this SECTION 6.15, the term "accumulated funding deficiency" has the meaning specified in section 302 of ERISA and section 412 of the Code, the terms "present value" and "current value" have the meanings specified in section 3 of ERISA, the term "benefit liabilities" has the meaning specified in section 4001(a)(16) of ERISA and the term "amount of unfunded liabilities" has the meaning specified in section 4001(18) of ERISA.

7. EVENTS OF DEFAULT.

7.1 EVENTS OF DEFAULT. If any of the following events shall occur or conditions shall exist and be continuing for any reason whatsoever, and whether

such occurrence or condition shall be voluntary or involuntary or come about or be effected by operation of law or otherwise, such occurrence or condition and continuance shall constitute an "EVENT OF DEFAULT":

(i) the Company defaults in the payment of any principal or Make Whole Amount on any of the Notes when due; or

(ii) the Company defaults in the payment of any interest on any of the Notes when due and such default continues for 3 days; or

(iii) any default by the Company or any member of the Consolidated Group under any Debt in favor of any Person other than the Notes, in any case in an amount in excess of $500,000.00, which default continues unwaived for more than the applicable cure period, if any, with respect thereto, or any default by the Company or any member of the Consolidated Group under any material contract, lease, license or other obligation to any Person pursuant to the Transaction Documents, which default continues unwaived for more than the applicable cure period, if any, with respect thereto; or

(iv) any representation or warranty made by the Company or any other member of the Consolidated Group in any Transaction Document or in any writing

furnished pursuant to a Transaction Document shall be false, incorrect or misleading in any material respect; or

(v) the Company or any other member of the Consolidated Group fails to perform or observe or comply with any covenant contained in SECTION 5.1, 5.9, 6.1 through 6.14 inclusive; or

(vi) the Company or any other member of the Consolidated Group fails to perform or observe or comply with any covenant set forth in SECTION 5.2, 5.4, 5.5, 5.6, 5.10, 5.12, 5.13 or 6.15 and such failure shall not be remedied within 30 days after the earlier of (x) actual knowledge by a Senior Officer or (y) notice thereof to the Company from any Holder; or

(vii) any member of the Consolidated Group fails to perform or observe or comply with any other agreement, term or condition of any of the Transaction Documents (other than as specified in clauses (i), (ii), (v) and (vi)) and such failure shall not be remedied within 30 days from the date of notice thereof to the Company from any Holder; or

(viii) (a) any Subsidiary Guaranty shall cease to be in full force and effect or shall be declared by a court or other Governmental Authority of competent jurisdiction to be void, voidable or unenforceable against such Subsidiary or (b) the validity or enforceability of any Subsidiary Guaranty against such Subsidiary shall be contested by such Subsidiary, the Company or any of their Affiliates, or (c) any Subsidiary, the Company or any of their Affiliates shall deny that such Subsidiary has any further liability or obligation under its Subsidiary Guaranty; or

(ix) any member of the Consolidated Group (other than Northeast Casualty) voluntarily or involuntarily suspends or discontinues operation or liquidates all or substantially all of its assets (except, in the case of the voluntary suspension of operation or the liquidation of a Subsidiary, if the Company or a Wholly-Owned Subsidiary continues the business or such liquidation is in favor of the Company or a Wholly-Owned Subsidiary); or

(x) any member of the Consolidated Group is generally not paying its debts as such debts become due or admits in writing that it is not able to pay its debts as such debts become due or otherwise becomes insolvent; or files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition

in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; or makes an assignment for the benefit of its creditors; or consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property; or takes corporate action for the purpose of any of the foregoing; or

(xi) a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation, dissolution or winding up of any member of the Consolidated Group or for the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to any member of the Consolidated Group or with respect to any substantial part of any member's Property to take advantage of any bankruptcy or insolvency law of any jurisdiction is filed against any member of the

Consolidated Group without its consent or other acquiescence and such petition is not dismissed within 60 days or any holder of a Lien on all or substantially all of the assets of the Company or any other member of the Consolidated Group take any action to foreclose on such Lien and such action remains unstayed and in effect for 60 days; or

(xii) a Governmental Authority enters an order appointing a custodian, receiver, trustee or other officer with similar powers with respect to any member of the Consolidated Group or with respect to any substantial part of their Property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of any member of the Consolidated Group without its consent and such order remains unstayed and in effect for 30 days; or

(xiii) a final judgment or judgments for the payment of money aggregating in excess of $2,000,000 is rendered against one or more members of the Consolidated Group and within 60 days of the entry thereof such judgment or judgments are not bonded or discharged or execution thereof stayed pending appeal, or within 60 days after the expiration of any such stay, such judgment or judgments are not discharged.

7.2 ACCELERATION ON EVENT OF DEFAULT.

(i) AUTOMATIC. If any Event of Default specified in subsections (x), (xi) or (xii) of this SECTION 7.1 shall exist, all of the Notes at the time outstanding shall automatically become immediately due and payable in full at 100% of the outstanding principal amount thereof together with interest accrued thereon without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived.

(ii) BY ACTION OF HOLDERS. If any Event of Default other than those specified in subsections (x), (xi) or (xii) of SECTION 7.1 shall exist, the Required Holders shall have the right to declare all the Notes then outstanding to be immediately due and payable in full at 100% of the outstanding principal amount thereof together with all interest accrued thereon and the Make Whole Amount, without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived.

(iii) ACCELERATION ON PAYMENT DEFAULT. During the existence of an Event of Default described in subsection (i) of SECTION 7.1 and irrespective of whether the Notes then outstanding shall have become due and payable pursuant to subsections (i) or (ii) of this SECTION 7.2, any Holder who or which shall have not consented to any waiver with respect to such Event of Default may, at its option, declare its Notes to be immediately due and payable in full at 100% of the outstanding principal amount thereof together with all interest accrued thereon and the Make Whole Amount, without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived.

7.3 RESCISSION OF ACCELERATION. At any time after any Note shall have been declared immediately due and payable pursuant to subsection (ii) or (iii) of SECTION 7.2, the Holders of Notes representing not less than two-thirds of the aggregate outstanding principal amount of the Notes may, by written notice to the Company, rescind and annul any such declaration if (i) the Company shall have paid all interest, principal and Make Whole Amount,

payable with respect to any such Note which have become due otherwise than by reason of such declaration, including any interest on any such overdue interest, principal and Make Whole Amount, at the amount specified therein or otherwise in this Agreement, (ii) the Company shall not have paid any amounts which have become due solely by reason of such declaration, (iii) all Events of Default and Defaults, other than non-payment of amounts which have become due solely by reason of such declaration, shall have been cured or waived pursuant to SECTION 12.2, and (iv) no judgment or decree shall have been entered for the payment of any amounts due pursuant to the Transaction Documents solely by reason of such declaration. Any such action by the Holders of Notes representing not less than two-thirds of the aggregate outstanding principal amount of the Notes shall be binding on all Holders of all such Notes. No such recision or annulment shall extend to or affect any subsequent Default or Event of Default or impair any right arising therefrom.

7.4 NOTICE OF ACCELERATION OR RESCISSION. Whenever any Note shall be declared immediately due and payable pursuant to subsection (ii) or (iii) of SECTION 7.2, or any such declaration shall be rescinded and annulled pursuant to SECTION 7.3, the Company shall forthwith give written notice thereof to each other Holder at the time outstanding, provided, the failure to give such notice shall not affect the validity of any such declaration, recision or annulment.

7.5 OTHER REMEDIES, NO WAIVERS OR ELECTION OF REMEDIES. If any one or more Events of Default shall occur and be continuing, irrespective of whether any Notes have become or have been declared immediately due and payable, any Holder may proceed to protect and enforce its rights under the Transaction Documents by exercising such remedies as are available to such Holder in respect thereof under applicable law, either by suit in equity or by action at law or by any other appropriate proceeding, whether for specific performance of any covenant or other agreement contained in any Transaction Document or in aid of the exercise of any power granted in a Transaction Document, in such order as the Holder may determine in its sole discretion; provided, that the maturity of a Holder's Notes may be accelerated only in accordance with SECTION 7.2. No remedy conferred in a Transaction Document upon any Holder is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or now or hereafter existing at law or in equity or by statute or otherwise. No course of dealing or failure or delay by any Holder in exercising any right, power or remedy under a Transaction Document or any other document executed in connection therewith shall operate as a waiver thereof or otherwise prejudice such Holder's rights, powers or remedies, nor shall any single or partial exercise of any such right or remedy preclude any other right or remedy hereunder or thereunder.

8. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants that:

8.1 ORGANIZATION, ETC.

(i) The Company is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts and is qualified and in good standing in each jurisdiction in which it is required to be qualified to do business (other than those jurisdictions in which the failure to be so qualified, individually and in aggregate, could not reasonably be expected to have a Material Adverse Effect) and has all requisite power and authority to own, operate and lease its property and to carry on

its business as now being conducted. The Company has all requisite power and authority to execute, deliver and perform each Transaction Document to which it is a party and to issue and sell the Securities to be issued by it. SCHEDULE 8.1 identifies the Company's and each Subsidiary's correct legal name, the jurisdiction of organization, the jurisdictions in which qualified to do business and its directors and officers.

(ii) Each Transaction Document has been duly authorized by all necessary action on the part of the Company to the extent a party thereto and has been (or will have been as of the Closing Date) duly executed and delivered by authorized officers of the Company and constitutes (or will constitute upon execution thereof) its legal, valid and binding obligations, enforceable against the Company as applicable in accordance with their respective terms, except as affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

8.2 STOCK OWNERSHIP.

(i) The authorized capital stock of the Company will consist, as of the Closing, of (subject to exercises of stock options outstanding as of the date of this Agreement): (a) 20,000,000 shares of Common Stock, of which 11,395,988 shares are issued and 11,395,988 shares are outstanding, and 2,640,227 shares are reserved for issuance to employees pursuant to the plans described in SCHEDULE 8.2; (b) 2,000,000 shares of Series A Convertible Preferred Stock, $.01 par value, of which none are issued or outstanding; and (c) 156,416 shares of Series B Convertible Preferred Stock, $.01 par value, of which 112,000 shares are issued and outstanding. All such shares outstanding on the date hereof have been duly authorized and validly issued and are fully paid and nonassessable.

(ii) Except as set forth in SCHEDULE 8.2, the Company has no outstanding rights, options, warrants or other agreements which would require it to issue any additional Equity Interests after the Closing Date.

8.3 FINANCIAL STATEMENTS. The Company has furnished the Purchasers with the Consolidated Group's combined consolidated audited balance sheets dated as of December 31, 1998, December 31, 1999 and December 31, 2000 and the related statements of income, retained earnings and cash flows for the 12 months ended on such dates (which in the case of the 2000 financial statements, are in draft form) (collectively, the "AUDITED FINANCIAL STATEMENTS") and the unaudited combined, consolidated balance sheet of the Consolidated Group as of February 28, 2001 and the related statements of income and cash flows for the 2 months ended on such date (the "UNAUDITED FINANCIAL STATEMENT" and collectively with the Audited Financial Statements, the "FINANCIAL STATEMENTS"). The Audited Financial Statements fairly present in all material respects the combined, consolidated financial condition of the Consolidated Group and the results of its operations and cash flows for the respective periods specified thereby and the Unaudited Financial Statement fairly presents in all material respects the assets and liabilities of the Consolidated Group as of the date thereof. The Financial Statements have been prepared in accordance with GAAP, consistently applied through the periods involved except as set forth in the notes thereto. Except as disclosed in the Unaudited Financial Statement, since January 1, 2001 there have been no developments or changes affecting the business, assets, liabilities, condition (financial or otherwise) of the Consolidated

Group which in the aggregate have had, or could reasonably be expected to have, a Material Adverse Effect.

8.4 ACTIONS PENDING. Except as set forth in SCHEDULE 8.4, there are no actions, suits, investigations or proceedings pending, or to the knowledge of

the Company threatened, against any member of the Consolidated Group or in connection with or affecting any of its Properties or rights, by or before any court, arbitrator or administrative body or other Governmental Authority.

8.5 TITLE TO PROPERTIES.

(i) Each member of the Consolidated Group has, or will have immediately following the Closing, good and marketable title to all of its assets, subject to no Lien of any kind except Permitted Liens.

(ii) Each member of the Consolidated Group enjoys peaceful and undisturbed possession under all leases necessary in any material respect for the conduct of its business as now conducted and all such leases are valid and subsisting and are in full force and effect immediately following the Closing;

(iii) Each member of the Consolidated Group owns, has or enjoys the right to use (under agreements or licenses which are in full force and effect) all Intellectual Property necessary for it to conduct its business as currently conducted, without any known conflict with the rights of others. None of its products infringes in any material respect upon any Intellectual Property owned by any other Person; and

(iv) To the knowledge of the Company, there is no violation by any Person of any member of the Consolidated Group with respect to any Intellectual Property owned or used by such member.

8.6 AFFILIATES AND INVESTMENTS IN OTHERS. The Consolidated Group has no Investments in any Person other than Investments permitted under SECTION 6.5.1.

8.7 TAX RETURNS AND PAYMENTS. Except as set forth on SCHEDULE 8.7, each member of the Consolidated Group has filed all Federal, State, local and foreign income tax returns, franchise tax returns, real and personal property tax returns and other tax returns required by law to be filed by or on its behalf, or with respect to its properties or assets, and all Taxes, assessments and other governmental charges imposed upon it or any of its Properties, income or franchises which are due and payable have been paid, other than those presently payable without penalty or interest, those presently being actively contested in good faith and for which such reserves or other appropriate provisions, if any, as may be required by GAAP have been made and those, the non-payment or non-filing of which, in the aggregate, do not, and could not reasonably be expected to, have a Material Adverse Effect. Except as set forth on SCHEDULE 8.7, the charges, accruals and reserves on the books of the Consolidated Group in respect of any Taxes for all fiscal periods are adequate and the Company knows of no unpaid assessment for additional Taxes for any period or any basis for any such assessment that in the aggregate could reasonably be expected to have a Material Adverse Effect. No charges or Taxes will be imposed by any Governmental Authority on any member of the Consolidated Group on the execution or delivery of the Transaction Documents and the issue and sale of the Securities.

8.8 CONFLICTING AGREEMENTS AND OTHER MATTERS.

(i) No member of the Consolidated Group is in violation of any term of its organizational documents, or in violation or breach of any term of any agreement (including its certificate of formation and operating agreement), instrument, order, judgment, decree, statute, law, rule or regulation to which it is a party or to which it or any of its Property is subject other than defaults or violations, which in the aggregate, do not have and could not reasonably be expected to have, a Material Adverse Effect.

(ii) The execution and delivery of the Bank Loan Documents and the Transaction Documents, and the consummation of the transactions contemplated thereby do not and will not conflict with the provisions of, or constitute a default under, or result in any violation of, or result in

the creation of any Lien upon any of the Properties of any member of the Consolidated Group (other than Liens created pursuant to the terms of the Bank Loan Documents), pursuant to its organizational documents, any award of any arbitrator or any agreement, instrument, order, judgment, decree, statute, law, rule or regulation to which it is subject.

(iii) Other than the Bank Loan Documents, the Transaction Documents and as described in SCHEDULE 8.8, no member of the Consolidated Group is a party to, or otherwise subject to any provision contained in, any instrument evidencing Debt, any agreement relating thereto or any other contract or agreement (including its charter and bylaws) which limits the amount of, or otherwise imposes restrictions on the incurring of, Debt by any member of the Consolidated Group.

8.9 OFFERING OF SECURITIES. Neither the Company nor any agent acting on its behalf has, directly or indirectly, offered the Securities for sale to, or solicited any offers to buy any of the Securities from, or otherwise approached or negotiated with respect thereto with, any Person other than the Purchasers, each of which has been offered the Securities at a private sale for investment. Neither the Company nor any agent acting on its behalf has taken or will take any action which would subject the issuance or sale of the Securities to the provisions of Section 5 of the Securities Act or to the registration provisions of any securities or Blue Sky law of any applicable jurisdiction. As of the Closing Date, the Securities will not be of the same class as securities of the Company listed on a national securities exchange registered under Section 6 of the Exchange Act or quoted in a U.S. automated inter-dealer quotation system, within the meaning of Rule 144A.

8.10 REGULATION U, ETC. The Company does not own or have any present intention of acquiring any "margin stock" as defined in Regulation U (12 CFR Part 221) of the Board of Governors of the Federal Reserve System ("MARGIN STOCK"). None of the proceeds of the sale of the Securities will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any margin stock or for the purpose of maintaining, reducing or retiring any indebtedness which was originally incurred to purchase or carry any stock that is currently a margin stock or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of such Regulation U. Neither the Company nor any agent acting on its behalf has taken or will take any action which might cause this Agreement or the Notes to violate Regulation T, Regulation U, Regulation X or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Exchange Act, in each case as in effect now or hereafter in effect.

8.11 ERISA.

(i) The Company and each ERISA Affiliate has operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and are not expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to section 401(a)(29) or 412 of the Code, other than such liabilities or Liens that in the aggregate could not reasonably be expected to have a Material Adverse Effect.

(ii) The present value of the aggregate benefit liabilities under each of the Plans that is subject to Title IV of ERISA (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for

funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term "benefit liabilities" has the meaning specified in section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in section 3 of ERISA.

(iii) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that in the aggregate could reasonably be expected to have a Material Adverse Effect.

(iv) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended Fiscal Year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Consolidated Group could not reasonably be expected to have a Material Adverse Effect.

(v) The execution and delivery of the Transaction Documents, the issuance and sale of the Securities and the consummation of the transactions contemplated by the Transaction Documents will not involve a transaction which is subject to the prohibitions of section 406 of ERISA or in connection with which a Tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation in the preceding sentence is made in reliance upon and subject to the accuracy of the Purchasers' representations in subsection (ii) of SECTION 9 as to the source of the funds to be used to pay the purchase price of the Securities.

8.12 GOVERNMENTAL AND OTHER CONSENTS. Except as set forth in SCHEDULE 8.12, neither the nature of any member of the Consolidated Group nor any of their businesses or Properties, nor any relationship between any member of the Consolidated Group and any other Person, nor any circumstance in connection with, the Bank Loan Documents or any Transaction Document or the offering, issuance, sale or delivery of the Securities is such as to require any

authorization, consent, approval, exemption or any action by or notice to or filing with any Governmental Authority or any other Person, other than where the failure to obtain such authorization, consent, approval, exemption or take action, give notice, or file would not have a Material Adverse Effect.

8.13 ENVIRONMENTAL MATTERS. Except as set forth in SCHEDULE 8.13:

(i) No member of the Consolidated Group has received any notice of any claim, and no proceeding has been instituted raising any claim, against it or any of its real properties or other assets now or formerly owned, leased or operated by it alleging any damage to the environment or violation of any Environmental Laws, except those that, in the aggregate, do not, and could not reasonably be expected to, result in a Material Adverse Effect.

(ii) There are no facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to the assets now or formerly owned, leased or operated by any member of the Consolidated Group or its use, except those that, in the aggregate do not, and could not reasonably be expected to, result in a Material Adverse Effect.

(iii) No member of the Consolidated Group has stored any Hazardous Materials on any real properties now or formerly owned, leased or operated by it or disposed of or released any Hazardous Materials in violation of any Environmental Laws, except such that, in the aggregate do not and could not reasonably be expected to result in a Material Adverse Effect.

(iv) All buildings on all real properties now owned, leased or

operated by each member of the Consolidated Group are in compliance with applicable Environmental Laws, except where failures to comply in the aggregate do not, and could not reasonably be expected to, result in a Material Adverse Effect.

(v) Each member of the Consolidated Group has, or will have as of the Closing, obtained all permits, licenses and other authorizations and has made all filings, registrations and other submittals which are required under all Environmental Laws (except to the extent such failures to have any such permits, licenses or authorizations or to have made any such filings, registrations or submittals in the aggregate do not, and could not reasonably be expected to, result in a Material Adverse Effect) and each member of the Consolidated Group is in compliance with all Environmental Laws and with the terms and conditions of all such permits, licenses, authorizations, filings, registrations and submittals or in compliance with all applicable orders, decrees, judgments and injunctions, issued, entered, promulgated or approved under any Environmental Law (except to the extent failures in the aggregate do not, and could not reasonably be expected to, result in a Material Adverse Effect).

8.14 LABOR RELATIONS. There is not now pending, or to the knowledge of the Company, threatened, any strike, work stoppage, work slow down, or material grievance or other material dispute between any member of the Consolidated Group and any bargaining unit or significant number of its employees. To the knowledge of the Company, there is no existing or imminent effort to organize the employees of any member of the Consolidated Group into a

bargaining unit. To the knowledge of the Company, there is no existing or imminent labor disturbance by the employees of any member of the Consolidated Group principal suppliers, contractors or customers that in the aggregate have had, or could reasonably be expected to have, a Material Adverse Effect.

8.15 FINANCIAL CONDITION. After giving effect to the transactions contemplated hereby and by the Bank Loan Documents, each member of the Consolidated Group will individually and the Consolidate Group on a consolidated basis be Solvent.

8.16 DISCLOSURE

(i) The Bank Loan Documents, Transaction Documents, the Financial Statements, and the certificates furnished to the Purchasers pursuant to SECTION 3.1 do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading.

(ii) There is no material fact known to the Company, with respect to the Consolidated Group, which could reasonably be expected to have a Material Adverse Effect and which has not been described in this Agreement or otherwise disclosed in writing to the Purchasers by the Company.

8.17 STATUS UNDER CERTAIN FEDERAL STATUTES. The Company is not subject to regulation under the Investment Company Act of 1940, as amended, or the Public Utility Holding Company Act of 1935, as amended. Neither the sale of the Securities hereunder nor the use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

8.18 BANK LOAN AGREEMENT; EXISTING DEBT. As of the date of this Agreement the Bank Loan Agreement has been executed and delivered and is in full forces and effect in the form of EXHIBIT F. As of the Closing, no member of the Consolidated Group will be in default and no waiver of any such default will be in effect, in the payment of any principal or interest on any Senior

Indebtedness or any Existing Debt and no event or condition will exist as of the Closing with respect to any such Debt that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Debt to become due and payable before its regularly scheduled dates of payment.

8.19 COMPLIANCE WITH LAWS, ETC. Each member of the Consolidated Group is in compliance with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority (including, without limitation, the Occupational Safety and Health Act of 1970, as amended, ERISA and any Environmental Laws), and each member of the Consolidated Group has, or will have as of the Closing Date, in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of its properties or to the conduct of its businesses to the extent necessary to reasonably ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to have in effect such licenses, permits, franchises and other governmental authorizations do not, and could not reasonably be expected to, in the aggregate, have a Material Adverse Effect.

8.20 BROKERS. Other than as described in SCHEDULE 8.20, no broker, finder or other Person performing a similar function has represented the Company or has acted on behalf of the Company in connection with the transactions contemplated hereby. The Company will indemnify and hold each Purchaser harmless from any fees or commissions owed to any Person listed on SCHEDULE 8.20.

9. REPRESENTATIONS OF THE PURCHASERS. Each Purchaser represents that:

(i) It is an Institutional Investor and is purchasing its Securities for its own account or for one or more separate accounts maintained by it or for the account of one or more pension or trust funds, in each case for investment and not with a view to the distribution thereof or with any present intention of distributing or selling any of its Securities, provided that the disposition of such Purchaser's property shall at all times be within its control, subject to compliance with applicable law. The Company acknowledges that a Purchaser's sale of all or a portion of its Securities to one or more Qualified Institutional Buyers in compliance with Rule 144A would not be a breach of this representation;

(ii) With respect to each source of funds to be used by it to pay the purchase price of its Securities (respectively, the "SOURCE"), at least one of the following statements is accurate as of the Closing Date:

(a) the Source is an "insurance company general account" within the meaning of DOL Prohibited Transaction Exemption ("PTE") 95-60 (issued July 12, 1995) and there is no "employee benefit plan" (within the meaning of section 3(3) of ERISA or section 4975(e)(1) of the Code and treating as a single plan all plans maintained by the same employer or employee organization) with respect to which the amount of the general account reserves and liabilities for all contracts held by or on behalf of such plan exceed 10% of the total reserves and liabilities of such general account (exclusive of separate account liabilities) plus surplus, as set forth in the NAIC Annual Statement filed with the state of domicile of the Purchaser and, as a result, the purchase is within the terms of such exemption;

(b) the Source is either (i) an insurance company pooled separate account and the purchase is exempt in accordance with PTE 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of PTE 91-38 (issued July 21, 1991) and, except as such Purchaser has disclosed to the Company in writing pursuant to this CLAUSE (B), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund and, as a result, the purchase is within the terms of one of such exemptions; or

(c) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit

plans established or maintained by the same employer or by an affiliate (within the meaning of section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) if applicable, the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this clause (c); or

(d) the Source is a "governmental plan" as defined in Title I, section 3(32) of ERISA; or

(e) the Source is one or more plans or a separate account or trust fund comprised of one or more plans each of which has been identified to the Company in writing pursuant to this clause (e); or

(f) the Source does not include "plan assets" as defined in ERISA.

As used in this SECTION 9, the terms "employee benefit plan", "governmental plan", "party in interest" and "separate account" shall have the respective meanings assigned to such terms in section 3 of ERISA.

10. DEFINITIONS. For the purposes of this Agreement, the following terms shall have the respective meanings specified with respect thereto:

"AFFILIATE" means and includes, at any time, with respect to any Person each other Person (other than one of its Subsidiaries):

(a) that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such Person;

(b) that beneficially owns or holds ten percent (10%) or more of any class of the Voting Stock of such Person;

(c) ten percent (10%) or more of the Capital Stock (or in the case of a Person that is not a corporation, ten percent (10%) or more of the Equity Interest) of which is beneficially owned or held by such Person; or

(d) that is an officer or director of such Person;

at such time; provided, however, that none of the Purchasers nor any of their Affiliates shall be deemed to be an "AFFILIATE," of the Company and no Person holding any one or more of the Notes or Warrants shall be deemed to be an "AFFILIATE" of the Company solely by virtue of the ownership of such securities.

As used in this definition "CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"AGREEMENT" means this Securities Purchase Agreement as it may from time to time be amended in accordance with SECTION 12.2.

"APPROVED AUDITOR" means Deloitte & Touche, Arthur Andersen LLP, Ernst & Young LLP, KPMG Peat Marwick, Grant Thornton LLP or PricewaterhouseCoopers or such other firm of certified public accountants of national reputation reasonably acceptable to the Required Holders.

"BANK DEBT" means all liabilities, obligations and indebtedness of the Consolidated Group and its successors and assigns under the Bank Loan Documents.

"BANK LOAN AGREEMENT" means the Amended and Restated Loan and Security Agreement dated April 12, 2001 by and among the Company, the other Borrowers (as defined therein) and Congress Financial Corporation (New England) as amended, modified and in effect from time to time as permitted by the terms of this Agreement.

"BANK LOAN DOCUMENTS" means the Bank Loan Agreement and any document, instrument or agreement executed in connection therewith as amended, modified and in effect from time to time as permitted by the terms of this Agreement.

"BENEFICIALLY OWNS" has the meaning given in Rule 13d-3 of the SEC under the Securities Act.

"BUSINESS DAY" means any day other than a Saturday, a Sunday or a day on which the Federal Reserve is required or authorized to be closed in the Commonwealth of Massachusetts.

"CALLED PRINCIPAL" means with respect to any Note, the principal amount of such Note which is to be prepaid pursuant to SECTION 4.1 or is required to be prepaid pursuant to SECTION 4.4 or is declared to be immediately due and payable pursuant to SECTION 7.2.

"CAPITAL EXPENDITURES" means, for any period, the sum for the Consolidated Group (determined on a consolidated basis without duplication in accordance with GAAP) of the aggregate amount of expenditures (including the aggregate amount of Capitalized Lease Obligations incurred during such period) made to acquire or construct fixed assets, plant and equipment (including renewals, improvements and replacements, but excluding repairs) during such period computed in accordance with GAAP; provided that such term shall not include any such expenditures in connection with any replacement or repair of Property affected by a Casualty Event.

"CAPITAL STOCK" means any class of preferred, common or other capital stock, share capital or similar equity interest of a Person including, without limitation, any partnership interest in any partnership or limited partnership and any membership interest in any limited liability company.

"CAPITALIZED LEASE" means any lease which is required to be capitalized on the balance sheet of the lessee in accordance with GAAP, including Statement Nos. 13 and 98 of the Financial Accounting Standards Board, or for which the amount of the asset and liabilities thereunder as if so capitalized should be disclosed in a note to such balance sheet.

"CAPITALIZED LEASE OBLIGATION" means the amount of the liability reflecting the aggregate discounted amount of future payments under all Capitalized Leases calculated in

accordance with GAAP, including Statement Nos. 13 and 98 of the Financial Accounting Standards Board.

"CASUALTY EVENT" means, with respect to any Property of any Person, any loss of or damage to, or any condemnation or other taking of, such Property for which such Person or any of its Subsidiaries receives insurance proceeds, or

proceeds of a condemnation award or other compensation.

"CHANGE OF CONTROL" means (i) the acquisition by any individual other than Alan S. McKim, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership of 50% or more (on a fully diluted basis) of either (A) the then outstanding shares of Common Stock, taking into account as outstanding for this purpose such shares issuable upon the exercise of options or warrants, the conversion of convertible shares or debt, and the exercise of any similar right to acquire shares or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; or (ii) individuals who, as of the Closing Date, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided that any individual becoming a director subsequent to the Closing Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; or (iii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Common Stock and Voting Securities of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50%, on a fully diluted basis, of the then outstanding shares of common stock or interests and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation or other entity resulting from such Business Combination in substantially the same proportions as their ownership, immediately prior to such Business Combination.

"CHANGE OF CONTROL NOTICE" has the meaning specified in SECTION 4.4.

"CLOSING" and "CLOSING DATE" have the meanings specified in SECTION 2.2.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time and the rules and regulations promulgated thereunder as from time to time in effect.

"COMPANY" has the meaning specified in the preamble to this Agreement.

"CONFIDENTIAL INFORMATION" has the meaning specified in SECTION 12.6.

"CONSOLIDATED GROUP" means, the Company and each of its Subsidiaries.

"COVERED TAXES" has the meaning specified in SECTION 4.8.

"DEBT" means, for any Person, without duplication: (a) obligations created, issued or incurred by such Person for borrowed money (whether by loan, advance, the issuance and sale of debt securities or the sale of Property to another Person subject to an understanding or

agreement, contingent or otherwise, to repurchase such Property from such Person); (b) obligations of such Person to pay the deferred purchase or acquisition price of Property or services, other than trade accounts payable (other than for borrowed money) arising, and accrued expenses and deferred taxes incurred and paid, in the ordinary course of business; (c) Capitalized Lease Obligations of such Person; (d) obligations of such Person in respect of letters of credit or similar instruments issued or accepted by banks and other financial institutions for the account of such Person; (e) Debt of others secured by a Lien on the Property of such Person, whether or not the respective indebtedness so secured has been assumed by such Person; (f) net liabilities in respect of Interest Rate Protection Products; and (g) Debt of others Guaranteed by such Person. The Debt of any Person shall include the Debt of any other entity (including any partnership in which such Person is a general partner) to the

extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Debt provide that such Person is not liable therefor.

"DEFAULT" means any occurrence or condition which with the giving of notice or the passage of time, or both, and remaining uncured after the expiration of any applicable grace period would be an Event of Default.

"DEFAULT RATE" has the meaning specified in subsection (iii) of SECTION 1.3.

"DISCOUNTED VALUE" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments from their respective scheduled due dates, in accordance with accepted financial practice and at a discount factor (applied on a quarterly basis) equal to the Discount Rate with respect to such Called Principal.

"DISCOUNT RATE" means, with respect to the Called Principal of any Note 2.5%, plus the yield to maturity of the Called Principal implied by (a) (i) the yield reported as of 10:00 A.M. (New York City time) on the date which is two Business Days prior to the Settlement Date with respect to such Called Principal, on the display designated as "PX-1" of the Bloomberg Financial Markets Screen (or such other display as may replace PX-1 of the Bloomberg Financial Markets Screen) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Life of such Called Principal as of such Settlement Date, or (ii) if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, the Treasury Constant Maturity Series Yields reported for the latest day for which such yields shall have been so reported as of the Business Day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Life of such Called Principal as of such Settlement Date. Such implied yield shall be determined, if necessary, by (x) converting U.S. Treasury securities quotations to bond-equivalent yields in accordance with accepted financial practice and (y) interpolating linearly between (1) the actively traded U.S. Treasury security with the duration closest to and greater than the Remaining Life and (2) the actively traded U.S. Treasury security with the duration closest to and less than the Remaining Life.

"DISPOSITION" means any sale, assignment, transfer or other disposition of any property (whether now owned or hereafter acquired) by the Company or any Subsidiary to any Person other than the Company or a Wholly-Owned Subsidiary excluding (a) the granting of Liens pursuant to the Bank Loan Documents and (b) any sale, assignment, transfer or other disposition of (i) any property sold or disposed of in the ordinary course of business and on

ordinary business terms, (ii) any property no longer used or useful in the business of the Company or any Subsidiary.

"DOL" means the United States Department of Labor and any successor agency.

"EBITDA" means, for any period, Net Income (or deficit) of the Consolidated Group (determined on a consolidated basis without duplication in accordance with GAAP) for such period plus the sum of provision for such period for taxes, Interest Expense, depreciation, amortization and any other non-cash income or charges accrued for such period used in determining Net Income.

"ELECTION NOTICE" has the meaning specified in SECTION 4.4.

"ENVIRONMENTAL LAWS" means any and all Federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to

those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"EQUITY INTEREST" means as to any Person, any and all shares, interests, participations, rights or other equivalents (however designated) of any Capital Stock or other ownership of any profit interest, and any and all warrants, rights, options, obligations or other equity securities of or in such Person, and rights to acquire any of the foregoing, including, without limitation, limited liability company, partnership and joint venture (whether general or limited) interests and any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, such partnership or joint venture, but excluding Funded Debt other than Debt that is convertible into, or exchangeable for, any of the foregoing Equity Interests.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder, as from time to time, in effect.

"ERISA AFFILIATE", for Plan purposes, means, with respect to any Person, any trade or business, whether or not incorporated, which, is treated as a single employer together with such Person under section 414 of the Code.

"EVENT OF DEFAULT" has the meaning specified in SECTION 7.1.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time and the rules and regulations promulgated thereunder, as from time to time in effect.

"EXISTING DEBT" has the meaning specified in SECTION 6.1.

"EXISTING SENIOR NOTES" means the 12.5% Senior Notes of the Company due May 15, 2001 in the aggregate principal amount of $50,000,000, issued under the Indenture dated as of August 4, 1994 between the Company, certain Subsidiaries of the Company and Shawmut Bank, N.A., as Trustee.

"EXPENSES" has the meaning specified in SECTION 12.1.

"FISCAL QUARTER" means the Company's fiscal quarters for financial accounting purposes.

"FISCAL YEAR" means the Company's fiscal year for financial accounting purposes.

"FIXED CHARGE COVERAGE RATIO" means, as at any date of measurement thereof, the ratio of (a) (i) EBITDA for the period of four consecutive Fiscal Quarters ending on, or most recently ended prior to, such date minus (ii) the aggregate amount of all Capital Expenditures paid in cash during such period and not financed with the proceeds of loans incurred under the Bank Loan Agreement or other Debt for borrowed money minus (iii) the aggregate amount paid, or required to be paid (without duplication), in cash in respect of income, franchise, real estate and other like Taxes for such period (to the extent such Taxes have not been deducted in the calculation of EBITDA) to (b) the sum for the Consolidated Group (determined on a consolidated basis without duplication in accordance with GAAP), of (i) all Interest Expense for such period plus (ii) all regularly scheduled payments of principal in respect of Debt (including the term Bank Debt and the principal component of any payments in respect of Capitalized Lease Obligations) paid during such period.

"FUNDED DEBT" means as to any Person all Debt for money borrowed.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States.

"GOVERNMENTAL AUTHORITY" means (a) the governments of (i) the United States

of America and its states and political subdivisions, and (ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of any member of the Consolidated Group, and (b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government or jurisdiction.

"GUARANTY", as applied to any Person, means any direct or indirect liability, contingent or otherwise, of such Person with respect to any Debt of another, including, without limitation, any such obligation directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business) or discounted or sold with recourse by such Person, or in respect of which such Person is otherwise directly or indirectly liable, including, without limitation, any such obligation in effect guaranteed by such Person through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to advance to or provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain the working capital, equity capital, net worth, solvency or any balance sheet or other financial condition of the obligor of such obligation, or to make payment for any securities, products, materials or supplies or for any transportation or services without regard to the non-delivery or nonfurnishing thereof, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected against loss in respect thereof. The amount of any Guaranty shall be deemed to be equal to the lower of (a) the amount of the obligation guaranteed and (b) the maximum amount for which such Person may be contingently liable pursuant to the terms of the instrument evidencing such Guaranty, unless such guaranteed obligation and the amount for which such Person may be liable are not stated or determinable, in which case the amount of such Guaranty shall be the maximum reasonably anticipated liability for which such Person is contingently liable in respect thereof as determined

by the related Company in good faith (but in any event not less than the amount which is, or would otherwise be required, in accordance with GAAP, to be reflected in such Person's balance sheet or the notes thereto) as the amount of such obligation. A Person shall have "GUARANTEED" an obligation if such Person has entered into a Guaranty of such obligation.

"HAZARDOUS MATERIALS", at any time, shall mean any substance: (a) the presence of which at such time requires notification, investigation, monitoring or remediation under any Environmental Law; (b) which at such time is defined as a "hazardous waste", "hazardous material", "hazardous substance", "toxic substance", "pollutant" or "contaminant" under any Environmental Law, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.) and any applicable local statutes and the regulations promulgated thereunder; or (c) without limitation, which contains gasoline, diesel fuel or other petroleum products, asbestos or polychlorinated biphenyls.

"HOLDER" means any Person at the time shown as the holder of a Note on the registers referred to in SECTION 12.14.

"HOME OFFICE" means, with respect to any Holder, the office of such Holder specified as its Home Office on ANNEX 1, or such other office of such Holder as such Holder may from time to time specify to the Company.

"INSTITUTIONAL INVESTOR" means any bank, savings institution, trust company, insurance company, investment company, pension or profit sharing trust or other financial institution or institutional buyer within the meaning of Section 402(b)(8) of the Massachusetts Uniform Securities Act; and an "Accredited Investor" within the meaning of Rule 501(a)(1) of the Securities Act, in each case, regardless of legal form.

"INTEREST EXPENSE" means, for any period, the sum, without duplication, for

the Consolidated Group (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) all interest in respect of Debt accrued or paid during such period (whether or not actually paid during such period), but excluding capitalized debt acquisition costs (including fees and expenses related to this Agreement or the Bank Loan Agreement) and the imputed costs of the Warrants plus (b) the net amounts payable (or minus the net amounts receivable) under Interest Rate Protection Products accrued during such period (whether or not actually paid or received during such period) including, without limitation, fees, but excluding reimbursement of legal fees and other similar transaction costs and excluding payments required by reason of the early termination of Interest Rate Protection Products in effect on the date hereof plus (c) all fees, including letter of credit fees and expenses, incurred hereunder during such period after the Closing Date.

"INTEREST PAYMENT DATE" has the meaning specified in subsection (ii) of SECTION 1.3.

"INTEREST RATE PROTECTION PRODUCT" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"INTELLECTUAL PROPERTY" means all patents, copyrights, trademarks, trade names, service marks or other intellectual or industrial property rights.

"INVESTMENT" means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of capital stock, bonds, notes, debentures, partnership, limited liability company or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including, without limitation, any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such short sale); (b) the making of any deposit with, or advance, loan or other extension of credit to, any other Person (including the purchase of Property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such Property to such Person, but excluding any such advance, loan or extension of credit having a term not exceeding 180 days representing the purchase price of inventory or supplies sold by such Person in the ordinary course of business); or (c) the entering into of any Guarantee of, or other contingent obligation with respect to, Debt or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person. Notwithstanding the foregoing, Capital Expenditures shall not be deemed "INVESTMENTS" for purposes hereof.

"KNOWLEDGE" means, with respect to any Person, the actual knowledge of any Senior Officer of such Person.

"LIEN" means any interest in property securing an obligation owed to, or a claim by, a Person other than the owner of the property, whether such interest is based on the common law, statute, court decision or contract, and including, without limitation, any mortgage, pledge, security interest, lease, encumbrance, lien, purchase option, call or right, or charge of any kind (including any agreement to give or permit any of the foregoing), any conditional sale or other title retention agreement, any Capitalized Lease, and the filing of, or agreement to give or permit the filing on its behalf, of any financing statement under the Uniform Commercial Code or personal property security legislation of any jurisdiction.

"MAKE WHOLE AMOUNT" means:

(i) with respect to a prepayment of Notes upon a Change of Control pursuant to SECTION 4.4, an amount equal to 1% of the Called Principal of each such Note; or

(ii) with respect to any other prepayment:

(a) If the Settlement Date is on or before April 30, 2004, with respect to the Called Principal of any Note, an amount equal to the excess, if any, of (x) the Discounted Value over (y) the sum of (i) such Called Principal plus (ii) interest accrued and unpaid thereon, as of and due on the Settlement Date with respect to such Called Principal but in no event less than zero; or

(b) If the Settlement Date is after April 30, 2004 but on or before April 30, 2005, an amount equal to 8% of the Called Principal of each Note; or

(c) If the Settlement Date is after April 30, 2005 but before prior April 30, 2006, an amount equal to 5.34% of the Called Principal of each Note; or

(d) If the Settlement Date is after April 30, 2006 but prior to April 30, 2007, the amount equal to 2.66% of the Called Principal of any Note; or

(e) If the Settlement Date is on or after April 30, 2007, zero.

"MATERIAL ADVERSE EFFECT" means:

(a) any material adverse effect on the Company's business, assets, liabilities, financial condition or results of operations;

(b) any material adverse effect on the Consolidated Group's business, assets, liabilities, financial condition or results of operations on, where appropriate, a consolidated basis in accordance with GAAP;

(c) any adverse effect, WHETHER OR NOT MATERIAL, on the binding nature, validity or enforceability of any Transaction Document or the obligations thereunder of any member of the Consolidated Group a party thereto; or

(d) any material adverse effect on the ability of any member of the Consolidated Group to perform its obligations under any Transaction Document.

"MATURITY DATE" has the meaning specified in SECTION 4.3.

"MULTIEMPLOYER PLAN" means any plan which is a "multiemployer plan" as such term is defined in section 4001(a)(3) of ERISA.

"NET INCOME" means, for any period, gross revenues of the Consolidated Group less all operating and non-operating expenses (including current and deferred Taxes on income, Interest Expense, amortization, depreciation and current additions to reserves), but not including in gross revenues any gains (net of expenses and Taxes applicable thereto) in excess of losses resulting from Dispositions or Casualty Events, any earnings or losses attributable to any other Person, any gains arising from transactions of a non-recurring and material nature, any gains arising from the discontinuation of operations, any gains resulting from the write-up of assets, any earnings of any other Person acquired by the Consolidated Group through purchase, merger or combination or otherwise, earned prior to acquisition, all determined in accordance with GAAP.

"NORTHEAST CASUALTY" means Northeast Casualty Risk Retention Group, Inc., a Vermont corporation.

"NOTES" has the meaning specified in SECTION 1.1.

"OFFICERS' CERTIFICATE" means, with respect to any Person, a certificate signed in the name of such Person by any two of its Senior Officers.

"OTHER TAXES" has the meaning specified in SECTION 4.8 ABOVE.

"OUTSTANDING PREFERRED STOCK" means the 112,000 outstanding shares of the Company's Series B Convertible Preferred Stock, on which dividends are payable at an annual rate of $4.00 per share on a quarterly basis.

"PBGC" means the Pension Benefit Guaranty Corporation or any other Governmental Authority succeeding to any of its functions.

"PERMITTED INVESTMENTS" means:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(ii) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from Standard and Poor's Ratings Service or from Moody's Investors Service, Inc.;

(iii) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than $250,000,000;

(iv) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (i) above and entered into with a financial institution satisfying the criteria described in clause (iii) above;

(v) advances, loans and extensions of credit to any director, officer or employee of the Company or any Subsidiary Guarantor, if the aggregate outstanding amount of all such advances, loans and extensions of credit (excluding travel advances in the ordinary course of business) does not at any time exceed $200,000; and

(vi) investments in money market mutual funds that are rated AAA by Standard & Poor's Rating Service; and

(vii) other Investments not to exceed $500,000 at any one time outstanding; provided that no Investment under this clause (vii) shall consist of an Equity Interest in the Company.

"PERMITTED LIENS" means any Liens described in SECTION 6.2.

"PERSON" means and includes an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust and any other form of business organization (whether or not a legal entity), or any Governmental Authorities.

"PLAN" means an "employee pension benefit plan" (as defined in Section 3 of ERISA) which is or within the preceding five years has been established or maintained, or to which contributions are or have been made, by the Company or any ERISA Affiliate, or for which the Consolidated Group or any ERISA Affiliate may have any liability.

"PRIORITY DEBT" means, without duplication, any Bank Debt, any Capitalized Lease Obligations and any Debt secured by a Lien permitted under SECTION 6.2.2 or SECTION 6.2.8.

"PROPERTY" means any interest of any kind in property or assets, whether real, personal or mixed, and whether tangible or intangible.

"PTE" has the meaning specified in subsection (ii) of SECTION 9.

"PURCHASER" and "PURCHASERS" have the meaning specified in the preamble to this Agreement.

"QPAM EXEMPTION" means Prohibited Transaction Class Exemption 84-14 issued by the DOL.

"QUALIFIED INSTITUTIONAL BUYER" means a qualified institutional buyer, as defined in Rule 144A.

"REFINANCING DEBT" means any Debt of the Company issued in exchange for, or the net proceeds of which are used to refinance, renew, replace, defease or refund the Bank Debt provided that (a) no violation of SECTION 6.14 shall have occurred in connection with or as a result of the incurrence of such Refinancing Debt and (b) after giving effect to the incurrence of such Refinancing Debt on a pro forma basis, the financial covenants set forth in SECTION 6.10 would be satisfied.

"REFINANCING DEBT DOCUMENT" has the meaning specified in SECTION 6.14.

"REGISTRATION RIGHTS AGREEMENT" has the meaning specified in SECTION 3.11.

"REMAINING AVERAGE LIFE" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"REMAINING SCHEDULED PAYMENTS" means, with respect to the Called Principal of any Note, all scheduled cash payments of such Called Principal and interest that would be due after the Settlement Date with respect to such Called Principal, if no payment of Called Principal were made prior to its scheduled due date, provided, that if such Settlement Date is not a date on which interest payments are scheduled to be made, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date.

"REQUIRED HOLDERS" means the Holder or Holders of more than 50% of the aggregate principal amount of the Notes at the time outstanding.

"RESTRICTED JUNIOR PAYMENTS" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of stock of, or other Equity Interest in, any member of the Consolidated Group now or hereafter outstanding, except a dividend payable solely in shares of stock or other Equity Interests of such member, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of stock of, or other Equity Interest in, any member of the Consolidated Group now or hereafter outstanding, (iii) any payment made to retire, or to obtain

the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of stock of, or other Equity Interest in, any member of the Consolidated Group now or hereafter outstanding, (iv) any payment or prepayment of principal of, premium, if any, or interest on, or redemption purchase, retirement, defeasance (including economic or legal defeasance), sinking fund or

similar payment with respect to, any Subordinated Debt, and (v) any payment made to any Affiliates of any member of the Consolidated Group in respect of management, consulting or other similar services provided to any member of the Consolidated Group.

"RULE 144A" means Rule 144A promulgated under the Securities Act and including any successor rule thereto, as such rule may be amended from time to time.

"SEC" means the United States Securities and Exchange Commission, or any Governmental Authority succeeding to the functions of such Commission in the administration of the Securities Act and/or the Exchange Act.

"SECURITIES" has the meaning specified in SECTION 1.1.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder, as from time to time in effect.

"SENIOR INDEBTEDNESS" has the meaning given therefor in the Subordination Agreement.

"SENIOR OFFICER" means, with respect to the Company, the chairman of the board of directors, the president, chief executive officer, chief financial officer, treasurer, or principal accounting officer of the Company.

"SETTLEMENT DATE" means, with respect to any Note, the date on which such Note is to be prepaid pursuant to SECTION 4.1 or SECTION 4.4, or is declared to be immediately due and payable pursuant to SECTION 7.2.

"SPECIAL COUNSEL" means the law firm of Sullivan & Worcester LLP or such other firm of legal counsel as the Purchasers may from time to time designate as their Special Counsel for the purposes of this Agreement or any matters related hereto.

"SOLVENT" and "SOLVENCY" means with respect to any Person (i) the fair value of the property of such Person exceeds its total liabilities (including, without limitation, contingent liabilities), (ii) the present fair saleable value of the assets of such Person is not less than the amount that will be required to pay its probable liability on its debts as they become absolute and matured, (iii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond its ability to pay as such debts and liabilities mature and (iv) such Person is not engaged, and is not about to engage, in business or a transaction for which its property would constitute an unreasonably small capital.

"SUBORDINATED DEBT" means any Debt of the Company or any Subsidiary incurred after the Closing Date that by its terms (or by the terms of the instrument under which it is outstanding and to which appropriate reference is made in the instrument evidencing such Subordinated Debt) is made subordinate and junior in right of payment to the Company's or such Subsidiary payment obligations under the Transaction Documents on terms and conditions acceptable to the Required Holders.

"SUBORDINATED INDEBTEDNESS" mean (i) the Debt of the Company or any Subsidiary represented by the Notes and the Subsidiary Guaranties and (ii) any Debt of the Company or any Subsidiary incurred after the Closing Date with the consent of Congress Financial Corporation (New England) and otherwise permitted under this Agreement that by its terms (or by the terms of the instrument under which it is outstanding and to which appropriate reference is made in the instrument evidencing such Subordinated Indebtedness) is made subordinate and junior in right of payment to the Company's or such Subsidiary payment obligations under the Bank Loan Documents on terms and conditions acceptable to Congress Financial Corporation (New England).

"SUBORDINATION AGREEMENT" means the Subordination Agreement dated as of April 12, 2001 among the Company, the Subsidiary Guarantors, the Purchasers and Congress Financial Corporation (New England), as it may be amended from time to time in accordance with the terms thereof.

"SUBSIDIARY" means as to any Person, any other Person in which the first mentioned Person directly or indirectly through one or more of its other Subsidiaries collectively owns sufficient voting interests to enable it to ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is directly or indirectly through one or more of its other Subsidiaries, owned by the first mentioned Person (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person. Unless the context otherwise clearly requires, any reference to a "SUBSIDIARY" is a reference to a Subsidiary of the Company.

"SUBSIDIARY GUARANTY" and "SUBSIDIARY GUARANTIES" have the meanings specified in SECTION 3.10.

"SUBSIDIARY GUARANTOR" means any Subsidiary which is a party to a Subsidiary Guarantee which is then in full force and effect.

"TANGIBLE CAPITAL BASE" means, at any time an amount (determined on a consolidated basis without duplication in accordance with GAAP) equal to (a) the sum of (i) the book net worth of the Consolidated Group, plus (ii) the outstanding principal amount of Subordinated Indebtedness plus (iii) to the extent deducted in determining book net worth obligations with respect to letters of credit which are the functional equivalent of commercial surety or fidelity bonds and not issued in connection with the borrowing of money, or are entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third Business Day following receipt by such Person of a demand for reimbursement following payment of such letter of credit, minus (b) the total book value of all assets of the Consolidated Group which would be treated as intangible assets under GAAP, including without limitation, such items as goodwill and Intellectual Property and rights (including rights under licenses) with respect to the foregoing.

"TAX" and "TAXES" means any and all present or future taxes, assessments, stamps, duties, fees, levies, imposts, deductions, withholdings or other governmental charges of any nature whatsoever and any liabilities with respect thereto, including any surcharge, penalties, additions to tax, fines or interest thereon, now or hereafter imposed, levied, collected, withheld

or assessed by any government or taxing authority of any country or political subdivision of any country, or any international taxing authority.

"TOTAL LIABILITIES" means, as at any time of determination thereof, (a) the aggregate amount of all Debt, liabilities and other obligation of the Consolidated Group at such time minus (b) the aggregate principal amount of the Notes outstanding at such time, and minus (c) to the extent included in clause (a), obligations with respect to letters of credit which are the functional equivalent of commercial surety or fidelity bonds and not issued in connection with the borrowing of money, or are entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third Business Day following receipt by such Person of a demand for reimbursement following payment of such letter of credit.

"TOTAL LIABILITIES TO TANGIBLE CAPITAL BASE RATIO" means, as at any time, the ratio of (a) Total Liabilities at such time, to (b) the Tangible Capital Base at such time.

"TRADE PAYABLES" means amounts payable to suppliers of goods and services

in the ordinary course of a Person's business.

"TRANSACTION DOCUMENTS" means this Agreement, the Notes, the Warrants, the Warrant Agreement, the Registration Rights Agreement, and any Subsidiary Guaranties.

"TRANSFEREE" means any direct or indirect transferee of all or any part of the Notes.

"VOTING STOCK" means any securities of any class of a Person whose holders are entitled under ordinary circumstances to vote for the election of directors of such Person (or Persons performing similar functions) (irrespective of whether at the time securities of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"WARRANT" has the meaning specified in SECTION 1.1.

"WARRANT AGREEMENT" has the meaning specified in SECTION 3.11.

"WARRANT SHARES" has the meaning specified in the Warrant Agreement.

"WHOLLY-OWNED SUBSIDIARY" means any Subsidiary, one hundred percent (100%) of all of the Equity Interests (except directors' qualifying shares) and Voting Stock (except directors' qualifying shares) of which are owned by any one or more of the Company and the Company's other Wholly-Owned Subsidiaries at such time.

11. [INTENTIONALLY OMITTED]

12. MISCELLANEOUS.

12.1 EXPENSES. Whether or not the transactions provided for hereby shall be consummated, the Company agrees to pay on demand and upon receipt of an invoice therefor, and save each Purchaser and its Transferees harmless against liability for the payment of, all out-of-pocket expenses arising in connection with such transactions and in connection with any subsequent modification of, or consent under, the Transaction Documents, whether or not such transactions are consummated or modification shall be effected or consent granted

("EXPENSES"), including (i) the reasonable fees and expenses of Special Counsel and its agents and of any other special or local counsel or other special advisers engaged by the Purchasers in connection with the transactions contemplated by this Agreement, (ii) the costs of obtaining the private placement numbers from Standard & Poor's Ratings Group for the Securities and Common Units and (iii) the costs and expenses, including reasonable attorneys' fees and the fees of any other special or financial advisers, incurred in evaluating, monitoring or enforcing any rights under the Transaction Documents or in responding to any subpoena or other legal process issued in connection with the Transaction Documents or the transactions provided for hereby or thereby or by reason of a Purchaser or any Transferee having acquired any of its Securities (other than those issued solely as a result of (a) such Purchaser or Transferee being engaged in business in a regulated industry or (b) such Purchaser's or Transferee's actions or omissions in connection with a transfer of a Security), including without limitation costs and expenses incurred in connection with any bankruptcy or insolvency of any member of the Consolidated Group or in connection with any workout or restructuring of any of the transactions contemplated by the Transaction Documents. The obligations of the Company under this SECTION 12.1, SECTION 4.8 and SECTION 5.10.2 shall survive the transfer of any of its Securities or any interest therein by a Purchaser or any Transferee and the payment of any Note.

12.2 CONSENT TO AMENDMENTS.

(i) No Transaction Document may be amended, and the Company may not take any action herein prohibited, or omit to perform any act herein

required to be performed by it, without the written consent of the Company and the Required Holders, except that:

(a) no decrease in the interest rate of, or Make Whole Amount payable on, the Notes or change to the mandatory repayment of the Notes as provided in SECTION 4.3;

(b) no amendment or waiver of the provisions of SECTION 7.2 or SECTION 7.3, or amendment or waiver of any defined term to the extent used therein; and

(c) no amendment or waiver of the definition of "REQUIRED HOLDERS" or other amendment of the percentage of Notes required to be held by Holders consenting to any action under this Agreement;

may be made or granted without the written consent of all Holders affected thereby.

(ii) Any Holder may specify that any such written consent executed by it shall be effective only with respect to a portion of the Securities held by it (in which case it shall specify, by dollar amount, the aggregate principal amount of Securities with respect to which such consent shall be effective) and in the event of any such specifications, such Holder shall be deemed to have executed such written consent only with respect to the portion of Securities so specified.

(iii) Each Holder at the time or thereafter shall be bound by any amendment or waiver authorized by the Required Holders in accordance with this SECTION 12.2 whether or not its Securities are marked to reflect such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement,

Default or Event of Default not expressly amended or waived or impair any right consequent thereon.

(iv) No course of dealing between any member of the Consolidated Group and any Holder nor any delay in exercising any rights under any Transaction Document shall operate as a waiver of any rights of any Holder.

(v) Any amendment or waiver made pursuant to this SECTION 12.2 by a Holder that has transferred or has agreed to transfer its Securities to any member of the Consolidated Group or any Affiliate and has provided or has agreed to provide such amendment or waiver as a condition to such transfer shall be void and of no force and effect except solely as to such Holder, and any amendments effected or waivers granted that would not have been or would not be so effected or granted but for such amendment or waiver (and the amendments or waivers of all other Holders that were acquired under the same or similar conditions) shall be void and of no force and effect, retroactive to the date such amendment or waiver initially took or takes effect, except solely as to such Holder.

12.3 PERSONS DEEMED OWNERS; PARTICIPATIONS. The Company may treat the Person at the time shown on the register referenced in SECTION 12.14 in whose name any Security, is issued as the owner and holder of such Security for the purpose of receiving payment on or in respect of such Security and for all other purposes whatsoever. Subject to the preceding sentence, a Holder may from time to time grant participations in all or any part of its Securities to any Person on such terms and conditions as may be determined by such Holder in its sole and absolute discretion, subject to its compliance with applicable law.

12.4 SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT. All representations and warranties contained in any Transaction Document or made in any other writing by or on behalf of the Company in connection herewith shall survive the execution and delivery of such Transaction Document or other writing, the transfer by a Purchaser of any Securities or portion thereof or

interest therein and the payment of any Securities and may be relied upon by any Transferee, regardless of any investigation made at any time by or on behalf of the Purchasers or any Transferee. All representations and warranties contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to any Transaction Document shall be deemed representations and warranties of the Company under this Agreement and not of the individuals executing such certificates or other instruments on behalf of the Company. Subject to the preceding sentence, the Transaction Documents embody the entire agreement and understanding between the Purchasers and the Company and supersede all prior agreements and understandings relating to the subject matter hereof and thereof.

12.5 SUCCESSORS AND ASSIGNS. All covenants and other agreements in this Agreement contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of such party (including, without limitation, any Transferee) whether so expressed or not; provided the Company may not delegate the performance of any of its obligations hereunder.

12.6 CONFIDENTIAL INFORMATION. For the purposes of this Section, "CONFIDENTIAL INFORMATION" means information delivered to a Purchaser by or on behalf of the Company in connection with the transactions contemplated by or otherwise pursuant to this Agreement,

whether in the past, present or future, that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by the Purchaser as being confidential information of the Company, provided that such term does not include information that (a) was publicly known or otherwise known to the Purchaser prior to the time of such disclosure or (b) subsequently becomes publicly known through no act or omission by the Purchaser. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with the procedures adopted by it in good faith to protect confidential information of third parties delivered to it. Notwithstanding the foregoing, a Purchaser may deliver copies of any Confidential Information to (i) such Purchaser's and its Affiliates' directors, officers, employees, and to its agents and professional consultants, (ii) any other Purchaser, (iii) any Person to whom such Purchaser offers to sell any of its Securities or any part thereof or to whom such Purchaser sells or offers to sell a participation in all or any part of its Securities, provided said Persons agree to be bound by the terms hereof regarding Confidential Information, (iv) any federal or state regulatory authority having jurisdiction over such Purchaser and which requires such disclosure, (v) any Person from which a Purchaser offers to purchase any security of any member of the Consolidated Group, (vi) the National Association of Insurance Commissioners or any rating agency which generally requires access to information about a Purchaser's investment portfolio or any similar organization, (vii) Standard & Poor's Ratings Group (in connection with obtaining a private placement numbers) or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (a) in compliance with any law, rule, regulation or order applicable to such Purchaser, (b) in response to any subpoena or other legal process, provided, however, that each Holder agrees to use its reasonable best efforts to inform the Company of the service upon it of such subpoena or legal process, and to reasonably cooperate with the Company should the Company wish (at the Company' expense) to seek a protective order or similar relief relating to such disclosure; or (c) at any time after the occurrence of Event of Default to the extent that such Purchaser reasonably determines disclosure is necessary in the enforcement of or for the protection of its rights and remedies under the Transaction Documents. Each Holder, by its acceptance of its Securities, will be deemed to have agreed to be bound by and to be entitled to the benefits of this SECTION 12.6 as though it were a party to this Agreement.

12.7 NOTICES.

(i) All notices and other written communications provided for hereunder shall be given in writing and delivered in person or sent by

recognized overnight delivery service (with charges prepaid) or by facsimile transmission, if the original of such facsimile transmission is sent on the same day by a recognized overnight delivery service (with charges prepaid); and

(a) if to a Purchaser or its nominee, addressed to such Person at the address or fax number specified for such communications to such Purchaser in ANNEX 1, or at such other address or fax number as such Person shall have specified to the Company in writing,

(b) if to any other Holder, addressed to such other Holder at such address or fax number as is specified for such Holder in the Note register referenced in SECTION 12.14, and

(c) if to the Company, or any other member of the Consolidated Group at the address or fax number specified in ANNEX 2 or at such other

address or fax number as the Company shall have specified to each Holder in writing given in accordance with this SECTION 12.7.

(ii) Any communication addressed and delivered as herein provided shall be deemed to be received when actually delivered to the address of the addressee (whether or not delivery is accepted) or received by the telecopy machine of the recipient. Any communication not so addressed and delivered shall be ineffective.

(iii) Notwithstanding the foregoing provisions of this SECTION 12.7, service of process in any suit, action or proceeding arising out of or relating to this Agreement or any document, agreement or transaction contemplated hereby, or any action or proceeding to execute or otherwise enforce any judgment in respect of any breach hereunder or under any document or agreement contemplated hereby, shall be delivered in the manner provided in SECTION 12.12.

12.8 DESCRIPTIVE HEADINGS. The descriptive headings of the several Sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

12.9 SOLICITATION OF HOLDERS. The Company will provide each Holder with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent requested under any Transaction Document. The Company will deliver executed or true and correct copies of each such amendment, waiver or consent effected to each Holder promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the Required Holders. Neither the Company nor any Person acting on its behalf will directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee, expense (other than such Holder's Expenses) or otherwise, to any Holder for or in connection with any consent by such Holder in its capacity as a Holder to any waiver or amendment of any of the terms of the Transaction Documents unless such remuneration is concurrently paid, on the same terms, ratably to all Holders whether or not such Holder consented to the waiver or amendment.

12.10 REPRODUCTION OF DOCUMENTS. Any Transaction Document and all related documents, including (a) consents, waivers and modifications which may subsequently be executed, (b) documents received by the Purchasers on the purchase of the Securities (except the Notes) and (c) financial statements, certificates and other information previously or subsequently furnished to the Purchasers, may be reproduced by the Purchasers by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process and the Purchasers may destroy any original document so reproduced. The Company agrees and stipulates that any such reproduction shall, to the extent permitted by applicable law, be admissible in evidence as the original itself in any judicial or administrative proceeding, whether or not the original is in

existence and whether or not the reproduction was made by a Purchaser in the regular course of business, and to the extent not prohibited by applicable law, that any enlargement, facsimile or further reproduction of the reproduction shall likewise be admissible in evidence.

12.11 GOVERNING LAW. THIS AGREEMENT IS TO BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT GIVING EFFECT TO ANY LAWS OR RULES RELATING TO CONFLICTS OF LAWS THAT

WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE COMMONWEALTH OF MASSACHUSETTS).

12.12 CONSENT TO JURISDICTION AND SERVICE. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE COMPANY HEREBY ABSOLUTELY AND IRREVOCABLY CONSENTS AND SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS AND OF ANY FEDERAL COURT LOCATED IN SAID JURISDICTION IN CONNECTION WITH ANY ACTIONS OR PROCEEDINGS BROUGHT AGAINST IT BY ANY HOLDER ARISING OUT OF OR RELATING TO ANY OF THE TRANSACTION DOCUMENTS AND HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. THE COMPANY HEREBY WAIVES AND AGREES NOT TO ASSERT IN ANY SUCH ACTION OR PROCEEDING, IN EACH CASE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY CLAIM THAT (A) IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT, (B) IT IS IMMUNE FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION, EXECUTION OR OTHERWISE) WITH RESPECT TO IT OR ITS PROPERTY, (C) ANY SUCH SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, OR (D) SUCH TRANSACTION DOCUMENT MAY NOT BE ENFORCED IN OR BY ANY SUCH COURT. IN ANY SUCH ACTION OR PROCEEDING, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE COMPANY HEREBY ABSOLUTELY AND IRREVOCABLY WAIVES TRIAL BY JURY AND PERSONAL IN HAND SERVICE OF ANY SUMMONS, COMPLAINT, DECLARATION OR OTHER PROCESS AND HEREBY ABSOLUTELY AND IRREVOCABLY AGREES THAT THE SERVICE MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO IT AT ITS ADDRESS SET FORTH IN OR FURNISHED PURSUANT TO THE PROVISIONS OF THIS AGREEMENT, OR BY ANY OTHER MANNER PROVIDED BY LAW. ANYTHING HEREINBEFORE TO THE CONTRARY NOTWITHSTANDING, ANY HOLDER MAY SUE THE COMPANY IN ANY OTHER APPROPRIATE JURISDICTION AND ANY PARTY MAY SUE ANY OTHER PARTY ON A JUDGMENT RENDERED BY ANY COURT PURSUANT TO THE PROVISIONS OF THE FIRST SENTENCE OF THIS SECTION 12.12 IN THE COURTS OF ANY COUNTRY, STATE OF THE UNITED STATES OR PLACE WHERE SUCH OTHER PARTY OR ANY OF ITS PROPERTY OR ASSETS MAY BE FOUND OR IN ANY OTHER APPROPRIATE JURISDICTION.

12.13 COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

12.14 REGISTRATION, TRANSFER, EXCHANGE AND REPLACEMENT OF NOTES.

12.14.1 REGISTRATION. The Notes are to be issued and are transferable in whole or in part as registered securities without coupons in denominations of at least $1,000,000, except as may be necessary to reflect any principal amount less than $1,000,000, and may be exchanged for one or more Notes of any authorized denomination and like class and aggregate outstanding principal amount. The Company shall keep at its principal executive office registers in which the Company shall record the registrations of the Notes and the Warrants and the names and addresses of the Holders from time to time and all transfers thereof. The Company shall provide any Holder who is a Purchaser or an Institutional Investor

or who otherwise holds not less than 10% of the aggregate principal amount of the Notes then outstanding, promptly upon request, a complete and correct copy

of the names and addresses of the then Holders.

12.14.2 TRANSFER AND EXCHANGE. Upon surrender of a Note to the Company for registration of transfer or exchange endorsed or accompanied by a written instrument of transfer duly executed by the registered Holder or its attorney duly authorized in writing and accompanied by the address for notices, the Company shall at its expense (except as provided below), execute and deliver one or more replacement Notes of like tenor and class and of a like aggregate amount, registered in the name of such Transferee or Transferees. Each new Note will bear interest from the date on which interest was last paid on the surrendered Note or the date of issue of the surrendered Note if no interest has yet been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer. If a transfer of a Note is not made pursuant to an effective registration statement under the Securities Act, the Company may require the transferor to deliver, prior to such transfer, an opinion of counsel, which may be counsel to such transferor, reasonably satisfactory to the Company, that such Note may be sold without registration under the Securities Act.

12.14.3 REPLACEMENT. Upon receipt of written notice from a Holder of the loss, theft, destruction or mutilation of a Note and, in the case of any such loss, theft or destruction, upon receipt of an indemnification agreement of such Holder (and, in the case of a Holder which is not a Qualified Institutional Buyer, with such security as may be reasonably requested by the Company) satisfactory to the Company, or in the case of any such mutilation upon surrender and cancellation of such Note, the Company will make and deliver a new Note, at its expense, of like tenor and class, in lieu of the lost, stolen, destroyed or mutilated Note, and each new Note will bear interest from the date on which interest was last paid on such lost, stolen, destroyed or mutilated Note or if no interest has yet been paid thereon, the date of issue of such lost, stolen, destroyed or mutilated Note.

12.15 COMPLIANCE BY SUBSIDIARIES. The Company as the equity holder of its Subsidiaries, shall cause such meetings to be held, votes to be cast, resolutions to be passed, by-laws to be made and confirmed, documents to be executed and all other things and acts to be done to ensure that, at all times, the provisions of this Agreement relating to such Subsidiaries, respectively, are complied with.

12.16 SEVERABILITY. If any provision of this Agreement shall be held or deemed to be, or shall in fact be, invalid, inoperative, illegal or unenforceable as applied to any particular case in any jurisdiction because of the conflict of such provision with any constitution or statute or rule of public policy or for any other reason, such circumstance shall not have the effect of rendering the provision or provisions in question invalid, inoperative, illegal or unenforceable in any other jurisdiction or in any other case or circumstance or of rendering any other provision or provisions herein contained invalid, inoperative, illegal or unenforceable to the extent that such other provisions are not themselves actually in conflict with such constitution, statute or rule of public policy, but this Agreement shall be reformed and construed in any such jurisdiction or case as if such invalid, inoperative, illegal or unenforceable provision had never been contained herein and such provision reformed so that it would be valid, operative and enforceable to the maximum extent permitted in such jurisdiction or in such case.

12.17 TERMINATION. This Agreement and the rights of the Holders and the obligations of the Company hereunder shall not terminate until each of the Notes, including all principal, interest, including interest on overdue interest and Make Whole Amount has been indefeasibly paid in full and all Expenses and all other amounts owed to any Purchaser or any Holder pursuant to the terms of any Transaction Document (other than the Warrants, Warrant Agreement, or the Registration Rights Agreement) has been indefeasibly paid in full.

12.18 CONSTRUCTION. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other

covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

[Signatures Follow on Next Page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed and delivered by one of its duly authorized officers.

COMPANY: CLEAN HARBORS, INC.

By: /s/ Stephen H. Moynihan

Name: Stephen H. Moynihan
Title: Senior Vice President

PURCHASERS: JOHN HANCOCK LIFE INSURANCE COMPANY

By: /s/ Steven J. Blewitt

Name: Steven J. Blewitt
Title: Managing Director

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

By: /s/ Steven J. Blewitt

Name: Steven J. Blewitt
Title: Authorized Signatory

SIGNATURE 4 LIMITED
By: John Hancock Life Insurance Company, as Portfolio Advisor

By: /s/ Steven J. Blewitt

Name: Steven J. Blewitt
Title: Managing Director

SIGNATURE 5 L.P.
By: John Hancock Life Insurance Company, as Portfolio Advisor

By: /s/ Steven J. Blewitt

Name: Steven J. Blewitt
Title: Managing Director

SPECIAL VALUE BOND FUND, LLC

By: SVIM/MSM, LLC
as Manager

By: TENNENBAUM & CO., LLC
as Managing Member of the Manager

By: /s/ Michael E. Tennenbaum

Name: Michael E. Tennenbaum
Title: Member

Signature Page to Securities Purchase Agreement

ARROW INVESTMENT PARTNERS
By: Grandview Capital Management, LLC,
Investment Manager

By: /s/ Robert E. Sydow

Name: Robert E. Sydow
Title: President

BILL AND MELINDA GATES FOUNDATION
By: Grandview Capital Management, LLC,
Investment Manager

By: /s/ Robert E. Sydow

Name: Robert E. Sydow
Title: President

Signature Page to Securities Purchase Agreement

EXHIBITS, ANNEXES AND DISCLOSURE SCHEDULES

EXHIBITS

EXHIBIT A	Form of Note
EXHIBIT B	Coverage of Opinion of Counsel to the Company
EXHIBIT C	Form of Subsidiary Guaranty
EXHIBIT D	Form of Registration Rights Agreement
EXHIBIT E	Form of Warrant Agreement
EXHIBIT F	Form of Bank Loan Agreement

ANNEXES

ANNEX 1	Purchasers Schedule
ANNEX 2	Wiring Instructions, Company Address for Notices

DISCLOSURE SCHEDULES

Schedule 6.1 Existing Debt and Liens
Schedule 8.1 Company and Subsidiary Information
Schedule 8.2 Outstanding Rights
Schedule 8.4 Litigation
Schedule 8.7 Tax Matters
Schedule 8.8 Restrictive Agreements
Schedule 8.12 Consents
Schedule 8.13 Environmental Matters
Schedule 8.20 Brokers

Table of Contents

EXHIBIT 4.20

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT, dated as of April 12, 2001 by and among CLEAN HARBORS, INC., a Massachusetts corporation ("Clean Harbors"), THE SUBSIDIARIES OF CLEAN HARBORS LISTED ON THE SIGNATURE PAGES HERETO (collectively with Clean Harbors, the "Credit Parties"), CONGRESS FINANCIAL CORPORATION (NEW ENGLAND), a Massachusetts corporation, as the Senior Creditor under the Credit Agreement described below (together with the equivalent party with respect to any Refinanced Senior Indebtedness (as defined below), herein called the "Senior Creditor"), and JOHN HANCOCK LIFE INSURANCE COMPANY, JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY, SIGNATURE 4 LIMITED, SIGNATURE 5 L.P., SPECIAL VALUE BOND FUND, LLC, ARROW INVESTMENT PARTNERS and BILL AND MELINDA GATES FOUNDATION (collectively the "Subordinated Creditors" and each a "Subordinated Creditor").

W I T N E S S E T H:

In order to induce the Senior Creditor to enter into such Existing Credit Agreement and to make the Revolving Credit Loans and Term Loans contemplated thereby, the Credit Parties and the Subordinated Creditors hereby agree with the Senior Creditor that so long as any part of the Senior Indebtedness as described in Section 1.2 below is outstanding and so long as any Lender shall have any obligation to make any loan, advance any credit, issue or honor any of Letter Credit issued under the Credit Agreement, each of the Subordinated Creditors and the Credit Parties will comply with such of the following provisions as are applicable to it:

1. Certain Definitions.

1.1 Reference to Credit Agreement. Reference is hereby made to the Amended and Restated Loan and Security Agreement dated as of April 12, 2001 by and among the Credit Parties, as borrowers and guarantors, and the Senior Creditor, as the Lender, as amended, modified, restated or supplemented from time to time without violation of Section 8 hereof (the "Existing Credit Agreement" and together with any Refinanced Credit Agreement (as defined below), the "Credit Agreement"). Capitalized terms defined in the Existing Credit Agreement and not otherwise defined herein are used herein with the meanings so defined.

1.2 Senior Indebtedness. The term "Senior Indebtedness" shall mean all "Existing Senior Indebtedness" and all "Refinanced Senior Indebtedness". The term "Existing Senior Indebtedness" shall mean indebtedness, obligations and liabilities of the Credit Parties to the Senior Creditor its successors and assigns, now existing or hereafter arising, direct or indirect, absolute or contingent, secured or unsecured, arising out of or in connection with any of the Financing Agreements, any and all interest payable pursuant to the Existing Credit Agreement and/or under any promissory notes which may be issued by any Credit Party to any Lender pursuant to the Existing Credit Agreement at the interest rates provided therein (including interest which accrues after the commencement of any proceeding in respect of any Reorganization (as hereinafter defined)), all premium and termination fees if any payable in accordance with the terms of the Financing Agreements and all other fees and expenses and

other amounts due from time to time under the Financing Agreements. The term "Refinanced Senior Indebtedness" shall mean indebtedness, obligations and liabilities of the Credit Parties to any lender or lenders, their successors and assigns, hereafter incurred to refinance the Existing Senior Indebtedness in an original principal amount not to exceed the then outstanding principal amount, together with accrued interest and all other amounts then due and owing under the Existing Senior Indebtedness, direct or indirect, absolute or contingent, secured or unsecured, arising out of or in connection with any of the Financing Agreements relating to such refinancing, provided the terms of the Refinanced Senior Indebtedness and the Financing Agreements related thereto do not, violate Section 8 hereof (the "Refinanced Financing Agreements", with the agreement equivalent to the Existing Credit Agreement herein called, the "Refinanced Credit Agreement"), any and all interest payable pursuant to the Refinanced Financing Agreements and/or under any promissory notes which may be issued by any Credit Party to any lender pursuant to the Refinanced Financing Agreements at the interest rates provided therein (including interest which accrues after the commencement of any proceeding in respect of any Reorganization (hereafter defined)), all premium and termination fees if any payable in accordance with the terms of the Refinanced Financing Agreements and all other fees and expenses and other amounts due from time to time under the Refinanced Financing Agreements. The term "Senior Indebtedness" shall include all amounts payable under the Financing Agreements or any Refinanced Financing Agreements in accordance with their terms, irrespective of whether any Credit Party may be excused from payment of any interest, fees or other amounts payable thereunder as a result of any Reorganization. All Senior Indebtedness shall be entitled to the benefit of this Agreement without notice thereof being given to any Subordinated Creditor.

1.3 Subordinated Indebtedness. The term "Subordinated Indebtedness" shall mean:

(a) All indebtedness, liabilities and obligations of the Credit Parties to the Subordinated Creditors, now existing or hereafter incurred, however made or incurred, direct or indirect, absolute or contingent, secured or unsecured and however evidenced, under the Securities Purchase Agreement, dated as of April 12, 2001, among Clean Harbors and the Subordinated Creditors (as amended from time to time, the "Securities Purchase Agreement"), the 16% Senior Subordinated Notes due 2008 issued by Clean Harbors and the Subsidiary Guaranties in favor of the Subordinated Creditors executed by certain subsidiaries of Clean Harbors (collectively, the "Subordinated Debt Documents").

(b) All obligations (contingent or otherwise) under all agreements and instruments heretofore or hereafter securing the obligations of the Credit Parties in respect of the Subordinated Debt Documents, including any guaranty thereof by any Affiliate of any Credit Party.

2. Terms of Subordination.

2.1 Transfer. Any Person to which any of the Subordinated Indebtedness is transferred, sold or who otherwise acquires an interest therein shall become a party hereto, shall be deemed a "Subordinated Creditor" for all purposes hereof and shall be bound by all of the terms hereof automatically upon acceptance of such Subordinated Indebtedness or interest

therein without further action on the part of such Person, the Subordinated Creditors, the Credit Parties or the Senior Creditor.

2.2 Payment Subordinated. Anything in the Subordinated Debt Documents notwithstanding, the payment of the Subordinated Indebtedness is and shall be expressly subordinate and junior in right of payment and, as provided in Section 6 hereof, exercise of remedies, to the prior payment in full of the Senior Indebtedness to the extent and in the manner provided herein, and the Subordinated Indebtedness is hereby subordinated as a claim against the Credit Parties or any of the assets of the Credit Parties to the prior payment in full of the Senior Indebtedness, whether such claim be (i) in the event of any distribution of the assets of the Credit Parties upon any voluntary or involuntary dissolution, winding-up, total or partial liquidation or reorganization, or bankruptcy, insolvency, receivership or other statutory or common law proceedings or arrangements involving the Credit Parties or the readjustment of their liabilities or any assignment for the benefit of creditors or any marshalling of their assets or liabilities (collectively called a "Reorganization"), or (ii) other than in connection with a Reorganization, except to the extent such payment is permitted by Section 2.6 hereof. In furtherance of the foregoing, the Credit Parties agree that they will not make, and each of the Subordinated Creditors and each other holder of all or any portion of the Subordinated Indebtedness agrees that it will not accept or receive, any payment of Subordinated Indebtedness, including, without limitation, any payment received through the exercise of any right of setoff, counterclaim or crossclaim, until all of the Senior Indebtedness has been paid in full or provision made for the full payment thereof in cash, except to the extent such payment is permitted by Section 2.6 hereof.

2.3 Distributions in Reorganization.

(a) In the event of any Reorganization relative to the Credit Parties or their properties, then all of the Senior Indebtedness shall first be paid in full in cash before any payment is made in respect of the Subordinated Indebtedness, and in any such proceedings any payment or distribution of any kind or character, whether in cash, property or securities (other than Junior Securities, hereafter defined), which may be payable or deliverable in respect of the Subordinated Indebtedness shall be paid or delivered directly to the Senior Creditor for application in payment of the Senior Indebtedness, unless and until all such Senior Indebtedness shall have been paid or satisfied in full in cash, and each holder of Subordinated Indebtedness does hereby authorize the Senior Creditor to accept and receipt for any payment or distribution and to apply such payment or distribution to the payment of the then unpaid Senior Indebtedness, and to do any and all things and to execute all instruments necessary to effectuate the foregoing. In the event that, upon any such Reorganization, any payment or distribution of assets of the Credit Parties of any kind or character, whether in cash, property or securities (other than Junior Securities), shall be received by any holder of Subordinated Indebtedness before all Senior Indebtedness is paid in full in cash, such payment or distribution shall be immediately paid over to the Senior Creditor for application to the payment of all Senior Indebtedness remaining unpaid until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness. Notwithstanding any provisions of this Section 2.3, in the event that a plan is proposed in the course of a Reorganization (a "Bankruptcy Plan") (x) if the Senior Creditor consents thereto in writing, each holder of Subordinated Indebtedness shall be entitled to retain any cash, securities or other

property payable to it in accordance with the terms of such Bankruptcy Plan and (y) in any event, each holder of Subordinated Indebtedness shall be entitled to receive and retain any Junior Securities distributed to it in accordance with the terms of such Bankruptcy Plan. "Junior Securities" means any payment or distribution of capital stock or other securities of any Credit Party or other

Person provided for by a Bankruptcy Plan, which stock or securities are subordinated in right of payment to all then outstanding Senior Indebtedness to substantially the same extent as, or to a greater extent than, the Subordinated Indebtedness is subordinated to Senior Indebtedness as provided in this Agreement.

(b) Each Subordinated Creditor hereby appoints, which appointment is irrevocable and coupled with an interest, the Senior Creditor as such Subordinated Creditor's true and lawful attorney, with full power of substitution, in the name of such Subordinated Creditor, the Senior Creditor, or otherwise, for the sole use and benefit of the Senior Creditor, to the extent permitted by law, to prove and vote all claims relating to the Subordinated Indebtedness if such Subordinated Creditor fails to file a proof of claim or vote its claim within 20 days following written demand therefor by the Senior Creditor.

(c) At any meeting of creditors of the Credit Parties or in the event of any case or proceeding, voluntary or involuntary, for the distribution, division or application of all or part of the assets of the Credit Parties or the proceeds thereof, whether such case or proceeding be for the liquidation, dissolution or winding up of the Credit Parties or their business, a receivership, insolvency or bankruptcy case or proceeding, an assignment for the benefit of creditors or a proceeding by or against the Credit Parties for relief under the federal Bankruptcy Code or any other bankruptcy, reorganization or insolvency law or any other law relating to the relief of debtors, readjustment of indebtedness, Reorganization, arrangement, composition or extension or marshalling of assets or otherwise, the Senior Creditor is hereby irrevocably authorized to receive or collect any cash or other assets of the Credit Parties distributed, divided or applied by way of dividend or payment, or any securities issued on account of any Subordinated Indebtedness, and apply such cash to or to hold such other assets or securities as collateral for the Senior Indebtedness, and to apply to the Senior Indebtedness any cash proceeds of any realization upon such other assets or securities that the Senior Creditor, in its discretion, elects to effect, until all of the Senior Indebtedness shall have been paid in full in cash, rendering to the Subordinated Creditors any surplus to which the Subordinated Creditors are then entitled.

2.4 Effect of Provisions. The provisions hereof are solely for the purpose of defining the relative rights of the holders of Senior Indebtedness on the one hand, and the holders of Subordinated Indebtedness on the other hand, and none of such provisions shall impair, as between the Credit Parties and any holder of the Subordinated Indebtedness, the obligations of the Credit Parties, which are unconditional and absolute, to pay to such holder all Subordinated Indebtedness in accordance with the terms thereof nor, except as provided in Section 6 below, shall any such provisions prevent any holder of Subordinated Indebtedness from exercising all remedies otherwise permitted by applicable law or under the terms of such Subordinated Indebtedness upon a default thereunder, subject to the rights, if any, of holders of Senior Indebtedness under the provisions of this Agreement.

2.5 Subrogation, etc. Subject to the payment in full of all Senior Indebtedness, the holders of the Subordinated Indebtedness shall be subrogated to the rights of the holders of

Senior Indebtedness to receive payments or distributions of assets of the Credit Parties made on the Senior Indebtedness until the Subordinated Indebtedness shall be paid in full in cash and, for the purposes of such subrogation, no payments or distributions to the holders of Senior Indebtedness of any cash, property or securities to which the holders of the Subordinated Indebtedness would be entitled except for the provisions of this Agreement, and no payment over pursuant to the provisions of this Agreement to the holders of Senior Indebtedness, by the holders of the Subordinated Indebtedness, shall, as between the Credit Parties, the creditors of the Credit Parties (other than the holders

of Senior Indebtedness) and the holders of the Subordinated Indebtedness, be deemed to be a payment by the Credit Parties to or on account of Senior Indebtedness; it being understood that the provisions of this Agreement are and are intended solely for the purpose of defining the relative rights of the holders of the Subordinated Indebtedness on the one hand, and the holders of Senior Indebtedness on the other hand.

2.6 Permitted Payments.

(a) Notwithstanding anything to the contrary set forth herein, (i) so long as (x) no Payment Default exists, and so long as (y) the Subordinated Creditors have not received a Blockage Notice with respect to any other Event of Default, the Credit Parties may, from time to time, pay or cause to be paid to the Subordinated Creditors and the Subordinated Creditors may accept and retain scheduled payments of principal and of interest on the Subordinated Indebtedness in the amounts and on the dates required to be paid by the Credit Parties under the Subordinated Debt Documents, as originally executed and delivered or as amended from time to time without violation of Section 6, and (ii) so long as (x) no Payment Default exists, (y) the Subordinated Creditors have not received a Blockage Notice with respect to any other Event of Default and (z) no Default or Event of Default shall result from the making of any such payment and such payment is made to the extent and only to the extent permitted under Schedule A to this Agreement, the Credit Parties may make prepayments of principal and interest in respect of the Subordinated Indebtedness. In addition to payments permitted under the first sentence of this Section 2.6(a), if the then holders of the Senior Indebtedness shall not have accelerated the payment of the Senior Indebtedness within 180 days after receipt by the Subordinated Creditors of a Blockage Notice, then after the expiration of such 180-day period (or if during said 180-day period such Event of Default is cured by the Credit Parties or is waived by the then holders of the Senior Indebtedness, then after the time of such cure or waiver), and if no Payment Default exists, the Credit Parties may from time to time pay or cause to be paid to the Subordinated Creditors and the Subordinated Creditors may accept and retain payments of interest on the Subordinated Indebtedness (not in excess of the scheduled payments of interest required to be made by the Credit Parties under the Subordinated Debt Documents, as originally executed and delivered or as amended from time to time without violation of Section 6 hereof, including any interest payments which were not paid as a result of such Blockage Notice or the prior existence of a Payment Default), provided, that if thereafter any Payment Default occurs or any other Blockage Notice is sent, then the first sentence of this Section 2.6(a) shall again apply. If the Subordinated Creditors or any other holder of the Subordinated Indebtedness receives payment from the Credit Parties pursuant to the first sentence of this Section 2.6(a), such payment shall be deemed to constitute a representation of the Credit Parties to the Senior Creditor and to the Subordinated Creditors that no Event of Default exists, that such payment is permitted to be paid by the Credit Parties under this Agreement, and the Subordinated Creditors shall be entitled to keep and retain such payment. Notwithstanding anything which may be to the contrary herein,

the Senior Creditor shall not be entitled to block payments pursuant to a Blockage Notice delivered hereunder for more than 180 days during any 360 day period or send more than three (3) Blockage Notices during the term of this Agreement.

(b) For purposes hereof, the terms:

(i) "Payment Default" shall mean any failure by the Credit Parties to pay any principal of or premium, if any, or interest on any Senior Indebtedness or any fee owing to the Senior Creditor or any Lender under the Credit Agreement when the same becomes due and payable, whether at maturity or at date fixed for the payment of any installment or prepayment thereof or by declaration or acceleration or otherwise (but after giving effect to the period of grace, if

any, applicable thereto). No Payment Default shall be deemed to have been cured unless the full amount of the overdue payment to which such Payment Default relates shall have been paid in full prior to any acceleration of the Senior Indebtedness or unless waived by the then holders of the Senior Indebtedness.

(ii) "Blockage Notice" shall mean a written notice from the Senior Creditor to the Subordinated Creditors of the existence of an Event of Default.

3. Agreement to Hold In Trust. If the Subordinated Creditors or any other holders of Subordinated Indebtedness shall receive any payments on account of the Subordinated Indebtedness in violation of this Agreement, they shall hold such payments in trust for the benefit of the holder or holders of the Senior Indebtedness and pay them over to the Senior Creditor for application in payment of the Senior Indebtedness.

4. Requirement of Notices.

4.1 By the Senior Creditor. The Senior Creditor agrees to notify the Subordinated Creditors of any Payment Default, of any acceleration of the Senior Indebtedness or of any change in the Senior Creditor.

4.2 By the Subordinated Creditors. The Subordinated Creditors agree to notify the Senior Creditor prior to any acceleration of the Subordinated Indebtedness or upon the happening of any of the following:

(a) The failure of the Credit Parties to make any payment on the Subordinated Indebtedness as and when due; or

(b) The transfer of any Subordinated Indebtedness, specifying the name and address of the transferee.

4.3 Effect of Failure to Give Notice. Notwithstanding the foregoing, the failure of any party to give any notice required under this Section 4 shall not affect the subordination of the Subordinated Indebtedness.

5. Legend. The Credit Parties and the Subordinated Creditors, for themselves and their successors and assigns, covenant to cause each instrument representing or evidencing any

of the Subordinated Indebtedness to have affixed upon it a legend which reads substantially as follows:

> "This instrument is subject to a Subordination Agreement dated as of April 12, 2001 among the payee hereof, the maker hereof, and Congress Financial Corporation (New England), which, among other things, subordinates the makers' obligations to the payee to the makers' obligations to the holders of Senior Indebtedness as defined in said Agreement."

6. Limit on Right of Action, No Amendments. The Subordinated Creditors, for themselves and their successors and assigns, agree for the benefit of the holders of the Senior Indebtedness that so long as any part of the Senior Indebtedness remains outstanding or any holder of the Senior Indebtedness shall have any obligation to make any loans, extend any credit, or issue or honor any Letter of Credit Accommodation issued under the Credit Agreement, the Subordinated Creditors will not take any action to accelerate or demand the payment of the Subordinated Indebtedness or to foreclose or otherwise realize on any security or guaranty given by the Credit Parties or any of their Affiliates to secure or guarantee the Subordinated Indebtedness (except and only to the

extent required to toll the running of any applicable statute of limitations) prior to the earliest of (i) a Reorganization or (ii) the acceleration of the Senior Indebtedness by the holders thereof; provided that notwithstanding the foregoing, the Subordinated Creditors shall be entitled to accelerate the Subordinated Indebtedness as a result of any default by the Credit Parties in their obligations under the Subordinated Debt Documents one hundred eighty (180) days after the Subordinated Creditors give the Senior Creditor written notice of their intent to accelerate (the "Standstill Period") and may thereafter take action to collect or enforce the Subordinated Indebtedness, provided any proceeds received or recoverable by the Subordinated Creditors in connection therewith shall be held in trust as provided in Section 3 of this Agreement and paid over to Senior Creditor as provided under the other provisions of this Agreement; provided, however, that the Subordinated Creditors shall not take and shall suspend any action taken to collect and enforce the Subordinated Indebtedness (but may continue the acceleration thereof) effective upon receipt of notice from the Senior Creditor of the acceleration of the Senior Indebtedness and for so long as the Senior Creditor is actively taking actions to collect and enforce the Senior Indebtedness in such manner as the Senior Creditor shall determine, in its discretion, except that Subordinated Creditors may bring suit and obtain judgments and judgment liens with respect to the Subordinated Indebtedness but not take any action to execute on any such liens unless required to protect such judgment lien's priority as against other judgment creditors (other than with respect to the security interests and liens of the Senior Creditor). The foregoing provisions of this Section 6 are solely for the purpose of defining the relative rights of the holders of Senior Indebtedness on the one hand and the holders of the Subordinated Indebtedness on the other hand and shall not limit or otherwise affect any rights which the holders of the Subordinated Indebtedness may have against the Credit Parties under the terms of the Subordinated Debt Documents.

The Subordinated Creditors shall not amend or permit amendment of the terms of any instrument or agreement evidencing any Subordinated Indebtedness in any manner that would amend the payment terms of the Subordinated Debt Documents (other than extensions or deferrals of scheduled dates of payment or waivers of defaults), any financial covenant or other negative covenant set forth in the Securities Purchase Agreement or the rate and manner of

payment of interest, premiums or fees due under the Subordinated Debt Documents, except to the extent such amendment is no more onerous to the Credit Parties (provided, the Subordinated Creditors and the Credit Parties may amend the terms of any financial covenant in the Subordinated Debt Documents or any defined term used therein or to provide for new financial covenants if the same conform to any such term or covenants in any Credit Agreement or in any Refinance Credit Agreement regardless of whether or not more onerous) or except as otherwise permitted under the Credit Agreement.

7. No Security to the Subordinated Creditors. The Credit Parties shall not grant and the Subordinated Creditors shall not accept any security of any nature in property real or personal of the Credit Parties to secure the Subordinated Indebtedness. Any security interest granted in violation of the terms of this Agreement shall be null and void and of no force and effect against the holders of the Senior Indebtedness. In foreclosing or realizing on the security interests granted in favor of the holders of the Senior Indebtedness in the Collateral, so long as the Senior Creditor acts in a commercially reasonable manner, the Senior Creditor may proceed in any manner which the Senior Creditor, in its sole discretion, shall choose, even though a higher price might have been realized if the Senior Creditor had proceeded to foreclose or realize on its security interests in another manner.

8. Right to Amend, etc. The holders of the Senior Indebtedness shall have the right, in their sole discretion (and without in any way diminishing or altering their rights hereunder or the subordination provisions contained

herein), to modify, amend, waive or release any of the terms of the Credit Agreement, the Financing Agreements or the Senior Indebtedness or of any other document relative thereto and to exercise or refrain from exercising any powers or rights which it may have thereunder; provided that in no event shall the
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Financing Agreements or the Refinanced Financing Agreements contain any provision that would (i) directly prohibit the Credit Parties from making payments in respect of the Subordinated Indebtedness in any manner which is not already specifically prohibited by this Agreement or directly prohibit the amendment of any instrument or agreement evidencing Subordinated Indebtedness except as provided in Section 6 hereof, (ii) extend the maturity of any Senior Indebtedness to a date that is beyond the maturity date of the Subordinated Indebtedness without the consent of the holders of a majority of the Subordinated Indebtedness, (iii) cause the maximum principal amount of the Senior Indebtedness to exceed $65,000,000 at any time, or (iv) amend the definition of Collateral set forth in the Existing Credit Agreement except as may be necessary to conform to amendments to the Uniform Commercial Code.

9. Further Assurances. The Credit Parties and the Subordinated Creditors for themselves and their respective successors and assigns, agree to execute and deliver to the Senior Creditor, at the expense of the Credit Parties, such further documents and instruments and to take such further action as the Senior Creditor may at any time or times reasonably request in order to carry out the provisions and intent of this Agreement.

10. Notices. All notices and other communications hereunder shall be in writing and shall be personally delivered or mailed by first class mail, postage prepaid, as follows:

(a) If to the Subordinated Creditors:

to such party at its address set forth on Annex 1 attached

(b) If to the Credit Parties:

Clean Harbors, Inc.
1501 Washington Street
Braintree, Massachusetts 02185
Attention: Chief Financial Officer
Fax no. (781) 848-1632

with a copy to:

Davis, Malm & D'Agostine, P.C.
One Boston Place
Boston, MA 02108
Attention: C. Michael Malm
Fax no. (617) 305-3103

(c) If to the Senior Creditor:

Congress Financial Corporation (New England)
One Post Office Square, Suite 3600
Boston, MA 02109
Attention: Marc Swartz, Senior Vice President
Fax No. (617) 338-1497

with a copy to:

Brown, Rudnick, Freed & Gesmer
One Financial Center
Boston, MA 02111
Attention: Jeffery L. Keffer
Fax No. (617) 856-8201

or to such other address or addresses as the party to whom such notice is directed may have designated in writing to the other parties hereto. A notice shall be deemed to have been given upon the earlier to occur of (i) three (3) days after the date on which it is deposited in the U.S. mails or (ii) receipt by the party to whom such notice is directed.

11. Successors: Continuing Effect. etc. This Agreement is being entered into for the benefit of, and shall be binding upon, the holders of the Senior Indebtedness and the holders of the Subordinated Indebtedness and their respective successors and assigns. This Agreement shall be a continuing agreement and shall be irrevocable and shall remain in full force and effect so long as there is both Senior Indebtedness (including, if applicable, any portion of the Senior Creditors commitment or obligation to make loans, extend credit or issue or honor Letter of Credit Accommodations issued under the Credit Agreement) and Subordinated Indebtedness outstanding.

12. Credit Agreement. Notwithstanding any other provision of this Subordination Agreement, the rights of the holders of the Senior Indebtedness are subject to the provisions of the Credit Agreement. Unless the context shall so otherwise clearly indicate, the terms "holder of Senior Indebtedness" and "holders of Senior Indebtedness," as used herein shall be deemed to include the Senior Creditor and any successor or assign thereof acting pursuant to the Credit Agreement.

13. Miscellaneous. In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. This Agreement shall be governed by the laws of The Commonwealth of Massachusetts.

SIGNATURES APPEAR ON THE NEXT PAGE

IN WITNESS WHEREOF, the parties have executed this Agreement as a sealed instrument as of the date first above written.

CLEAN HARBORS, INC.

/s/ Stephen H. Moynihan
By: _____

Name:Stephen H. Moynihan
Title:Senior Vice President

CLEAN HARBORS ENVIRONMENTAL SERVICES, INC.

/s/ Stephen H. Moynihan
By: _____
Name:Stephen H. Moynihan
Title:Senior Vice President

CLEAN HARBORS OF BRAINTREE, INC.

/s/ Stephen H. Moynihan
By:_____
Name:Stephen H. Moynihan
Title:Senior Vice President

CLEAN HARBORS OF NATICK, INC.

/s/ Stephen H. Moynihan
By:_____
Name:Stephen H. Moynihan
Title:Senior Vice President

CLEAN HARBORS SERVICES, INC.

/s/ Stephen H. Moynihan
By:_____
Name:Stephen H. Moynihan
Title:Senior Vice President

MURPHY'S WASTE OIL SERVICE, INC.

/s/ Stephen H. Moynihan
By:_____
Name:Stephen H. Moynihan
Title:Senior Vice President

CLEAN HARBORS KINGSTON FACILITY CORPORATION

/s/ Stephen H. Moynihan
By:_____
Name:Stephen H. Moynihan
Title:Senior Vice President

CLEAN HARBORS OF CONNECTICUT, INC.

/s/ Stephen H. Moynihan
By:_____
Name:Stephen H. Moynihan
Title:Senior Vice President

MR. FRANK, INC.

/s/ Stephen H. Moynihan
By:_____
Name:Stephen H. Moynihan
Title:Senior Vice President

SPRING GROVE RESOURCE RECOVERY, INC.

/s/ Stephen H. Moynihan
By: _____
Name:Stephen H. Moynihan
Title:Senior Vice President

HARBOR MANAGEMENT CONSULTANTS, INC.

/s/ Stephen H. Moynihan
By:_____
Name:Stephen H. Moynihan
Title:Senior Vice President

CLEAN HARBORS OF BALTIMORE, INC.

/s/ Stephen H. Moynihan
By: _____
Name:Stephen H. Moynihan
Title:Senior Vice President

JOHN HANCOCK LIFE INSURANCE COMPANY

Steven J. Blewitt
By: _____
Name:Steven J. Blewitt
Title:Managing Director

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

/s/ Steven J. Blewitt
By: _____
Name:Steven J. Blewitt
Title:Authorized Signatory

SIGNATURE 4 LIMITED

By: John Hancock Life Insurance Company,
as Portfolio Advisor

/s/ Steven J. Blewitt
By: _____
Name:Steven J. Blewitt
Title:Managing Director

SIGNATURE 5, L.P.

By: John Hancock Life Insurance Company,
as Portfolio Advisor

/s/ Steven J. Blewitt
By: _____
Name:Steven J. Blewitt
Title:Managing Director

SPECIAL VALUE BOND FUND, LLC

By: SVIM/MSM, LLC
as Manager

By: TENNENBAUM & CO., LLC
as Managing Member of the Manager

/s/ Michael E. Tennenbaum
By: _____
Name: Michael E. Tennenbaum
Title: Member

ARROW INVESTMENT PARTNERS

By: Grandview Capital Management, LLC,
Investment Manager

/s/ Robert E. Sydow
By: _____
Name: Robert E. Sydow
Title: President

BILL AND MELINDA GATES FOUNDATION

By: Grandview Capital Management, LLC,
Investment Manager

/s/ Robert E. Sydow
By: _____
Name: Robert E. Sydow
Title: President

CONGRESS FINANCIAL CORPORATION
(NEW ENGLAND)

/s/ Edward Shifman
By:_____
Name:Edward Shifman
Title:Senior Vice President

SCHEDULE A

PERMITTED PREPAYMENTS

Subject to the conditions set forth in Section 2.6(a)(ii) of this Agreement, the Credit Parties may make prepayments of principal and accrued interest on the Senior Subordinated Notes; provided, that, (i) the Credit Parties shall give
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Senior Creditor not more than sixty (60) days nor less than thirty (30) days prior notice of any such prepayment, (ii) on each of the sixty (60) consecutive days prior to the making of any such prepayment and on the date thereof after giving effect thereto, the Credit Parties shall maintain Excess Availability (as defined under the Existing Credit Agreement) of not less than $2,500,000, (iii) prior to making any such prepayment the Credit Parties shall have repaid at least $9,000,000 of principal on the Term Loan B (as defined in the Existing Loan Agreement) and (iv) the Credit Parties shall make such prepayment only from the following sources: (a) fifty percent (50%) of Excess Cash Flow (as defined below) or (b) 100% of the net proceeds from the issuance of equity securities by Parent. For purposes hereof, Excess Cash Flow shall mean EBITDA (as defined in the Existing Loan Agreement) of the Credit Parties for the prior twelve consecutive month period less (1) all capital expenditures made by the Credit Parties during such period that are paid in cash and not financed with indebtedness other than the Loans (as defined in the Existing Loan Agreement), (2) the amount of income, real estate, franchise and like taxes paid or withheld by the Credit Parties during such period, (3) payments and prepayments on indebtedness for borrowed money by the Credit Parties during such period and (4) interest expense paid in cash by the Borrowers during such period.

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.	PA	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

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 6, 2001 on our audits of the consolidated financial statements and the financial statement schedule of Clean Harbors, Inc., which report is included in Item 8 of this Form 10-K.

PricewaterhouseCoopers LLP

Boston, Massachusetts
April 13, 2001

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 resubstitution, 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, 2000, 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 substitutes may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ Christy W. Bell Christy W. Bell	Director	April 12, 2001
/s/ John F. Kaslow John F. Kaslow	Director	April 12, 2001
/s/ Daniel J. McCarthy Daniel J. McCarthy	Director	April 12, 2001
/s/ John T. Preston John T. Preston	Director	April 12, 2001
/s/ Thomas J. Shields Thomas J. Shields	Director	April 12, 2001
/s/ Lorne R. Waxlax Lorne R. Waxlax	Director	April 12, 2001