

**NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, OTHER THAN WHAT IS CONTAINED IN THE MATERIALS MAILED WITH THIS BALLOT OR OTHER MATERIALS AUTHORIZED BY THE COURT**

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

----- X  
 In re: : Chapter 11  
 :  
 SAFETY-KLEEN CORP., et al. : Case No. 00-2303 (PJW)  
 :  
 Debtors. : Jointly Administered  
 ----- X



1348076 - 4730140 41 SAFE  
 HAZARDOUS AND RADIOACTIVE  
 MATERIALS BUREAU  
 NEW MEXICO ENVIRONMENT DEPART  
 2044 GALISTEO STREET  
 SANTA FE, NM 87502

Voting Amount: \$5,105.03  
 Case Number: 00-2362(PJW)  
 Plan Class: 7.60  
 Debtor Name: SAFETY-KLEEN SYSTEMS, INC.  
 Ballot ID: 4730140

**BALLOT FOR ACCEPTING OR REJECTING FIRST AMENDED JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP. AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

**CLASS 7 SUBSIDIARY GENERAL UNSECURED CLAIMS**

**Item 1.** The undersigned votes all of his/her/its Class 7 Subsidiary General Unsecured Claim(s) (the "Claim(s)") against the Debtor and in the amount listed above as follows (check one box only in Item 1- if you do NOT check a box, your vote will not be counted):

ACCEPTS (votes FOR) the Plan.       REJECTS (votes AGAINST) the Plan.

**Item 2. Election Regarding Releases.**

The undersigned holder of the Claim(s) in the amount listed above elects not to grant the releases contained in Section 12.9 of the Plan.

**Item 3. Certifications.** By signing this Ballot, the undersigned claimant certifies that he/she/it (i) has been provided with copies of the Disclosure Statement, as approved by the Bankruptcy Court, the Plan and all related tabulation materials and (ii) is the holder of the Claim(s) set forth above and has full power and authority to vote to accept or reject the Plan. To the extent that the undersigned is voting on behalf of the actual holder of the Claim(s), the undersigned certifies that he/she/it has the requisite authority to do so and will submit evidence of same upon request.

Name of Claimant: \_\_\_\_\_ Social Security or Federal Tax I.D. No. \_\_\_\_\_  
 (Print or Type) (Optional)

Signature: \_\_\_\_\_

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

Print or Type Name: \_\_\_\_\_ Title: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Date: \_\_\_\_\_

## INSTRUCTIONS FOR COMPLETING THE BALLOT

The Debtors are soliciting your vote on the First Amended Joint Plan of Reorganization of Safety-Kleen Corp. and Certain of its Direct and Indirect Subsidiaries (the "Plan"), which is described in and annexed to the Disclosure Statement with Respect to First Amended Joint Plan of Reorganization of Safety-Kleen Corp. and Certain of its Direct and Indirect Subsidiaries (the "Disclosure Statement").

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on creditors and interest holders if it is accepted by the holders of at least two-thirds in dollar amount and more than one-half in number of the allowed claims in each class of claims entitled to vote on the Plan that actually vote on the Plan. If any class of claims or interests rejects the Plan or is deemed to reject the Plan, the Bankruptcy Court may nevertheless confirm the Plan if the Bankruptcy Court finds that the Plan accords fair and equitable treatment to, and does not discriminate unfairly against, the class or classes rejecting it, and otherwise satisfies the requirements of 11 U.S.C. § 1129(b). To have your vote count, you must complete and return this Ballot.

**This Ballot does not constitute and shall not be deemed to constitute (a) a proof of claim or (b) an admission by the Debtors of the nature, validity or amount of any claim.**

1. This Ballot is submitted to you to solicit your vote to accept or reject the Plan. Please indicate your vote either to accept or reject the Plan by marking an "x" in the appropriate box in Item 1. If the Plan is confirmed by the Court, it will be binding on you whether or not you vote. Ballots cast by facsimile will not be counted.
2. After providing all remaining information requested on the face of the Ballot, please sign and date this Ballot.
3. Return this Ballot in the enclosed self-addressed envelope by mail or overnight courier to the voting agent at the following address:

Trumbull Services, L.L.C.  
Griffin Center  
4 Griffin Road North  
Windsor, Connecticut 06095  
Attn: Safety-Kleen Corp.

**BALLOTS MUST BE RECEIVED BY 1:00 P.M. EASTERN TIME ON MAY 2, 2003 (THE "VOTING DEADLINE"), UNLESS THE DEBTORS EXTEND THE VOTING DEADLINE. IF A BALLOT IS RECEIVED AFTER THE VOTING DEADLINE, IT WILL NOT BE COUNTED.**

4. You must vote all of your claims within a single class to either accept or reject the Plan. A Ballot that partially rejects and partially accepts the Plan will not be counted as either an acceptance or rejection of the Plan.
5. Your signature is required in order for your vote to be counted. If the Claim voted with this Ballot is held by a partnership, the Ballot should be executed in the name of the partnership by a general partner. If the Claim is held by a corporation, the Ballot must be executed by an officer. If you are signing in a representative capacity, also indicate your title after your signature.
6. This Ballot has been prepared to reflect the class in which you are eligible to vote. If you receive more than one Ballot, you should assume that each Ballot is for a claim in a separate class or against a separate debtor and complete and return all of them. For purposes of tabulating the votes, you shall be deemed to have voted the full amount of your Claim. You may not split your vote. If you are submitting a vote with respect to any other claim in Class 7, you must vote *all* of your Claims in Class 7 in the same way (*i.e.*, all "Accepts" the Plan or all "Rejects" the Plan).

**IF YOU RECEIVED A DAMAGED BALLOT OR LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CALL THE VOTING AGENT AT (860) 687-3916.**

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS  
OF SAFETY-KLEEN CORP., ET AL.**

c/o Milbank, Tweed, Hadley & McCloy LLP  
1 Chase Manhattan Plaza  
New York, New York 10005

Dated as of March 20, 2003

**TO: UNSECURED CREDITORS OF SAFETY-KLEEN CORP. AND CERTAIN OF  
ITS DIRECT AND INDIRECT SUBSIDIARIES**

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We, the Official Committee of Unsecured Creditors (the "Creditors' Committee") of Safety-Kleen Corp., *et al.* (collectively, the "Debtors") are writing to you in connection with the Debtors' solicitation of your vote in respect of the First Amended Joint Plan of Reorganization of Safety-Kleen Corp. and Certain of its Direct and Indirect Subsidiaries, dated March 20, 2003 (the "Plan"). Any capitalized terms not defined herein are defined in the Plan.

**THE CREDITORS' COMMITTEE UNANIMOUSLY SUPPORTS THE PLAN AND RECOMMENDS THAT HOLDERS OF CLASS 4 SKC GENERAL UNSECURED CLAIMS, CLASS 5 9¼% SENIOR NOTES CLAIMS, CLASS 6 9¼% SENIOR SUBORDINATED NOTES CLAIMS, AND CLASS 7 SUBSIDIARY GENERAL UNSECURED CLAIMS VOTE TO ACCEPT THE PLAN IN ACCORDANCE WITH THE INSTRUCTIONS SET FORTH ON THE BALLOT. *Each creditor must, however, make its own independent decision as to whether or not the Plan is acceptable to that creditor before voting to accept or reject the Plan.***

As described in the Disclosure Statement accompanying the Plan, the Chapter 11 Cases provided unsecured creditors of the Debtors, through the Creditors' Committee, with the collaborative opportunity to investigate several pre-bankruptcy transactions, including the two leveraged buyouts ("LBOs") of companies that formed the Debtors' core businesses as of the Petition Date. After an extensive investigation, the Creditors' Committee determined that certain aspects of the LBOs (including the senior secured guarantee obligations to the Debtors' U.S. Lenders incurred by SKC and certain of the Subsidiaries) were subject to challenge through the avoiding powers available to the Debtors' estates under the Bankruptcy Code and under other applicable law. The Creditors' Committee therefore commenced a lawsuit objecting to certain of the claims asserted by the U.S. Lenders, among other things. In the absence of a favorable resolution of such lawsuit, each Debtor's estate would potentially be saddled with more than one billion dollars based on the deficiency claims in favor of the Debtors' U.S. Lenders, and any portion of the Debtors' assets constituting the U.S. Lenders' collateral would not be available for distribution to unsecured creditors.

Recoveries for unsecured creditors under the Plan is premised on a compromise, negotiated among the Creditors' Committee, the U.S. Lenders and the Debtors, of the litigation commenced by the Creditors' Committee (on behalf of the Debtors' estates) against the U.S. Lenders. We believe that the compromise, as reflected in the Plan, represents a fair allocation of

the consideration available for distribution to the Debtors' stakeholders and, under the circumstances, a favorable outcome for the Debtors' unsecured creditors.

In sum, the Plan provides unsecured creditors of SKC (including holders of Class 4 SKC General Unsecured Claims and Class 5 9¼% Senior Notes Claims) with a pro rata share of \$29 million of value (less the SKC Indenture Trustees' Fees and the Special Litigation Co-Counsel Fees) realized from the litigation commenced by SKC and the Creditors' Committee against the Debtors' former controlling shareholder, Laidlaw Inc. The Plan provides unsecured creditors against SKC's Subsidiaries (including holders of Class 6 9¼% Senior Subordinated Notes Claims and Class 7 Subsidiary General Unsecured Claims) with a pro rata share of the potential proceeds to be realized from the prosecution of certain preference actions to be assigned by the Debtors to a litigation trust for the benefit of the unsecured creditors of SKC's Subsidiaries. In addition to the foregoing consideration, unsecured creditors of all of the Debtors could potentially share in net recoveries derived from litigation commenced by SKC and a sub-set of the U.S. Lenders against the Debtors' former auditors, PricewaterhouseCoopers LLP, in the event that the net recoveries realized exceed a certain threshold. In the case of each of the foregoing distributions and potential distributions, the U.S. Lenders have agreed to waive all of their deficiency unsecured claims against the Debtors, although the distributions to holders of Class 6 9¼% Senior Subordinated Notes Claims is conditioned on such Class voting in favor of the Plan.

***The foregoing description summarizes only certain aspects of the compromise contained in the Plan and does not constitute any part of, and is not intended as a substitute for, the Disclosure Statement approved by the Court. Creditors should read the Plan and the accompanying Disclosure Statement (including, without limitation, all of the risk factors set forth therein) in their entirety before voting on the Plan.***

The Debtors have provided to you a ballot to complete to vote to accept or reject the Plan and return in accordance with the procedure set forth in the ballot instruction sheet and the Disclosure Statement. PLEASE READ THE DIRECTIONS OF THE BALLOT CAREFULLY AND COMPLETE YOUR BALLOT IN ITS ENTIRETY BEFORE RETURNING IT TO THE DEBTORS' BALLOTING AGENT.

THE OFFICIAL COMMITTEE OF UNSECURED  
CREDITORS OF SAFETY-KLEEN CORP., *ET AL.*

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

-----X  
In re: : Chapter 11  
: :  
SAFETY-KLEEN CORP., *et al.*, : Case No. 00-2303 (PJW)  
: :  
Debtors. : Jointly Administered  
-----X

**NOTICE OF (A) HEARING ON CONFIRMATION OF PLAN; (B) DEADLINE AND PROCEDURES FOR FILING OBJECTIONS TO CONFIRMATION OF PLAN; (C) DEADLINE AND PROCEDURES FOR TEMPORARY ALLOWANCE OF CLAIMS FOR VOTING PURPOSES; (D) TREATMENT OF CERTAIN UNLIQUIDATED, CONTINGENT OR DISPUTED CLAIMS FOR NOTICE AND VOTING PURPOSES; (E) SOLICITATION RECORD DATE; (F) VOTING DEADLINE; (G) NOTICE AND PROCEDURES FOR ASSUMING OR REJECTING EXECUTORY CONTRACTS AND UNEXPIRED LEASES AND (H) RELEASES**

TO ALL CREDITORS, EQUITY SECURITY HOLDERS AND OTHER PARTIES IN INTEREST:

PLEASE TAKE NOTICE that by order, dated March 20, 2003, United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") approved the Disclosure Statement with Respect to First Amended Joint Plan of Reorganization of Safety-Kleen Corp. and Certain of its Direct and Indirect Subsidiaries, dated March 20, 2003 (the "Disclosure Statement").

PLEASE TAKE FURTHER NOTICE that Safety-Kleen Corp. and certain of its direct and indirect subsidiaries, debtors and debtors-in-possession (collectively, the "Debtors"), are soliciting acceptances of the First Amended Joint Plan of Reorganization of Safety-Kleen Corp. and Certain of its Direct and Indirect Subsidiaries, dated March 20, 2003 (the "Plan"), from holders of impaired claims who are (or may be) receiving distributions under the Plan.

PLEASE TAKE FURTHER NOTICE that the terms of the Plan will be binding on all holders of claims against, and all equity security interests in, the Debtors once the Plan has been confirmed by the Bankruptcy Court.

PLEASE TAKE FURTHER NOTICE that holders of Class 1 Other Priority Claims<sup>1</sup> and Class 2 Miscellaneous Secured Claims are unimpaired and are not entitled to vote because, by operation of law, they are deemed to have accepted the Plan. Moreover, Class 8 Subordinated Claims and Class 9 Interests are not entitled to receive or retain any property on account of their Claims against or Interests in the Debtors; therefore, pursuant to 11 U.S.C. § 1126(g), they are deemed to have rejected the Plan and are not entitled to vote.

PLEASE TAKE FURTHER NOTICE that on March 20, 2003, the Bankruptcy Court signed an order (the "Solicitation Procedures Order") which provides, among other things, that:

1. Confirmation Hearing Date. The hearing to consider confirmation of the Plan (the "Confirmation Hearing"), shall commence on May 5, 2003 at 1:30 p.m. (Eastern time) or as soon thereafter as counsel can be heard, before the Honorable Peter J. Walsh, United States Bankruptcy Judge, in the Bankruptcy Court, 824 Market Street, Wilmington, Delaware 19801. The Confirmation Hearing may be continued from time to time by announcing such continuance in open court, and the Plan may be further modified, if necessary, pursuant to

<sup>1</sup> Unless otherwise defined herein, capitalized terms shall have the meaning assigned to them in the Plan.

11 U.S.C. § 1127 prior to, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

2. Objections to Confirmation. The Bankruptcy Court has fixed April 21, 2003 at 4:00 p.m. (Eastern time) as the last date for filing and serving objections to confirmation of the Plan (the "Objection Deadline"). To be considered, objections, if any, to confirmation of the Plan must (a) be made in writing; (b) comply with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules; (c) set forth the name of the objector and the nature and amount of any Claim or Interest asserted by the objector against or in the Debtors, their estates or their property; (d) state with particularity the legal and factual basis for the objection and (e) be filed with the Bankruptcy Court, together with proof of service, and served by personal service, overnight

(the "Disclosure Statement Hearing") to consider approval of the Disclosure Statement having been held on March 20, 2003; and it appearing that notice of the Disclosure Statement Hearing was good and sufficient under the particular circumstances and that no other or further notice need be given; and the Court having considered the arguments of counsel made at the Disclosure Statement Hearing; and upon the record of the Disclosure Statement Hearing and these chapter 11 cases; and after due deliberation thereon; and good cause appearing therefor, it is hereby

FOUND, DETERMINED, ORDERED, ADJUDGED AND DECREED THAT:

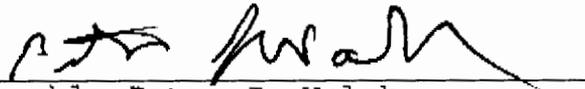
1. Any and all objections to approval of the Disclosure Statement, to the extent not previously withdrawn or resolved, are hereby overruled.

2. The Disclosure Statement, as it may be further modified to reflect changes made or ordered on the record at the Disclosure Statement Hearing, contains "adequate information" within the meaning of section 1125(a) of the Bankruptcy Code and is hereby approved.

distributing it to impaired creditors, including modifications to the appendices to the Disclosure Statement.

4. This Court retains jurisdiction with respect to all matters arising from or related to the interpretation of this Order.

Dated: Wilmington, Delaware  
March 20, 2003

A handwritten signature in black ink, appearing to read "Peter J. Walsh", written over a horizontal line.

Honorable Peter J. Walsh  
Chief United States Bankruptcy Judge



**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

----- X  
In re: : Chapter 11  
: :  
SAFETY-KLEEN CORP., et al., : Case No. 00-2303 (PJW)  
: :  
Debtors. : Jointly Administered  
: :  
----- X

**DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED  
JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP  
Four Times Square  
New York, New York 10036-6522  
Attn: D. J. Baker  
J. Gregory St. Clair  
Steven B. Eichel

- and -

One Rodney Square  
Wilmington, Delaware 19899  
Attn: Gregg M. Galardi

ATTORNEYS FOR SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT  
SUBSIDIARIES, DEBTORS AND DEBTORS-IN-POSSESSION

Dated: March 20, 2003



## DISCLAIMER

SAFETY-KLEEN CORP. ("SKC") AND EACH OF ITS DIRECT AND INDIRECT SUBSIDIARIES LISTED ON EXHIBIT A TO THE PLAN, DEBTORS AND DEBTORS-IN-POSSESSION IN THE ABOVE CAPTIONED JOINTLY ADMINISTERED CHAPTER 11 REORGANIZATION CASES (TOGETHER WITH SKC, THE "DEBTORS"), ARE FURNISHING THIS DISCLOSURE STATEMENT AND THE APPENDICES HERETO, THE ACCOMPANYING BALLOTS AND THE RELATED MATERIALS DELIVERED HERewith PURSUANT TO SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE, 11 U.S.C. §§ 101-1330, AS AMENDED, IN CONNECTION WITH THEIR SOLICITATION (THE "SOLICITATION") FROM HOLDERS OF CLAIMS IN CLASSES 3 THROUGH 7 OF ACCEPTANCES OF THE PROPOSED FIRST AMENDED JOINT PLANS OF REORGANIZATION (AND ALL SCHEDULES AND EXHIBITS), AS THE SAME MAY BE AMENDED, MODIFIED OR SUPPLEMENTED FROM TIME TO TIME IN ACCORDANCE WITH THEIR TERMS (THE "PLAN," A COPY OF WHICH IS ANNEXED TO THIS DISCLOSURE STATEMENT AS APPENDIX A). IN THE EVENT THAT HOLDERS OF CLAIMS IN CLASSES 3 THROUGH 7 VOTE TO REJECT THE PLAN, THE DEBTORS INTEND TO SEEK CONFIRMATION OF THE PLAN NOTWITHSTANDING SUCH REJECTION PURSUANT TO THE CRAMDOWN PROVISION OF SECTION 1129(b) OF THE BANKRUPTCY CODE.

THIS DISCLOSURE STATEMENT IS TO BE USED BY HOLDERS OF CLAIMS IN CLASSES 3 THROUGH 7 SOLELY IN CONNECTION WITH THEIR EVALUATION OF THE PLAN; USE OF THE DISCLOSURE STATEMENT FOR ANY OTHER PURPOSE IS NOT AUTHORIZED. **THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS IN THESE CASES SUPPORTS CONFIRMATION OF THE PLAN AND RECOMMENDS THAT CREDITORS VOTE TO ACCEPT THE PLAN.**

THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAS THE SEC OR ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF ANY OF THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

**IN MAKING A DECISION, HOLDERS OF CLAIMS IN CLASSES 3 THROUGH 7 MUST RELY ON THEIR OWN EXAMINATION OF THE DEBTORS AND THE TERMS OF THE PLAN, INCLUDING THE MERITS AND RISKS INVOLVED. HOLDERS OF CLAIMS IN CLASSES 3 THROUGH 7 SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH HOLDER OF A CLAIM IN CLASSES 3 THROUGH 7 SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS WITH RESPECT TO ANY SUCH MATTERS CONCERNING THIS DISCLOSURE STATEMENT, THE SOLICITATION, THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.**

**THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT. SEE ARTICLE VIII OF THE DISCLOSURE STATEMENT (PG. 33), ENTITLED "CONDITIONS PRECEDENT." THERE CAN BE NO ASSURANCE THAT THOSE CONDITIONS WILL BE SATISFIED.**

THIS DISCLOSURE STATEMENT CONTAINS CERTAIN PROJECTED FINANCIAL INFORMATION RELATING TO THE REORGANIZED DEBTORS, AS WELL AS CERTAIN OTHER STATEMENTS THAT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE FEDERAL PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH PROJECTIONS AND STATEMENTS ARE BASED ON CERTAIN ESTIMATES AND ASSUMPTIONS MADE BY AND ON INFORMATION AVAILABLE TO THE DEBTORS. WHEN USED IN THIS DOCUMENT, THE WORDS "ANTICIPATE," "BELIEVE," "ESTIMATE", "EXPECT" AND SIMILAR EXPRESSIONS, AS THEY RELATE TO THE DEBTORS AND THEIR MANAGEMENT, ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THE DEBTORS INTEND FOR SUCH FORWARD-LOOKING STATEMENTS TO BE COVERED BY THE SAFE HARBOR

PROVISIONS FOR FORWARD-LOOKING STATEMENTS CONTAINED IN THE FEDERAL PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, AND THE DEBTORS SET FORTH THIS STATEMENT AND THE FOLLOWING RISK FACTORS IN ORDER TO COMPLY WITH SUCH SAFE HARBOR PROVISIONS. SUCH PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS REFLECT THE CURRENT VIEWS OF THE DEBTORS AND ARE SUBJECT TO CERTAIN RISKS, UNCERTAINTIES AND ASSUMPTIONS. MANY FACTORS COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE DEBTORS TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY SUCH PROJECTED FINANCIAL INFORMATION AND FORWARD-LOOKING STATEMENTS, INCLUDING, BUT NOT LIMITED TO, THE RISKS DISCUSSED IN ARTICLE XIII TO THIS DISCLOSURE STATEMENT (PG. 71), ENTITLED "CERTAIN FACTORS TO BE CONSIDERED" AND RISKS, UNCERTAINTIES AND OTHER FACTORS DISCUSSED FROM TIME TO TIME IN FILINGS MADE BY THE DEBTORS WITH THE SEC AND OTHER REGULATORY AUTHORITIES. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD ASSUMPTIONS UNDERLYING THE PROJECTED FINANCIAL INFORMATION OR OTHER FORWARD-LOOKING STATEMENTS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED HEREIN AS ANTICIPATED, BELIEVED, ESTIMATED OR EXPECTED. THE DEBTORS DO NOT INTEND, AND DO NOT ASSUME ANY DUTY OR OBLIGATION, TO UPDATE OR REVISE THESE FORWARD-LOOKING STATEMENTS, WHETHER AS THE RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

EXCEPT AS SET FORTH IN ARTICLE XIX TO THIS DISCLOSURE STATEMENT (PG. 102), ENTITLED "THE SOLICITATION; VOTING PROCEDURES," NO PERSON HAS BEEN AUTHORIZED BY THE DEBTORS IN CONNECTION WITH THE PLAN OR THE SOLICITATION OF ACCEPTANCES TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE APPENDICES AND EXHIBITS ANNEXED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTORS.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND NEITHER THE DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF EXISTING SECURITIES MADE PURSUANT TO THE PLAN WILL, UNDER ANY CIRCUMSTANCE, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF. ANY ESTIMATES OF CLAIMS AND INTERESTS SET FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE AMOUNTS OF CLAIMS OR INTERESTS ULTIMATELY ALLOWED BY THE BANKRUPTCY COURT.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING, BUT NOT LIMITED TO, THE INFORMATION REGARDING THE HISTORY, BUSINESSES AND OPERATIONS OF THE DEBTORS, THE HISTORICAL AND PROJECTED FINANCIAL INFORMATION OF THE DEBTORS (INCLUDING THE PROJECTED RESULTS OF OPERATIONS OF THE REORGANIZED DEBTORS) AND THE LIQUIDATION ANALYSIS RELATING TO THE DEBTORS IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN. AS TO CONTESTED MATTERS, HOWEVER, SUCH INFORMATION IS NOT TO BE CONSTRUED AS ADMISSIONS OR STIPULATIONS BUT RATHER AS STATEMENTS MADE IN SETTLEMENT NEGOTIATIONS.

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	
INTRODUCTION .....	1
ARTICLE II	
SUMMARY OF THE PLAN OF REORGANIZATION .....	1
A. Overall Structure of the Plan .....	2
B. Development of the Plan of Reorganization and Summary of Plan Terms .....	2
C. New Business Plan .....	3
D. Compromise and Settlement of Disputes .....	4
E. Classification and Treatment of Claims and Interests .....	4
1. Unclassified Claims .....	5
2. Classified Claims and Interests .....	9
3. Intercompany Claims .....	14
4. Reservation of Rights Regarding Unimpaired Claims .....	14
F. Confirmability and Severability of a Plan .....	15
G. Summary of Debt to Be Incurred and Securities to Be Issued in Connection with the Plan .....	15
1. Exit Facility .....	15
2. New Notes .....	15
3. New Common Stock and New Preferred Stock .....	16
H. Post-Consummation Operations of the Debtors and Means for Implementation of the Plan .....	16
1. Continued Corporate Existence for Branch Sales and Service Division .....	16
2. Corporate Action .....	16
(a) Dissolution of Corporate Existence of Certain Debtors .....	17
(b) Cancellation of Existing Securities and Agreements .....	17
(c) Restructuring Transactions .....	17
(d) Post-Effective Date Restructuring Transactions .....	18
I. Directors and Officers .....	18
J. Management Incentive Compensation Plan .....	18
K. Preservation of Causes of Action .....	18
L. Exclusivity Period .....	19
M. Effectuating Documents; Further Transactions .....	19
N. Exemption from Certain Transfer Taxes .....	19
ARTICLE III	
PROVISIONS GOVERNING DISTRIBUTIONS .....	20
A. Time of Distributions; Record Date .....	20
B. Interest on Claims .....	20
C. Disbursing Agent .....	20
D. Trustee .....	20
E. Surrender of Securities or Instruments .....	20
F. Instructions to Indenture Trustees .....	21
G. Notification Date for Distributions to Holders of Prepetition Notes and Industrial Revenue Bonds .....	21
H. Claims Administration Responsibility .....	21
I. Objection Deadline .....	21
J. Delivery of Distributions .....	21
K. Procedures for Treating and Resolving Disputed and Contingent Claims .....	22
1. No Distributions Pending Allowance .....	22
2. Trust Distribution Reserve .....	22
3. SKC Distribution Reserve .....	22
4. PwC Litigation Distribution Reserve .....	23

- 5. Distributions After Allowance or Disallowance ..... 23
- 6. Lender Claims Reserve ..... 23
- L. Fractional Cents ..... 23
- M. U.S. Lender Claim Distribution Record Date ..... 24
- N. Calculation of Distribution Amounts ..... 24
  - 1. New Common Stock and New Preferred Stock ..... 24
  - 2. New Notes ..... 24
  - 3. Conversion Rate ..... 24
  - 4. Laidlaw Stock Distribution ..... 24

ARTICLE IV

- SAFETY-KLEEN CREDITOR TRUST ..... 24
  - A. Appointment of Trustee ..... 25
  - B. Assignment of Trust Assets to the Safety-Kleen Creditor Trust ..... 25
  - C. The Safety-Kleen Creditor Trust ..... 25
  - D. Funding of the Trust Advance ..... 26
  - E. Distributions of Trust Assets ..... 27

ARTICLE V

- TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES ..... 27
  - A. Rejected Contracts and Leases ..... 27
  - B. Rejection Damages Bar Date ..... 28
  - C. Assumed Contracts and Leases ..... 28
  - D. Payments Related to Assumption of Executory Contracts and Unexpired Leases ..... 28
  - E. Employment, Retirement, Indemnification and Other Employee Related Agreements ..... 29

ARTICLE VI

- ALLOWANCE AND PAYMENT OF CERTAIN ADMINISTRATIVE CLAIMS ..... 29
  - A. DIP Facility Claim ..... 29
  - B. Professional Claims ..... 29
    - 1. Final Fee Applications ..... 29
    - 2. Payment of Professional Claims ..... 29
    - 3. Terminating Fee Application Requirements ..... 29
  - C. Substantial Contribution Compensation and Expenses Bar Date ..... 29
  - D. Other Administrative Claims ..... 29

ARTICLE VII

- EFFECT OF THE PLAN ..... 30
  - A. Revesting of Assets ..... 30
  - B. Discharge of the Debtors ..... 30
  - C. Compromises and Settlements ..... 30
  - D. Setoffs ..... 31
  - E. Satisfaction of Subordination Rights ..... 31
  - F. Exculpation and Limitation on Liability ..... 31
  - G. Indemnification Obligations ..... 32
  - H. Release by Debtors and Debtors-in-Possession ..... 32
  - I. Release by Holders of Claims and Interests ..... 33
  - J. Release by Insured Persons ..... 33
  - K. Injunction ..... 33

## ARTICLE VIII

CONDITIONS PRECEDENT .....	33
A.    Conditions to Confirmation .....	34
B.    Conditions to Consummation .....	34
C.    Waiver of Conditions to Confirmation or Consummation .....	35

## ARTICLE IX

MISCELLANEOUS PLAN PROVISIONS .....	35
A.    Binding Effect .....	35
B.    Modifications and Amendments .....	36
C.    Withholding and Reporting Requirements .....	36
D.    Creditors' Committee .....	36
E.    Revocation, Withdrawal or Non-Consummation .....	36
1.    Right to Revoke or Withdraw .....	36
2.    Effect of Withdrawal, Revocation or Non-Consummation .....	36
F.    Payment of Statutory Fees .....	36
G.    Prepayment .....	37
H.    Term of Injunctions or Stays .....	37
I.    Impact of CAFO, Parallel Consent Agreements and Stipulated Judgment .....	37
J.    Governing Law .....	37
K.    Waiver or Estoppel .....	37
L.    No Substantive Consolidation .....	38
M.    Retention of Jurisdiction .....	38
N.    Exhibits .....	38

## ARTICLE X

HISTORY OF THE DEBTORS AND EVENTS LEADING TO CHAPTER 11 FILING AND PLAN .....	38
A.    Business and Organization .....	38
B.    Overview of Business Operations .....	39
1.    Business Segments .....	39
(a)    Branch Sales and Service Division .....	39
(b)    Chemical Services Division .....	40
2.    Accompanying Financial Data .....	41
C.    Legal Proceedings .....	41
1.    Matters Related to Investigation of Financial Results; Stockholder and Bondholder Litigation .....	41
2.    PwC Litigation .....	41
3.    D&O Insurance Recovery Action .....	42
4.    Government Investigations .....	42
5.    Pinewood Litigation .....	43
6.    Financial Assurance Compliance .....	43
7.    Products Liability Cases and Insurance Coverage Action .....	43
8.    Heritage-Crystal Clean Litigation .....	45
9.    Puerto Rican SKE Plant Litigation .....	45
D.    Capital Structure of the Debtors .....	46
1.    Debtor-in-Possession (DIP) Credit Facility .....	46
2.    Other Domestic Borrowings .....	46
3.    Other Material Prepetition Borrowings .....	47
4.    Canadian Borrowings .....	48
5.    Interest Expense .....	48
E.    Events Contributing to the Need for Restructuring .....	49
1.    Investigation of Financial Results .....	49
2.    Financial Assurance Issues .....	49

3.	Note Defaults .....	49
4.	Pinewood .....	50

## ARTICLE XI

CORPORATE STRUCTURE AND MANAGEMENT OF THE DEBTORS .....	50
A. Current Corporate Structure .....	50
B. Board of Directors .....	50
C. Executive Officers .....	52

## ARTICLE XII

CHAPTER 11 CASES .....	54
A. Commencement of the Chapter 11 Cases; Continuation of Business; Stay of Litigation .....	54
1. Initial Relief Granted by the Bankruptcy Court .....	54
2. Parties In Interest and Advisors .....	55
(a) The Bankruptcy Court .....	55
(b) Advisors to the Debtors .....	55
(c) Appointment of the Creditors' Committee .....	55
B. Postpetition Operations and Liquidity .....	55
1. Financing .....	55
2. Financial Assurance Requirements .....	56
3. Sale of the Chemical Services Division .....	57
4. Financial Restatements .....	59
5. Sale of European Operations .....	59
6. Sale of 3E Assets .....	59
7. Claim Objection Process .....	59
(a) Schedules and Statements .....	60
(b) Claims Bar Date .....	60
(c) Claims Objection Process .....	60
8. Sale of Assets in Holly Hill, South Carolina .....	60
9. Other Asset Dispositions .....	60
10. Outsourcing Agreements .....	61
11. Business Transactions .....	61
12. Relocation of Headquarters .....	62
13. Employment Matters .....	62
(a) Employment Contracts .....	62
(b) Advancement and Reimbursement of Legal Fees and Expenses .....	62
(c) Reduction of Labor Force .....	63
14. Extensions to the Exclusive Period for the Debtors to File a Plan of Reorganization .....	63
15. Preference Actions .....	63
16. Insurance Settlements .....	63
17. Extension of Time to Assume or Reject Unexpired Leases .....	64
18. Disposition of Executory Contracts and Unexpired Leases .....	64
19. Laidlaw Litigation/Settlement .....	64
20. PricewaterhouseCoopers Issues .....	65
21. Payment of Superfund Obligations .....	65
22. Consent Agreement with EPA .....	65
C. Compromises and Settlements under the Plan .....	66
1. Pinewood and South Carolina Department of Health and Environment Control Settlement .....	66
2. Settlement of Creditors' Committee's Adversary Proceeding .....	68
3. Jay Alix and Associates Settlement .....	70

## ARTICLE XIII

CERTAIN FACTORS TO BE CONSIDERED .....	71
A.    General Considerations .....	71
1.    Failure to Confirm the Plan .....	71
2.    Failure to Consummate the Plan .....	71
3.    Certain Provisions of the Certificate of Incorporation and the Bylaws .....	71
B.    Material United States Federal Income Tax Considerations .....	72
C.    Inherent Uncertainty of Financial Projections .....	72
D.    Risks Associated with Exit Facility .....	72
E.    Risks Associated with New Common Stock .....	72
F.    Risks Associated with New Preferred Stock .....	73
G.    Risks Associated with New Notes .....	74
H.    Disruption of Operations Due to Failure to Confirm Plan .....	74
I.    Financial Uncertainty .....	75
J.    Risks Associated with Business and Competition .....	75
K.    Risks Associated with CSD Sale/Assumed Liabilities .....	75
L.    Environmental Matters .....	75
1.    Environmental Regulations .....	75
2.    Public Concerns .....	76
3.    Environmental Insurance Coverage .....	76
4.    Jurisdictional Restrictions on Waste Transfers .....	77
M.    Claims Estimates .....	77
N.    Litigation .....	77
O.    Reliance on Key Personnel .....	78

## ARTICLE XIV

SECURITIES TO BE ISSUED IN CONNECTION WITH THE PLAN .....	78
A.    New Common Stock .....	78
B.    New Preferred Stock .....	78
C.    New Notes .....	79

## ARTICLE XV

APPLICABILITY OF FEDERAL AND OTHER SECURITIES LAWS .....	79
A.    Offer and Sale of New Common Stock, New Preferred Stock and the New Notes Pursuant to the Plan: Bankruptcy Code and Securities Act of 1933 Exemptions from Registration Requirements .....	79
B.    Subsequent Transfers of the New Common Stock, New Preferred Stock and the New Notes .....	80

## ARTICLE XVI

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN .....	82
A.    Effective Date Transactions .....	83
B.    Material United States Federal Income Tax Consequences to the Debtors .....	84
1.    Regular United States Federal Income Tax Consequences .....	84
(a)    Restructuring Transactions .....	84
(b)    Cancellation of Indebtedness .....	86
2.    Alternative Minimum Tax .....	86
C.    United States Federal Income Tax Treatment of the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve .....	86
D.    Material United States Federal Income Tax Consequences to Claimholders .....	87
1.    Holders of Canadian Lender Administrative Claims .....	88
2.    Holders of U.S. Lender Claims (Classes 3, 4 and 7) .....	89

- 3. Holders of SKC General Unsecured Claims and 9¼% Senior Notes Claims (Classes 4 and 5) ..... 90
- 4. Holders of 9¼% Senior Subordinated Notes Claims (Class 6) ..... 90
- 5. Holders of Subsidiary General Unsecured Claims (Class 7) ..... 90
- 6. Market Discount ..... 91
- 7. Allocation Between Principal and Interest ..... 91
- E. Information Reporting and Withholding ..... 91
- F. Importance of Obtaining Professional Tax Assistance ..... 91

ARTICLE XVII

- FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS ..... 92
  - A. Feasibility of the Plan ..... 92
    - 1. Reorganizing Debtors ..... 92
    - 2. Dissolving Debtors ..... 93
  - B. Acceptance of the Plan ..... 93
  - C. Best Interests Test and Liquidation Analysis ..... 93
  - D. Valuation of the Reorganized Debtors ..... 95
    - 1. Overview ..... 95
    - 2. Summary of Financial Analysis ..... 97
  - E. Application of the "Best Interests" Test to the Liquidation Analysis and the Valuation of the Reorganized Debtors ..... 100
  - F. Confirmation Without Acceptance of All Impaired Classes: The "Cramdown" Alternative ..... 100

ARTICLE XVIII

- ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN ..... 101
  - A. Alternative Plan(s) of Reorganization ..... 101
  - B. Liquidation Under Chapter 7 or Chapter 11 ..... 101

ARTICLE XIX

- THE SOLICITATION; VOTING PROCEDURES ..... 102
  - A. Solicitation of Votes ..... 102
  - B. Voting Deadline ..... 102
  - C. Voting Procedures ..... 103
  - D. Specific Instructions for Debt Securities Holders ..... 103
    - 1. Beneficial Owners ..... 103
    - 2. Nominees ..... 104
      - (a) Prevalidated Ballots ..... 104
      - (b) Master Ballots ..... 104
    - 3. Miscellaneous ..... 104
  - E. Fiduciaries and Other Representatives ..... 104
  - F. Waivers of Defects, Irregularities, Etc. .... 104
  - G. Withdrawal of Ballots; Revocation ..... 105
  - H. Further Information; Additional Copies ..... 105

ARTICLE XX

- RECOMMENDATION AND CONCLUSION ..... 106

## TABLE OF APPENDICES

<u>Appendix</u>	<u>Name</u>
A	First Amended Joint Plan of Reorganization of Safety-Kleen Corp. and Certain of its Direct and Indirect Subsidiaries
B	Corporate Structure of Safety-Kleen Corp. and its Subsidiary Debtors, as of June 9, 2000
C	Estimated Amount of Allowed Sub-Class 7 Claims
D	Reorganized Debtors' Corporate Structure
E-1	Safety-Kleen Corp., et al.'s 10-K for the Fiscal Year Ended August 31, 2001
E-2	Safety-Kleen Corp., et al.'s 10-K/A for the Fiscal Year Ended August 31, 2001
E-3	Safety-Kleen Corp., et al.'s Unaudited Consolidated Financial Statements for the Year Ended August 31, 2002
F	Liquidation Analysis
G	Pro Forma Financial Projections
H	CSD Selling Subsidiaries
I	Pinewood Site Settlement Agreement and Stipulated Order

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## ARTICLE I

### INTRODUCTION

This Disclosure Statement sets forth certain information regarding the Debtors' prepetition operating and financial history, the need to seek chapter 11 protection, significant events that have occurred or are expected to occur during the Debtors' chapter 11 cases, and the anticipated organization, operations and financing of the Debtors upon successful emergence from chapter 11. This Disclosure Statement also describes terms and provisions of the Plan, including certain alternatives to the Plan, certain effects of confirmation of the Plan, certain risk factors associated with securities to be issued under the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims entitled to vote under the Plan must follow for their votes to be counted.

Except as otherwise provided herein, capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan. Unless otherwise noted herein, all dollar amounts provided in this Disclosure Statement and in the Plan are given in United States dollars.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN DOCUMENTS RELATING TO THE PLAN, CERTAIN EVENTS EXPECTED TO OCCUR IN THE CHAPTER 11 CASES AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT THE PLAN AND RELATED DOCUMENT SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

**THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE THE DEBTORS TO SUCCESSFULLY REORGANIZE AND ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THE HOLDERS OF CLAIMS IN CLASSES 3 THROUGH 7. THE DEBTORS URGE HOLDERS OF CLAIMS IN CLASSES 3 THROUGH 7 TO VOTE TO ACCEPT THE PLAN.**

**THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS IN THESE CASES SUPPORTS CONFIRMATION OF THE PLAN AND RECOMMENDS THAT CREDITORS VOTE TO ACCEPT THE PLAN**

THE PLAN PROVIDES THAT NO DISTRIBUTIONS WILL BE MADE TO HOLDERS OF CLASS 8 CLAIMS OR CLASS 9 INTERESTS.

FOR FURTHER INFORMATION AND INSTRUCTION ON VOTING TO ACCEPT OR REJECT THE PLAN, SEE ARTICLE XIX TO THIS DISCLOSURE STATEMENT (PG. 102), ENTITLED "THE SOLICITATION; VOTING PROCEDURES."

## ARTICLE II

### SUMMARY OF THE PLAN OF REORGANIZATION

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE, CLASSIFICATION, TREATMENT AND MEANS OF IMPLEMENTATION OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT, AND TO THE EXHIBITS ATTACHED THERETO.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF CREDITORS AND EQUITY SECURITY HOLDERS UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS, THE REORGANIZED DEBTORS AND OTHER PARTIES IN INTEREST.

**A. Overall Structure of the Plan**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of its creditors. Upon the filing of a petition for relief under chapter 11, section 362 of the Bankruptcy Code provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of the chapter 11 case.

The consummation of a plan of reorganization is the principal objective of a chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the Bankruptcy Court makes the plan binding upon the debtor, any issuer of securities under the plan, any person or entity acquiring property under the plan, and any creditor of or equity security holder in the debtor, whether or not such creditor or equity security holder (1) is impaired under or has accepted the plan or (2) receives or retains any property under the plan.

Subject to certain limited exceptions and other than as provided in the Plan itself or the Confirmation Order, the Confirmation Order discharges the Debtors from any debt that arose prior to the Effective Date of the Plan, substitutes therefor the obligations specified under the confirmed Plan, and terminates all rights and interests of equity security holders. The terms of the Plan are based upon, among other things, the Debtors' assessment of their ability to achieve the goals of their business plan, make the distributions contemplated under the Plan and pay certain of their continuing obligations in the ordinary course of the Reorganized Debtors' businesses. Under the Plan, Claims against, and Interests in, the Debtors are divided into Classes according to their relative seniority and other criteria.

Each Debtor is a proponent of the Plan within the meaning of section 1129 of the Bankruptcy Code. With respect to the Debtors that are reorganizing under the Plan, the businesses that make up SKC's Branch Sales and Service Division ("BSSD"), the Debtors believe that their core businesses and assets have significant value that would not be realized in a liquidation, either in whole or in substantial part. As is demonstrated by the analyses the Debtors have prepared with the assistance of their financial advisors, the value of the Debtors reorganizing under the Plan is greater as a going concern than in a liquidation. With respect to the Debtors that are dissolving under the Plan, the Debtors believe that the orderly dissolution of such Debtors as provided in the Plan will result in greater recovery to creditors of such Debtors than would be obtained if such Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The Plan consists of separate plans of reorganization for each of the Debtors in the jointly-administered chapter 11 proceedings. The Plan does not contemplate the substantive consolidation of the Debtors and will not operate to impose liability on any Reorganized Debtor for the Claims against any other Debtor or the debts and obligations of any other Reorganized Debtor. From and after the Effective Date, each Reorganized Debtor will be separately liable only for its own debts and obligations.

For voting and distribution purposes, the Plan contemplates (1) separate sub-Classes for each Debtor and (2) separate plans of reorganization for each Debtor. Votes will be separately tabulated for each of the Debtors with respect to each Debtor's Plan. A list of the Debtors that are proponents of the Plan contained herein and the corresponding numbers of their respective bankruptcy cases is attached to the Plan as Exhibit A.

**B. Development of the Plan of Reorganization and Summary of Plan Terms**

Following (1) the restatements of the Debtors' financial statements for the fiscal years 1997, 1998 and 1999 described in Section XII.B.4 to this Disclosure Statement (pg. 59), entitled "Chapter 11 Cases - - Postpetition Operations and Liquidity," (2) the settlement with the Laidlaw Debtors as described in Section XII.B.19 to this Disclosure Statement (pg. 64, entitled "Chapter 11 Cases - - Postpetition Operations and Liquidity," (3) the sale of substantially all of the assets and certain equity interests of the Debtors' Chemical Services Divisions (the "CSD") as described in Section XII.B.3 to this Disclosure Statement (pg. 57), entitled "Chapter 11 Cases - - Postpetition Operations and Liquidity" and (4) the settlement with the South

Carolina Department of Health and Environmental Control ("DHEC"), as described in Section XII.C to this Disclosure Statement (pg. 66), entitled "Chapter 11 Cases - - Compromises and Settlements under the Plan," the Debtors have made significant strides in formulating a reorganization plan that enables the BSSD to emerge as a reorganized entity.

On November 27, 2002, the Debtors filed with the Bankruptcy Court an initial disclosure statement and reorganization plan (together, the "Initial Disclosure Statement and Plan").

Shortly before the Debtors filed the Initial Disclosure Statement and Plan, the Debtors sought an extension of the period during which the Debtors have the exclusive right to file a chapter 11 plan. More specifically, on October 31, 2002, the Debtors filed the Motion For Order Under 11 U.S.C § 1121(d) Further Extending Exclusive Periods During Which Debtors May File Reorganization Plan And Solicit Acceptances Of Such Plan (the "Exclusivity Extension Motion"). The Exclusivity Extension Motion sought an extension of the exclusive period within which the Debtors could file a plan of reorganization until November 29, 2002. On November 22, 2002, the Creditors' Committee filed the Objection To Debtors' Motion For Order Under 11 U.S.C. § 1121(d) Further Extending Exclusive Periods During Which Debtors May File Reorganization Plan And Solicit Acceptances Of Such Plan And Cross-Motion To Vacate Automatic Bridge Order Provided Pursuant To D. Del. Local Bankr. R. 9006-2 (the "Committee Exclusivity Extension Objection"). The Committee Exclusivity Objection requested a termination of the Debtors' exclusive right to file a reorganization plan and authority for the Creditors' Committee to file its own competing chapter 11 plan relating to the Debtors.

In addition to the Committee Exclusivity Extension Objection, at the time the Debtors filed the Initial Disclosure Statement and Plan, there were unresolved issues between the Lenders and the Creditors' Committee, most of which related to the adversary proceeding initiated by the Creditors' Committee on June 7, 2002 in the United States Bankruptcy Court for the District of Delaware against the pre-petition agent for the Lenders, Toronto Dominion (Texas), Inc. (the "Pre-Petition Agent") and the Lenders bearing the caption *Official Comm. of Unsecured Creditors of Safety-Kleen Corp., et al. v. Toronto Dominion (Texas), Inc., et al. (In re Safety-Kleen Corp.)*, Adv. Proc. 02-4385 (hereafter, the "Creditors' Committee's Adversary Proceeding"). In the Creditors' Committee Adversary Proceeding, the Creditors' Committee, pursuant to applicable bankruptcy and state fraudulent transfer statutes, sought to avoid in excess of \$1.8 billion in pre-petition liens, security interests and transfers granted to the Lender defendants in return for certain loans given to facilitate the Safety-Kleen LBO (defined in Section XII.C to this Disclosure Statement (pg. 68)) in April 1998. The Creditors' Committee alleged that the liens and security interests granted to the Pre-Petition Agent and the Lender defendants, and the transaction fees paid in connection with the Safety-Kleen LBO, were avoidable under various fraudulent transfer statutes. Additionally, in the Creditors' Committee's Adversary Proceeding, the Creditors' Committee lodged objections to the claims filed by the Lender defendants in each of the Debtors' bankruptcy cases. The Lenders filed an answer denying all allegations made by the Creditors' Committee and asserting the litigation was merely an attempt to extract a coerced settlement for its constituents.

In December 2002, the Debtors, the Lenders and the Creditors' Committee finalized negotiations regarding a settlement of both the Committee Exclusivity Extension Objection and the Creditors' Committee's Adversary Proceeding. This Disclosure Statement and Plan modify the Initial Disclosure Statement and Plan to, among other things, reflect the resolution of these disputes. For further discussion on the resolution of these disputes, see Section XII.C to this Disclosure Statement (pg. 66), entitled "Chapter 11 Cases - - Compromises and Settlements under the Plan."

### **C. New Business Plan**

The Plan assumes the reorganization value of the Reorganized Debtors on a going concern basis to be between \$460 million and \$640 million. The Plan is based on the Debtors' management's strategic business plan for the Reorganized Debtors going forward (the "Business Plan"), which provides for the BSSD Debtors to emerge from chapter 11 in accordance with the Restructuring Transactions with a revised capital structure. As part of the implementation of the Business Plan, the Debtors have sold substantially all of the assets of the CSD, as discussed in Section XII.B.3 to this Disclosure Statement (pg. 57), entitled "Chapter 11 Cases - - Postpetition Operations and Liquidity." Similarly, the Debtors have, among other things, sold non-essential assets, streamlined operations through various outsourcing agreements and are implementing advanced technology tools. Upon emergence from chapter 11, the Reorganized Debtors expect to be more focused and efficient with an enhanced balance sheet and access to capital pursuant to the Exit Facility, and believe that they will be better positioned to meet the needs and expectations of the Reorganized Debtors' customers going forward. A description of the BSSD Debtors' operations are set forth more fully in Section X.B to this Disclosure Statement (pg. 39), entitled "History of the Debtors and Events Leading to Chapter 11 Filing and Plan - - Overview of Business Operations." The Reorganized Debtors' proposed corporate structure on the Effective Date is reflected in Appendix D.

The terms of the Business Plan are set forth in greater detail in the projected financial information, annexed hereto as Appendix G.

#### **D. Compromise and Settlement of Disputes**

The Plan incorporates the compromise and settlement of certain disputes among the Debtors and certain parties in interest, all as more fully discussed herein. These compromises and settlements include among other things (1) the Pinewood Settlement, which is a material and integral part of the Plan, and which provides for the settlement of substantially all of the claims filed by DHEC, South Carolina Public Service Authority and the South Carolina Department of Natural Resources against Safety-Kleen (Pinewood), Inc. ("Pinewood") and certain other Debtors as well as their assertions that in excess of \$100 million of such claims were entitled to treatment as Administrative Claims, (2) the compromise and settlement reached between the Debtors and the Laidlaw Debtors, (3) the Insurance Settlement with the Settling Insurers in connection with certain coverage actions that the Debtors commenced prepetition and (4) the compromise and settlement reached between the Steering Committee of the Lenders and the Creditors' Committee with respect to the Committee Exclusivity Extension Objection and the Creditors' Committee's Adversary Proceeding (the "Creditors' Committee Compromise"); provided, however, that notwithstanding anything to the contrary in the Plan, including, without limitation Section 12.8 thereof, if the Plan is not consummated containing the terms of such compromise, then the Creditors' Committee will continue to prosecute the Creditors' Committee's Adversary Proceeding and all agreements, compromises and settlements reached among the Creditors' Committee, the Debtors and the Lenders with respect to the same will be null, void and of no further force or effect. The treatment of Impaired Claims under the Plan reflects and implements the foregoing compromises and settlements.

To the extent necessary, the Plan constitutes a motion for approval of the aforementioned compromises and settlements. The Confirmation Order, subject to the occurrence of the Effective Date, will constitute an order of the Bankruptcy Court finding and determining that such settlements are (1) in the best interests of the Debtors and their Estates; (2) fair, equitable, and reasonable; (3) made in good faith; and (4) approved by the Bankruptcy Court.

#### **E. Classification and Treatment of Claims and Interests**

Section 1123 of the Bankruptcy Code provides that a plan of reorganization must classify the claims and interests of a debtor's creditors and equity interest holders. In accordance with section 1123, the Plan divides Claims and Interests into Classes and sets forth the treatment for each Class (other than Administrative Claims, Canadian Lender Administrative Claims, DIP Facility Claims, Priority Tax Claims, and the DHEC Administrative Claim which, pursuant to section 1123(a)(1), do not need to be classified). Classes 1, 2, 3, 6 and 7 consist of sub-Classes for each Debtor and a list of sub-Classes 1, 3, 6 and 7 is set forth on Exhibit F to the Plan.

The Debtors also are required, under section 1122 of the Bankruptcy Code, to classify Claims against and Interests in the Debtors into Classes that contain Claims and Interests that are substantially similar to the other Claims and Interests in such Class. The Debtors believe that the Plan has classified all Claims and Interests in compliance with the provisions of section 1122 and that (1) a Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes and (2) a Claim is also placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released or otherwise settled prior to the Effective Date. An Allowed Claim is a Claim or any portion thereof (a) that has been allowed by a Final Order, (b) as to which, on or by the Effective Date (i) no proof of claim has been filed with the Bankruptcy Court and (ii) the liquidated and noncontingent amount of which is Scheduled, other than a Claim that is scheduled at zero, in an unknown amount, or as disputed, (c) for which a proof of claim in a liquidated amount has been timely filed pursuant to the Bankruptcy Code or any Final Order of the Bankruptcy Court and as to which either (x) no objection to its allowance has been filed within the periods of limitation fixed by the Plan, the Bankruptcy Code or by any order of the Bankruptcy Court or (y) any objection to its allowance has been settled, waived through payment, or withdrawn, or has been denied by a Final Order or (d) that is expressly allowed in a liquidated amount in the Plan.

It is possible that a holder of a Claim or Interest may challenge the Debtors' classification of Claims and Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In that event, the Debtors intend, to the extent permitted by the Bankruptcy Code, the Plan and the Bankruptcy Court, to make such reasonable modifications of the classifications under the Plan to permit confirmation and to use the Plan acceptances received

in this solicitation for purposes of obtaining the approval of the reconstituted Class or Classes of which each accepting holder ultimately is deemed to be a member.

The amount of any Claim that ultimately is allowed by the Bankruptcy Court may vary from any estimated allowed amount of such Claim and accordingly the total Claims ultimately allowed by the Bankruptcy Court with respect to each Class of Claims may also vary from any estimates contained herein with respect to the aggregate Claims in any Impaired Class. Thus, the value of the property that a particular holder of an Allowed Claim ultimately will receive under the Plan may be adversely or favorably affected by the aggregate amount of Claims ultimately allowed in the applicable Class. There can be no assurance that the actual aggregate amounts of Allowed Claims will not materially exceed the aggregate estimated amounts set forth in this Disclosure Statement. Thus, no representation can be or is being made with respect to the accuracy of the estimated amount or percentage recovery by the holder of an Allowed Claim in any particular Class and all statements contained in this Disclosure Statement with respect to the estimated Allowed amounts of the claims in any Class or the expected percentage recovery by any particular Class reflect management's best current estimate based on a preliminary review of the information then available.

The classification of Claims and Interests and the nature of distributions to members of each Class are summarized below. For purposes of calculating distributions to holders of Allowed Claims in Classes 4 through 7, "Pro Rata" means, at any time, the proportion that the Face Amount of a Claim in a particular Class or Classes bears to the aggregate Face Amount of all Claims (including Disputed Claims, but excluding (1) Disallowed Claims and (2) Lender Claims that are not Secured Claims) in such Class or Classes, as appropriate, unless the Plan provides otherwise. The Debtors believe that the consideration, if any, provided under the Plan to holders of Claims and Interests reflects an appropriate resolution of their Claims and Interests, taking into account the differing nature and priority of such Claims and Interests and the fair value of the Debtors' assets. In view of the deemed rejection by Classes 8 and 9, however, as set forth below, the Debtors will seek confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code. Similarly, to the extent that any other Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors will request confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code with respect to such other Impaired Class. Specifically, section 1129(b) of the Bankruptcy Code permits confirmation of a chapter 11 plan in certain circumstances even if the plan has not been accepted by all impaired classes of claims and interests. Although the Debtors believe that the Plan could be confirmed under section 1129(b) of the Bankruptcy Code, there can be no assurance that the requirements of such section would be satisfied. The Debtors reserve the right to alter, amend, modify, revoke, or withdraw the Plan, as to all Debtors, or with respect to one or more Debtors but not all Debtors, the Plan Supplement and any Exhibit, Appendix or Schedule attached thereto, including to amend or modify such document to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary; provided, however, that any such amendment or modification made after the Voting Deadline that materially and adversely alters the treatment of any Class entitled to a distribution under the Plan will require the consent of the Steering Committee of the Lenders and the Creditors' Committee and either (a) approval of the Bankruptcy Court or (b) the consent of such Class.

1. *Unclassified Claims*

Under section 1123 of the Bankruptcy Code, certain claims entitled to priority treatment are not to be classified along with all other Classes of Claims and Interests. Accordingly, set forth below is a discussion of the treatment of the Administrative Claims, the Canadian Lender Administrative Claims, the DIP Facility Claims, the Priority Tax Claims and the DHEC Administrative Claim under the Plan. The treatment of these Claims will be made in accordance with the procedures established by the Bankruptcy Code and the Bankruptcy Rules and is subject to approval of the Bankruptcy Court as being reasonable. The procedure for the allowance of such Claims is described in Article VI to this Disclosure Statement (pg. 29), entitled "Allowance and Payment of Certain Administrative Claims."

Description	Treatment Under Plan
Administrative Claims  Estimated Allowed Claims: \$62.0 million	An Administrative Claim is a Claim for payment of an administrative expense of a kind specified in section 503(b) of the Bankruptcy Code and entitled to priority pursuant to section 507(a)(1) of the Bankruptcy Code, including, but not limited to, the actual, necessary costs and expenses, incurred after the Petition Date, of preserving the Estates and operating the businesses of the Debtors, including wages, salaries or commissions for

Description	Treatment Under Plan
	<p>services rendered after the commencement of the Chapter 11 Cases, Professional Claims and all fees and charges assessed against the Estates under chapter 123 of title 28, United States Code and all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order under Section 546(c) of the Bankruptcy Code.</p> <p>Allowed Administrative Claims against a particular Debtor will include only those Administrative Claims that constitute Allowed Administrative Claims against such Debtor. Except as otherwise provided in the Plan, and subject to the provisions of Article X of the Plan, on, or as soon as reasonably practicable after, the latest of: (a) the Initial Distribution Date, (b) the date such Administrative Claim becomes an Allowed Administrative Claim or (c) the date such Administrative Claim becomes payable pursuant to any agreement between the applicable Debtor and the holder of such Administrative Claim, a holder of an Allowed Administrative Claim will receive, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Administrative Claim (i) Cash equal to the unpaid portion of such Allowed Administrative Claim or (ii) such other less favorable treatment as to which the applicable Debtor and such holder of an Allowed Administrative Claim will have agreed upon in writing; <u>provided, however</u>, that Allowed Administrative Claims with respect to liabilities incurred by any of the BSSD Debtors in the ordinary course of business during the Chapter 11 Cases will be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto.</p> <p>Administrative Claims are not classified and are treated as required by the Bankruptcy Code. The holders of such Claims will not be entitled to vote on the Plan.</p> <p>Estimated percentage recovery: 100%</p>
<p>Canadian Lender Administrative Claims</p> <p>Estimated Allowed Claims: \$83.1 million</p>	<p>Canadian Lender Administrative Claims are the obligations owed to the Canadian banks and financial institutions or other entities that from time to time are parties to the Prepetition Credit Agreement and that certain letter agreement, dated as of April 3, 1998, between Toronto-Dominion Bank and Safety-Kleen Ltd. (the "Canadian Lenders"), that were assumed by Safety-Kleen Services, Inc. ("SK Services"), pursuant to the Order Under 11 U.S.C. §§ 105 and 363(b) In Aid of Consummation of the Sale of Substantially All of the Assets and Certain Equity Interest of the Debtors' Chemical Services Division to Clean Harbors, Inc., dated September 6, 2002 (the "Assumption Order").</p> <p>The Canadian Lender Administrative Claims are, pursuant to the Assumption Order, Allowed Administrative Claims against SK Services in the approximate aggregate amount of U.S. \$83.1 million (as of January 31, 2003) plus accrued interest at the contractual non-default rate through the Effective Date, which excludes any amounts with respect to any letter of credit posted by a Canadian Lender and outstanding as of the Effective Date that are replaced or backstopped under the Exit Facility. On the Initial Distribution Date, or as soon as reasonably practicable thereafter, each holder of an Allowed Canadian Lender Administrative Claim will receive, in full satisfaction, settlement, release and discharge of and in exchange for such Canadian Lender Administrative Claim, such holder's share of (a) New Common</p>

Description	Treatment Under Plan
	<p>Stock, (b) New Preferred Stock and (c) New Notes; <u>provided, however</u>, that distributions made pursuant to Section 4.1(b) of the Plan will be in full satisfaction, settlement and release of, and in exchange for, any and all Claims asserted by the Canadian Lenders.</p> <p>All payments to any holder of a Canadian Lender Administrative Claim with respect to such Claim will be made free and clear of, and without deduction for, any U.S. withholding taxes, which taxes will be paid to the relevant governmental authority by the appropriate Debtor. The Debtors will not be obligated to pay any such Canadian Lender Administrative Claim unless and until the holder thereof has completed and delivered to the applicable Debtor (a) two copies of each appropriate Internal Revenue Service Form W-8 or other certificate, form or other document the completion and delivery of which are a precondition to obtaining the benefit of a reduced rate of taxation or a complete exemption from such U.S. withholding taxes for which such holder may be eligible under any applicable law, regulation, treaty or other rule, or (b) if no such certificate, form or other document is applicable to the circumstances of such Canadian Lender Administrative Claim, a written statement so indicating. If a holder of a Canadian Lender Administrative Claim becomes aware that it is entitled to claim a refund from a governmental authority in respect of U.S. taxes withheld and paid pursuant to Section 4.1(b) of the Plan, such holder will promptly notify the Reorganized Debtors of the availability of such refund claim and make a claim to such governmental authority for such refund. If a holder of a Canadian Lender Administrative Claim receives a refund in respect of U.S. withholding taxes paid pursuant to Section 4.1(b) of the Plan, such holder will within 30 days from the date of such receipt pay over such refund to the Reorganized Debtors, net of all out-of-pocket expenses of such holder and without interest (other than interest paid by the relevant governmental authority with respect to such refund).</p> <p>Canadian Lender Administrative Claims are not classified and are treated as required by the Bankruptcy Code. The holders of such Claims will not be entitled to vote on the Plan.</p> <p>Estimated percentage recovery: 100%</p>
<p>DIP Facility Claims</p> <p>Estimated Allowed Claims: \$63.5 million</p>	<p>DIP Facility Claims are all Claims of the DIP Agent and the DIP Lenders arising under or pursuant to the DIP Facility.</p> <p>Under the Plan, each holder of an Allowed DIP Facility Claim will receive on the later of the Effective Date or the date on which such DIP Facility Claim becomes payable pursuant to any agreement between the Debtors and the holder of such DIP Facility Claim, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed DIP Facility Claim: (a) Cash equal to the full amount of such holder's Allowed DIP Facility Claim or (b) such other treatment as to which the Debtors and such holder will have agreed upon in writing.</p>

Description	Treatment Under Plan
<p>Priority Tax Claims</p> <p>Estimated Allowed Claims: \$10.6 million</p>	<p>DIP Facility Claims are not classified and are treated as required by the Bankruptcy Code. The holders of such Claims will not be entitled to vote on the Plan.</p> <p>Estimated percentage recovery: 100%</p> <p>Priority Tax Claims are those tax Claims entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code.</p> <p>Under the Plan, with respect to each Allowed Priority Tax Claim, at the sole option of the Debtors or the applicable Reorganized Debtor, a holder of an Allowed Priority Tax Claim will be entitled to receive on account of such Allowed Priority Tax Claim, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Priority Tax Claim: (a) equal Cash payments made on the last Business Day of every three-month period following the Initial Distribution Date, over a period not exceeding six years after the assessment of the tax on which such Allowed Priority Tax Claim is based, totaling the principal amount of such Allowed Priority Tax Claim plus simple interest on any outstanding balance from the Initial Distribution Date calculated at the interest rate available on ninety (90) day United States Treasuries on the Initial Distribution Date, (b) payment in full in Cash on the Effective Date or as soon thereafter as reasonably practicable or (c) such other treatment agreed to by the holder of the Allowed Priority Tax Claim and the Debtors or the applicable Reorganized Debtor; <u>provided</u>, such treatment is on more favorable terms to the Debtors or the applicable Reorganized Debtor, as the case may be, than the treatment set forth in clauses (a) or (b) hereof; <u>provided</u>, that the Debtors reserve the right to pay any Allowed Priority Tax Claim, or any remaining balance of any Allowed Priority Tax Claim, in full at any time on or after the Initial Distribution Date without premium or penalty, and, <u>provided further</u>, that no holder of an Allowed Priority Tax Claim will be entitled to any payments on account of any interest accrued on or penalty arising after the Petition Date but prior to the Effective Date with respect to or in connection with such Allowed Priority Tax Claim.</p> <p>Priority Tax Claims are not classified and are treated as required by the Bankruptcy Code. The holders of such Claims will not be entitled to vote on the Plan.</p> <p>Estimated percentage recovery: 100%</p>
<p>DHEC Administrative Claim</p> <p>Estimated Allowed Claim: \$50 million</p>	<p>The DHEC Administrative Claim means all Claims or requests for payment filed by DHEC relating to the hazardous waste treatment, storage and disposal facility in Sumter County, South Carolina, previously operated by Pinewood (the "Pinewood Facility").</p> <p>Under the Plan and pursuant to the terms of the Pinewood Site Settlement Agreement, on the Effective Date, in full satisfaction, settlement, release and discharge of and in exchange for the Allowed DHEC Administrative Claim, the following will occur: (a) Pinewood will transfer the Pinewood Facility and related personal property, including vehicles, machines, equipment and supplies, located at the Pinewood Facility to the Pinewood Site Trust; (b) the Debtors will (i) pay \$13,162,768 (subject to adjustment for work performed</p>

Description	Treatment Under Plan
	<p>prior to the Effective Date and for certain administrative costs of the Pinewood Site Trust) to the Pinewood Site Trust and (ii) transfer to the Pinewood Site Trust ownership of a single-payment, fully guaranteed annuity, which will pay out \$133 million (subject to adjustment for certain administrative costs of the Pinewood Site Trust) over the next 100 years; (c) the Debtors will create the New Environmental Impairment Trust Fund into which the funds presently in the GSX Contribution Trust Fund will be deposited and (d) the Debtors will pay \$14.5 million into the New Environmental Impairment Trust Fund. The Reorganized Debtors intend to make all such payments from the Laidlaw Recovery.</p> <p>The DHEC Administrative Claim is not classified and is treated as required by the Bankruptcy Code. The holder of the DHEC Administrative Claim will not be entitled to vote on the Plan.</p> <p>Estimated percentage recovery: 100% of settlement amount.</p>

2. *Classified Claims and Interests*

Under the Plan, classified Claims against and Interests in the Debtors are divided into nine Classes (including subclasses), and are summarized in the following table.

Class Description	Treatment Under Plan
<p>Class 1: Other Priority Claims</p> <p>Estimated Allowed Claims: \$3.4 million</p>	<p>Class 1 consists of separate sub-Classes for all Other Priority Claims against each of the Debtors, which are Claims entitled to priority pursuant to section 507(a) of the Bankruptcy Code other than a Priority Tax Claim, DIP Facility Claim, the DHEC Administrative Claim, the Canadian Lender Administrative Claim or an Administrative Claim. Each such sub-Class is deemed to be a separate Class for all purposes under the Bankruptcy Code. A list of the sub-Classes is set forth on <u>Exhibit F</u> to the Plan.</p> <p>The Plan provides that on, or as soon as reasonably practicable after, the latest of (a) the Initial Distribution Date, (b) the date such Class 1 Other Priority Claim becomes an Allowed Class 1 Other Priority Claim or (c) the date such Class 1 Other Priority Claim becomes payable pursuant to any agreement between the applicable Debtor and the holder of such Class 1 Other Priority Claim, a holder of an Allowed Class 1 Other Priority Claim will receive, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 1 Other Priority Claim, (i) Cash equal to the unpaid portion of such Allowed Class 1 Other Priority Claim or (ii) such other treatment as to which such applicable Debtor and such Claimholder will have agreed upon in writing.</p> <p>Other Priority Claims are Unimpaired. The holders of such Claims, therefore, will not be entitled to vote on the Plan.</p> <p>Estimated percentage recovery: 100%</p>
<p>Class 2: Miscellaneous Secured Claims</p> <p>Estimated Allowed Claims: \$11.0 million</p>	<p>Class 2 consists of separate sub-Classes for each Miscellaneous Secured Claim against the Debtors. A Miscellaneous Secured Claim is any Secured Claim other than the Lender Claims. Miscellaneous Secured Claims also</p>

Class Description	Treatment Under Plan
	<p>will include, without limitation, Claims secured by liens junior in priority to existing liens, whether by operation of law, contract or otherwise, but solely to the extent of the value of the lien after giving effect to all security interests or liens senior in priority. Each such sub-Class is deemed to be a separate Class for all purposes under the Bankruptcy Code.</p> <p>Each holder of an Allowed Class 2 Miscellaneous Secured Claim will, at the option of the applicable Debtor, be entitled to the treatment set forth below in option A, B, C or D:</p> <p><i>Option A:</i> Allowed Class 2 Miscellaneous Secured Claims with respect to which the applicable Debtor elects Option A will, on, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date or (b) the date such Class 2 Miscellaneous Secured Claim becomes an Allowed Class 2 Miscellaneous Secured Claim, be paid in Cash, in full.</p> <p><i>Option B:</i> Allowed Class 2 Miscellaneous Secured Claims with respect to which the applicable Debtor elects Option B will be Reinstated. The Debtors' failure to object to any Class 2 Miscellaneous Secured Claim that is Reinstated in the Chapter 11 Cases will be without prejudice to the Reorganized Debtors' right to contest or otherwise defend against such Claim in the appropriate forum when and if such Claim is sought to be enforced.</p> <p><i>Option C:</i> Allowed Class 2 Miscellaneous Secured Claims with respect to which the applicable Debtor elects Option C will be satisfied by the surrender to the Claimholder of the collateral securing the applicable Class 2 Miscellaneous Secured Claim.</p> <p><i>Option D:</i> Allowed Class 2 Miscellaneous Secured Claims with respect to which the applicable Debtor elects Option D will be satisfied in accordance with such other terms and conditions as may be agreed upon by the applicable Debtor or Reorganized Debtor and the holder of such Allowed Class 2 Miscellaneous Secured Claim.</p> <p>The applicable Debtor will be deemed to have elected Option B with respect to all Allowed Class 2 Miscellaneous Secured Claims except those with respect to which the applicable Debtor elects another option in writing prior to the Confirmation Hearing.</p> <p>Miscellaneous Secured Claims are Unimpaired. The holders of such Claims, therefore, will not be entitled to vote on the Plan.</p> <p>Estimated percentage recovery: 100%</p>
<p>Class 3: Secured U.S. Lender Claims</p> <p>Estimated Allowed Claims: \$460 - \$640 million</p>	<p>Class 3 consists of (a) the U.S. Lender Claims that are Secured Claims against the Debtors, excluding the Secured Claim for reimbursement obligations related to letters of credit posted under the Prepetition Credit Agreement that are to be replaced or backstopped under the Exit Facility and (b) the Secured Claims of the Swap Parties arising under or as a result of (i) the ISDA Master Agreement dated as of August 20, 1999, as amended, modified or supplemented, by and between SK Services and Citibank, N.A. and (ii) the ISDA Master Agreement dated as of March 31, 1997, as amended, modified or supplemented, by and between SK Services and Toronto</p>

Class Description	Treatment Under Plan
	<p data-bbox="612 205 868 233">Dominion (Texas), Inc.</p> <p data-bbox="612 264 1438 386">Class 3 consists of separate sub-Classes for Secured U.S. Lender Claims against each Debtor. Each sub-Class is deemed to be a separate Class for all purposes under the Bankruptcy Code. A list of the sub-Classes is set forth on <u>Exhibit F</u> to the Plan.</p> <p data-bbox="612 422 1438 789">The Plan provides that on the Effective Date, each holder of an Allowed Class 3 Secured U.S. Lender Claim will be entitled to receive, on or as soon as reasonably practicable after, the Initial Distribution Date, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 3 Secured U.S. Lender Claim against each Debtor, such holder's share of (a) the New Common Stock after deducting therefrom the New Common Stock distributed to or reserved for the holders of the Canadian Lender Administrative Claims, (b) the New Preferred Stock after deducting therefrom the New Preferred Stock distributed to or reserved for the holders of the Canadian Lender Administrative Claims and (c) the New Notes after deducting therefrom the New Notes distributed to or reserved for the holders of the Canadian Lender Administrative Claims.</p> <p data-bbox="612 825 1438 915">Secured U.S. Lender Claims are Impaired. The holders of such Claims that are neither Disputed Claims nor Disallowed Claims, therefore, will be entitled to vote on the Plan.</p> <p data-bbox="612 951 1120 978">Estimated percentage recovery: Undetermined</p>
<p data-bbox="105 1010 555 1037">Class 4: SKC General Unsecured Claims</p> <p data-bbox="105 1073 588 1220">Estimated Allowed Claims: \$170.1 million (excluding the U.S. Lenders' deficiency claims in the approximate amount of \$1.0 - \$1.2 billion)</p>	<p data-bbox="612 1010 1438 1220">Class 4 consists of all General Unsecured Claims against SKC, including (a) the Aragonite Industrial Revenue Bond Claims, (b) the California Pollution Control Financing Authority Industrial Revenue Bond Claims, (c) the deficiency Claims of the U.S. Lenders against SKC and (d) the Westinghouse Note Claim; <u>excluding, however,</u> (x) the Class 5 9¼% Senior Notes Claims against SKC and (y) the Class 6 9¼% Senior Subordinated Notes Claims against SKC.</p> <p data-bbox="612 1255 1438 1623">The Plan provides that on, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date or (b) subject to Article IX of the Plan, the date on which a Class 4 SKC General Unsecured Claim becomes an Allowed Class 4 SKC General Unsecured Claim, each holder of an Allowed Class 4 SKC General Unsecured Claim will receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 4 SKC General Unsecured Claim, such holder's Pro Rata share of (x) the Laidlaw Stock Distribution, (y) the PwC Litigation Distribution and (z) the AA Savings Distribution; <u>provided, however,</u> that the U.S. Lenders, with respect to their deficiency claims against SKC, will be deemed to have waived any right to receive, and will not receive any distribution on account of their respective Class 4 General Unsecured Claims.</p> <p data-bbox="612 1659 1438 1749">SKC General Unsecured Claims are Impaired. The holders of such Claims that are neither Disputed Claims nor Disallowed Claims, therefore, will be entitled to vote on the Plan.</p> <p data-bbox="612 1785 1025 1812">Estimated percentage recovery: 6.9%</p>

Class Description	Treatment Under Plan
<p>Class 5: 9¼% Senior Notes Claims</p> <p>Estimated Allowed Claims: \$236.8 million</p>	<p>Class 5 consists of all 9¼% Senior Notes Claims against SKC, which are the 9¼% Senior Notes due 2009 in the principal amount of approximately \$225 million issued pursuant to the 9¼% Senior Notes Indenture.</p> <p>The Plan provides that on, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date or (b) subject to Article IX of the Plan, the date on which a Class 5 9¼% Senior Notes Claim becomes an Allowed Class 5 9¼% Senior Notes Claim, a holder of an Allowed Class 5 9¼% Senior Notes Claim will receive, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 5 9¼% Senior Notes Claim and for SKC's obligations under the 9¼% Senior Notes Indenture, such holder's Pro Rata share of (x) the Laidlaw Stock Distribution, (y) the PwC Litigation Distribution and (z) the AA Savings Distribution.</p> <p>9¼% Senior Notes Claims are Impaired. The holders of such Claims that are neither Disputed Claims nor Disallowed Claims, therefore, will be entitled to vote on the Plan.</p> <p>Estimated percentage recovery: 6.9%</p>
<p>Class 6: 9¼% Senior Subordinated Notes Claims</p> <p>Estimated Allowed Claims: \$340.8 million</p>	<p>Class 6 consists of separate sub-Classes for all 9¼% Senior Subordinated Notes Claims against each of the Debtors. The 9¼% Senior Subordinated Notes Claims are the 9¼% Senior Subordinated Notes due 2008 in the principal amount of approximately \$325 million issued pursuant to the 9¼% Senior Subordinated Notes Indenture. Each such sub-Class is deemed to be a separate Class for all purposes under the Bankruptcy Code. A list of the sub-Classes is set forth on <u>Exhibit F</u> to the Plan.</p> <p>The Plan provides that if Class 6 votes to accept the Plan, each holder of a Class 6 9¼% Senior Subordinated Notes Claim will be deemed to have waived its Claim with respect to SKC and both the Lenders and the holders of Class 5 9¼% Senior Notes Claims will be deemed to have waived their contractual subordination rights with respect to the Class 6 9¼% Senior Subordinated Notes Claims. In that event, on, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date or (b) subject to Article IX of the Plan, the date on which a Class 6 9¼% Senior Subordinated Notes Claim becomes an Allowed Class 6 9¼% Senior Subordinated Notes Claim, a holder of an Allowed Class 6 9¼% Senior Subordinated Notes Claim will receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 6 9¼% Senior Subordinated Notes Claim and for the Debtors' obligations under the 9¼% Senior Subordinated Notes Indenture, such holder's Pro Rata share of (x) the beneficial interests in the Safety-Kleen Creditor Trust and (y) the PwC Litigation Distribution. Each holder of a Class 6 9¼% Senior Subordinated Notes Claim will receive a distribution on account of its Class 6 Claim with respect to one Subsidiary sub-Class, but not multiple Subsidiary sub-Classes of Class 6, and will forgo any distribution with respect to the remaining Class 6 sub-Classes.</p> <p>If Class 6 votes to reject the Plan, then (a) the contractual subordination rights of (i) the U.S. Lenders with respect to the Class 6 9¼% Senior Subordinated Notes Claims and (ii) the holders of the Class 5 9¼% Senior Notes Claims with respect to the holders of Class 6 9¼% Senior Subordinated Notes Claims will be preserved and enforced under the Plan in accordance</p>

Class Description	Treatment Under Plan
	<p>with section 510(a) of the Bankruptcy Code, and therefore the holders of Allowed Class 6 Claims will neither receive nor retain any distributions under the Plan on account of such Claims and (b) pursuant to the terms of the settlement of the Creditors' Committee's Adversary Proceeding, the distributions that would otherwise have been made to the holders of Allowed Class 6 Claims had Class 6 voted to accept the Plan will be distributed to the U.S. Lenders on account of the deficiency Claims of the U.S. Lenders.</p> <p>9¼% Senior Subordinated Notes Claims are Impaired. The holders of such Claims that are neither Disputed Claims nor Disallowed Claims, therefore, will be entitled to vote on the Plan.</p> <p>Estimated range of percentage recovery: 0.3% to 1.2%</p>
<p>Class 7: Subsidiary General Unsecured Claims</p> <p>Estimated Allowed Claims: \$302.3 million</p> <p><u>Appendix C</u> to this Disclosure Statement sets forth the Estimated Allowed Claims for each sub-Class in Class 7.</p>	<p>Class 7 consists of separate sub-Classes for all General Unsecured Claims against each of the Subsidiaries. A General Unsecured Claim is a Claim against any Debtor (including any undersecured portion of a Secured Claim) that is not an Administrative Claim, DIP Facility Claim, Priority Tax Claim, the DHEC Administrative Claim, Other Priority Claim, Intercompany Claim, Miscellaneous Secured Claim, Canadian Lender Administrative Claim or that is otherwise classified in Classes 3, 5, 6, 8 or 9. Each such sub-Class is deemed to be a separate sub-Class for all purposes under the Bankruptcy Code. A list of the sub-Classes is set forth on <u>Exhibit F</u> to the Plan.</p> <p>The Plan provides that on, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date or (b) subject to Article IX of the Plan, the date on which a Class 7 Subsidiary General Unsecured Claim becomes an Allowed Class 7 Subsidiary General Unsecured Claim, a holder of an Allowed Class 7 Subsidiary General Unsecured Claim will receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 7 Subsidiary General Unsecured Claim, such holder's Pro Rata share of (x) the beneficial interests in the Safety-Kleen Creditor Trust and (y) the PwC Litigation Distribution.</p> <p>Subsidiary General Unsecured Claims are Impaired. The holders of such Claims that are neither Disputed Claims nor Disallowed Claims, therefore, will be entitled to vote on the Plan.</p> <p>Estimated range of percentage recovery: 0.3% to 1.2%</p>

Class Description	Treatment Under Plan
<p>Class 8: Subordinated Claims</p> <p>Estimated Allowed Claims: Not Determined</p>	<p>Class 8 consists of all Subordinated Claims against the Debtors, which are Claims subject to subordination under sections 510(b) or 510(c) of the Bankruptcy Code, including Claims that (a) arise from rescission of, or for damages, indemnification, reimbursement or contribution with respect to, a purchase or sale of Old Common Stock or other debt or equity securities of SKC or any of its direct and indirect subsidiaries prior to the Petition Date and (b) the Bankruptcy Court subordinates under the principles of equitable subordination.</p> <p>The Plan provides that the holders of Subordinated Claims will not receive or retain any property under the Plan on account of such Subordinated Claims and all Class 8 Subordinated Claims will be discharged as of the Effective Date.</p> <p>Subordinated Claims are Impaired and will receive no distributions under the Plan. The holders of such Claims, therefore, are deemed to have rejected the Plan and will not be entitled to vote on the Plan.</p> <p>Estimated percentage recovery: 0%</p>
<p>Class 9: Interests</p>	<p>Class 9 consists of Interests, which are the rights of any current or former holder or owner of any shares of Old Common Stock authorized and issued prior to the Confirmation Date. Old Common Stock means shares of SKC's common stock and all options, warrants or rights, contractual or otherwise outstanding as of June 9, 2000 (the "Petition Date"), if any, to acquire any such common stock.</p> <p>The Plan provides that on the Effective Date, all Class 9 Interests will be deemed cancelled and extinguished. The holders of Class 9 Interests will not receive or retain any property under the Plan on account of their Class 9 Interests.</p> <p>Interests are Impaired and will receive no distribution under the Plan. The holders of such Interests, therefore, are deemed to have rejected the Plan and are not entitled to vote on the Plan.</p> <p>Estimated percentage recovery: 0%</p>

3. *Intercompany Claims*

Except with respect to any Intercompany Claim which the Debtors, with the consent of the Steering Committee of the Lenders, have determined to reinstate, on the Effective Date all Claims between and among the Debtors will, in the sole discretion of the applicable Debtor or Reorganized Debtor, (a) be released, waived and discharged as of the Effective Date or (b) be contributed to the capital of the obligor corporation.

4. *Reservation of Rights Regarding Unimpaired Claims*

Except as otherwise explicitly provided in the Plan, nothing will affect the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to any Unimpaired Claims, including, but not limited to, all rights with respect to legal and equitable defenses to alleged rights of setoff or recoupment of Unimpaired Claims. Except to the extent a Reorganized Debtor expressly assumes an obligation or liability of a Debtor or another Reorganized Debtor, the Plan will not operate to impose liability on any Reorganized Debtor for the Claims against any other Debtor or the debts

and obligations of any other Debtor or Reorganized Debtor, and from and after the Effective Date, each Reorganized Debtor, subject to the Restructuring Transactions, will be separately liable only for its own debts and obligations.

#### **F. Confirmability and Severability of a Plan**

As set forth above, the Debtors will not be substantively consolidated; accordingly, the confirmation requirements of section 1129 of the Bankruptcy Code must be satisfied separately with respect to each Debtor. Except as limited in the Plan, if the Bankruptcy Court holds that any provision of the Plan is invalid, void or unenforceable, the Debtors, at their option, may alter, amend, modify, revoke or withdraw the Plan as it applies to any particular Debtor. A determination by the Bankruptcy Court that the Plan, as it applies to one or more Debtors, is not confirmable pursuant to section 1129 of the Bankruptcy Code will not limit or affect: (1) the confirmability of the Plan as it applies to any other Debtor or (2) the Debtors' ability to modify the Plan, as it applies to any other Debtor, to satisfy the confirmation requirements of section 1129 of the Bankruptcy Code. The Debtors may seek to confirm the Plan, as amended or modified, without the necessity to resolicit the Plan for voting; provided, however, that the Plan, as amended, does not materially adversely alter the treatment of Classes entitled to receive a distribution under the Plan, as determined by the Bankruptcy Court at the Confirmation Hearing, or otherwise, or such modification is consented to by any such Class. The Debtors will consult with the Creditors' Committee and the Steering Committee of the Lenders prior to seeking any such modification.

#### **G. Summary of Debt to Be Incurred and Securities to Be Issued in Connection with the Plan**

On the Effective Date, except as otherwise provided for in the Plan, the existing securities (i.e., 9¼% Senior Notes, 9¼% Senior Subordinated Notes, the Aragonite Industrial Revenue Bonds, the California Pollution Control Financing Authority Industrial Revenue Bonds, the Clive Industrial Revenue Bonds, the Osco Treatment Systems Industrial Revenue Bonds and the Old Common Stock) and any other note, bond, indenture, or other instrument or document evidencing or creating any indebtedness or obligation of the Debtors, except such notes or other instruments evidencing indebtedness or obligations of the Debtors that are Reinstated under the Plan, will be cancelled. Under the Plan, the Reorganized Debtors will issue the New Notes, the New Preferred Stock and the New Common Stock and will enter into the Exit Facility, which funds will be used to pay, among other things, the amounts due under the DIP Facility.

##### *1. Exit Facility*

Amounts due and owing under the DIP Facility are described more fully in Section X.D of the Disclosure Statement (pg. 46), entitled "History of the Debtors and Events Leading to Chapter 11 Filing and Plan - - Capital Structure of the Debtors." The Debtors anticipate that they will finalize the material terms of a new senior secured credit facility with a letter of credit sub-limit prior to the Confirmation Date.

(a) Reorganized Systems expects to enter into a 5 year senior secured Exit Facility in the aggregate amount of approximately \$250 million to \$310 million, including a letter of credit sublimit in the amount of \$125 million. Funds from the Exit Facility will be used to repay the DIP Facility Claims, make other required payments and assist the Reorganized Debtors in conducting their post-reorganization operations. The Exit Facility is expected to be secured by a first lien on substantially all of the assets of the Reorganized Debtors. The Debtors intend to use availability under the Exit Facility to provide for the release of the Lenders' obligations with respect to pre-petition letters of credit outstanding as of the Effective Date, with the exception of the letters of credit posted in favor of Frontier Insurance Company, for which the Debtors will use their reasonable best efforts to cause their release.

(b) The Debtors will file documents evidencing the Exit Facility by the Confirmation Hearing. The Confirmation Order will (i) approve the Exit Facility in substantially the form filed with the Bankruptcy Court and (ii) authorize the Debtors to execute the same together with such other documents as the Exit Facility lenders or participants may reasonably require.

##### *2. New Notes*

The Plan provides for the issuance of New Notes to the U.S. Lenders and the holders of Canadian Lender Administrative Claims in partial satisfaction of their Allowed Class 3 Secured U.S. Lender Claims and Allowed Canadian Lender Administrative Claims.

The New Notes will be in the aggregate principal amount of \$250 million. The interest rate will be 12% per annum (3% payable in Cash and 9% payable in kind). Reorganized Systems will have the option to (a) pay interest in Cash on a quarterly basis at 3% interest and have interest paid in kind and compounded on a quarterly basis at 9% interest or (b) pay interest in Cash on a quarterly basis at 9% interest. The New Notes will have a 5-year term with no amortization, payable in full upon maturity. The New Notes will be secured with liens on substantially all of the assets of the Reorganized Debtors, junior only to the liens of the Exit Facility.

The issuance of the New Notes will be authorized without further act or action under applicable law. The New Notes will be issued and distributed in accordance with the terms of the Plan without further act or action under applicable law, regulation, order or rule and will be exempt from registration under applicable securities laws pursuant to section 4(2) of the Securities Act of 1933 and Regulation D thereunder.

3. *New Common Stock and New Preferred Stock*

The Plan provides that the articles of incorporation and bylaws of each of the BSSD Reorganized Debtors will be amended as necessary to satisfy the provisions of the Plan and the Bankruptcy Code. The articles of incorporation of New Holdco will among other things: (a) authorize the issuance of the shares of New Common Stock and (b) provide, pursuant to section 1123(a)(6) of the Bankruptcy Code, for (i) a provision prohibiting the issuance of non-voting equity securities, and, if applicable, (ii) a provision as to the classes of securities issued pursuant to the Plan or thereafter possessing voting power, for an appropriate distribution of such power among such classes, including, in the case of any class of equity securities having a preference over another class of equity securities with respect to dividends, adequate provisions for the election of directors representing such preferred class in the event of default in the payment of such dividends. The articles of incorporation of New Parent will among other things: (a) authorize the issuance of shares of New Preferred Stock and (b) provide, pursuant to section 1123(a)(6) of the Bankruptcy Code, for (i) a provision prohibiting the issuance of non-voting equity securities, and, if applicable, (ii) a provision as to the classes of securities issued pursuant to the Plan or thereafter possessing voting power, for an appropriate distribution of such power among such classes, including, in the case of any class of equity securities having a preference over another class of equity securities with respect to dividends, adequate provisions for the election of directors representing such preferred class in the event of default in the payment of such dividends.

The issuance of the New Common Stock and the New Preferred Stock will be authorized without further act or action under applicable law. The New Common Stock and the New Preferred Stock will be issued and distributed in accordance with the terms of the Plan without further act or action under applicable law, regulation, order or rule and will be exempt from registration under applicable securities laws pursuant to section 1145(a) of the Bankruptcy Code.

**H. Post-Consummation Operations of the Debtors and Means for Implementation of the Plan**

1. *Continued Corporate Existence for Branch Sales and Service Division*

Subject to the Restructuring Transactions described in Section 6.2(d) of the Plan, the BSSD Reorganized Debtors will continue to exist after the Effective Date as separate corporate entities, with all the powers of a corporation under applicable law in the jurisdiction in which each is incorporated and pursuant to the certificate of incorporation and bylaws in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws are amended by the Plan, without prejudice to any right to terminate such existence (whether by merger or otherwise) under applicable law after the Effective Date.

2. *Corporate Action*

Each of the matters provided for under the Plan involving the corporate structure of any Debtor or Reorganized Debtor or corporate action to be taken by or required of any Debtor or Reorganized Debtor will, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and will be authorized and approved in all respects without any requirement of further action by stockholders or directors of any of the Debtors or the Reorganized Debtors.

(a) Dissolution of Corporate Existence of Certain Debtors

The Plan provides that on the Effective Date, each of SKC, SK Services and each CSD Subsidiary will be deemed dissolved and will have no continuing corporate existence, subject only to each such Debtor's individual Plan imposed obligation to satisfy Allowed Administrative Claims, Allowed DIP Facility Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims and Allowed DHEC Administrative Claim against such Debtor's estate, if any. With respect to each such Debtor, upon either (i) the final payment and satisfaction of the last of such Plan imposed obligations or (ii) the assumption of the last of such Plan imposed obligations by another Debtor or a Reorganized Debtor, such Debtor: (A) will be deemed to have been discharged as of the Effective Date and immediately thereafter deemed to have dissolved for all purposes and withdrawn its business operations from any state or country in which it was previously conducting, or is registered or licensed to conduct, its business operations, and will not be required to file any document, pay any sum or take any other action in order to effectuate such dissolution and withdrawal; (B) will be deemed to have had all of its Interests cancelled pursuant to the Plan and (C) will not be liable in any manner to any taxing authority for franchise, business, capital, license or similar taxes that otherwise would have accrued on or after the Effective Date, all without the necessity for any other or further actions to be taken on behalf of such Debtor; provided, however, that the Reorganized Debtors may, if they so elect, and any officer of a Reorganized Debtor will be an authorized signatory for such purpose, prepare and file all corporate resolutions, statements, notices, tax returns or certificates of dissolution in such Debtors' jurisdiction of incorporation or organization or other jurisdiction. The Reorganized Debtors, the Disbursing Agent, the Safety-Kleen Creditor Trust, the Trustee and the Current Directors and Officers will not have or incur any liability for any actions taken or not taken under Section 6.2(a) of the Plan with respect to SKC, SK Services or any CSD Subsidiary.

(b) Cancellation of Existing Securities and Agreements

The Plan provides that on the Effective Date, except as otherwise provided for therein (i) the Existing Securities and any other note, bond, indenture or other instrument or document evidencing or creating any indebtedness or obligation of the Debtors, except such notes or other instruments evidencing indebtedness or obligations of the Debtors that are Reinstated under the Plan, will be cancelled and (ii) the obligations of, and/or Claims against, the Debtors under, relating or pertaining to any agreements, indentures or certificates of designations governing the Existing Securities and any other note, bond, indenture or other instrument or document evidencing or creating any indebtedness or obligation of the Debtors, except such notes or other instruments evidencing indebtedness or obligations of the Debtors that are Reinstated under the Plan, as the case may be, will be released and discharged; provided, however, that each indenture or other agreement that governs the rights of the Claimholder and that is administered by an Indenture Trustee, an agent or a servicer will continue in effect solely for the purposes of allowing such Indenture Trustee, agent or servicer (x) to make the distributions to be made on account of such Claims under the Plan as provided in Article IX of the Plan and (y) to maintain any rights and liens an indenture trustee may have for any unpaid fees, costs, expenses and indemnification under such indenture or other agreement; provided, however, that such rights and liens are limited to the distributions, if any, related to holders of Allowed Claims arising under the respective indentures. Provided, further, that the provisions of this proviso will not affect the discharge of the Debtors' liabilities under the Bankruptcy Code and the Confirmation Order or result in any expense or liability to the Reorganized Debtors.

(c) Restructuring Transactions

The Plan provides that on the Effective Date, the following transactions will occur in the following order:

(i) New Holdco will be incorporated.

(ii) New Holdco will cause New Parent to be incorporated as a new wholly owned subsidiary and New Holdco will contribute the New Common Stock to New Parent.

(iii) New Parent will purchase the stock of SK Systems from SK Services in exchange for the New Common Stock, the New Preferred Stock and the New Notes.

(iv) SK Services will distribute the New Common Stock, the New Preferred Stock and the New Notes to the holders of the Canadian Lender Administrative Claims and the holders of the Secured U.S. Lender Claims consistent with Sections 4.1(b) and 4.3(a) of the Plan. All distributions will be in accordance with the Plan.

(v) New Parent will elect pursuant to section 338(h)(10) of the Internal Revenue Code to treat the purchase of the stock of SK Systems as if Reorganized SK Systems acquired all of the Systems Assets at fair market value.

The Debtors believe that establishing New Holdco to hold the equity interests of Reorganized SK Systems indirectly and New Parent to hold the equity interests of Reorganized SK Systems directly will give the Reorganized Debtors strategic flexibility for future acquisitions and offerings.

(d) Post-Effective Date Restructuring Transactions

The Plan further provides that on or after the Effective Date, the applicable Reorganized Debtors may enter into such transactions and may take such actions as may be necessary or appropriate to effect a corporate restructuring of their respective businesses, to simplify otherwise the overall corporate structure of the Reorganized Debtors, or to reincorporate certain of the Debtors under the laws of jurisdictions other than the laws of which the applicable Debtors are presently incorporated. Such restructuring may include one or more mergers, consolidations, restructures, dispositions, liquidations, or dissolutions, as may be determined by the Debtors or the Reorganized Debtors to be necessary or appropriate. The actions to effectuate these transactions may include: (i) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, disposition, liquidation or dissolution containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable state law and such other terms to which the applicable entities may agree; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the terms of the Plan and having such other terms to which the applicable entities may agree; (iii) the filing of appropriate certificates or articles of merger, consolidation or dissolution pursuant to applicable state law and (iv) all other actions that the applicable entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable state law in connection with such transactions. Such transactions may include one or more mergers, consolidations, restructurings, dispositions, liquidations or dissolutions, as may be determined by the Reorganized Debtors to be necessary or appropriate to result in substantially all of the respective assets, properties, rights, liabilities, duties and obligations of certain of the Reorganized Debtors vesting in one or more surviving, resulting or acquiring corporations.

**I. Directors and Officers**

1. The existing officers of SKC will be entitled to serve as officers of New Holdco in their current capacities after the Effective Date pending the appointment of new officers by the board of directors of New Holdco.

2. The new board of directors of New Holdco will consist of not fewer than five and no more than nine directors to be selected by the Steering Committee of the Lenders. If fewer than nine members of the board of directors of New Holdco are selected, then the Steering Committee of the Lenders will have the sole power to select additional members of the board of directors of New Holdco pursuant to the terms of a Stockholders' Agreement, substantially in the form attached as Exhibit O to the Plan.

**J. Management Incentive Compensation Plan**

At or before the Confirmation Hearing, the Debtors intend to file with the Bankruptcy Court a copy of any Management Incentive Compensation Plan proposed to be adopted by the Reorganized Debtors on the Effective Date.

**K. Preservation of Causes of Action**

1. The Plan provides that in accordance with section 1123(b)(3) of the Bankruptcy Code, and except as otherwise provided in the Plan, the Confirmation Order or in any contract, instrument, release or other agreement entered into in connection with the Plan, the Reorganized Debtors will retain and may prosecute, settle or compromise the Retained Actions and the Trustee may prosecute, settle or compromise the Trust Claims. The Retained Actions means: (a) all Causes of Action, including, but not limited to, those Causes of Action identified on Exhibit I to the Plan and all Causes of Action, whether or not listed on Exhibit I to the Plan, including all claims, rights of action, suits and proceedings, whether in law or in equity, whether known or unknown, which the Debtors may hold against any entity, including, without limitation, any Causes of Action brought prior to or after the Petition Date, and actions against any Persons for failure to pay for products or services

rendered by the Debtors, (b) all claims, Causes of Action, suits and proceedings relating to enforcement of the Debtors' intellectual property rights, including patents, copyrights and trademarks and (c) all claims or Causes of Action seeking the recovery of the Debtors' or the Reorganized Debtors' accounts receivable or other receivables or rights to payment created or arising in the ordinary course of the Debtors' or the Reorganized Debtors' businesses; provided, however, that each of the foregoing will not include Trust Claims.

2. The Reorganized Debtors, in the exercise of their business judgment, will determine whether to enforce, prosecute, settle or compromise (or decline to do any of the foregoing) any of the Retained Actions, and the Trustee, in the exercise of his or her business judgment, will determine whether to enforce, prosecute, settle or compromise (or decline to do any of the foregoing) any of the Trust Claims.

3. The Reorganized Debtors and the Trustee will be entitled to pursue their respective claims against persons allegedly liable both to the Reorganized Debtors in respect of a Retained Action and to the Safety-Kleen Creditor Trust in respect of a Trust Claim (any such person, a "Common Defendant"). The Reorganized Debtors and the Trustee may, but will be under no obligation to, enter into arrangements for the joint prosecution of their respective claims, the sharing of litigation costs and/or recoveries and any other arrangements that are mutually acceptable to each such party. Neither the Reorganized Debtors nor the Trustee will have the right to release a Common Defendant (or any other entity) from the claims of the other.

4. The failure of the Debtors to specifically list any claim, right of action, suit or proceeding in the Debtors' Schedules, in Exhibit I to the Plan does not, and will not be deemed to, constitute a waiver or release by the Debtors of such claim, right of action, suit or proceeding, and the Reorganized Debtors or the Trustee, as applicable, will retain the right to pursue such claims, rights of action, suits or proceedings in their sole discretion and, therefore, no preclusion doctrine, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches will apply to such claim, right of action, suit or proceeding upon or after the confirmation or consummation of the Plan.

#### **L. Exclusivity Period**

The Debtors will retain the exclusive right to amend or modify the Plan and to solicit acceptances of any amendments to or modifications of the Plan, through and until the Effective Date.

#### **M. Effectuating Documents; Further Transactions**

The Chairman of the Board of Directors, the Chief Executive Officer or any other officer of any of the Reorganized Debtors, will be authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents, and take such actions as may be necessary or desirable to effectuate and further evidence the terms and conditions of the Plan, including any actions necessary or desirable to formally dissolve SKC, SK Services and the CSD Subsidiaries. The Secretary or Assistant Secretary of any of the Reorganized Debtors will be authorized to certify or attest to any of the foregoing actions.

#### **N. Exemption from Certain Transfer Taxes**

Pursuant to section 1146(c) of the Bankruptcy Code, any transfers in the United States from a Debtor to a Reorganized Debtor or any other Person or among the Reorganized Debtors pursuant to the Plan including (1) the Restructuring Transactions, (2) the transactions contemplated by Section 6.2(e) of the Plan or other provisions of the Plan, (3) the issuance, transfer or exchange of debt or equity securities under the Plan or (4) the creation of any mortgage, lien, deed of trust or other security interest under the Plan, will not be subject to any document recording tax, stamp tax, conveyance fee, or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, mortgage and lien recording tax for new debt or other similar tax or governmental assessment, and the Confirmation Order will direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

## ARTICLE III

### PROVISIONS GOVERNING DISTRIBUTIONS

#### A. Time of Distributions; Record Date

Except as otherwise provided for in the Plan or ordered by the Bankruptcy Court, distributions under the Plan will be made on the later to occur of (1) the Initial Distribution Date or (2) the next Distribution Date after a Claim becomes an Allowed Claim. The record date for purposes of determining the identity of holders of Allowed General Unsecured Claims (other than holders of Claims with respect to Prepetition Notes and Industrial Revenue Bonds) entitled to distributions under the Plan will be the close of business on the Confirmation Date.

#### B. Interest on Claims

Unless otherwise specifically provided for in the Plan, the Confirmation Order, the DIP Credit Agreement or any other order of the Bankruptcy Court (including without limitation the Assumption Order) or required by applicable bankruptcy law, postpetition interest will not accrue or be paid on Claims, and no Claimholder will be entitled to interest accruing on or after the Petition Date on any Claim. Interest will not accrue or be paid upon any Disputed Claim in respect of the period from the Petition Date to the date a final distribution is made thereon if and after such Disputed Claim becomes an Allowed Claim.

#### C. Disbursing Agent

The Disbursing Agent will make all distributions required under the Plan with respect to holders of (1) Unclassified Claims and (2) Claims in Classes 1 through 3. The Disbursing Agent and the Reorganized Debtors will reasonably cooperate with the Trustee and any Indenture Trustee with respect to distributions to be made in accordance with the Plan.

#### D. Trustee

The Trustee will make all distributions to the holders of Claims in Classes 4 through 7; provided, however, notwithstanding any provision contained in the Plan to the contrary, with respect to any distributions to be made to any holders of Allowed Claims which are subject to an indenture, the Trustee will promptly deliver such distributions directly to the applicable Indenture Trustee (or should the applicable Indenture Trustee otherwise instruct the Trustee to deliver such distribution to another third-party disbursing agent), who will then promptly deliver such distributions in accordance with such indenture. The Trustee will reasonably cooperate with the Disbursing Agent and any Indenture Trustee with respect to distributions to be made in accordance with the Plan, and the Disbursing Agent and the Reorganized Debtors will reasonably cooperate with the Trustee with respect to distributions to be made in accordance with the Plan.

#### E. Surrender of Securities or Instruments

No distribution of property hereunder will be made to or on behalf of any such Claimholder unless and until a Certificate evidencing indebtedness to such Claimholder is received by the Trustee or the respective Indenture Trustee, agent or servicer, as the case may be, or the unavailability of such Certificate is reasonably established to the satisfaction of the Trustee or the respective Indenture Trustee, agent or servicer, as the case may be. Any such Claimholder who fails to surrender or cause to be surrendered such Certificate or fails to execute and deliver an affidavit of loss and indemnity reasonably satisfactory to the Trustee or the respective Indenture Trustee, agent or servicer, as the case may be, prior to the second (2nd) anniversary of the Effective Date, will be deemed to have forfeited all rights and Claims in respect of such Certificate and will not participate in any distribution hereunder with respect to the Claim evidenced by the Certificate, and all property in respect of such forfeited distribution, including interest accrued thereon, will revert to the Safety-Kleen Creditor Trust notwithstanding any federal or state escheat laws to the contrary.

## **F. Instructions to Indenture Trustees**

Prior to any distribution on account of any Prepetition Notes or Industrial Revenue Bonds, the Indenture Trustees, agents or servicers of the Prepetition Notes or Industrial Revenue Bonds will inform the Trustee (1) as to the amount of properly surrendered Prepetition Notes or Industrial Revenue Bonds and (2) in a form and manner that the Trustee reasonably determines to be acceptable, of the names of such Allowed Claimholders that have properly surrendered their respective Prepetition Notes or Industrial Revenue Bonds and the denominations of such surrendered Prepetition Notes or Industrial Revenue Bonds. To the extent that any Indenture Trustee provides services related to distributions pursuant to the Plan, such Indenture Trustee will be entitled to payment from the distribution to the applicable holders of the Prepetition Notes or Industrial Revenue Bonds without further Bankruptcy Court approval, of its reasonable and customary fees and expenses incurred in connection with providing such services.

## **G. Notification Date for Distributions to Holders of Prepetition Notes and Industrial Revenue Bonds**

At the close of business on the Distribution Notification Date, the transfer ledgers of the Indenture Trustees, agents and servicers of the Prepetition Notes and the Industrial Revenue Bonds, will be closed, and there will be no further changes in the record holders of the Prepetition Notes and the Industrial Revenue Bonds. The Reorganized Debtors, the Indenture Trustees, agents and servicers of the Prepetition Notes and the Industrial Revenue Bonds, and the Trustee will have no obligation to recognize any transfer of any of the Prepetition Notes or Industrial Revenue Bonds occurring after the Distribution Notification Date. The Reorganized Debtors, the Indenture Trustees, agents and servicers for the Prepetition Notes and the Industrial Revenue Bonds, and the Trustee will be entitled instead to recognize and deal for all purposes hereunder with only those record holders stated on the transfer ledgers as of the close of business on the Distribution Notification Date.

## **H. Claims Administration Responsibility**

1. The Disbursing Agent will be responsible for administering, disputing, objecting to, compromising or otherwise resolving (a) the Unclassified Claims and (b) Claims in Classes 1 through 3. The Trustee will have the same responsibilities set forth in the foregoing sentence with respect to Claims in Classes 4 through 7.

2. The Trustee will be deemed substituted for the Debtors as the party prosecuting any claims objections filed by the Debtors concerning any Claims in Classes 4 through 7 that are pending as of the Effective Date and will be authorized and empowered thereafter to prosecute such objections and file new objections in the name of and in substitution for the Debtors with respect to Classes 4 through 7.

## **I. Objection Deadline**

1. As soon as practicable, but no later than the later of the Claims Objection Deadline or sixty (60) calendar days after a proof of claim is filed, the Trustee, or the Disbursing Agent, as applicable, may file objections with the Bankruptcy Court and serve such objections on the creditors holding the Claims to which objections are made. Nothing contained herein, however, will limit the right of the Trustee or the Disbursing Agent, as applicable, to object to Claims, if any, filed or amended after the Claims Objection Deadline.

2. The Claims Objection Deadline may be extended by the Bankruptcy Court upon motion by either the Disbursing Agent or the Trustee without notice or hearing.

## **J. Delivery of Distributions**

1. Distributions to Allowed Claimholders will be made by the Trustee, the Disbursing Agent or the appropriate Indenture Trustee, agent or servicer, as the case may be (a) at the addresses set forth on the proofs of claim filed by such Claimholders (or at the last known addresses of such Claimholders if no proof of claim is filed or if the Debtors have been notified of a change of address), (b) at the addresses set forth in any written notices of address changes delivered to the Trustee, the Disbursing Agent or the appropriate Indenture Trustee after the date of any related proof of claim, (c) at the addresses reflected in the Schedules if no proof of claim has been filed and the Trustee or the Disbursing Agent, as the case may be, has not received a written notice of a change of address or (d) in the case of a Claimholder whose Claim is governed by an indenture or other agreement and is administered by an Indenture Trustee, agent or servicer, at the addresses contained

in the official records of such Indenture Trustee, agent or servicer. If any Claimholder's distribution is returned as undeliverable, no further distributions to such Claimholder will be made unless and until the Trustee, the Disbursing Agent or the appropriate Indenture Trustee, agent or servicer is notified of such Claimholder's then current address, at which time all missed distributions will be made to such Claimholder without interest. Amounts in respect of undeliverable distributions will be returned to (x) the Safety-Kleen Creditor Trust, the SKC Distribution Reserve or the PwC Litigation Distribution Reserve, as applicable, with respect to distributions made by the Trustee or any Indenture Trustee, agent or servicer and (y) the Reorganized Debtors with respect to distributions made by the Disbursing Agent until such distributions are claimed. All claims for undeliverable distributions will be made on or before the later of the second (2nd) anniversary of the Effective Date or 180 days after the distribution was made. After such date, (x) all unclaimed property relating to distributions to be made from the Safety-Kleen Creditor Trust will revert to the Safety-Kleen Creditor Trust, (y) all unclaimed property relating to distributions to be made by the Trustee with respect to Classes 4 and 5 will revert to the SKC Distribution Reserve or the PwC Distribution Reserve, as applicable, and (z) all the other unclaimed property will revert to the Reorganized Debtors. Upon such reversion, the claim of any Claimholder or successor to such Claimholder with respect to such property will be discharged and forever barred notwithstanding any federal or state escheat laws to the contrary.

2. In accordance with Section 11.6 of the Plan, the Trustee will determine whether to redistribute unclaimed property that reverted to the Safety-Kleen Creditor Trust. At the time of termination of the Safety-Kleen Creditor Trust, Cash and other unclaimed property that is not distributed by the Safety-Kleen Creditor Trust will be deemed unclaimed property under section 347(b) of the Bankruptcy Code and will be redistributed among holders of Allowed Claims in Classes 6 and 7 in accordance with Sections 4.3(d) and 4.3(e) of the Plan.

3. The Trustee will determine whether to redistribute unclaimed property that reverted to the SKC Distribution Reserve or the PwC Litigation Distribution Reserve, as applicable. All unclaimed property that is not distributed by the Trustee will be deemed unclaimed property under the Bankruptcy Code and will revert in Reorganized SK Systems. Upon such reversion, the claim of any Claimholder or successor to such Claimholder with respect to such property will be discharged and forever barred notwithstanding any federal or state escheat laws to the contrary.

4. The Disbursing Agent will determine whether to redistribute unclaimed property.

#### **K. Procedures for Treating and Resolving Disputed and Contingent Claims**

1. *No Distributions Pending Allowance*

No payments or distributions will be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by a Final Order and the Disputed Claim has become an Allowed Claim.

2. *Trust Distribution Reserve*

The Trustee will establish the Trust Distribution Reserve by withholding, from the Trust Assets to be distributed to Claimholders in Classes 6 and 7, an amount of Cash equal to the amount of Cash each holder of a Class 6 or 7 Disputed Claim would be entitled to based on the estimated amount of each such Disputed Claim as determined by the Bankruptcy Court. If the Trustee elects not to request an estimation of a Class 6 or 7 Disputed Claim from the Bankruptcy Court, then the Trustee will withhold an amount of Cash equal to the Face Amount of such Claim.

3. *SKC Distribution Reserve*

The Trustee will establish the SKC Distribution Reserve by withholding from the Laidlaw Stock Distribution and AA Savings Distribution an amount of Cash and/or Laidlaw Stock equal to the amount of Cash and/or Laidlaw Stock each holder of a Class 4 or 5 Disputed Claim would be entitled to based on the estimated amount of each such Disputed Claim as determined by the Bankruptcy Court. If the Trustee elects not to request an estimation of a Class 4 or 5 Disputed Claim from the Bankruptcy Court, then the Trustee will withhold an amount of Cash and/or Laidlaw Stock equal to the Face Amount of such Claim.

4. *PwC Litigation Distribution Reserve*

The Trustee will establish the PwC Litigation Distribution Reserve by withholding from the PwC Litigation Distribution an amount of Cash equal to the amount of Cash each holder of a Class 4 through 7 Disputed Claim would be entitled to based on the estimated amount of each such Disputed Claim as determined by the Bankruptcy Court. If the Trustee elects not to request an estimation of a Class 4, 5, 6 or 7 Disputed Claim from the Bankruptcy Court, then the Trustee will withhold an amount of Cash equal to the Face Amount of such Claim.

5. *Distributions After Allowance or Disallowance*

Distributions from the Trust Distribution Reserve, SKC Distribution Reserve and PwC Litigation Distribution Reserve will be made to holders of Disputed Claims, to the extent that such Disputed Claims ultimately become Allowed Claims and will be made in accordance with the provisions of the Plan that govern distributions of Allowed Claims in that Class.

On the next Distribution Date after entry of an order or judgment of the Bankruptcy Court allowing all or part of such Claim, and such order or judgment becomes a Final Order, the Trustee will distribute to the holders of Claims in the applicable Class any Cash or Laidlaw Stock in the Trust Distribution Reserve, SKC Distribution Reserve and PwC Distribution Reserve, as applicable, that would have been distributed on any previous Distribution Dates to that Allowed Claim had such Allowed Claim been an Allowed Claim on such previous Distribution Dates.

On the next Distribution Date following the date on which all or part of a Disputed Claim becomes a Disallowed Claim, the amount previously reserved that would have been distributed to the holder of such Disputed claim had such Disputed Claim become an Allowed Claim, will be distributed to holders of Allowed Claims in the same Class and set aside for reserve for those holders who continue to hold Disputed Claims in such Class in proportion to the amounts of their respective Claims.

All distributions made under Article IX of the Plan on account of an Allowed Claim will be made together with any dividends, payments or other distributions made on account of, as well as any obligations arising from, the distributed property as if such Allowed Claim had been an Allowed Claim on the previous Distribution Dates on which distributions were made to holders of Allowed Claims. Nothing in the Plan or Disclosure Statement will be deemed to entitle the holder of a Disputed Claim to postpetition interest on such Claim.

6. *Lender Claims Reserve*

The Disbursing Agent will establish a Lender Claims Reserve for the letters of credit posted with respect to the Frontier Bonds (letter of credit number 1452) by withholding the New Common Stock, the New Preferred and the New Notes to be distributed to the holders of any Secured Claim for reimbursement obligations related to such letters of credit posted under the Prepetition Credit Agreement with respect to the Frontier Bonds that remain outstanding as of the Effective Date and are not otherwise replaced or backstopped through letters of credit issued under the Exit Facility. To the extent such Claim becomes noncontingent and liquidated, the holder of such Claim will receive its Pro Rata share of the Lender Claims Reserve. If such Claim is withdrawn or disallowed, then the New Common Stock, the New Preferred Stock and the New Notes in the Lender Claims Reserve will be distributed Pro Rata to holders of Allowed Class 3 Claims and holders of Allowed Canadian Lender Administrative Claims.

**L. Fractional Cents**

Notwithstanding any other provision of the Plan to the contrary, no payment of fractional cents will be made pursuant to the Plan. Whenever any payment of a fraction of a cent under the Plan would otherwise be required, the actual distribution made will reflect a rounding of such fraction to the nearest whole penny (up or down), with half cents or more being rounded up and fractions less than half of a cent being rounded down.

**M. U.S. Lender Claim Distribution Record Date**

The distribution to the holders of Allowed U.S. Lender Claims will be made to the holders of such Allowed Claims as of the U.S. Lender Claim Distribution Record Date, which date will be the Voting Deadline. The Reorganized Debtors and the Disbursing Agent will be entitled to recognize and deal for all purposes hereunder with only those record holders as of the close of business on the U.S. Lender Claim Distribution Record Date.

**N. Calculation of Distribution Amounts**

1. *New Common Stock and New Preferred Stock*

No fractional shares of New Common Stock or New Preferred Stock will be issued or distributed under the Plan. Each Person entitled to receive New Common Stock or New Preferred Stock will receive the total number of whole shares of New Common Stock or New Preferred Stock to which such Person is entitled. Whenever any distributions to a Person would otherwise call for distribution of a fraction of a share, the actual distribution of shares will be rounded to the next higher or lower whole number as follows: fractions of  $\frac{1}{2}$  or greater will be rounded to the next higher whole number, and fractions of less than  $\frac{1}{2}$  will be rounded to the next lower whole number. No consideration will be provided in lieu of fractional shares that are rounded down. The total number of shares of New Common Stock or New Preferred Stock to be distributed to each Class of Claims will be adjusted as necessary to account for the rounding provided for in Section 9.10 of the Plan.

2. *New Notes*

New Notes will be issued in denominations of \$1,000 and such fractions thereof as is necessary.

3. *Conversion Rate*

Canadian dollar Claims will be converted to United States dollars for purposes of distributions by applying the exchange rate of .678150006 in effect as of the Petition Date.

4. *Laidlaw Stock Distribution*

(a) SKC will pay the SKC Indenture Trustee Fees and Special Litigation Co-Counsel's Fees on the Initial Distribution Date in Cash and such amounts will be deducted from the Laidlaw Stock Distribution

(b) No fractional shares of Laidlaw Stock will be issued or distributed under the Plan. Each Person entitled to receive shares of Laidlaw Stock will receive the total number of whole shares of Laidlaw Stock to which such Person is entitled. Whenever any distributions to a Person would otherwise call for distribution of a fraction of a share of Laidlaw Stock, the actual distribution of shares of such Laidlaw Stock will be rounded to the next higher or lower whole number as follows: fractions of  $\frac{1}{2}$  or greater will be rounded to the next higher whole number, and fractions of less than  $\frac{1}{2}$  will be rounded to the next lower whole number. No consideration will be provided in lieu of fractional shares that are rounded down. The total number of shares of Laidlaw Stock to be distributed will be adjusted as necessary to account for the rounding provided for in Section 9.10 of the Plan.

**ARTICLE IV**

**SAFETY-KLEEN CREDITOR TRUST**

The Plan provides for the creation of the Safety-Kleen Creditor Trust to be administered by a trustee. As set forth below, in the Plan and in the Trust Agreement substantially in the form of Exhibit B to the Plan, the Safety-Kleen Creditor Trust is being established for and on behalf of holders of Allowed Claims in Classes 6 and 7.

## **A. Appointment of Trustee**

1. The Trustee for the Safety-Kleen Creditor Trust will be designated by the Creditors' Committee. The Person designated as Trustee will file an affidavit demonstrating that such Person is disinterested. The Person so designated by the Creditors' Committee will become the Trustee on the Effective Date if the Bankruptcy Court enters an order approving the designation after consideration of the same and any objections thereto at the Confirmation Hearing.

2. The Trustee will perform all of the duties, responsibilities, rights and obligations set forth in the Trust Agreement.

## **B. Assignment of Trust Assets to the Safety-Kleen Creditor Trust**

On the Effective Date or as soon thereafter as practicable, the Debtors and/or the Reorganized Debtors will transfer and will be deemed to have transferred to the Safety-Kleen Creditor Trust, for and on behalf of the beneficiaries of the Safety-Kleen Creditor Trust (1) a Trust Advance in the amount of no more than \$1.25 million pursuant to Section 11.5 of the Plan and (2) the Trust Claims, which consist of the Avoidance Claims that have been previously commenced by the Debtors or that are the subject of a tolling agreement and have not otherwise been released or dismissed pursuant to the Plan.

## **C. The Safety-Kleen Creditor Trust**

1. Without any further action of the directors or shareholders of the Debtors, on the Effective Date, the Trust Agreement will become effective. The Trustee will accept the Safety-Kleen Creditor Trust and sign the Trust Agreement on that date and the Safety-Kleen Creditor Trust then will be deemed created and effective.

2. The Trustee will have full authority to take any steps necessary to administer the Safety-Kleen Creditor Trust, including, without limitation, the duty and obligation to liquidate Trust Assets, to make distributions to the holders of Allowed Claims in Classes 4 through 7, to review, pursue and compromise objections to Claims in Classes 4 through 7, and, to pursue and settle any other Trust Claims. Upon the assignment of the Trust Claims, the Trustee, on behalf of the Safety-Kleen Creditor Trust, will assume and be responsible for all of the Debtors' responsibilities, duties and obligations with respect to the subject matter of the Trust Claims, and the Debtors, the Disbursing Agent and the Reorganized Debtors will have no other further rights or obligations with respect thereto.

3. The Trustee will take such steps as it deems necessary to reduce the Trust Assets to Cash to make distributions required hereunder, provided that the Trustee's actions with respect to disposition of the Trust Assets should be taken in such a manner so as reasonably to maximize the value of the Trust Assets.

4. The Trustee will make all distributions required under the Plan with respect to the holders of Allowed Claims in Classes 4 through 7 and will be responsible for administering, disputing, objecting to, compromising or otherwise resolving the Claims in Classes 4 through 7.

5. All costs and expenses associated with the administration of the Safety-Kleen Creditor Trust, including those rights, obligations and duties described in Section 11.3(b) of the Plan, will be the responsibility of and paid by the Safety-Kleen Creditor Trust. Notwithstanding the foregoing, the Reorganized Debtors will cooperate with the Trustee in pursuing the Trust Recoveries and will afford reasonable access during normal business hours, upon reasonable notice, to personnel and books and records of the Reorganized Debtors to representatives of the Safety-Kleen Creditor Trust to enable the Trustee to perform the Trustee's responsibilities under the Trust Agreement and the Plan; provided, however, that the Reorganized Debtors will not be required to make expenditures in response to such requests determined by them to be unreasonable. The Bankruptcy Court retains jurisdiction to determine the reasonableness of any request for assistance or related expenditure. Any requests for assistance will not unreasonably interfere with the Reorganized Debtors' business operations.

6. The Trustee may retain professionals, including, but not limited to, attorneys, accountants, experts, advisors, consultants, investigators, appraisers or auctioneers as it may deem necessary, in its sole discretion, to aid in the performance of its responsibilities pursuant to the terms of the Trust Agreement and the Plan including, without limitation, the liquidation and distribution of Trust Assets, the pursuit of the Trust Claims and the reconciliation of Claims in Classes 4 through 7.

7. For federal income tax purposes, it is intended that the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve be classified as liquidating trusts under section 301.7701-4 of the Treasury regulations and that each such trust be owned by its beneficiaries. Accordingly, the Debtors, the beneficiaries of the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve and the Trustee will be deemed to agree to treat the transfer of assets to each trust as a transfer directly to those creditors receiving interests in the respective trust followed by the transfer by such creditors of such assets to the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve, respectively, in exchange for beneficial interests therein. Consistent with this treatment, creditors receiving interests in the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve will be treated for federal income tax purposes as the grantors and owners of their share of the assets transferred thereto.

8. The Trustee will be responsible for filing all federal, state and local tax returns for the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve.

9. The Trust Agreement will govern the operations of the Safety-Kleen Creditor Trust. The Trust Agreement will provide, among other things, the following: (a) the beneficial interests in the Safety-Kleen Creditor Trust will either (i) be represented by certificates that bear a legend stating that the certificates are transferable only upon death or by operation of law or (ii) be uncertificated and non-transferable except upon death or operation of law; (b) the Safety-Kleen Creditor Trust will terminate five years after the Effective Date; provided, however, that the Trustee may extend the term of the Safety-Kleen Creditor Trust for additional one-year terms, provided that the Trustee receives court approval of such extension for good cause within 2 months from the beginning of the extended term and (c) if the Safety-Kleen Creditor Trust becomes subject to the registration requirements of the Exchange Act, the Trustee will cause the Safety-Kleen Creditor Trust to register pursuant to, and comply with the applicable reporting requirements of, the Exchange Act and will issue reports to all beneficiaries of the Safety-Kleen Creditor Trust in accordance therewith.

10. Promptly following the Effective Date, the Trustee will use its best efforts to make a good faith valuation of the Trust Assets, the portion of the AA Savings relating to the AA Savings Distribution, the portion of the PwC Litigation Claim relating to the PwC Litigation Distribution and the portion of the Laidlaw Stock Distribution relating to the SKC Distribution Reserve. These valuations will be used by the Trustee and the beneficiaries of each trust, for federal income tax purposes.

11. The Trustee may invest the corpus of the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve in prudent investments in addition to those described in section 345 of the Bankruptcy Code; provided, however, that such investments will be investments permitted by a liquidating trust (as such term is defined in Treasury Regulation 301.7701-4(d)).

12. The Trustee may be removed in the event of gross negligence or willful misconduct; provided, however, that such removal must be approved by (a) the majority (51%) of the holders of beneficial interests in the Safety-Kleen Creditor Trust and (b) two-thirds (2/3) in amount of beneficial interests in the Safety-Kleen Creditor Trust. In the event the requisite approval is not obtained, the Trustee may be removed by the Bankruptcy Court for cause shown. In the event of the resignation or removal of the Trustee, the holders of beneficial interests in the Safety-Kleen Creditor Trust will designate a person to serve as successor Trustee in accordance with the terms of the Trust Agreement.

13. The constructive trusts established in connection with the PwC Litigation Claim, the AA Savings and the SKC Distribution Reserve will terminate no later than five years after the Effective Date; provided, however, that the Trustee may extend the term of each such constructive trust for additional one-year terms, provided that the Trustee receives court approval of such extension for good cause within 2 months from the beginning of the extended term. The Trustee will at all times act with respect to each such constructive trust in a manner consistent with the classification of such constructive trusts as liquidating trusts under section 301.7701-4 of the Treasury regulations.

#### **D. Funding of the Trust Advance**

On the Effective Date or as soon thereafter as practicable, the Reorganized Debtors will fund the Safety-Kleen Creditor Trust with the Trust Advance to be used by the Trustee consistent with the purposes of the Safety-Kleen Creditor Trust and subject to the terms and conditions of the Trust Agreement and the Plan.

## **E. Distributions of Trust Assets**

1. Trust Advance. The Trust Advance of \$1.25 million will be used to establish a reserve to pay the fees, expenses and costs of the Safety-Kleen Creditor Trust (the "Trust Reserve").

2. Application of Trust Recoveries. The Trustee will distribute or hold all Trust Recoveries in the following manner:

(a) If (i) the entire amount of the Trust Advance with interest at the lowest interest rate at which funds are available to the Reorganized Debtors under the Exit Facility (the "Trust Advance Interest Rate") has not been repaid in full and (ii) the amount of the Trust Reserve is \$250,000 or more, then the Trust Recoveries will be paid first to the Reorganized Debtors until the full amount of the Trust Advance with interest at the Trust Advance Interest Rate has been repaid in full;

(b) If (i) the entire amount of the Trust Advance with interest at the Trust Advance Interest Rate has not been repaid in full and (ii) the amount of the Trust Reserve is less than \$250,000, then the Trustee may, in its sole discretion, retain one-half (½) of the Trust Recoveries until the Trust Reserve is \$250,000; provided, however, that at all times that the Trust Reserve is \$250,000 or more, the Trust Recoveries will be distributed in accordance with Section 11.5(b)(i) of the Plan until the Trust Advance with interest at the Trust Advance Interest Rate has been repaid in full;

(c) If (i) the entire amount of the Trust Advance with interest at the Trust Advance Interest Rate has not been repaid in full and (ii) the amount of the Trust Reserve is less than \$125,000, then the Trustee may, in its sole discretion, retain all Trust Recoveries until the Trust Reserve is \$125,000; provided, however, that at all times that the Trust Reserve is greater than \$125,000 but less than \$250,000, the Trust Recoveries will be distributed in accordance with Section 11.5(b)(ii) of the Plan until the Trust Advance with interest at the Trust Advance Interest Rate has been repaid in full, and at all times that the Trust Reserve is \$250,000 or more, the Trust Recoveries will be distributed in accordance with Section 11.5(b)(i) of the Plan until the Trust Advance with interest at the Trust Advance Interest Rate has been repaid in full; or

(d) If the entire amount of the Trust Advance with interest at the Trust Advance Interest Rate has been repaid in full, then the Trustee will either (i) hold the Trust Recoveries or (ii) distribute the Trust Recoveries in the following order: (A) first, for the payment of any associated taxes and unpaid administrative expenses of the Safety-Kleen Creditor Trust, (B) second, for the payment of the reasonable unpaid fees and expenses incurred by the Trustee in employing professionals and the compensation and expenses of the Trustee and (C) third, the balance for distribution to the holders of Safety-Kleen Creditor Trust beneficial interests in accordance with Section 4.3 of the Plan.

## **ARTICLE V**

### **TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

Under section 365 of the Bankruptcy Code, the Debtors have the right, subject to Bankruptcy Court approval, to assume or reject any executory contracts or unexpired leases. If the Debtors reject an executory contract or unexpired lease that was entered into before the Petition Date, the contract or lease will be treated as if it had been breached on the date immediately preceding the Petition Date, and the other party to the agreement will have an Impaired General Unsecured Claim for damages incurred as a result of the rejection. In the case of rejection of employment severance agreements and real property leases, damages are subject to certain limitations imposed by sections 365 and 502 of the Bankruptcy Code.

#### **A. Rejected Contracts and Leases**

Each executory contract and unexpired lease to which any of the Debtors is a party will be deemed automatically rejected as of the Effective Date, unless such executory contract or unexpired lease (1) will have been previously assumed by the Debtors, (2) is the subject of a motion to assume filed on or before the Confirmation Date or (3) is

listed on the schedule of assumed contracts and leases annexed as Exhibit E to the Plan. The Debtors may at any time on or before the Confirmation Date (or, with respect to any executory contracts or unexpired leases for which there is a dispute regarding the nature or the amount of any Cure, at any time on or before the entry of a Final Order resolving such dispute) amend Exhibit E to the Plan to delete therefrom or add thereto any executory contract or unexpired lease, in which event such executory contract or unexpired lease will be deemed to be rejected, assumed or assumed and assigned, as the case may be. The Debtors will provide notice of any amendments to Exhibit E to the Plan to the parties to the executory contracts or unexpired leases affected thereby and counsel to the Creditors' Committee. The fact that any contract or lease is listed on Exhibit E to the Plan will not constitute or be construed to constitute an admission that such contract or lease is an executory contract or unexpired lease within the meaning of section 365 of the Bankruptcy Code or that the Debtors or any successor to the Debtors (including Reorganized SK Systems) has any liability thereunder. The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date. The Debtors reserve the right to file a motion on or before the Confirmation Date to assume and assign or reject any executory contract or unexpired lease whether or not initially identified on Exhibit E to the Plan.

#### **B. Rejection Damages Bar Date**

If the rejection, pursuant to the Plan or otherwise, of an executory contract or unexpired lease results in a Claim, then such Claim will be forever barred and will not be enforceable against the Debtors or the Reorganized Debtors or their respective properties unless a proof of claim is filed with Trumbull Services, L.L.C. ("Trumbull Services") at the address set forth in the Plan and served upon counsel to the Debtors and either (1) counsel to the Creditors' Committee, if served prior to the Effective Date or (2) counsel to the Trustee to the Safety-Kleen Creditor Trust, if served after the Effective Date, no later than thirty (30) calendar days after the later of the Confirmation Date or the entry of an order of rejection. Section 7.2 of the Plan will not extend any prior deadline to file a proof of claim for damages arising from the rejection of an executory contract or unexpired lease.

#### **C. Assumed Contracts and Leases**

Except as otherwise provided in the Plan or the Confirmation Order, all executory contracts and unexpired leases identified in Exhibit E to the Plan will be deemed automatically assumed as of the Effective Date.

Each executory contract and unexpired lease that is assumed and relates to the use, ability to acquire or occupancy of real property will include (1) all modifications, amendments, renewals, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affect such executory contract or unexpired lease and (2) all executory contracts or unexpired leases appurtenant to the premises, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easement agreements and any other interests in real estate or rights in rem related to such premises, unless any of the foregoing agreements has been rejected pursuant to a Final Order of the Bankruptcy Court or is otherwise rejected as a part of the Plan. To the extent the Debtor that is party to the unexpired lease or executory contract is to be merged or dissolved as a part of a Restructuring Transaction, any non-debtor party to such unexpired lease or executory contract will, upon assumption as contemplated herein, be deemed to have consented to the assignment of such unexpired lease or executory contract to the Reorganized Debtor set forth on Exhibit E to the Plan.

The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumption of such executory contracts and unexpired leases, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date.

#### **D. Payments Related to Assumption of Executory Contracts and Unexpired Leases**

Any monetary amounts by which each executory contract and unexpired lease to be assumed under the Plan may be in default will be satisfied, under section 365(b)(1) of the Bankruptcy Code by Cure. In the event of a dispute regarding (1) the nature or the amount of any Cure, (2) the ability of the applicable Reorganized Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (3) any other matter pertaining to assumption, Cure will occur no later than thirty (30) calendar days following the entry of a Final Order resolving the dispute and approving the assumption and, as the case may be, assignment.

## **E. Employment, Retirement, Indemnification and Other Employee Related Agreements**

On the Effective Date, the Debtors will be deemed to have rejected all existing prepetition employment, retirement, indemnification and other employee related plans, agreements and programs, including the SERP, except as set forth in Section 12.7(c) of the Plan and those agreements, plans and programs specifically set forth on Exhibit E to the Plan.

## **ARTICLE VI**

### **ALLOWANCE AND PAYMENT OF CERTAIN ADMINISTRATIVE CLAIMS**

#### **A. DIP Facility Claim**

The Plan provides that on the Effective Date, all obligations of the Debtors under the DIP Facility will be paid in full in Cash or otherwise satisfied in a manner acceptable to such Claimholders in accordance with the terms of the DIP Facility and all liens and security interests granted to secure such obligations will be deemed cancelled and will be of no further force and effect. On the Effective Date, such Claimholders will execute such documents and take all other actions as may be necessary to release any liens and security interests they have in the Debtors' property. The Debtors anticipate that all outstanding undrawn letters of credit issued under the DIP Facility will be replaced or backstopped through letters of credit issued under the Exit Facility.

#### **B. Professional Claims**

##### *1. Final Fee Applications*

Under the Plan, all final requests for payment of Professional Claims must be filed no later than sixty (60) calendar days after the Effective Date. The deadline to file final requests for payment of Professional Claims may be extended by the Bankruptcy Court upon motion by a Professional. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior orders of the Bankruptcy Court, the allowed amounts of such Professional Claims will be determined by the Bankruptcy Court.

##### *2. Payment of Professional Claims*

After the Bankruptcy Court has entered an order authorizing a Professional's final request for payment of its Professional Claim, the Reorganized Debtors will make payment on account of such request, including any Holdback Amount, approved by the Bankruptcy Court.

##### *3. Terminating Fee Application Requirements*

Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 and 363 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate.

#### **C. Substantial Contribution Compensation and Expenses Bar Date**

Any Person that requests compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to section 503(b)(3), (4) or (5) of the Bankruptcy Code must file an application with the Clerk of the Bankruptcy Court, on or before the date that is fifteen (15) calendar days after the Confirmation Date and serve such application upon counsel for the Debtors, the Creditors' Committee, the DIP Agent and the Prepetition Agent and as otherwise required by the Bankruptcy Court and the Bankruptcy Code or be forever barred from seeking such compensation or expense reimbursement.

#### **D. Other Administrative Claims**

All other requests for payment of an Administrative Claim (other than as set forth in Sections 10.2 and 10.3 of the Plan) must be filed with the Bankruptcy Court and served on counsel for the Debtors no later than thirty (30) calendar days after the Confirmation Date (the "Administrative Claims Bar Date"). Unless the Debtors, the Reorganized Debtors, the Disbursing Agent, the Creditors' Committee, the Steering Committee of Lenders or the Trustee objects to a timely filed

Administrative Claim within ninety (90) calendar days after the Administrative Claims Bar Date, such Administrative Claim will be deemed allowed in the amount requested against the appropriate Debtor's Estate. In the event that the Debtors, the Disbursing Agent, the Creditors' Committee, the Steering Committee of Lenders or the Trustee objects to an Administrative Claim, the Bankruptcy Court will determine the Allowed amount of such Administrative Claim. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be filed with respect to an Administrative Claim which is paid or payable by the BSSD Debtors in the ordinary course of business. The deadline to file an objection to an Administrative Claim may be extended by the Bankruptcy Court upon motion by the Debtors, the Reorganized Debtors, the Disbursing Agent, the Creditors' Committee, the Steering Committee of Lenders or the Trustee.

## ARTICLE VII

### EFFECT OF THE PLAN

#### A. Revesting of Assets

Except as otherwise provided in the Plan, on the Effective Date, all property comprising the Estates of each Debtor (other than a Dissolving Debtor) will revert in the respective Reorganized Debtor or its successor as a result of a Restructuring Transaction, free and clear of all Claims, liens, charges, encumbrances and interests of creditors and equity security holders (other than as expressly provided in the Plan or the Confirmation Order). On the Effective Date, any prepetition and postpetition property of Dissolving Debtors that will not otherwise be distributed under the Plan will, at the option of the Reorganized Debtors, vest in one or more Reorganized Debtor as set forth on Exhibit J to the Plan, free and clear of all Claims, liens, charges, encumbrances and interests of creditors and equity security holders of such Dissolving Debtor (other than as expressly provided in the Plan or the Confirmation Order). As of the Effective Date, each Reorganized Debtor may operate its business and may use, acquire and dispose of property without supervision of the Bankruptcy Court free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and Confirmation Order.

#### B. Discharge of the Debtors

Pursuant to section 1141(d) of the Bankruptcy Code, except as otherwise specifically provided in the Plan or in the Confirmation Order, the distributions and rights that are provided in the Plan will be in exchange for and in complete satisfaction, discharge and release, effective as of the Effective Date, of Claims and Causes of Action (whether known or unknown) against, liabilities of, liens on, obligations of and Interests in the Debtors or the Reorganized Debtors or any of their assets or properties, regardless of whether any property will have been distributed or retained pursuant to the Plan on account of such Claims, including, but not limited to, demands and liabilities that arose on or before the Effective Date, any liability (including withdrawal liability) to the extent such Claims relate to services performed by employees of the Debtors prior to the Petition Date and that arise from a termination of employment or a termination of any employee or retiree benefit program regardless of whether such termination occurred prior to or after the Petition Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (1) a proof of claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code, (2) a Claim based upon such debt is Allowed under section 502 of the Bankruptcy Code or (3) the Claimholder of such a Claim accepted the Plan. The Confirmation Order will be a judicial determination of the discharge of all liabilities of the Debtors, subject to the Effective Date occurring.

#### C. Compromises and Settlements

1. Under the Plan, from and after the Confirmation Date, the Disbursing Agent may compromise and settle the Disputed Unclassified Claims and Disputed Claims in Classes 1 through 3 without further Bankruptcy Court approval and the Reorganized Debtors may compromise and settle claims and Causes of Action that they have against other Persons in the ordinary course of their business without further Bankruptcy Court approval.

2. From and after the Effective Date, the Trustee may compromise and settle the Disputed Claims in Classes 4 through 7 without further Bankruptcy Court approval for Claims allowed in amounts that do not exceed \$1,000,000 and the Trust Claims that do not exceed \$100,000 without further Bankruptcy Court approval.

#### **D. Setoffs**

The Debtors, the Reorganized Debtors or the Trustee, as applicable, may, but will not be required to, set off against any Claim, and the payments or other distributions to be made pursuant to the Plan in respect of such Claim, claims of any nature whatsoever that the Debtors, the Reorganized Debtors or the Trustee may have against such Claimholder; but neither the failure to do so nor the allowance of any Claim hereunder will constitute a waiver or release of any such claim that the Debtors, the Reorganized Debtors or the Trustee, as applicable, may have against such Claimholder.

#### **E. Satisfaction of Subordination Rights**

All Claims against the Debtors and all rights and claims between or among Claimholders relating in any manner whatsoever to Claims against the Debtors, based upon any claimed subordination rights (if any), will be deemed satisfied by the distributions under the Plan, and such subordination rights will be deemed waived, released, discharged and terminated as of the Effective Date. Distributions to the various Classes of Claims hereunder will not be subject to levy, garnishment, attachment or similar legal process by any Claimholder by reason of any claimed subordination rights or otherwise, so that each Claimholder will have and receive the benefit of the distributions in the manner set forth in the Plan. Notwithstanding anything to the contrary stated in Section 12.5 of the Plan, the subordination rights between the Lenders and the holders of the Class 6 9¼% Senior Subordinated Notes Claims will be as follows:

1. If Class 6 votes to accept the Plan, then the contractual subordination rights between (a) the Lenders and the holders of Class 6 9¼% Senior Subordinated Notes Claims and (b) the holders of the Class 5 9¼% Senior Notes Claims and the holders of Class 6 9¼% Senior Subordinated Notes Claims will be waived with respect to the Class 6 Claims against the Subsidiaries and SKC, respectively, and the holders of Class 6 9¼% Senior Subordinated Notes Claims will receive in full satisfaction, settlement, release and discharge of and in exchange for such Claims the distribution set forth in Section 4.3(d) of the Plan.

2. If Class 6 votes to reject the Plan, then the contractual subordination rights between (a) the Lenders and the holders of Class 6 9¼% Senior Subordinated Notes Claims and (b) the holders of the Class 5 9¼% Senior Notes Claims and the holders of the Class 6 9¼% Senior Subordinated Notes Claims will remain in effect and be preserved and enforced consistent with Section 4.3(d) of the Plan. In such event, holders of Class 6 9¼% Senior Subordinated Notes Claims will neither receive nor retain any distributions under the Plan.

#### **F. Exculpation and Limitation on Liability**

*Except as otherwise specifically provided in the Plan, the Debtors, the Reorganized Debtors, the Disbursing Agent, the Trustee, the Creditors' Committee, the members of the Creditors' Committee in their capacity as such, the Lenders, the Prepetition Agent, the DIP Lenders, the DIP Agent, any of such parties' respective present or former members, officers, directors, employees, advisors, attorneys, representatives, financial advisors, investment bankers or agents, and any of such parties' successors and assigns, will not have or incur, and are hereby released from, any claim, obligation, Causes of Action or liability to one another or to any Claimholder or Interestholder, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or Affiliates, or any of their successors or assigns, for any postpetition act or omission through and including the Effective Date in connection with, relating to or arising out of the Debtors' Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan, except for any act or omission to the extent such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct, and in all respects will be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.*

*Notwithstanding any other provision of the Plan, no Claimholder or Interestholder, or other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys or Affiliates, and no successors or assigns of any of the foregoing, will have any right of action against the Debtors, the Reorganized Debtors, the Disbursing Agent, the Trustee, the Creditors' Committee, the members of the Creditors' Committee in their capacity as such, the Lenders, the Prepetition Agent, the DIP Lenders, the DIP Agent, or any of such parties' respective present or former members, officers, directors, employees, advisors, attorneys, representatives, financial advisors, investment bankers or agents, or such parties' successors and assigns, for any postpetition act or omission through and including the Effective Date in connection with, relating to or arising out of the Debtors' Chapter 11 Cases, the pursuit of confirmation*

*of the Plan, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan, except for any act or omission to the extent such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct.*

#### **G. Indemnification Obligations**

1. Indemnification Obligations owed to any Professional or advisor of the Debtors that actively served in such capacity as of the Confirmation Date, including, without limitation, accountants, auditors, financial consultants, underwriters, or outside attorneys arising under contracts that applied, in whole or in part, to any period occurring on or after the Petition Date will be deemed to be, and will be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code under the Plan. To the extent such Indemnification Obligations to the Debtors' Professionals or advisors arose postpetition, such Indemnification Obligations will continue in force with respect to the applicable Reorganized Debtor.

2. Indemnification Obligations owed to any other Professional or advisor of the Debtors, including, without limitation, accountants, auditors, financial advisors and investment bankers and outside attorneys, including without limitation any party set forth as Exhibit K to the Plan, will be deemed to be, and will be treated as though they are, executory contracts that are rejected pursuant to section 365 of the Bankruptcy Code under the Plan. Therefore, after the Effective Date, the Reorganized Debtors will have no ongoing obligations to indemnify such Professional or advisor of the Debtors.

3. Indemnification Obligations owed to Current Directors and Officers, whether pursuant to charter, bylaws, contract, or otherwise, will be deemed to be, and will be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code under the Plan and will continue in force with respect to the applicable Reorganized Debtor, and such Indemnification Obligations (subject to any defense thereto) will survive confirmation of the Plan, irrespective of whether indemnification is owed in connection with a pre-Petition Date or post-Petition Date occurrence; provided, however, that the foregoing assumption will not affect any release of such obligations given to the Debtors before the Effective Date or the Reorganized Debtors on or after the Effective Date.

4. Indemnification Obligations owed to any other Person not specified in Section 12.7(c) of the Plan will be deemed to be, and will be treated as though they are, executory contracts that are rejected pursuant to section 365 of the Bankruptcy Code under the Plan. Therefore, after the Effective Date, the Reorganized Debtors will have no ongoing obligations to indemnify such Persons.

#### **H. Release by Debtors and Debtors-in-Possession**

1. Pursuant to section 1123(b)(3) of the Bankruptcy Code, and unless otherwise provided herein or in the Confirmation Order effective as of the Effective Date, the Debtors, in their individual capacities and as debtors-in-possession, for and on behalf of the Estates, release and discharge: (a) the Lenders, the Prepetition Agent, the DIP Lenders and the DIP Agent and all Professionals and advisors to the Lenders, the Prepetition Agent, the DIP Lenders and the DIP Agent in their respective capacities as such; (b) all directors of the Debtors serving in such capacity postpetition; (c) all officers of the Debtors serving in such capacity as of the date hereof; (d) attorneys, accountants, auditors, financial advisors, investment bankers of the Debtors actively serving in such capacities as of the Confirmation Date and (e) the Creditors' Committee and all members of the Creditors' Committee in their capacity as Creditors' Committee members, agents of or acting for the Creditors' Committee, including all professionals retained by the Creditors' Committee (each of the Persons described in clauses (a), (b), (c), (d) and (e) a "Released Person") for and from any and all claims or Causes of Action existing as of the Effective Date in any manner arising from, based on or relating to, in whole or in part, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Person, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, or any act, omission, occurrence or event in any manner related to any such Claims, Interest, restructuring or the Chapter 11 Cases.

2. The Safety-Kleen Creditor Trust, the Reorganized Debtors, the Disbursing Agent, the Trustee and any newly-formed entities that will be continuing the Debtors' businesses after the Effective Date will be bound, to the same extent the Debtors are bound, by the releases in Section 12.8(a) of the Plan.

3. Notwithstanding anything to the contrary contained in Section 12.8 of the Plan, a Released Person will not include, (a) a Person (other than a Debtor) that is a party to either (i) a Retained Action with respect to that Retained Action or (ii) an Avoidance Claim with respect to that Avoidance Claim; (b) any director, officer or employee who has filed and not released, settled or withdrawn with prejudice, any Secured Claim, Priority Claim, Administrative Claim or request for payment of Administrative Claim; and (c) the parties set forth on Exhibit K to the Plan.

#### **I. Release by Holders of Claims and Interests**

*A Releasor will have absolutely, unconditionally, irrevocably and forever, released and discharged each Released Person, and any Person that may be liable derivatively through any such Released Person, from any claim or Cause of Action existing as of the Effective Date arising from, based on or relating to, in whole or in part, (1) the subject matter of, or the transaction or event giving rise to, the Claim or Interest of such Releasor and (2) any act, omission, occurrence or event in any manner related to such subject matter, transaction or obligation. A Releasor means a Person who votes to accept the Plan and does not make the election not to release each Released Person.*

#### **J. Release by Insured Persons**

To preserve property of the Debtors' estates, and to safeguard the settlements with the Settling Insurers, the Plan provides for the following release and injunction:

*1. Any Person that claims the benefits of insurance under, or that qualifies or claims to qualify, or has, or may claim to have, any right or interest as an insured under the Resolved Insurance Policies, whether as a named insured, additional named insured or successor or assignee to a named and/or additional insured, or in any other manner, will have no right of action or any other right, including the right to tender or present any claims against the Settling Insurers based upon, relating to, arising out of or in any way connected with the Resolved Insurance Policies.*

*2. Any Person that claims the benefits of insurance under, or that qualifies or claims to qualify, or has, or may claim to have, any right or interest as an insured under the Resolved Insurance Policies, whether as a named insured, additional named insured or successor or assignee to a named and/or additional insured, or in any other manner, will be permanently restrained and enjoined from taking any action, or commencing or continuing any action, employment of process or any other act to enforce, collect, offset, or recover any claim, Cause of Action or equitable claim or right against the Settling Insurers based upon, relating to, arising out of or in any way connected with the Resolved Insurance Policies.*

The Debtors believe that such relief is equitable given the substantial contribution, made by the Settling Insurers, in resolving the disputes related to the Resolved Insurance Policies. For a discussion of the settlement agreements and the dispute between the Debtors and the Settling Insurers see Sections X.C.7 (pg. 43) and XII.B.16 (pg. 63) to this Disclosure Statement.

#### **K. Injunction**

*The satisfaction, releases and discharge pursuant to Article XII of the Plan will also act as an injunction against any Person commencing or continuing any action, employment of process or act to collect, offset, recoup or recover any Claim or Cause of Action satisfied, released or discharged under the Plan to the fullest extent authorized or provided by the Bankruptcy Code, including, without limitation, to the extent provided for or authorized by sections 524 and 1141 thereof.*

### **ARTICLE VIII**

#### **CONDITIONS PRECEDENT**

The Bankruptcy Court will determine at the Confirmation Hearing whether the requirements of section 1129 of the Bankruptcy Code have been satisfied. In addition, the Plan provides for the following conditions to be satisfied for confirmation and consummation of the Plan:

**A. Conditions to Confirmation**

The following are conditions precedent to confirmation of the Plan, each of which may be satisfied or waived in accordance with Section 13.3 of the Plan:

1. The Bankruptcy Court will have approved by Final Order a disclosure statement with respect to the Plan in form and substance reasonably acceptable to the Debtors, the Steering Committee of the Lenders and the Creditors' Committee.
2. The Confirmation Order will be in form and substance reasonably acceptable to the Debtors, the Steering Committee of the Lenders and the Creditors' Committee.

**B. Conditions to Consummation**

The following are conditions precedent to the occurrence of the Effective Date, each of which may be satisfied or waived in accordance with Section 13.3 of the Plan:

1. The Bankruptcy Court will have entered one or more orders (which may include the Confirmation Order) authorizing the rejection of unexpired leases and executory contracts by the Debtors as contemplated by Section 7.1 of the Plan.
2. The Reorganized Debtors will have entered into the Exit Facility, the material terms of which are acceptable to the Steering Committee of the Lenders, and all conditions precedent to the consummation thereof will have been waived or satisfied in accordance with the terms thereof.
3. The Confirmation Order will have been entered by the Bankruptcy Court and will be a Final Order, and no request for revocation of the Confirmation Order under section 1144 of the Bankruptcy Code will have been made, or, if made, will remain pending.
4. The Debtors will have received the proceeds of the Laidlaw Recovery.
5. The Debtors will have appointed a Disbursing Agent, and the Creditors' Committee will have appointed the Trustee.
6. The Confirmation Date will have occurred and the Confirmation Order will, among other things, provide that:
  - (a) the provisions of the Confirmation Order are non-severable and mutually dependent;
  - (b) all executory contracts or unexpired leases assumed (and not otherwise previously assigned) by the Debtors during the Chapter 11 Cases or under the Plan will be assigned and transferred to, and remain in full force and effect for the benefit of the Reorganized Debtors, notwithstanding any provision in such contract or lease (including those described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits such assignment or transfer or that enables or requires termination of such contract or lease;
  - (c) the transfers of property by the Debtors (i) to the Reorganized Debtors (A) are or will be legal, valid, and effective transfers of property, (B) vest or will vest good title to such property in the Reorganized Debtors free and clear of all liens, charges, claims, encumbrances or interests, except as expressly provided in the Plan or Confirmation Order, (C) do not and will not constitute avoidable transfers under the Bankruptcy Code or under applicable nonbankruptcy law and (D) do not and will not subject the Reorganized Debtors to any liability by reason of such transfer under the Bankruptcy Code or under applicable nonbankruptcy law, including, without limitation, any laws affecting successor or transferee liability and (ii) to Claimholders under the Plan are for good consideration and value;
  - (d) except as expressly provided in the Plan or the Confirmation Order, each of the Debtors is discharged effective upon the Effective Date from any Debt (which consists of the liability of one or more Debtors

on a Claim), and each of the Debtors' liability in respect thereof is extinguished completely, whether reduced to judgment or not, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted, fixed or unfixed, matured or unmatured, disputed or undisputed, legal or equitable, known or unknown, or that arose from any agreement of a Debtor entered into or obligation of a Debtor incurred before the Effective Date, or from any conduct of a Debtor prior to the Effective Date, or that otherwise arose before the Effective Date, including, without limitation, all interest, if any, on any such debts, whether such interest accrued before or after the Petition Date, and any liability (including withdrawal liability) to the extent such liability relates to services performed by employees of the Debtors prior to the Petition Date and that arise from a termination of employment or a termination of any employee or retiree benefit program regardless of whether such termination occurred prior to or after the Petition Date;

(e) except as expressly provided in the Plan, all Interests will be terminated effective upon the Effective Date;

(f) New Holdco is authorized to issue the New Common Stock, New Parent is authorized to issue the New Preferred Stock and Reorganized SK Systems is authorized to issue the New Notes;

(g) the Bankruptcy Court has determined that the New Common Stock, the New Preferred Stock and New Notes issued under the Plan in exchange for Claims against the Debtors is exempt from registration under the Securities Act of 1933 pursuant to, and to the extent provided by, section 1145 of the Bankruptcy Code (the New Notes will also be issued pursuant to the exemption from registration provided by Regulation D of the Securities Act of 1933);

7. all authorizations, consents and regulatory approvals required, if any, in connection with the consummation of the Plan will have been obtained;

8. the Debtors or Reorganized Debtors will have executed and delivered all documents necessary to effectuate issuance of the New Notes;

9. all outstanding letters of credit under the Prepetition Credit Agreement, except those set forth in Section 9.12(f) of the Plan, will have been released or replaced or backstopped under the Exit Facility; and

10. all other actions, documents and agreements necessary to consummate the Plan will have been effected or executed.

#### **C. Waiver of Conditions to Confirmation or Consummation**

The conditions set forth in Sections 13.1 and 13.2 of the Plan may be waived by the Debtors, with the consent of the Steering Committee of the Lenders and the Creditors' Committee, without any further notice to parties in interest or the Bankruptcy Court and without a hearing. The failure to satisfy or waive any condition to the Confirmation Date or the Effective Date may be asserted by the Debtors regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtors in their sole discretion). The failure of the Debtors to exercise any of the foregoing rights will not be deemed a waiver of any other rights and each such right will be deemed an ongoing right, which may be asserted at any time.

### **ARTICLE IX**

#### **MISCELLANEOUS PLAN PROVISIONS**

##### **A. Binding Effect**

The Plan will be binding upon and inure to the benefit of the Debtors, the Reorganized Debtors, the Disbursing Agent, the Safety-Kleen Creditor Trust, the Trustee, all present and former Claimholders, all present and former Interestholders, other parties in interest and their respective successors and assigns.

## **B. Modifications and Amendments**

The Debtors may alter, amend or modify the Plan or any Exhibits thereto under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Hearing; provided, however, that any material modifications shall require the consent of the Steering Committee of the Lenders and the Creditors' Committee. Following the Confirmation Date, the Debtors may make ministerial changes as the Debtors or Reorganized Debtors deem necessary, without notice and a hearing under section 1127(b) of the Bankruptcy Code or disclosure or re-solicitation under section 1127(c) of the Bankruptcy Code. Additionally, after the Confirmation Date and prior to substantial consummation of the Plan as defined in section 1101(2) of the Bankruptcy Code, the Debtors or Reorganized Debtors may, under section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and resolve such matters as may be necessary to carry out the purposes and effects of the Plan.

## **C. Withholding and Reporting Requirements**

In connection with the Plan and all instruments issued in connection therewith and distributions thereon, the Debtors will comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and all distributions hereunder will be subject to any such withholding and reporting requirements.

## **D. Creditors' Committee**

The Creditors' Committee will continue to exist after the Effective Date; provided, however, that after the Effective Date, the Creditors' Committee's duties and responsibilities will be limited to (1) filing applications for Professional Claims; and (2) interposing and prosecuting objections to any and all Professional Claims (including, but not limited to, the Professional Claims of AA); provided, further, that the Creditors' Committee's existence after the Effective Date will continue for the longer of (x) ninety (90) calendar days after the Effective Date; (y) thirty (30) calendar days after any responses or objections are due to be filed to any Professional Claims, whether such deadline is established upon the motion of any Professional, by the Bankruptcy Court, or by the Bankruptcy Code and Bankruptcy Rules and (z) the conclusion (including appeals) of any matter in which the Creditors' Committee has joined issue within the later of the post-Effective Date periods established pursuant to subsections (x) and (y) hereof, after which the Creditors' Committee will cease to exist. The Creditors' Committee will be entitled to obtain reimbursement for the reasonable fees and expenses of its members and Professionals relating to the foregoing in accordance with Section 10.2 of the Plan, and the Bankruptcy Court will retain jurisdiction to hear and determine any disputes relating to such fees and expenses.

## **E. Revocation, Withdrawal or Non-Consummation**

### *1. Right to Revoke or Withdraw*

The Debtors reserve the right to revoke or withdraw the Plan as to all Debtors, or as to one or more but less than all Debtors, at any time prior to the Effective Date.

### *2. Effect of Withdrawal, Revocation or Non-Consummation*

The Plan, any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Class of Claims), the assumption or rejection of executory contracts or unexpired leases effected by the Plan and any document or agreement executed pursuant to the Plan will be null and void with respect to a Non-Consummating Debtor. In such event, nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, will be deemed to constitute a waiver or release of any claims by or against a Non-Consummating Debtor or any other Person, to prejudice in any manner the rights of a Non-Consummating Debtor or any Person in any further proceedings involving such Non-Consummating Debtor or to constitute an admission of any sort by such Non-Consummating Debtor any other Person.

## **F. Payment of Statutory Fees**

All fees payable under section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, will be paid on or before the Effective Date. All such fees that arise after the Effective Date but before the closing of the Chapter 11 Cases will be paid by the Reorganized Debtors.

## **G. Prepayment**

Except as otherwise provided in the Plan, in any ancillary documents entered into in connection with the Plan or in the Confirmation Order, the Debtors will have the right to prepay, without penalty, all or any portion of an Allowed Claim at any time; provided, however, that any such prepayment will not be violative of, or otherwise prejudice, the relative priorities among the Classes of Claims.

## **H. Term of Injunctions or Stays**

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code or otherwise, and extant on the Confirmation Date, will remain in full force and effect until the Effective Date.

## **I. Impact of CAFO, Parallel Consent Agreements and Stipulated Judgment**

Notwithstanding any provision in the Plan or the Confirmation Order, including without limitation Sections 12.2, 12.6, 12.8, 12.9 and 12.11 of the Plan, paragraph 100 of the CAFO will remain in full force and effect with respect to the Respondent Debtors, the EPA and any Participating States. Accordingly, all claims or rights to injunctive relief of the EPA and any Participating States against any Respondent Debtor for Environmental Cleanup or Response Cost Liabilities will not be discharged or impaired by the Plan or Confirmation Order, except for (1) a money judgment that the EPA or a Participating State has obtained prior to the Confirmation Date or (2) an Administrative Claim, Other Priority Claim or General Unsecured Claim that is an Allowed Claim in the Chapter 11 Cases.

Parallel States also have entered into separate agreements with certain of the Respondent Debtors, which agreements, like the CAFO, provide for the nondischargeability of certain claims and certain rights to injunctive relief, as set forth in the Parallel Consent Agreements. Notwithstanding any provision in the Plan or the Confirmation Order, including without limitation Sections 12.2, 12.6, 12.8, 12.9 and 12.11 of the Plan, such nondischargeability provisions in the Parallel Consent Agreements will remain in full force and effect with respect to the respective parties to the Parallel Consent Agreements. Accordingly, certain claims and rights to injunctive relief, as set forth in the Parallel Consent Agreements, of a Parallel State against a Parallel Respondent Debtor for Environmental Cleanup or Response Cost Liabilities will not be discharged or impaired by the Plan or Confirmation Order, except for (1) a money judgment that the EPA or a Participating State has obtained prior to the Confirmation Date or (2) an Administrative Claim, Other Priority Claim or General Unsecured Claim that is an Allowed Claim in the Chapter 11 Cases.

Nothing in Section 15.10 of the Plan will limit any defense any Reorganized Debtor or third party may have to any claim brought under the CAFO after Confirmation of the Plan of Reorganization nor will anything in Section 15.10 of the Plan be deemed to create a claim or right to injunctive relief against a Reorganized Debtor that would not otherwise exist under applicable law.

The Debtors are subject to a Stipulated Judgment entered on September 17, 1998 in *Arthur J. Rocque, Jr., Commissioner of Environmental Protection v. Safety-Kleen, Systems, Inc., f/k/a Safety-Kleen Corp. and Safety-Kleen (ENCOTEC), Inc., f/k/a Laidlaw Environmental, Inc., f/k/a Rollins Environmental, Inc.* (the "Judgment"). The Debtors have continued to meet their obligations under the Judgment postpetition and the Reorganized Debtors intend to continue to perform their obligations under the Judgment post confirmation.

## **J. Governing Law**

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of Delaware will govern the construction and implementation of the Plan, any agreements, documents and instruments executed in connection with the Plan.

## **K. Waiver or Estoppel**

Each Claimholder or Interestholder will be deemed to have waived any right to assert that its Claim or Interest should be Allowed in a certain amount, in a certain priority, secured or not subordinated by virtue of an agreement

made with the Debtors and/or their counsel, the Creditors' Committee and/or its counsel, or any other party, if such agreement was not disclosed in the Plan, the Disclosure Statement or papers filed with the Bankruptcy Court.

**L. No Substantive Consolidation**

The Plan does not provide for substantive consolidation of the Debtors' Estates. The structure of the Plan will not operate to impose liability on any Reorganized Debtor for the Claims against any other Debtor or the debts and obligations of any other Reorganized Debtor.

**M. Retention of Jurisdiction**

Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, the Bankruptcy Court will, to the fullest extent permitted by law, retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan, as more fully set forth in Article XIV of the Plan.

**N. Exhibits**

All Exhibits referenced in the Plan are incorporated into and are a part of the Plan as if set forth in full herein and, to the extent not annexed hereto, will be filed with the Bankruptcy Court on or before the Exhibit Filing Date. After the Exhibit Filing Date, copies of Exhibits can be obtained by: (1) accessing <http://www.safetykleenplan.com> and downloading them at no charge or (2) requesting them by calling (a) Teleconferencing Services, LLC at (888) 451-0900 or (b) Innisfree M&A Incorporated ("Innisfree") at (877) 750-2689.

**ARTICLE X**

**HISTORY OF THE DEBTORS AND EVENTS LEADING TO CHAPTER 11 FILING AND PLAN**

**A. Business and Organization**

SKC was incorporated in Delaware in 1978 as Rollins Environmental Services, Inc. ("Rollins") and later changed its name to Laidlaw Environmental Services, Inc. ("LESI").

On May 15, 1997, pursuant to a stock purchase agreement among Rollins; Laidlaw Inc., a Canadian corporation ("Laidlaw"); and its subsidiary, Laidlaw Transportation Inc. ("LTI"), Rollins acquired the hazardous and industrial waste operations of Laidlaw (the "Rollins Acquisition"). The business combination was accounted for as a reverse acquisition using the purchase method of accounting. Coincident with the closing of the Rollins Acquisition, the continuing legal entity changed its name from Rollins Environmental Services, Inc. to Laidlaw Environmental Services, Inc. As a result of the Rollins Acquisition, Laidlaw owned 67% of the issued common shares of LESI.

On May 26, 1998, LESI completed the acquisition (the "Safety-Kleen Acquisition") of the former Safety-Kleen Corp., a Wisconsin corporation ("Old Safety-Kleen"). Old Safety-Kleen changed its name to Safety-Kleen Systems, Inc. Effective July 1, 1998, LESI began doing business as "Safety-Kleen Corp." and its stock began trading on the New York Stock Exchange under the name "Safety-Kleen Corp." and the ticker symbol SK.

The Debtors provide a range of services designed to collect, transport, process, recycle or dispose of hazardous and non-hazardous industrial and commercial waste streams. Prior to the sale of the CSD, as discussed more fully in Section XII.B.3 (pg. 57), entitled "Chapter 11 Cases-Postpetition Operations and Liquidity," the Debtors, together with their non-debtor subsidiaries, provided these services in 50 states, seven Canadian provinces, Puerto Rico, Mexico and Saudi Arabia from approximately 375 collection, processing and other locations.

## **B. Overview of Business Operations**

### *1. Business Segments*

Historically, the Debtors' business has been organized into two operating divisions: (a) the Branch Sales and Service Division (the "BSSD"), and (b) the Chemical Services Division (the "CSD"). As a result of the restructuring transactions contemplated under the Plan, the BSSD will be reorganized and the CSD will be dissolved as set forth more fully in the Plan. A chart setting forth the Debtors' corporate structure prior to June 9, 2000 is annexed to the Disclosure Statement as Appendix B.

#### (a) Branch Sales and Service Division

The BSSD consists of Safety-Kleen Systems, Inc. and each of its direct and indirect subsidiaries. The BSSD includes part cleaner services and other specialized services provided to automotive repair, commercial and manufacturing customers. The BSSD provides its services in the United States, Canada and Puerto Rico primarily through a network of approximately 159 branches supported by 10 accumulation centers, eight solvent recycling plants, seven distribution facilities, two fuel blending facilities, 10 oil terminals, two oil re-refining plants and 44 other miscellaneous and satellite locations. The BSSD's primary processing options are various recycling processes, oil re-refining and waste-derived fuels blending for reuse as fuel in cement kilns. Operationally, the BSSD is divided into branch operations; oil and recycle operations; logistics and supply chain; and administration/other. The BSSD provides services to customers that operate in a wide array of industrial settings, including automotive repair shops, auto dealers, manufacturing plants, photo processing facilities, dry cleaners and medical facilities.

The largest service component of the BSSD is its parts cleaner service. Other service offerings of the BSSD are paint-gun cleaning services, imaging service, dry cleaner services, vacuum truck, integrated customer compliance, industrial waste collection, used oil collection, oil re-refining, automotive recovery and various additional services. These additional offerings utilize the same facility network, and many of the same customer relationships as have been developed for the traditional parts cleaner service.

#### (i) Parts Cleaner Services

Parts cleaner services ("Parts Cleaner Services") are provided to automobile repair stations, car and truck dealers, small engine repair shops, fleet maintenance shops and other automotive, retail repair and industrial customers. Parts Cleaner Services' representatives install parts cleaner equipment and cleaning fluids at customer locations. Service representatives then make service calls at regular intervals to clean and maintain equipment and remove and replace the used cleaning fluids with fresh cleaning fluids. The majority of used solvent is recycled for reuse. The BSSD offers several models of parts cleaners to customers as part of the Parts Cleaner Services. The BSSD also provides service to customers who own their own parts cleaner equipment. As an alternative to solvent-based systems, the BSSD offers a line of water-based cleaning systems.

#### (ii) Paint-Gun Cleaning Services

Paint-gun cleaning services are supplied to new and used car dealers, auto body repair and paint shops and fiberglass product manufacturers for use in cleaning paint-gun and spray-paint booths. Similar to the Parts Cleaner Services, BSSD representatives place a machine and solvent with each customer, maintain the machine and regularly remove the used solvent and replace it with clean solvent. The BSSD either recycles the used solvent into clean solvent for reuse or blends it into waste-derived fuel used by cement kilns or incinerators. Waste paint and paint booth filters are also collected from these customers and blended for use as fuel at cement kilns or incinerators. BSSD representatives also provide clean buffing pads and remove used pads during regularly scheduled service calls. The used pads are washed, dried, inspected and returned to the BSSD's distribution system.

#### (iii) Imaging Services

Imaging services ("Imaging Services") provide processing and silver recovery services to health care, printing, photo processing and other businesses and industries, which utilize image capture, processing, storage, output or delivery of images. Imaging Services recover the silver contained in the used photochemical solutions collected from

customers. These solutions are then further treated and processed until they can be discharged as wastewater into publicly owned treatment works in compliance with applicable laws and regulations. Silver is also recovered from photographic film by outside processors.

(iv) Industrial Waste Collection Services

Industrial waste collection services consist primarily of the collection of a wide variety of hazardous or non-hazardous liquid and solid wastes from industrial customers' locations. Depending upon the content, the material collected by the BSSD may be recycled into usable solvent, processed into a waste-derived fuel for use in the cement manufacturing industry or disposed of in accordance with applicable laws and regulations.

(v) Used Oil Collection and Re-refining Services

The BSSD also provides used oil collection and re-refining services. The BSSD collects used lubricating oils from automobile and truck dealers, automotive garages, oil change outlets, service stations, industrial plants and other businesses. The used oil is then transferred to a re-refining plant where most of the product is re-refined into high-quality base oil, which is then manufactured into a variety of finished high-quality lubrication products. The BSSD derives revenue both from fees it charges customers to haul away used oil, oily water, and glycol, and from the sale of products it produces by processing the used oil. The BSSD also may pay for higher-quality used oil where competitive or market conditions warrant or occasionally, when necessary, to efficiently utilize its oil re-refinery facilities. The BSSD's extensive branch network enables it to collect waste oil in sufficient volumes to support oil re-refining operations, which produce lubricating oil that can be sold at higher prices than industrial fuels. The BSSD operates oil re-refining plants in Breslau, Ontario, and East Chicago, Indiana. The plants in Breslau and East Chicago have combined annual re-refining capacities of approximately 135 million gallons of used oil per year. Used oil collected in excess of the capacity of the BSSD's re-refining facilities is either processed into industrial waste-derived fuels or sold unprocessed for direct use as a waste-derived fuel in certain industrial applications.

(vi) Dry Cleaner Services

Dry cleaner services collect and recycle contaminated dry cleaning wastes consisting of used filter cartridges and sludge containing perchloroethylene or mineral spirits. Whenever reasonably possible, chemicals are recycled and recovered for reuse.

(vii) Vacuum Truck Services

Vacuum truck services use specialized vacuum trucks to remove residual oily water and sludge from underground oil/water separators, found at many automotive repair shops, as well as other residual fluids found at small industrial locations. Collected oil is re-refined or reused as a waste-derived fuel source.

(viii) Automotive Recovery Services

Automotive recovery services ("Automotive Recovery Services") include the collection of used oil filters, gasoline filters, gasoline, brake fluid, fluorescent bulbs and other waste materials generated in the automotive market. In addition, Automotive Recovery Services include the sale and disposal of absorbent products in the automotive market. The majority of these products are fully recycled through internal or external processing facilities.

(b) Chemical Services Division

Prior to the Sale of the CSD in September 2002 (described in Section XII.B.3 to the Disclosure Statement (pg. 57), entitled "Chapter 11 Cases - - Postpetition Operations and Liquidity"), the CSD consisted of all of the direct and indirect subsidiaries (that are Debtors) of SK Services except for Safety-Kleen Systems, Inc. and its direct and indirect subsidiaries. The CSD provided services including hazardous and non-hazardous waste collection, treatment, recycling, disposal and destruction at SKC owned and/or operated facilities in the United States, Canada and Mexico. Its primary service was the collection of a wide variety of liquid and solid wastes, hazardous or non-hazardous, in drum, tanker or roll-off containers from customer locations. The CSD also provided other comprehensive environmental and technical services, such as (i) lab pack services (the collection and proper management of miscellaneous, and often unidentified, chemicals stored in

small containers), (ii) preparing the paperwork and packaging waste for shipment, (iii) providing transportation and disposal management and (iv) providing final treatment and disposal services designed to manage hazardous and non-hazardous wastes, which could not otherwise be economically recycled or reused. The CSD also provided a complement of other services, such as wastewater treatment, deepwell injection, consulting and industrial services, PCB management, and transportation services for more specialized or economical handling of certain waste streams.

The CSD utilized its incineration facilities to destroy organic hazardous waste and contaminants at temperatures in excess of 2,000 degrees Fahrenheit. In the United States, the CSD operated two solids and liquids-capable incineration facilities, one lower-volume specialty incineration facility and one Resource Conservation and Recovery Act, as amended ("RCRA") subpart X facility permitted to burn explosives. The CSD also operated two hazardous waste liquid injection incinerators in Canada.

In addition, the CSD operated 10 commercial landfills located throughout the United States and Canada. A total of eight landfills were designed and permitted for the disposal of hazardous wastes. Of these facilities, six were located in the United States and two were located in Canada. Two landfills were operated for non-hazardous industrial waste disposal and, to a lesser extent, municipal solid waste. These two non-hazardous industrial waste landfills were located in the United States. The CSD also owned and operated a non-commercial landfill which only accepted waste from an on-site incinerator.

## 2. *Accompanying Financial Data*

The financial data contained in SKC's (a) Annual Report on Form 10-K for the fiscal year ended August 31, 2001, (b) Annual Report on Form 10-K/A for the fiscal year ended August 31, 2001 and (c) Unaudited Consolidated Financial Statements For the Year Ended August 31, 2002 are attached as Appendix E-1, E-2 and E-3 to this Disclosure Statement, respectively, and are herein incorporated by reference.

## C. **Legal Proceedings**

### 1. *Matters Related to Investigation of Financial Results; Stockholder and Bondholder Litigation*

As set forth in more detail in Section X.E of the Disclosure Statement (pg. 49), entitled "History of the Debtors and Events Leading to Chapter 11 Filing and Plan - - Events Contributing to the Need for Restructuring" the Debtors were required to restate their financial statements for the fiscal years 1997, 1998 and 1999.

As previously disclosed by the Debtors in their public filings, the Debtors, together with former officers and directors of the Debtors, had been named in numerous shareholder and bondholder suits. The Debtors are no longer a party to these actions. With respect to indemnification claims brought by the former officers and directors of the Debtors, the Debtors recently entered into a settlement with certain of the former directors whereby the Debtors would pay up to \$5 million dollars of their attorney's fees in connection with various actions, from the summer of 2002 forward. To the extent the Debtors have any liability or additional liability, such liability either will be treated as a general unsecured claim or be subordinated.

### 2. *PwC Litigation*

On October 7, 2001, SKC, along with Robert Luba, the Estate of John Rollins, Sr., John Rollins, Jr., David E. Thomas, Jr., Henry B. Tippie, James L. Wareham and Grover C. Wrenn filed an action in the Circuit Court of South Carolina, Richland County, against PricewaterhouseCoopers LLP ("PwC") and PricewaterhouseCoopers LLP (Canada) ("PwC-Canada"), Civil No. 3:01-4247-17 (the "PwC Action"). The complaint seeks in excess of \$1.0 billion from the defendants. The PwC Action alleges, among other things, that the defendants were negligent and reckless in failing to comply with applicable industry and professional standards in their review and audit of the Debtors' financial statements and in the negligent and reckless failure to detect and/or report material misstatements in those financial statements. The complaint alleges causes of action for breach of contract, breach of contract accompanied by a fraudulent act, professional negligence, negligent misrepresentation, violations of the South Carolina Unfair Trade Practices Act and a declaratory judgment for indemnification on behalf of the plaintiff directors. PwC and PwC-Canada have filed counterclaims for contribution and indemnity. Furthermore, PwC has filed counterclaims alleging fraud, deceit, negligent misrepresentation and violations of the federal Racketeer Influenced and Corrupt Organizations Act. Each of these counterclaims are for setoff purposes only and pursuant to a stipulation and order entered by the Bankruptcy Court on August 13, 2002, neither PwC nor PwC-Canada is

seeking affirmative relief from SKC. SKC has filed a motion to dismiss all of the counterclaims. In response to SKC's motion, PwC has been authorized to replead. The PwC Action is pending in state court.

On December 13, 2000, thirteen prepetition lenders to SKC, sued PwC in the State Court of Fulton County, Georgia, alleging negligent misrepresentation by PwC in connection with the financial statements of the Debtors for fiscal years 1997, 1998 and 1999. The case was captioned *Toronto Dominion (Texas), Inc., et al. v. PricewaterhouseCoopers LLP*, Civil Action No. 00VS012679-F (the "Lenders' Action Against PwC"). The complaint has been amended three times, and the plaintiffs now number over 90 lenders to SKC. On October 23, 2001, PwC filed a motion for leave to file a third-party complaint naming SKC and their former officers Kenneth W. Winger, Michael J. Bragagnolo and Paul R. Humphreys as third party defendants in a third party claim for indemnity or contribution. The Georgia state court granted the motion and PwC served a third-party complaint for indemnity and contribution against, among others, SKC. SKC then filed a motion in Bankruptcy Court alleging that PwC had violated the automatic stay provisions of the Bankruptcy Code and seeking to enforce the automatic stay. The Bankruptcy Court granted SKC's motion and declared PwC's third party complaint against SKC void ab initio. PwC then filed a motion in the Bankruptcy Court seeking to lift the automatic stay for the limited purpose of allowing the trier of fact to allocate a percentage of the plaintiffs' harm to the Debtors. PwC does not seek affirmative recovery from SKC, though it does seek the right to set-off any judgment SKC obtains from PwC. A stipulation and order was entered by the Bankruptcy Court on August 13, 2002 for the purpose of permitting (a) PwC to pursue, for allocation purposes only, its contribution and indemnity claims in the Lenders' Action Against PwC, and (b) PwC and PwC-Canada to pursue, by way of set-off only, their counterclaims in the litigation brought against PwC and PwC-Canada by SKC in the PwC Action pending in South Carolina. SKC has filed a motion to dismiss PwC's third party claims for contribution. The court has not ruled on SKC's motion to dismiss.

One of the components of the Creditors' Committee Compromise is that holders of Allowed Claims in Classes 4, 5, 6 and 7 will be entitled to the PwC Litigation Distribution. The PwC Litigation Distribution is defined in the Plan as the distribution to holders of Allowed Claims in Classes 4 through 7 in the aggregate amount representing 20% of the proceeds from the PwC Litigation Claim and the Lenders' PwC Litigation Claim (after reimbursement of the actual fees and expenses incurred by the Lenders and the Debtors in connection with the prosecution of their respective actions) in excess of \$200 million.

### 3. *D&O Insurance Recovery Action*

On November 13, 2001, the Debtors, along with Robert Luba, the Estate of John Rollins, Sr., John Rollins, Jr., David E. Thomas, Jr., Henry B. Tippie, James L. Wareham and Grover C. Wrenn filed an action in the Circuit Court of South Carolina, Richland County, against National Union Fire Insurance Company of Pittsburgh, PA and American Home Assurance Company, Civil No. 01CP404813 (the "Insurance Action"). The Insurance Action alleges that the defendants wrongfully denied insurance coverage under certain directors and officers insurance policies for the various securities actions mentioned above. The complaint alleges causes of action for declaratory judgment and breach of contract. The complaint seeks insurance coverage for plaintiffs' for costs associated with defending the securities actions and for any liability plaintiffs may ultimately incur. The parties engaged in a preliminary mediation, which did not resolve the matter. Discovery is ongoing, and the Debtors intend to pursue this claim vigorously. No trial date has been set.

### 4. *Government Investigations*

Shortly after the Debtors' March 6, 2000 announcement relating to the internal investigation of their previously reported financial results and certain of their accounting policies and practices, the Debtors' representatives met with officials of the SEC and advised the SEC of the alleged accounting irregularities and the Debtors' internal investigation with respect to the allegations. On March 10, 2000, the Debtors were advised that the SEC had initiated a formal investigation of the Debtors. Also on March 10, 2000, the SEC issued a subpoena to the Debtors requiring the production of certain financial and corporate documents relating to the preparation of the Debtors' financial statements, reports and audits for fiscal years 1998, 1999 and portions of fiscal years 1997 and 2000 and for various other documents pertaining to and ancillary to the alleged accounting irregularities. On May 24, 2000 the SEC issued a second subpoena to the Debtors requiring additional documents relating to the preparation of the Debtors' financial statements, reports and audits for fiscal years 1998, 1999 and portions of fiscal years 1997 and 2000. On October 7, 2002, the SEC issued a third subpoena for deposition transcripts of certain parties and witnesses in the Lenders' Action Against PwC. The Debtors have responded to the subpoenas and cooperated with the investigation. SKC has consented to the entry of an injunction permanently enjoining SKC, its agents,

servants, employees, attorneys-in-fact and all other persons in active concert or participation with them who receive actual notice of the injunction from violating the books and records, reporting and anti-fraud provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and certain rules promulgated thereunder. SKC consented to the injunction without admitting or denying any allegations against it except that SKC admitted that a court would have jurisdiction to enter the injunction.

In addition, the Debtors are subject to an investigation in the Southern District of New York. On or about March 22, 2000, the Debtors were served with a subpoena issued by a Grand Jury sitting in the United States District Court for the Southern District of New York seeking production of the same documents described in the SEC's original subpoena. The Debtors responded to the subpoena and cooperated with the investigation. Subject to certain conditions such as the Debtors' agreement to fully comply with reporting and disclosure obligations and to cooperate with any ongoing investigation, the U.S. Attorney's Office for the Southern District of New York has agreed not to prosecute the Debtors. The U.S. Attorney's investigation continues and has resulted in indictments and a plea agreement with certain former employees of the Debtors.

5. *Pinewood Litigation*

For a discussion of litigation between Pinewood and DHEC, see Section XII.C to this Disclosure Statement (pg. 66), entitled "Chapter 11 Cases - - Compromises and Settlements under the Plan."

6. *Financial Assurance Compliance*

For a discussion of the Debtors' compliance with various financial assurance requirements, see Section XII.B.2 to this Disclosure Statement (pg. 56), entitled "Chapter 11 Cases - - Postpetition Operations and Liquidity."

7. *Products Liability Cases and Insurance Coverage Action*

From time to time, the Debtors are named as defendants in various lawsuits arising in the ordinary course of business, including proceedings wherein persons claim personal injury resulting from the use of the Debtors' parts cleaner equipment and/or cleaning products. A number of such legal proceedings are currently pending in various courts and jurisdictions throughout the United States. These proceedings typically involve allegations that the solvent used in the Debtors' parts cleaner equipment contains contaminants and/or that the Debtors' recycling process does not effectively remove the contaminants that become entrained in the solvent during its use. In addition, certain claimants assert that the Debtors failed to adequately warn the product user of potential risks. In the aggregate, the plaintiffs' claims are in excess of \$150 million. The Debtors believe that these claims are not meritorious and intend to vigorously defend itself against any and all such claims. The Debtors maintain insurance which it believes will provide coverage for these claims over self-insured retentions and deductibles which, in the aggregate, the Debtors believe are less than \$10 million.

Certain of the Debtors' insurance carriers have disputed, and continue to dispute, whether or to what extent the insurance policies issued by such carriers provide coverage to Debtors for third-party bodily injury, personal injury and property damage claims against the Debtors. As a result, the Debtors initiated the following actions: (a) *The Solvents Recovery Service of New Jersey, Inc., et al., v. American Reinsurance Company, et al.*, pending in the Superior Court of New Jersey, Hudson County, Law Division, Docket No. L-3095-00 (the "New Jersey Coverage Action"), (b) *Safety-Kleen Corp. v. Unigard Security Ins. Co., et al.*, Docket No. 01-2-10468-3 SEA pending in the Superior Court of Washington, King County (the "Washington Coverage Action") and (iii) *Safety-Kleen Corp. v. Continental Insurance Company, et al.*, Case No. BC 216723, pending in the Superior Court of California, County of Los Angeles (the "California Coverage Action").

In the New Jersey Coverage Action, the Debtors seek insurance coverage for environmental liabilities under certain historical comprehensive general liability insurance policies. Specifically, the Debtors contend that their general liability insurance carriers are obligated to pay the costs, expenses and liabilities arising out of claims, demands and suits brought against the Debtors for property damage, bodily injury and personal injury arising out of environmental and related damage allegedly caused by the Debtors or arising out of the Debtors' business operations. The Washington Coverage Action has been resolved and dismissed.

In the California Coverage Action, the Debtors seek insurance coverage under certain other historical comprehensive general liability policies for bodily injury and other claims arising out of product liability toxic tort suits and claims and similar or related claims, losses and liabilities asserted against the Debtors.

In February 2002, the New Jersey Superior Court issued a Mediation Order which stayed the New Jersey Coverage Action and directed the parties to engage in mediation proceedings. The Mediation Order has been extended several times since its initial entry, and is presently in force. During the pendency of the Mediation Order, the Debtors have reached settlement and have finalized settlement agreements (the "Insurance Settlements") with the following insurance carriers: (a) Royal Indemnity Company, Royal Globe Insurance Company, Globe Indemnity Company, Newark Insurance Company, Royal Insurance Company of America and Royal Insurance Company of Canada (collectively, "Royal"); (b) North Star Reinsurance Corporation ("North Star"); (c) Fireman's Fund Insurance Company, The American Insurance Company and National Surety Corporation (collectively, "Fireman's Fund"); (d) Liberty Mutual Insurance Company ("Liberty Mutual"); (e) Unigard Insurance Company ("Unigard"); (f) Protective Insurance Company ("Protective"); (g) Ranger Insurance Company, International Insurance Company, TIG Insurance Company, United States Fire Insurance Company (collectively, "Fairfax"); (h) Employers Mutual Casualty Company ("Employers"); (i) American Reinsurance Company ("American Reinsurance") and American Excess Insurance Company ("American Excess"); (j) Travelers Casualty and Surety Company (f/k/a The Aetna Casualty and Surety Company) ("Travelers"); and (k) Allianz Insurance Company ("Allianz"). The Debtors have sought and obtained Bankruptcy Court approval of the settlement agreements with Royal, North Star, Fireman's Fund, Liberty Mutual and Unigard, and have also sought Bankruptcy Court approval of the settlement agreements with Protective, Fairfax, Employers, American Reinsurance and American Excess and will seek Bankruptcy Court approval of the agreements with Allianz and Travelers.

In addition, the following insurers have entered into settlements-in-principle with the Debtors: (a) Evanston Insurance Company ("Evanston"); (b) Associated International Insurance Company ("Associated International"); and (c) Century Indemnity Company, as successor to CCI Insurance Company, as successor to Insurance Company of North America; Century Indemnity Company, as successor to CIGNA Specialty Insurance Company (formerly California Union Insurance Company); Central National Insurance Company of Omaha; Insurance Company of North America; Illinois Union Insurance Company; International Insurance Company; Pacific Employers Insurance Company; and Westchester Fire Insurance Company (collectively, "ACE"). The Debtors intend to seek Bankruptcy Court approval of the settlement agreements with Evanston, Associated International and ACE upon finalizing such settlement agreements.

A list of the Resolved Insurance Policies and the Settling Insurers is set forth in Exhibit G and Exhibit H to the Plan, respectively. A general description of the Insurance Settlements is discussed in Section XII.B.16 to this Disclosure Statement (pg. 63), entitled "Chapter 11 Cases - - Postpetition Operations and Liquidity."

Mediation also has been ordered in the California Coverage Action, in this instance by the Los Angeles County, California, Superior Court. The Debtors and the California insurance carrier defendants have participated in an initial mediation session and the mediation continues. Meanwhile, the above-referenced settlements with Hartford and CNA have resolved certain of the Debtors' coverage claims against Hartford, CNA and Fireman's Fund in the California Coverage Action. The Debtors also have negotiated settlements-in-principle with certain other insurance carrier defendants in the California Coverage Action.

The Debtors are continuing to negotiate with a number of other of the insurance carrier defendants in both the New Jersey Coverage Action and in the California Coverage Action, and may enter into additional settlements. Coverage counsel's prior experience in comparable insurance coverage cases suggests that the foregoing settlements, the Debtors' continued litigation efforts in and the court-ordered mediation of the Debtors' respective New Jersey and California coverage actions, and confirmation of the Debtors' Plan of Reorganization likely will encourage settlements by other of the Debtors' insurance carriers, although it cannot be determined precisely when such settlements will be consummated or what sorts and amounts of consideration will be exchanged pursuant to such settlements.

See also Sections VII.J (pg. 33) and XII.B.16 (pg. 63) to this Disclosure Statement, entitled "Effect of the Plan - - Release by Insured Persons" and "Chapter 11 Cases - - Postpetition Operations and Liquidity."

8. *Heritage-Crystal Clean Litigation*

On January 6, 2003, a case captioned *Heritage-Crystal Clean, LLC, v. Safety-Kleen Corp. and Safety-Kleen Systems, Inc.*, Case No. 03C0071, was filed against SKC and SK Systems in the United States District Court for the Northern District of Illinois. The complaint seeks damages in excess of \$400 million in consequential and punitive damages, which the plaintiff, Heritage-Crystal Clean, LLC ("Heritage-Crystal"), claims is subject to trebling under applicable antitrust statutes, as well as injunctive relief. Heritage-Crystal alleges postpetition injuries including causes of action under Section 2 of the Sherman Act (antitrust), violation of the Illinois unfair and deceptive business practices act, tortious interference with prospective business relations, defamation, trade libel and business disparagement, and abuse of process. On or about January 21, 2003, Heritage-Crystal filed an administrative proof of claim for the full amount of damages sought in the Heritage-Crystal litigation.

Similar allegations of unfair and deceptive business practices were made by SK Systems against Heritage-Crystal in an action filed in South Carolina state court in December 2001. In that action, the court entered a temporary restraining order prohibiting Heritage-Crystal from engaging in certain unfair business practices. The court later entered a consent restraining order on both parties with respect to business practices. The consent restraining order does not make any findings of unlawful conduct. Since entry of these orders the parties have been actively engaged in discovery on the merits of the case. SK Systems has vigorously pursued the South Carolina state court action, which contends that Heritage-Crystal and Heritage Environmental Services, LLC, have engaged in a pattern and practice of conduct designed to induce current and former employees of SK Systems to breach non-compete and confidentiality agreements and other contractual, statutory and common law obligations of loyalty and confidentiality. SKC and SK Systems will vigorously defend the action filed by Heritage-Crystal in federal court in Illinois.

9. *Puerto Rican SKE Plant Litigation*

On September 29, 1999, H.B. Zachry Company (International) ("HBZ") and Safety-Kleen Envirosystems Co. of Puerto Rico, Inc. ("SKE") entered into a contract whereby HBZ agreed to construct a dyke and related improvements around a plant owned by SKE in Manati, Puerto Rico ("SKE Plant"). The SKE Plant specializes in the recycling of industrial solvents received from industrial operations in Puerto Rico and the Caribbean and also has a fuels blending operation. HBZ substantially completed physical construction of the dyke and related improvements shortly after the Petition Date but, since it had not been paid for a substantial portion of its work, HBZ ceased all further performance under the contract pending SKE's assumption or rejection of the contract. On November 30, 2001, SKE filed a motion seeking authorization to reject the contract and HBZ filed its objection to the motion.

SKE does not have a use permit for the dyke constructed by HBZ. It is the position of HBZ that SKE's dyke requires a use permit and that SKE cannot obtain such a use permit under applicable Puerto Rican statutes and regulations without a sworn certification by HBZ.

SKE believed applicable rules and regulations do not require HBZ's certification in order to complete the permitting process for the dyke. HBZ then brought an adversary proceeding in the Bankruptcy Court and a civil action in the United States District Court in Puerto Rico. Each action sought a declaratory judgment with respect to whether a use permit was required for the dyke and as to whether the certification of HBZ was required to obtain such use permit. Subsequently, an order was entered by the Bankruptcy Court directing that these issues be determined by an appropriate Puerto Rico forum. HBZ has filed a Motion for Summary Judgment in the United States District Court of Puerto Rico which has not yet been ruled upon.

It is the position of HBZ that, if a use permit is required and if the certification of HBZ is necessary to obtain a use permit, then the Plan of Reorganization with respect to SKE cannot be confirmed without SKE assuming the contract as to SKE because SKE cannot show that it is managing and operating the SKE Plant according to the requirements of Puerto Rico. See 28 U.S.C. § 959(b) (1993). It is also HBZ's position that the lack of a use permit and the operation of the SKE Plant in violation of Puerto Rican law may also violate one or more loan covenants in the DIP Facility and the Exit Facility. SKE disagrees with HBZ and believes that it can complete the permitting process for the dyke without a certification from HBZ. Thus, SKE believes its position will prevail in the appropriate Puerto Rico forum.

## **D. Capital Structure of the Debtors**

### **1. Debtor-in-Possession (DIP) Credit Facility**

On July 19, 2000, the Bankruptcy Court granted final approval of a revolving credit agreement (the "Initial DIP Facility") among the Debtors, Toronto Dominion (Texas), Inc., as general administrative agent and underwriter, The CIT Group/Business Credit, Inc., as collateral agent and underwriter, and the lenders party thereto. Under the terms of the Initial DIP Facility, the proceeds could be used, among other things, to pay expenses in the Chapter 11 Cases and to finance working capital needs and capital expenditures of the Debtors. The total amount committed under the Initial DIP Facility was \$100 million, with a \$35 million sublimit for letters of credit.

On March 20, 2002, the Debtors obtained Bankruptcy Court approval to enter into a Second Amended and Restated Debtor-in-Possession Credit Agreement (the "DIP Facility") which provided that the total commitments under the postpetition loan would be increased to \$200 million. The amount outstanding under the Initial DIP Facility, \$75 million, would constitute "Tranche A" of the DIP Facility and an additional "Tranche B" of \$125 million was added. The total sublimit for letters of credit under both tranches was increased to \$125 million.

Under the Final DIP Order, the lenders under the DIP Facility were granted superpriority claim status over any and all administrative expense claims specified in sections 503(b) and 507(b) of the Bankruptcy Code, subject to certain carve-outs.

The Tranche A lenders under the DIP Facility also were granted liens in substantially all of the Debtors' assets including: (a) a first lien on substantially all of the Debtors' assets that were not encumbered as of the Petition Date, (b) a priming lien on substantially all of the Debtors' assets that secured the Lenders' prepetition Claims and (c) a second priority junior lien on all other assets that were subject to a lien as of the Petition Date.

Similarly, the Tranche B lenders under the DIP Facility were granted liens in substantially all of the Debtors' assets including: (a) a second priority lien on substantially all of the Debtors' assets that were not encumbered as of the Petition Date, (b) a first priority lien on the first \$35 million of proceeds from recoveries with respect to certain causes of action under chapter 5 of the Bankruptcy Code, (c) a second priority priming lien on substantially all of the Debtors' assets that secured the Lenders' prepetition Claims and (d) a third priority junior lien on all other assets that were subject to a lien as of the Petition Date.

The interest rate under Tranche A of the DIP Facility is base rate plus 1% per annum or LIBOR plus 3% per annum, depending on the nature of the borrowings. The interest rate under Tranche B of the DIP Facility is LIBOR or base rate plus a margin of 7.25%, but in any case not lower than 12%. In addition, beginning on September 1, 2002, the margin under Tranche B started to increase by .5% on the first calendar day of each month. On top of the cash interest due with respect to Tranche B, an additional 3% per annum is added to the Tranche B principal each month, such rate increasing by 1% each month commencing on September 1, 2002. A fee of 3% per annum is charged on the outstanding face amount of Tranche A letters of credit and a fee of 12% per annum is charged on the outstanding face amount of Tranche B letters of credit (plus, in each case, a fronting fee of 0.25%).

As of January 31, 2003, under the DIP Facility there were (a) no cash draws outstanding and (b) letters of credit outstanding in the amount of \$56,497,575, of which \$18,539,057 corresponded to Tranche A and \$37,958,518 corresponded to Tranche B.

### **2. Other Domestic Borrowings**

(a) *Prepetition Credit Facility* -- In April 1998, the Debtors repaid their then existing bank credit facility and established a \$2.2 billion prepetition credit facility (the "Prepetition Credit Facility") pursuant to a credit agreement between SK Services and a syndicate of banks and other financial institutions. In connection with this refinancing, the Debtors recognized an extraordinary loss in fiscal year 1998 of approximately \$18.8 million (\$11.3 million after tax, or \$0.18 per share) related to the write-off of previous deferred debt issuance costs and repayment penalties. In June 1998, the availability of the Prepetition Credit Facility was permanently reduced by \$325 million to \$1.875 billion by the subsequent issuance of the 9¼% Senior Subordinated Notes described below. The Prepetition Credit Facility consists of five parts: (i) a \$550 million six-year Senior Secured Revolving Credit Facility with a \$200 million letter of credit sublimit and \$400 million

submit for loans (the "Revolver"), (ii) a \$455 million six-year Senior Secured Amortizing Term Loan, (iii) a \$70 million six-year Senior Secured Amortizing Term Loan, (iv) a \$400 million minimally amortizing seven-year Senior Secured Term Loan and (v) a \$400 million minimally amortizing eight-year Senior Secured Term Loan. The term loans referred to in clauses (ii), (iii), (iv) and (v) are collectively referred to herein as the "Term Loans."

Interest costs on the Prepetition Credit Facility vary depending on the particular facility and whether the Debtors chose to borrow under LIBOR or base rate loans. Interest rates applicable to the Prepetition Credit Facility on June 1, 2000 ranged from 7.56% to 12.88%, including a 2% default premium.

As of August 31, 2002, the Term Loans were drawn in full and borrowings outstanding under the Revolver totaled \$340 million. In addition, there were approximately \$83 million of letters of credit issued under the terms of the Revolver. As a result of the Debtors' Chapter 11 Cases, all additional availability under the Revolver was terminated, although the letters of credit remain outstanding.

Domestic borrowings under the Prepetition Credit Facility were collateralized by all of the tangible assets of the domestic subsidiaries of SK Services plus 65% of the stock of the Canadian subsidiaries. Substantially all of the capital stock of the Debtors is pledged to the lenders, and such subsidiaries guaranteed the obligations of the Debtors to the lenders.

(b) *9¼% Senior Subordinated Notes* -- On May 28, 1998, SK Services issued \$325 million 9.25% Senior Subordinated Notes due 2008 (the "9¼% Senior Subordinated Notes") in a Rule 144A private placement. In accordance with an Exchange and Registration Rights Agreement entered at the time of the issuance of the 9¼% Senior Subordinated Notes, SK Services filed a registration statement with the SEC on June 24, 1998, pursuant to which SK Services exchanged the 9¼% Senior Subordinated Notes for notes of SK Services with terms identical to the 9¼% Senior Subordinated Notes, other than certain restrictions on transfers. Net proceeds from the sale of the 9¼% Senior Subordinated Notes, after the underwriting fees and other expenses, were approximately \$316.8 million. The proceeds were used to repay a portion of the borrowings outstanding under the Prepetition Credit Facility.

The 9¼% Senior Subordinated Notes are general unsecured obligations of SK Services, subordinated in right of payment to all existing and future senior indebtedness, as defined, of SK Services. The payment of the 9¼% Senior Subordinated Notes are guaranteed on a senior subordinated basis by SKC and are jointly and severally guaranteed on a senior subordinated basis by SKC's wholly owned domestic subsidiaries. No foreign direct or indirect subsidiary or non-wholly owned domestic subsidiary is an obligor or guarantor on the financing.

(c) *9¼% Senior Notes* -- On May 17, 1999, SKC issued \$225 million 9.25% Senior Notes due 2009 (the "9¼% Senior Notes") in a Rule 144A private placement, which were subsequently exchanged for substantially identical notes in an offering registered with the SEC in September 1999. Net proceeds, after the underwriting fees and other expenses, were approximately \$219 million and were used to finance the cash portion of the purchase price for the repurchase of the pay-in-kind debenture, for expenses relating to such repurchase and for general corporate purposes.

The 9¼% Senior Notes are unsecured claims against SKC, rank equally with all existing and future senior indebtedness of SKC and are senior to all existing and future subordinated indebtedness of SKC. The 9¼% Senior Notes are not guaranteed by any of the subsidiaries of SKC.

### 3. *Other Material Prepetition Borrowings*

(a) A \$60 million promissory note issued on May 15, 1997 in favor of Westinghouse Electric Corporation and thereafter assigned to Toronto Dominion (Texas) Inc. (the "\$60 Million Promissory Note").

(b) The industrial revenue bonds issued by Tooele County, Utah on July 1, 1997, in the principal amount of \$45.7 million.

(c) The industrial revenue bonds issued by the California Pollution Control Financing Authority on July 1, 1997, in the principal amount of \$19.5 million.

(d) The industrial revenue bonds issued by Tooele County, Utah on August 1, 1995, in the principal amount of \$10.0 million.

(e) The industrial revenue bonds issued by the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County on May 1, 1993, in the principal amount of \$15.7 million, with approximately \$5.6 million outstanding as of August 31, 2002.

#### 4. *Canadian Borrowings*

(a) *Prepetition Credit Facility* -- The Debtors' non-debtor Canadian subsidiaries participated in the Prepetition Credit Facility under which they established and initially borrowed \$70.0 million (USD) from a syndicate of five banks. The term loan has a floating interest rate based on Canadian prime plus a maximum of 1.375% and a six year term. As a result of the Debtors' filing for chapter 11 bankruptcy protection, the Canadian subsidiaries are in default of the loan conditions and a notice of default was issued by the banks making the loan payable on demand. Accordingly, the outstanding loan balance was classified as current at the end of fiscal year 2002 and interest continues to accrue.

(b) *Short term borrowings* -- On April 3, 1998, the Safety-Kleen Ltd., then a non-debtor Canadian Subsidiary of SK Services ("SK Ltd."), entered into a letter agreement with the Toronto Dominion Bank providing an uncommitted operating line of credit of up to \$35.0 million (CDN) (the "Canadian Operating Facility"). The letter agreement has a floating interest rate based on Canadian prime plus a maximum of 1.375% for Canadian borrowings and prime plus 1.375% for U.S. borrowings. The interest rate applied to the loan is at SK Ltd.'s discretion. On March 4, 2000, Toronto Dominion Bank cancelled this letter agreement at which time SK Ltd. had borrowings of \$17.2 million and letters of credit totaling \$3.8 million. The full amount borrowed was in default at August 31, 2002, due to breaches of loan covenants by the local subsidiary. Accordingly, the outstanding loan balance was classified as current as of August 31, 2002.

(c) *Effect of CSD Sale* -- Pursuant to the Prepetition Credit Agreement, SK Services guaranteed all of the obligations (the "Canadian Guaranty") of SK Ltd. under both the Prepetition Credit Facility discussed in subclause 4(a) and the Canadian Operating Facility described in subclause 4(b) (collectively, the "Canadian Debt"). Under the Amended and Restated Guarantee and Collateral Agreement, dated April 3, 1998, SK Services secured its obligations under the Prepetition Credit Agreement, including its obligations under the Canadian Guaranty, by granting a lien on substantially all of its assets for the benefit of the lenders under the Prepetition Credit Agreement.

As a result of the divestiture of the CSD to Clean Harbors, Inc. ("Clean Harbors"), the acquisition agreement provided that the equity interests of certain Canadian subsidiaries would be transferred to Clean Harbors free and clear of certain secured liens and, thus, as part of the sale of the CSD, SK Services was to cause, on or before closing of the sale: (i) the release of SK Ltd. of its primary obligation under the Canadian Debt; (ii) the release of each direct and indirect subsidiary of SK Ltd. (the "Canadian Subsidiaries") from their respective guarantee obligation under the Canadian Debt and (iii) the release of all security granted by SK Ltd. and each of the Canadian Subsidiaries to collateralize payment of the Canadian Facility (collectively, the "Canadian Release Condition").

As a requirement to consummate the sale of the CSD, and to satisfy the Canadian Release Condition, the Debtors sought the Bankruptcy Court's authority to restructure the obligations under the Canadian Debt so that SK Services would become the primary obligor under the Canadian Debt in substitution for SK Ltd. -- obligations for which SK Services was already liable -- and such obligations would be allowed as an administrative expense claim against SK Services, provided that such administrative expense claim would be satisfied solely through a distribution to the Canadian Lenders under the Canadian Debt of the same form of consideration that would be distributed to the U.S. Lenders. By order dated September 6, 2002, the Bankruptcy Court approved the restructure and reclassification of SK Services' secured obligations under the Canadian Debt.

#### 5. *Interest Expense*

The Debtors entered into interest rate swap agreements to alter interest rate exposures. Interest expense incurred under the Debtors' credit facilities and other borrowings was \$5.3 million, \$5.0 million, \$141.9 million and \$186.2 million (net of interest income of \$1.5 million, \$3.7 million, \$3.6 million and \$7.6 million) for fiscal years ended August 31, 2002, 2001, 2000 and 1999, respectively.

## **E. Events Contributing to the Need for Restructuring**

### *1. Investigation of Financial Results*

On March 6, 2000, the Debtors announced that they had initiated an internal investigation of their previously reported financial results and certain of their accounting policies and practices following receipt by SKC's Board of Directors of information alleging possible accounting irregularities that may have affected the Debtors' previously reported financial results since fiscal year 1998. The internal investigation was subsequently expanded to include fiscal years 1997 and 1998. The Board appointed a special committee, consisting of four directors who were then independent outside directors of SKC, to conduct the internal investigation (the "Special Investigation Committee"). The Special Investigation Committee was later expanded to five directors, with the addition of one additional independent outside director. The Special Investigation Committee engaged the law firm of Shaw Pittman LLP ("Shaw Pittman"), and Shaw Pittman, in turn, engaged the accounting firm Arthur Andersen LLP, to assist with the comprehensive investigation of these matters. The Board placed Kenneth W. Winger, then President and Chief Executive Officer and a Director of SKC; Michael J. Bragagnolo, then Executive Vice President and Chief Operating Officer; and Paul R. Humphreys, then Sr. Vice President of Finance and Chief Financial Officer on administrative leave on March 5, 2000. SKC accepted the resignations of Messrs. Winger, Bragagnolo and Humphreys, as officers, in mid-May 2000 and of Mr. Winger, as a director, on June 9, 2000, and subsequently terminated the employment of these individuals in July 2000.

On March 8, 2000, PricewaterhouseCoopers LLP, the Debtors' independent accountants, withdrew its audit reports covering the Debtors' financial statements for fiscal years 1997, 1998 and 1999. On August 1, 2000, the Debtors dismissed PricewaterhouseCoopers LLP as their independent accountants and engaged Arthur Andersen LLP as successor independent accountants.

As noted above, beginning in March 2000, a number of lawsuits were filed, on behalf of various classes of investors against the Debtors, certain directors, former directors and others alleging, among other things, that the defendants made false and misleading statements and violated certain federal securities laws. Generally, the actions seek to recover damages in unspecified amounts that the plaintiffs allegedly sustained by acquiring shares of the SKC common stock or purchasing debt of SKC and SK Services.

### *2. Financial Assurance Issues*

Under RCRA, the Toxic Substances Control Act ("TSCA") and analogous provisions of state law, owners and operators of certain waste management facilities are subject to financial assurance requirements to ensure performance of their closure, post-closure, third party liability and corrective action obligations. SKC and certain of its subsidiaries as owners and operators of RCRA and TSCA waste management facilities are subject to these financial assurance requirements. Applicable regulations allow owners and operators to provide financial assurance through several methods, including a surety bond from an approved surety. On May 31, 2000, the United States Department of the Treasury declared that Frontier Insurance Company ("Frontier"), from which SKC and its subsidiaries had obtained more than 50 percent of the required assurance in the form of surety bonds, was no longer qualified as an acceptable surety on federal bonds.

In addition to Frontier, Reliance Insurance Company of Illinois ("Reliance") also provided a significant proportion of coverage for closure, post-closure and corrective action activities. SKC received expressions of concern from various states about the quality of this coverage and a small number of states indicated that they did not consider Reliance policies to satisfy requirements of state law. Accordingly, effective May 31, 2000, SKC and its affiliates no longer had compliant financial assurance for many facilities. Under applicable regulations, SKC and its affected subsidiaries were required to obtain compliant financial assurance within sixty days and, in some states, more quickly. See also Section XII.B.2 to this Disclosure Statement (pg. 56), entitled "Chapter 11 Cases - - Postpetition Operations and Liquidity."

### *3. Note Defaults*

At the time the Debtors filed the Chapter 11 Cases, SKC was in default on certain of its senior securities and its Prepetition Credit Facility. Specifically, the Debtors had not (a) made interest payments upon the \$60 Million Promissory Note, (b) made interest payments on its \$325 million 9¼% Senior Subordinated Notes due in 2008, (c) made interest payments on its \$225 million 9¼% Senior Notes due in 2009 or (d) made principal and interest payments under the Prepetition Credit Facility.

4. *Pinewood*

Pinewood, an indirect subsidiary of SKC, owns and operated a hazardous waste landfill near the Town of Pinewood in Sumter County, South Carolina. By order dated May 19, 1994 ("the Pinewood Order"), the South Carolina Board of Health and Environmental Control approved the issuance by DHEC of a RCRA Part B permit (the "Pinewood Permit") for operation of the Pinewood Facility. The Pinewood Order required Pinewood to establish and maintain an Environmental Impairment Fund ("EIF") in the amount of \$133 million in 1994 dollars by July 1, 2004 as financial assurance for potential environmental cleanup and restoration of environmental impairment at the Pinewood Facility.

In June 1995, the South Carolina legislature approved regulations (the "S.C. Regulations") governing financial assurance for environmental cleanup and restoration of environmental impairment. The S.C. Regulations gave owner/operators of hazardous waste facilities the right to choose from among alternative options for providing financial assurance. The options included insurance, a payment bond, a letter of credit, a cash trust fund and a corporate guaranty, subject to a financial soundness test. Pinewood elected to utilize the insurance option.

Following extensive litigation, the South Carolina Court of Appeals issued a decision on April 4, 2000 (which became final on June 14, 2000) holding that (a) the S.C. Regulations were invalid due to insufficient public notice during the promulgation procedure and Pinewood was required to immediately comply with the cash financial assurance requirements of the Pinewood Order and (b) both non-hazardous and hazardous waste disposed of at the landfill from the beginning of waste disposal needed to be counted against Pinewood's permitted capacity, thereby leaving Pinewood with no unused permitted capacity.

For further discussion of Pinewood and related litigation see also Section XII.C to this Disclosure Statement (pg. 66), entitled "Chapter 11 Cases - - Compromises and Settlements under the Plan."

## ARTICLE XI

### CORPORATE STRUCTURE AND MANAGEMENT OF THE DEBTORS

#### A. Current Corporate Structure

SKC is incorporated in Delaware and has its principal executive office at 1301 Gervais Street, Suite 300, Columbia, South Carolina 29201. The BSSD Debtors are in the process of transferring their principal offices to 5400 Legacy Drive, Plano, Texas 75024.

SKC is a holding company that owns 100% of the common stock of SK Services, which is SKC's primary operating subsidiary. SK Services, in turn, directly or indirectly owns more than 90 additional subsidiaries, including (a) the other Debtors and (b) (i) non-U.S. subsidiaries, (ii) non-wholly owned U.S. subsidiaries and (iii) a wholly owned non-debtor U.S. subsidiary (collectively with the non-U.S. subsidiaries and the non-wholly owned U.S. Subsidiaries, the "Non-Debtor Affiliates"). Certain of the Non-Debtor Affiliates are owned in part by SK Services or other Debtors and in part by unaffiliated third parties.

Prior to the sale of the CSD (described in Section XII.B.3 to this Disclosure Statement (pg. 57), entitled "Chapter 11 Cases - - Postpetition Operations and Liquidity"), the Debtors were North America's largest hazardous and industrial waste services company, providing high-quality collection, processing, recycling and disposal services through their network of more than 200 operating facilities in 47 states and four Canadian provinces.

#### B. Board of Directors

The Debtors' Board of Directors has changed significantly during the months before and during the Chapter 11 Cases.

Following the Rollins Acquisition in May 1997, the Board of Directors was comprised of three directors designated by Laidlaw (Messrs. James R. Bullock, Leslie W. Haworth and John R. Gainger); three directors designated by Rollins (the late John W. Rollins, Sr. and Messrs. John W. Rollins, Jr. and Henry B. Tippie); three directors designated jointly

by Rollins and LTI (Messrs. David E. Thomas, Jr., Grover C. Wrenn and James L. Wareham) and Mr. Kenneth W. Winger, who was employed by a subsidiary of LTI that owned the hazardous and industrial waste operations of Laidlaw and was named the President and Chief Executive Officer of LESI. Mr. Bullock was appointed Chairman of the Board of Directors.

In March 1999, Mr. Grainger resigned as a director and Mr. Robert W. Luba was appointed in his place. In January 2000, Mr. Bullock resigned as Chairman of the Board of Directors and from his position as a Director of SKC. On February 9, 2000, the Board of Directors appointed Mr. Peter N.T. Widdrington as a Director and the Chairman. On May 4, 2000, the Board of Directors appointed (i) Mr. Kenneth K. Chalmers as a Director to fill the unexpired term of the late John W. Rollins, Sr. and (ii) Mr. Thomas to replace Mr. Widdrington as the Chairman of the Board. Mr. Winger resigned his position of President and Chief Executive Officer in May 2000 and resigned his position as Director in June 2000.

In continued efforts to revitalize and reinvigorate SKC, the Board of Directors appointed Messrs. Peter E. Lengyel and David W. Wallace as Directors in March 2001 and Mr. Ronald A. Rittenmeyer as a Director in April 2001.

On August 30, 2002, SKC accepted the resignations of Messrs. Luba, Rollins, Thomas, Tippie, Wareham and Wrenn from their positions as Directors of SKC, including all committees thereof. The Board of Directors subsequently appointed Mr. Larry W. Singleton as a Director of SKC to fill the unexpired term of Mr. Tippie. The Board of Directors also appointed Mr. Thomas W. Arnst as a Director of SKC to fill the unexpired term of Mr. Luba. The Board of Directors does not intend to fill the remaining positions during the Chapter 11 Cases.

The following is a list as of February 28, 2003, of the names and ages of each of the Directors of SKC as well as information regarding each Director.

<u>Name, Present Position(s) and Term With SKC</u>	<u>Age</u>	<u>Principal Occupation or Employment During the Last Five Years, Directorships of Public Companies</u>
Ronald A. Rittenmeyer Director of SKC since April 17, 2001	55	See "Executive Officers" below.
Thomas W. Arnst Director of SKC since August 30, 2002	40	See "Executive Officers" below.
Larry W. Singleton Director of SKC since August 30, 2002	52	See "Executive Officers" below.
Peter E. Lengyel Director of SKC since March 9, 2001	62	Since 1998, Mr. Lengyel has been a private investor. For more than one year prior to that, he held Senior Executive positions at Bankers Trust Company, including Managing Director and Partner and Executive Vice President and Partner. Mr. Lengyel is a member of the Audit Committee and the Human Resources and Compensation Committee.
Kenneth K. Chalmers Director of SKC since May 4, 2000	73	Since 1997, Mr. Chalmers has been a business consultant and director of various organizations. From 1994 to 1998, he served as a Trustee of First Union Real Estate Equity and Mortgage Investments. He is a member of the Board of Directors of Learning Insights, Inc., a publisher of interactive multimedia training and reference products. From 1997 to 1998, he was a director of Profile Systems, LLC, a provider of wireless data communications services. Since May 2002 he has been a director of Doverdowns Gaming & Entertainment, Inc. and

Dover Motorsports, Inc. From 1997 to 2001 he was an Advisory Board Member of Magnify, Inc. and advisor to Paradigm Capital Ltd. Mr. Chalmers also served as a Director of Catholic Health Partners and Chairman of its Finance/Audit Committee from 1995 to 2001. He was Vice Chairman and a member of the Executive Committee of Catholic Health Partners Foundation and a member of the Alumni Advisory Board of the Kellogg Graduate School of Management, Northwestern University. Mr. Chalmers is the Chair of the Audit Committee, and is a member of the Human Resources and Compensation Committee.

David W. Wallace  
 Director of SKC since March 11, 2001

78

Mr. Wallace served as the Chairman of the Board and CEO of Lone Star Industries from January 1990 until November 1999. Currently, he is President and a Trustee of the Robert R. Young Foundation and a member of the Board of Governors of The New York Hospital. He is also a member of the Board of Greenwich Hospital. Mr. Wallace is a member of the Audit Committee and is the Chair of the Human Resources and Compensation Committee.

**C. Executive Officers**

The Debtors' Executive Officers also have changed significantly during the months before and during the Chapter 11 Cases.

On May 12, 2000, SKC announced the resignations of its Chief Executive Officer ("CEO") and President, Kenneth W. Winger, Chief Operating Officer ("COO"), Michael J. Bragagnolo and Chief Financial Officer ("CFO"), Paul R. Humphreys. David E. Thomas, Jr. who had become the Chairman of the Board in May 2000, assumed the role of CEO and Grover C. Wrenn assumed the roles of COO and President. The Board of Directors appointed Larry W. Singleton as SKC's new CFO in August 2000.

This shift in management continued when in September 2001 Messrs. Thomas and Wrenn resigned from their positions of Chairman of the Board and CEO and President and COO, respectively. At that time, Mr. Rittenmeyer was appointed SKC's new Chairman, CEO and President. On October 17, 2001, Roy D. Bullinger, President of the BSSD since May 2000, ceased to be employed by the Debtors. On November 16, 2001, Henry H. Taylor, who had served as Senior Vice President, General Counsel and Secretary of SKC, ceased to be employed by the Debtors. Shortly thereafter, on November 27, 2001, David M. Sprinkle, who had served as the President of the CSD since May 2000, was elected COO of SKC and James K. Lehman was elected to the positions of Senior Vice President, General Counsel and Secretary of SKC. Also, in November 2001, Thomas W. Arnst was elected Executive Vice President and Chief Administrative Officer of SKC.

On October 4, 2002, Bruce E. Roberson became Executive Vice President, Sales & Marketing and David M. Sprinkle's title changed to Executive Vice President, Operations.

The following sets forth certain information with respect to the current Executive Officers of SKC:

Name	Age	Position Held
Ronald A. Rittenmeyer	55	Chairman of the Board, Chief Executive Officer and President
Larry W. Singleton	52	Executive Vice President and Chief Financial Officer
David M. Sprinkle	49	Executive Vice President, Operations

Thomas W. Arnst	40	Executive Vice President and Chief Administrative Officer
Bruce E. Roberson	45	Executive Vice President, Sales & Marketing
James K. Lehman	36	Senior Vice President, General Counsel and Secretary

Mr. Rittenmeyer has been Chairman of the Board, Chief Executive Officer and President of SKC since September 2001. Since December 2002, Mr. Rittenmeyer has served on the Board of Sterling Chemicals, Inc. Since December 2000, Mr. Rittenmeyer has been the Plan Administrator for the post-confirmation estate of AmeriServe Food Distribution, Inc. ("AmeriServe") and its affiliated debtors (collectively, and together with AmeriServe, the "AFD Fund"). From February 2000 through November 2000, he was President and CEO and a member of the Board of AmeriServe, a large food distributor business, where he led the restructuring of the company which filed for protection under chapter 11 of the Bankruptcy Code on January 31, 2000. From September 1998 through February 2000, he was Chairman, President and CEO of RailTex, Inc. ("RailTex"), the world's largest shortline railroad holding company. From March 1997 through August 1998, he was President and COO of Ryder TRS, Inc. ("Ryder TRS"), the nation's second largest truck rental company.

Larry W. Singleton, a CPA, has been Executive Vice President and Chief Financial Officer of SKC since November 2001. From August 2000 until November 2001 he was Senior Vice President and Chief Financial Officer. Mr. Singleton is a restructuring advisor who has served in various management and consulting roles to numerous companies during the last eighteen years. From February 2000 through January 2001, Mr. Singleton served as an investment committee member to Revitalizacni Agentura, a.s., a subsidiary of the Czech Republic's national bank, formed to assist the Czech government in restructuring numerous industrial companies. From May 1998 to October 2001, Mr. Singleton was a consultant to minority shareholders of A. Duda & Sons, Inc., a privately owned diversified agribusiness and real estate company. In 1998 and 2000, Mr. Singleton served as an arbitrator in litigation involving contract disputes. From February 1999 to July 2000, Mr. Singleton served as the Executive Vice President of Gulf States Steel, Inc. of Alabama, a fully integrated steel mill, where he assisted with chapter 11 reorganization efforts, including arranging pre-filing debtor-in-possession financing and developing various business plans. During 1998, Mr. Singleton served as a member of the Board of Directors of Alliance Entertainment Corp., a wholesale distributor of pre-recorded music, where he joined the Board of Directors after the chapter 11 filing and assisted with reorganization efforts. From 1996 through 1998, Mr. Singleton served as Chief Executive Officer, President and Treasurer of New Energy Corporation of Indiana, an ethanol production facility, where he assisted with the restructuring of the company without a bankruptcy filing.

David M. Sprinkle became Executive Vice President, Operations of SKC on October 4, 2002. Mr. Sprinkle has been employed by SKC or one of its subsidiaries for more than five years. From November 2001 through October 2002 he was Chief Operating Officer. He was President of the CSD from May 2000 through November 2001. Prior to that time, since October 1997 he served in various capacities, including Senior Vice President of Operations, Senior Vice President of the Eastern Division, Senior Vice President of the Southern Division and Senior Vice President of Sales and Services.

Thomas W. Arnst became Executive Vice President and Chief Administrative Officer in November 2001. Since December 2000 Mr. Arnst has served as Executive Vice President and Chief Administrative Officer of the AFD Fund. From April 2000 to November 2000, he served as Executive Vice President and Chief Administrative Officer of AmeriServe. From December 1998 until February 2000, Mr. Arnst was Senior Vice President, General Counsel and Secretary of RailTex. For more than 2 years prior, Mr. Arnst was Vice President, General Counsel and Secretary of Ryder TRS.

Bruce E. Roberson became Executive Vice President, Sales & Marketing of SKC on October 4, 2002. For more than five years prior to October 2002, Mr. Roberson served as a Director of McKinsey & Co., a leading global strategic management consulting firm.

James K. Lehman has been Senior Vice President, General Counsel and Secretary of SKC since November 2001. For more than four years prior, Mr. Lehman was a partner at the law firm of Nelson Mullins Riley & Scarborough, L.L.P.

## ARTICLE XII

### CHAPTER 11 CASES

#### A. Commencement of the Chapter 11 Cases; Continuation of Business; Stay of Litigation

On June 9, 2000, the Debtors filed their voluntary petitions for relief pursuant to chapter 11 of the Bankruptcy Code. Since the Petition Date, the Debtors have continued in possession of their property and are operating and managing their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. Although the Debtors are authorized to operate in the ordinary course of business, the Debtors sought Bankruptcy Court approval of transactions out of the ordinary course of business.

An immediate effect of the filing of the Debtors' bankruptcy petitions was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoined the commencement or continuation of all collection efforts by creditors, the enforcement of liens against property of the Debtors and the continuation of litigation against the Debtors. This relief provided the Debtors with the "breathing room" necessary to assess and reorganize their businesses. The automatic stay remains in effect, unless modified by the Bankruptcy Court, until the earliest of the time (1) the case is closed, (2) the case is dismissed or (3) discharge is granted or denied.

##### 1. *Initial Relief Granted by the Bankruptcy Court*

During the first days of the Chapter 11 Cases, the Debtors filed several motions seeking orders intended to ensure a seamless transition between the Debtors' prepetition and postpetition business operations by approving certain regular business conduct that may not be authorized specifically under the Bankruptcy Code, or as to which the Bankruptcy Code requires prior approval by the Bankruptcy Court. The Bankruptcy Court authorized, among other things:

- The joint administration of each of the Debtors' Chapter 11 Cases.
- The retention of (a) Trumbull Services as claims and noticing agent for the Debtors and (b) Innisfree as special noticing and voting agent for the Debtors (each, a "Voting Agent").
- The Debtors to mail initial notices and to file list of creditors (without claim amounts) in lieu of matrices.
- Additional time for the Debtors to file schedules and statements.
- The Debtors to continue to use their cash management system, bank accounts, business forms, and deposit and investment guidelines; and their continuation of intercompany transactions with non-Debtor affiliates, and according superpriority status to all postpetition intercompany claims.
- The Debtors to pay (a) the prepetition wages, salaries and employee benefits earned or arising before the Petition Date of all active employees and (b) withholding and payroll taxes. The Bankruptcy Court also directed all banks to honor prepetition checks for payment of all prepetition employee obligations described above.
- The Debtors to pay prepetition sales, use and other taxes collected by the Debtors from their customers or incurred in the ordinary course of their businesses to the appropriate taxing authorities.
- The Debtors to pay certain critical prepetition shipping charges.
- The Debtors to pay certain prepetition obligations owed to mechanics, materialmen and other such entities potentially holding liens that the Debtors deemed necessary, including but not limited to certain contractors in satisfaction of perfected or potential liens and interests.

In addition, the Bankruptcy Court granted the Debtors' request to prohibit the Debtors' utility service providers from altering, refusing or discontinuing services on account of prepetition invoices. The Bankruptcy Court further

approved the Debtors' proposed procedures for determining requests by the utility service providers for additional adequate assurance.

2. *Parties In Interest and Advisors*

The parties described below have been, among others, major parties in interest, or advisors to them, in the Chapter 11 Cases to date.

(a) The Bankruptcy Court

The Honorable Peter J. Walsh, Chief United States Bankruptcy Judge for the Bankruptcy Court for the District of Delaware, has presided over the Debtors' Chapter 11 Cases.

(b) Advisors to the Debtors

The Debtors obtained Bankruptcy Court authorization to retain, among others, (i) Skadden, Arps, Slate, Meagher & Flom (Illinois) and affiliated law practice entities, (ii) Shaw Pittman LLP, (iii) Williams & Connolly LLP, (iv) Arnold and Porter, (v) Lazard Frères & Co. LLC ("Lazard"), (vi) Crowell & Moring L.L.P., (vii) Plante & Moran, LLP, (viii) Arthur Andersen LLP ("Arthur Andersen") and (ix) Alix Partners, LLC as professionals in the Debtors' cases. In addition, the Debtors obtained Court approval to retain, comply and pay additional ordinary course professionals to assist with the operating of their businesses in the ordinary course. The Debtors have consulted with these advisors on various aspects of their businesses, financial restructuring, and operations as debtors-in-possession in the Chapter 11 Cases.

In September 2002, the Debtors obtained Bankruptcy Court approval to replace Arthur Andersen with (i) Deloitte & Touche LLP, (ii) KPMG Consulting, Inc., (iii) Lucidity Consulting Group, LP and (iv) Experio Solutions Corporation.

(c) Appointment of the Creditors' Committee

On June 23, 2000, the United States Trustee appointed an official committee of unsecured creditors pursuant to section 1102(a) of the Bankruptcy Code (the "Creditors' Committee"). Thereafter, the Creditors' Committee applied and obtained consent to retain, among others, (i) Milbank, Tweed, Hadley & McCloy LLP, as counsel, (ii) Chanin Capital Partners LLP, as financial advisor, (iii) Morris, Nichols, Arsht and Tunnel, as co-counsel and (iv) Deloitte and Touche LLP, as accountants and reorganization consultants. In June 2002, the Creditors' Committee applied for, and the Bankruptcy Court entered, an order authorizing the retention of Genovese, Joblove & Battista P.A. as special litigation counsel to the Creditors' Committee. On or about September 24, 2002, Deloitte and Touche LLP's retention as the Creditors' Committee's accountants and reorganization consultants ended.

As of October 18, 2002, the Creditors' Committee consisted of the following eight members: Teachers Insurance and Annuity Association of America; ISG Resources, Inc./Creamer Investments (f/k/a RACT); Cole Taylor Bank (as Indenture Trustee); Holnam, Inc.; New Pig Corporation; Wells Fargo Bank of Minnesota, N.A. (as Indenture Trustee); Wilmington Trust Company (as Indenture Trustee); and IBM Credit Corporation.

**B. Postpetition Operations and Liquidity**

1. *Financing*

As set forth above, on July 19, 2000, the Bankruptcy Court granted final approval of the Initial DIP Facility among the Debtors, Toronto Dominion (Texas), Inc., as general administrative agent and underwriter, The CIT Group/Business Credit, Inc., as collateral agent and underwriter, and the lenders party thereto. Under the terms of the Initial DIP Facility, the proceeds could be used, among other things, to pay expenses in the Chapter 11 Cases and to finance working capital needs and capital expenditures of the Debtor. The total amount committed under the Initial DIP Facility was \$100 million, with a \$35 million sublimit for letters of credit.

On March 20, 2002, the Debtors obtained Bankruptcy Court approval to enter into the DIP Facility which provided that the total commitments under the post-petition loan would be increased to \$200 million. The amount

outstanding under the Initial DIP Facility, \$75 million, would constitute Tranche A of the DIP Facility and an additional Tranche B of \$125 million was added. The total sublimit for letters of credit under both tranches was increased to \$125 million.

Under the Final DIP Order, the lenders under the DIP Facility were granted superpriority claim status over any and all administrative expense claims specified in sections 503(b) and 507(b) of the Bankruptcy Code, subject to certain carve-outs.

The Tranche A lenders under the DIP Facility also were granted liens in substantially all of the Debtors' assets including: (i) a first lien on substantially all of the Debtors' assets that were not encumbered as of the Petition Date, (ii) a priming lien on substantially all of the Debtors' assets that secured the Lenders' prepetition Claims and (iii) a second priority junior lien on all other assets that were subject to a lien as of the Petition Date.

Similarly, the Tranche B lenders under the DIP Facility were granted liens in substantially all of the Debtors' assets including: (i) a second priority lien on substantially all of the Debtors' assets that were not encumbered as of the Petition Date, (ii) a first priority lien on the first \$35 million of proceeds from recoveries with respect to certain causes of action under chapter 5 of the Bankruptcy Code, (iii) a second priority priming lien on substantially all of the Debtors' assets that secured the Lenders' prepetition Claims and (iv) a third priority junior lien on all other assets that were subject to a lien as of the Petition Date.

The interest rate under Tranche A of the DIP Facility is base rate plus 1% per annum or LIBOR plus 3% per annum depending on the nature of the borrowings. The interest rate under Tranche B of the DIP Facility is LIBOR or base rate plus a margin of 7.25%, but in any case not lower than 12%. In addition, beginning on September 1, 2002, the margin under Tranche B started to increase by .5% on the first calendar day of each month. On top of the cash interest due with respect to Tranche B, an additional 3% per annum is added to the Tranche B principal each month, such rate increasing by 1% each month commencing on September 1, 2002. A fee of 3% per annum is charged on the outstanding face amount of Tranche A letters of credit and a fee of 12% per annum is charged on the outstanding face amount of Tranche B letters of credit (plus, in each case, a fronting fee of 0.25%). The DIP Facility matures on the earlier of March 21, 2003, or the effective date of a plan of reorganization.

## 2. *Financial Assurance Requirements*

Under RCRA, TSCA, and analogous state statutes, owners and operators of certain waste management facilities are subject to financial assurance requirements to ensure performance of their closure, post-closure and corrective action obligations. Certain Debtors, as owners and operators of RCRA and TSCA waste management facilities, are subject to these financial assurance requirements. Applicable regulations allow owners and operators to provide financial assurance through a surety bond from an approved surety. Under federal regulations and in virtually all states, to qualify as an approved surety for the purposes of providing this type of financial assurance, a surety company must be listed on Circular 570, which is maintained and distributed publicly by the United States Department of the Treasury.

In compliance with the law, starting in 1997, many of the Debtors procured surety bonds issued by Frontier as financial assurance at numerous locations. Of the total amount of financial assurance required of the Debtors under the environmental statutes, which approximated \$500 million as of May 31, 2000, slightly more than half was satisfied through assurances provided by Frontier in the form of surety bonds.

On June 6, 2000, the U.S. Treasury issued notification that Frontier no longer qualified as an acceptable surety on Federal bonds and had been removed from Circular 570 on May 31, 2000. Accordingly, effective May 31, 2000, the Debtors no longer had compliant financial assurance for many of its facilities. Under applicable regulations, these Debtors were required to obtain compliant financial assurance within sixty days, and in some states, more quickly (although the surety bonds issued by Frontier no longer qualified as acceptable federal bonds, they remained effective until replaced). Immediately following this U.S. Treasury announcement, the Debtors notified the United States Environmental Protection Agency (the "EPA") of their lack of audited consolidated financial statements for fiscal years ended 1999, 1998 and 1997 and the difficulties that certain alleged accounting irregularities would cause the Debtors in attempting to obtain compliant financial assurance for its facilities covered by the Frontier Bonds. The Debtors and the EPA also contacted states in which the non-compliant facilities were located and apprized such states of these facts.

Following the Petition Date, certain Debtors and the EPA, acting on behalf of many, but not all, affected states, engaged in negotiations resulting in the entry of the Consent Agreement, dated August 24, 2000, and Final Order, dated September 5, 2000 (as thereafter amended) ("CAFO"), which the Bankruptcy Court approved by order, October 17, 2000. Some states referred their enforcement authority to the EPA for purposes of this CAFO and thus are, in effect, parties to the CAFO. Other states entered separate, but similar, consent agreements with certain Debtors. Some states did not enter separate written agreements with the Debtors, but have allowed the Debtors to continue operating while they obtained coverage to replace the Frontier Bonds.

The main component of the CAFO (and of the consent agreements with various states) was a compliance schedule for the Debtors to obtain compliant financial assurance for the facilities covered by the Frontier Bonds. That schedule was modified on several occasions after the CAFO was entered and as the Debtors replaced Frontier at various facilities. Over the course of the Chapter 11 Cases, the Debtors have been able to replace the Frontier Bonds with compliant financial assurance coverage by other providers at all but a handful of facilities. Except for the Pinewood Facility, those remaining noncompliant facilities were among the assets that Debtors sold to Clean Harbors as of September 7, 2002. Clean Harbors has since provided compliant replacement financial assurance at those facilities. The Debtors have separately resolved the Frontier coverage issues and other issues at the Pinewood Facility in a global settlement with DHEC. See Section XII.C to this Disclosure Statement (pg. 66) entitled, "Chapter 11 Cases - - Compromises and Settlements under the Plan."

In the CAFO, the Debtors were required to waive certain arguments they otherwise could have asserted under the Bankruptcy Code with respect to their financial assurance and certain other obligations under environmental laws, including with respect to discharge of claims.

The CAFO also imposed a penalty of approximately \$1.6 million on certain Debtors, including SK Services, of which \$500,000 has been paid. Some states have imposed financial assurance penalties in addition to this amount. In several instances, the penalties are co-mingled with penalties associated with unrelated violations, making it difficult to attribute specific penalty amounts to financial assurance. The Debtors believe such additional financial assurance penalties (except those set forth and resolved in the Pinewood Settlement) would total approximately \$500,000 through December 31, 2002. However, more states may choose to assert penalties. In most cases, the financial assurance penalties are, by agreement, entitled to administrative priority.

The Debtors had posted a \$28.5 million letter of credit in 1997 with Frontier as collateral for the Frontier coverage. Under the CAFO, Debtors were not permitted to seek the return of this collateral while Frontier coverage remained outstanding. Upon the completion of the Frontier replacement program, the Debtors expect to seek the return of this collateral. There can be no assurance that the Debtors will be able to secure return of this collateral.

The Debtors understand that, on August 27, 2001, Frontier entered a rehabilitation proceeding that the New York Superintendent of Insurance will administer pursuant to New York law.

### 3. *Sale of the Chemical Services Division*

In 1997, Rollins acquired Laidlaw Chem-Waste, Inc. ("Chem Waste"), now known as SK Services, a wholly owned subsidiary of LTI. Rollins was thereafter renamed Laidlaw Environmental Services, Inc. ("LESI"). Subsequently, in May 1998, LESI acquired Old Safety-Kleen which essentially operated the BSSD as it exists today. LESI then changed its name to SKC. Following the merger, SKC continued to operate LESI's businesses as the CSD and attempted to integrate the BSSD and the CSD in late 1998 to realize potential operational synergies. The failure of this attempted integration, among other things, resulted in diminished customer services and losses in revenue and profitability to the CSD.

In May of 2000, CSD operating management initiated an effort to re-establish and enhance the CSD's organization and operations. Despite these efforts, and after extensive consideration of their strategic alternatives, SKC's management and board of directors decided that the best business strategy going forward was to retain the operations of the BSSD and explore the opportunities for a sale of the CSD.

To that end, the Debtors mounted a significant effort to identify and contact potential purchasers of the CSD business, utilizing Lazard, the Debtors' financial advisors. Lazard contacted almost 100 potential strategic and financial buyers of the CSD business.

On February 22, 2002, the Debtors entered into a definitive agreement with Clean Harbors to sell the CSD, excluding certain assets and liabilities including the Pinewood Facility. On June 18, 2002, the Bankruptcy Court approved the sale of the CSD to Clean Harbors (the "Sale Order"). The sale of the CSD closed on September 10, 2002 and was effective September 7, 2002. Under the terms of the agreement, as amended, Clean Harbors purchased the CSD's net assets from certain of the Debtors for approximately \$34,330,000, subject to certain defined working capital adjustments, and the assumption of certain environmental liabilities valued at approximately \$265 million as of August 31, 2001 and other liabilities.

Under the Sale Order, the CSD assets (the "CSD Assets") sold to Clean Harbors included (a) substantially all of the assets utilized in the operation of the CSD owned by the Debtors set forth on Appendix H to this Disclosure Statement (the "CSD Selling Subsidiaries"), (b) certain executory contracts and unexpired leases identified by Clean Harbors and (c) all of the shares of Safety-Kleen Ltd. and Clean Harbors (Mexico), Inc. (a subsidiary established by SK Services to hold its portion of the stock of Laidlaw Environmental Services de Mexico, S.A. de C.V.) (collectively, the "Transferred Subsidiaries"). Safety-Kleen Ltd. was the Canadian parent and holding company of the following Canadian subsidiaries: 510127 N.B. Inc.; Safety-Kleen Services (Quebec), Ltd.; Safety-Kleen Services (Mercier), Ltd; and SK D'Incineration Inc.

Under the Sale Order, the CSD Assets were transferred free and clear of all liens, claims, encumbrances and interests under section 363(f) of the Bankruptcy Code, other than certain permitted exceptions and assumed liabilities referenced in the sale agreement.

As part of the sale, Clean Harbors assumed certain liabilities (the "Assumed Liabilities") from SK Services and the CSD Selling Subsidiaries and agreed to thereafter pay, perform or otherwise discharge in accordance with their terms, and indemnify SK Services and the CSD Selling Subsidiaries and their affiliates, from all of the liabilities and obligations of SK Services, the CSD Subsidiaries, the Transferred Subsidiaries and their respective direct and indirect subsidiaries, with respect to, arising out of or relating to, the ownership, possession or use of the CSD Assets and the operation of the CSD business other than certain excluded liabilities, but including without limitation, the following:

- (a) liabilities and obligations with respect to, arising out of or relating to, the ownership, possession or use of the CSD Assets and the operation of the CSD business and arising after the closing date of the CSD sale;
- (b) liabilities and obligations, whether arising before or after the closing date, in connection with (i) certain owned real property, (ii) the real property subject to certain real property leases, (iii) the real property owned or leased, directly or indirectly, by the Transferred Subsidiaries or (iv) the operation of the CSD business (including liabilities and obligations arising under various environmental laws that relate to violations of various environmental laws, including imposing liabilities or obligations for, activities conducted at, from or in connection with any of the foregoing, including exposure to the migration of materials from the foregoing);
- (c) liabilities and obligations arising from any violation of various environmental laws by Clean Harbors, the direct or indirect subsidiaries of Clean Harbors or the Transferred Subsidiaries first occurring on or after the closing date;
- (d) various liabilities and obligations in respect of contracts and leases assigned to Clean Harbors;
- (e) liabilities and obligations in connection with or arising out of the requirement on and after the closing date that Clean Harbors obtain financial assurance that complies with the requirements of the governmental entities with jurisdiction over certain owned real property or the real property subject to various real property leases or the real property owned or leased by any Transferred Subsidiary or any subsidiary of any Transferred Subsidiary;
- (f) liabilities which are included as part of the working capital; and
- (g) the liabilities as of the closing date of any Transferred Subsidiary or any subsidiary of any Transferred Subsidiary;

provided, however, Clean Harbors would not assume or agree to pay, perform or otherwise discharge any liabilities and obligations with respect to, arising out of or relating to, the ownership, possession or use of the CSD Assets and the operation of the CSD business prior to the closing date

- (a) which are to be discharged by the Bankruptcy Court in accordance with section 3.8 of the sale agreement,
- (b) with respect to fines imposed by various governmental entities,
- (c) with respect to injuries suffered by employees of SK Services, any CSD Selling Subsidiary or Transferred Subsidiary,
- (d) with respect to tort (other than environmental clean-up) and common law claims for which post-1986 general liability insurance containing pollution exclusions normally would provide coverage,
- (e) which are amounts due from the CSD business to BSSD or
- (f) which are taxes (other than taxes for which Clean Harbors is expressly liable pursuant to the terms of the sale agreement) arising out of or relating to any period or any portion thereof ending on or prior to the closing date without regard to when asserted, commenced or identified.

#### 4. *Financial Restatements*

As set forth in more detail above, the Debtors were required to restate their financial statements for fiscal years 1997, 1998 and 1999. On or about July 9, 2001, the Debtors filed with the SEC their Form 10-K/A, Amendment No. 1 (the "10-K/A") for the fiscal year ended August 31, 2000. The 10-K/A included, among other things, the Debtors' restated financial results for fiscal years 1997, 1998, 1999, as well as audited financial results for fiscal year 2000. The restatements reflected an overall reduction in previously reported earnings of approximately \$534 million for fiscal years 1997 through 1999.

#### 5. *Sale of European Operations*

On August 11, 2000, the Debtors completed the sale of their remaining 44% interest in their European operations. The Debtors received approximately \$34.4 million in cash and, subject to contingencies, approximately \$1.3 million in deferred payments. On December 23, 1998, the Debtors announced the recapitalization of their European operations resulting in the sale of 56% of the Debtors' equity interest in those operations. From these proceeds, and the proceeds of the June 2000 sale of the Debtors' landfill located in Rosemount, Minnesota, approximately \$19 million was paid to the U.S. Lenders as an adequate protection payment.

#### 6. *Sale of 3E Assets*

As of August 1, 2002, SK Services owned a 75.78% interest in 3E Company Environmental, Ecological and Engineering (the "3E Company"), a Non-Debtor Affiliate of SK Systems, engaged in providing hazardous materials information management and emergency response services for environmental health and safety managers. The remaining 24.22% of 3E Company was held by minority shareholders. On August 28, 2002, the Bankruptcy Court entered an order authorizing SK Systems to vote its shares of stock in the 3E Company to approve (a) the sale of substantially all of the assets of the 3E Company, to a corporation formed by management of 3E Company, for \$12,639,218, (b) the purchase of the remaining 24.22% of the 3E Company stock for \$625,062.08 and (c) the assumption and assignment of certain unexpired leases.

#### 7. *Claim Objection Process*

In a chapter 11 case, claims against a debtor are established either as a result of being listed in the debtor's schedules of liabilities or through assertion by the creditor in a timely filed proof of claim form. Once established, the claims

are either allowed or disallowed. If allowed, the claim will be recognized and treated pursuant to a plan of reorganization. If disallowed, the creditor will have no right to obtain any recovery on or to otherwise enforce the claim against the debtor.

(a) Schedules and Statements

On September 8, 2001, the Debtors filed their schedules of assets and liabilities and statements of financial affairs (together, and as may have been amended, the "Schedules"). The Schedules set forth the Claims of known Claimholders against each of the Debtors as of the Petition Date, based upon the Debtors' books and records. The Debtors reserve the right to further amend their Schedules during the remaining pendency of the Chapter 11 Cases.

(b) Claims Bar Date

By order dated August 11, 2000, the Bankruptcy Court established October 31, 2000 as the deadline for filing proofs of claim against the Debtors by those creditors required to do so (the "Bar Date"), other than governmental units. Pursuant to section 502(b)(9), December 6, 2000 was the claims bar date applicable to governmental units. In compliance with procedures approved by the Bankruptcy Court, the Debtors (i) through their claims agent Trumbull Services provided timely notice of the Bar Date by mail and (ii) published notice of the bar date in The Wall Street Journal (National Edition) and The New York Times (National Edition).

(c) Claims Objection Process

Proofs of claim aggregating over 17,400 in number and asserting in excess of \$181 billion in claim amounts (not including claims asserted in unliquidated amounts) have been filed against the Debtors. The Debtors have been engaged in the process of evaluating the proofs of claim to determine whether objections seeking the disallowance, reclassification or reduction of certain asserted Claims should be filed. As a result, numerous objections have been filed to date, and the majority of the Claims subject to such objections have been disallowed or reclassified. The Debtors intend to continue that process until the Effective Date. The Debtors do not anticipate having objected to and resolving all proofs of claim filed in these Chapter 11 Cases, by the Effective Date. The Disbursing Agent and/or the Trustee will continue the process after the Effective Date through the Claims Objection Deadline or sixty calendar days after a proof of claim is filed, as such date may be extended in accordance with the Plan. If the Debtors, the Reorganized Debtors, the Disbursing Agent, and/or the Trustee do not object to a proof of claim by the deadline established in the Plan or such later date approved by Bankruptcy Court Order, the Claim asserted therein will be deemed Allowed pursuant to the Plan. As appropriate, the Disbursing Agent or the Trustee may seek to negotiate and settle disputes as to asserted Claims as an alternative to filing objections to the proofs of claim.

8. *Sale of Assets in Holly Hill, South Carolina*

By order dated August 28, 2002, the Bankruptcy Court authorized the Debtors to sell to Holcim (U.S.) Inc. and its wholly owned subsidiary, Energis, LLC certain assets used at the waste fuels blending facility located in Holly Hill South Carolina, for approximately \$2,625,000. In connection with the sale of such assets, SK Systems entered into a new fuel agreement with Energis, LLC under which SK Systems provides certain waste materials to Energis to be processed at the Holly Hill facility.

9. *Other Asset Dispositions*

As part of their overall plan to maximize the value of the Debtors' Estates, the Debtors conducted an internal review of their properties and business operations to identify and divest themselves of non-core and/or non-profitable businesses or properties not necessary to a reorganization. The properties identified included properties that were (a) never used by the Debtors' operations, (b) underutilized by the Debtors and for which the operations could be consolidated at other facilities and (c) properties no longer used by the Debtors. In connection with this review, the Debtors determined that a number of properties were not essential to their reorganization and obtained court approval for the sale and divestiture of such properties, including, among others, real property in the following locations and amounts (i) Elgin, Illinois for \$9,000,000, (ii) Martinez, California for \$1,825,000, (iii) Ann Arbor, Michigan for \$1,500,000 and (iv) Schaumburg, Illinois for \$427,000. In addition, the Debtors obtained the Bankruptcy Court's approval for certain of the Debtors to enter into a purchase agreement with Cameron-Cole, LLC to sell certain assets, including, but not limited to, certain consulting contracts, personal

property, leases of real and personal property, software licenses and intangible assets in connection with the certain Debtors' consulting business for approximately \$1,350,000 in cash and notes.

#### 10. *Outsourcing Agreements*

As part of their overall plan to restructure their operations, the Debtors have focused on, among other things, identifying expensive and/or inefficient in-house functions and services that could be provided or performed more cost-effectively or efficiently if out-sourced to independent third parties with relevant expertise. The following are examples of outsourcing arrangements the Debtors entered into to maximize value to the Debtors' estates.

(a) On August 11, 2000, the Bankruptcy Court entered an order authorizing the Debtors to enter into an outsourcing arrangement with Acxiom to outsource support, operation of the mainframe and server and to integrate the mainframe and server platforms from the closed SKC Elgin data center to Acxiom's facility in Downers Grove, Illinois. The term of the agreement is for five years from the date of integration, and the cost is approximately \$585,000 per month for a total commitment of approximately \$35 million over the five year period.

(b) In March of 2002, the Debtors obtained Bankruptcy Court approval to enter into (i) a licensing agreement with SAP America, Inc. ("SAP") whereby SAP granted the Debtors, among other things, the use of its proprietary software and (ii) a master services agreement with Electronic Data Systems Corporation and EDS Information Services L.L.C. (collectively, "EDS") to, among other things, implement the SAP software package. The Debtors entered into the licencing agreement and master services agreement with SAP and EDS respectively in an attempt to streamline operating and financial systems and controls. Under the master services agreement, EDS agreed to, among other things: (i) provide the Debtors SAP implementation services to better configure, develop and implement the SAP modules, thus significantly reducing the complexity of the Debtors' financial software environment; (ii) host the SAP financial software and provide a network connection between the EDS servers and the Debtors' facilities and (iii) assume responsibility for the Debtors' accounts payable operation and processing. The Debtors anticipate possibly entering into additional outsourcing arrangements with EDS in the future.

(c) On August 30, 2002, the Bankruptcy Court entered an order authorizing the Debtors to enter into agreements with Mellon Bank, N.A. and Mellon Financial Service Corporation #1 (collectively, "Mellon") under which Mellon will, among other things, provide certain lockbox and data processing services, for Debtors at three centralized facilities and will provide to the Debtors timely information with respect to payments on account of customer remittances that Mellon processes. In addition, Mellon will, among other things, be responsible for (i) sorting and reviewing the Debtors' customer remittances that are sent to these facilities, (ii) processing customer remittances, including mail processing, sorting and review, providing data transmission to the Debtors, (iii) wiring payments to the Debtors' account on a daily basis and (iv) providing single point of contact customer service.

(d) On August 30, 2002, the Bankruptcy Court also entered an order authorizing the Debtors to enter into agreements with Cendian Corporation ("Cendian") under which Cendian will, among other things, plan, procure and manage the logistics and transportation services necessary to transport certain of the Debtors' and their customers' chemicals and hazardous waste materials to, from and/or through various service locations.

#### 11. *Business Transactions*

(a) A subsidiary of SKC signed an agreement to serve as the exclusive distributor of the innovative line of parts cleaning equipment manufactured by SystemOne® Technologies, Inc. ("SystemOne®"). The multi-year agreement was approved by the Bankruptcy Court on December 15, 2000. The BSSD locations across North America began marketing SystemOne's® products in early 2001.

(b) Pursuant to the EDS master services agreement described in Section XII.B.10(b) (pg. 61) above, EDS will also assist the Debtors in developing a number of processes and solutions in order to enhance the Debtors' delivery to its customers.

(c) On October 10, 2001, the Bankruptcy Court authorized the Debtors to enter into a three-year telecommunications services agreement with AT&T Corporation and its various affiliates to receive long distance service, dedicated data circuits, inbound 800 service and dial-up internet access. The cost of the three-year agreement is approximately \$9 million.

12. *Relocation of Headquarters*

The Debtors are relocating their corporate headquarters from South Carolina to Texas. In connection therewith, the Debtors obtained court approval to enter into a new lease for real property in Plano, Texas. The Debtors have begun the transition process and believe the relocation process will continue through 2003. As a result of this transition, some employees at the current corporate headquarters will be relocated to Plano, Texas and the employment of certain other employees from the current corporate headquarters will eventually end. Until the transition is complete, there may be dual functions operating in Plano, Texas and Columbia, South Carolina.

13. *Employment Matters*

(a) Employment Contracts

On August 11, 2000, the Bankruptcy Court authorized (i) the implementation of key employee severance programs and (ii) the ratification of the existing retention and severance arrangements with certain Elgin, Illinois employees.

On August 11, 2000, the Court also authorized the Debtors to enter into employment agreements with Chief Executive Officer and Chairman of the Board, David E. Thomas, Jr.; President and Chief Operating Officer, Grover C. Wrenn; and Senior Vice President and Chief Financial Officer, Larry W. Singleton.

On September 5, 2001, the Bankruptcy Court authorized the Debtors to enter into employment and indemnification agreements with Ronald A. Rittenmeyer as Chairman of the Board, Chief Executive Officer and President. Mr. Rittenmeyer succeeded David E. Thomas, Jr.

On September 5, 2001, the Bankruptcy Court also authorized the Debtors to enter into termination and consulting agreements with David E. Thomas, Jr. and Grover C. Wrenn.

On October 18, 2001, the Bankruptcy Court authorized the Debtors to enter into employment and indemnification agreements with Thomas W. Arnst to employ Mr. Arnst as Executive Vice President and Chief Administrative Officer of the Debtors.

On August 28, 2002, the Bankruptcy Court authorized the Debtors to enter into employment and indemnification agreements with Bruce E. Roberson to retain Mr. Roberson to serve as the Executive Vice President – Sales and Marketing of SKC.

(b) Advancement and Reimbursement of Legal Fees and Expenses

Through orders entered on December 15, 2000, May 16, 2001, and August 21, 2001, the Bankruptcy Court authorized the Debtors to advance certain officers and directors legal fees and expenses, with respect to actions against such officers and directors, through August 21, 2002 ("Defense Cost Orders").

In addition, as part of the Debtors' settlement with the Laidlaw Defendants (as defined below), the Debtors obtained authorization to reimburse certain former SKC directors (the "Former Directors") for reasonable attorneys' fees and expenses incurred in connection with the mediation and incurred or to be incurred with the Debtors' and the Laidlaw Defendants' prosecution of claims against PricewaterhouseCoopers LLP and PricewaterhouseCoopers LLP (Canada) in *Safety-Kleen Corp. et al. v. PricewaterhouseCoopers LLP, et al.*, Civil Action No. 01-CP-40-4213 up to an amount authorized under the Defense Cost Orders. In addition, the Debtors obtained authority to reimburse such directors for various incurred defense costs and prosecution costs up to an additional \$5 million. In connection therewith, the Former Directors agreed that any amount recovered from National Union Fire Insurance Co. of Pittsburgh, Pa. and/or American Home Assurance Company as reimbursement for certain past litigation costs incurred by the Former Directors and advanced or reimbursed by the Debtors will be remitted to the Debtors until such amounts have been fully reimbursed.

By order dated August 21, 2000, the Bankruptcy Court authorized the Debtors to pay up to an aggregate of \$500,000 in legal fees on behalf of nine individuals, after their employment terminated. The legal fees were authorized in connection with the ongoing federal criminal proceeding in the Southern District of New York and the formal order of investigation issued by the SEC.

(c) Reduction of Labor Force

In connection with, among other things, the Debtors' sale of the CSD and various outsourcing arrangements, the Debtors have reduced their employee ranks from more than 10,000 employees at the beginning of the Chapter 11 Cases to approximately 4,980 employees, as of December 31, 2002.

14. *Extensions to the Exclusive Period for the Debtors to File a Plan of Reorganization*

Section 1121(b) of the Bankruptcy Code provides for an initial period of 120 days after the commencement of a chapter 11 case during which a debtor has the exclusive right to propose a plan of reorganization (the "Exclusive Proposal Period"). In addition, section 1121(c)(3) of the Bankruptcy Code provides that if a debtor proposes a plan within the Exclusive Proposal Period, it has the remaining balance of 180 days after the commencement of a chapter 11 case to solicit acceptance of such plan (the "Exclusive Solicitation Period"). During the Exclusive Proposal Period and the Exclusive Solicitation Period, plans may not be proposed by any party in interest other than the debtor.

By various orders, the Bankruptcy Court has extended the time period during which the Debtors retain the exclusive right to file a plan of reorganization and to solicit acceptance of such plan. Most recently, by order dated February 21, 2003, the Bankruptcy Court extended the Debtors' exclusive period to solicit acceptances of the Plan to May 30, 2003.

15. *Preference Actions*

On May 17, 2002, the Bankruptcy Court entered an order (a) establishing omnibus filing and pretrial procedures for certain adversary proceedings, including adversary proceedings under 11 U.S.C. §§ 544, 545, 547, 548 or 553, the commencement of which would arguably otherwise be time barred after June 9, 2002 and (b) granting authority to abandon causes of action. Under the procedures the Debtors filed more than 400 adversary proceedings under seal without the necessity of immediately serving the complaints.

16. *Insurance Settlements*

As set forth in Section X.C.7 to this Disclosure Statement (pg. 43), entitled "History of the Debtors and Events Leading to the Chapter 11 Filing and Plan - - Legal Proceedings", the Debtors initiated the following three actions for contractual and declaratory relief against certain insurers that have disputed whether or to what extent various insurance policies provide coverage for third party claims arising from environmental liability and product liability claims: (a) the New Jersey Coverage Action, (b) the Washington Coverage Action and (c) the California Coverage Action.

The Debtors have reached settlements with the Settling Insurers set forth on Exhibit H to the Plan with respect to the Resolved Insurance Policies set forth on Exhibit G to the Plan. The majority of the Resolved Insurance Policies are umbrella and excess policies whose limits the insurers argued would not be required to respond to claims until after the Debtors exhausted the limits of the policies underlying these excess policies. To resolve the disputes, the Settling Insurers agreed to, among other things, make settlement payments in excess of \$13 million to either (a) SKC, (b) SK Systems or (c) a qualified settlement trust, the establishment of which was authorized by Bankruptcy Court order dated October 16, 2002. The qualified settlement trust fund was established to (i) provide funds which may be used to pay for costs incurred by the Debtors in connection with certain claims, suits and demands alleging personal injury, bodily injury and property damage claims; (ii) provide funds to be used to pay the legal fees of the Debtors and costs in conjunction with litigation and other legal proceedings, including, without limitation, administrative proceedings, arising from claims; (iii) provide advances to pay for legal fees and settlement costs of claims asserted against the Debtors pending reimbursement or indemnification by other responsible third parties, including, without limitation, insurers of the Debtor; (iv) to pay for certain contingent obligations to certain of the Settling Insurers pursuant to the Settling Insurers' settlement agreements; and (v) to do all things necessary or appropriate in connection with the foregoing.

The settlement agreements with the Settling Insurers also provided that the qualified settlement trust or SKC would be required to indemnify the Settling Insurers with respect to certain claims made against the Settling Insurers. To avoid the potential claims against the Debtors and the reduction of the value of the settlement to the Debtors' estates, the Plan provides for releases from and injunctions against certain third parties with respect to the Resolved Insurance Policies, as set forth in Section VII.J to this Disclosure Statement (pg. 33), entitled "Effect of the Plan - - Release by Insured Persons."

The New Jersey Coverage Action and the California Coverage Action are continuing with respect to the non-settling insurers. The Washington Coverage Action was resolved and dismissed.

17. *Extension of Time to Assume or Reject Unexpired Leases*

Given the size and complexity of the Chapter 11 Cases, the Debtors were unable to complete their analysis of all nonresidential real property leases during the time limitation prescribed by section 365(d)(4) of the Bankruptcy Code. By orders dated August 11, 2000, May 16, 2001 and finally February 11, 2002, the Bankruptcy Court extended the time by which the Debtors must elect to assume or reject unexpired leases and executory contracts for non-residential property through and including the effective date of any confirmed plan or plans of reorganization in the Chapter 11 Cases.

18. *Disposition of Executory Contracts and Unexpired Leases*

Pursuant to section 365 of the Bankruptcy Code, the Debtors may choose to assume, assume and assign or reject executory contracts and unexpired leases of real or personal property, subject to approval of the Bankruptcy Court. The Debtors have rejected a number of executory contracts and real or personal property leases, but they have generally deferred any assumption decisions to the time of confirmation of the Plan.

19. *Laidlaw Litigation/Settlement*

Laidlaw directly or indirectly owns 43.6% of the outstanding common stock of SKC and has various other arrangements and relationships with the Debtors. On November 7, 2000, Laidlaw, on behalf of itself and its direct and indirect subsidiaries (collectively referred to as the "Laidlaw Group"), filed a proof of claim in the unliquidated amount of not less than \$6.5 billion against the Debtors in the Chapter 11 Cases. The Laidlaw Group claims against the Debtors fall into the following general categories: (a) claims for indemnification; (b) contribution and reimbursement in connection with certain litigation matters; (c) claims against the Debtors for fraudulent misrepresentation, fraud, securities law violations, and related causes of action; (d) insurance claims; (e) guaranty claims; (f) environmental contribution claims; (g) tax reimbursement claims; and (h) additional miscellaneous claims. On April 19, 2001, the Debtors filed with the Bankruptcy Court an objection to the proof of claim filed by Laidlaw Group.

On April 19, 2001, the Debtors filed an action against Laidlaw and its affiliates, LTI and Laidlaw International Finance Corporation ("LIFC", and together with LTI, the "Laidlaw Defendants") in the Debtors' Chapter 11 Cases, Adv. Pro. No. 01-01086 (PJW) (the "SKC-Laidlaw Adversary Proceeding"). The action sought to recover a transfer of over \$200 million in August 1999 (the "Transfer") made to or for the benefit of the Laidlaw Defendants. The Debtors asserted that the transfer was recoverable either as a preference payment to the extent the Transfer retired pre-existing debt or as a fraudulent transfer to the extent the Transfer redeemed equity or was made with intent to hinder, delay or defraud creditors. In the action, the Debtors sought to recover the Transfer, plus interest and costs occurring from the first date of demand from the Laidlaw Defendants.

On June 28, 2001, Laidlaw and five of its subsidiary holding companies, Laidlaw Investments Ltd., LIFC, Laidlaw One, Inc., LTI and Laidlaw USA, Inc. (collectively, the "Laidlaw Debtors") filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Western District of New York, Case Nos. 01-14099K through 01-14104K. On the same day, Laidlaw and Laidlaw Investments Ltd. filed cases under the Canada Companies' Creditors Arrangement Act ("CCAA") in the Ontario Superior Court of Justice in Toronto, Ontario. On October 16, 2001, the Debtors and the Creditors' Committee filed a proof of claim in the unliquidated amount of not less than \$4.6 billion, subject to statutory trebling, plus punitive damages, interest, and costs, against the Laidlaw Debtors in the Laidlaw Debtors' chapter 11 cases (the "Safety-Kleen Proof of Claim"). The claims against the Laidlaw Debtors fell into the following general categories: (a) claims for fraud, racketeering, breach of fiduciary duty, and other related misconduct; (b) preference and fraudulent transfer claims; (c) breach of contract, misrepresentation, and other related misconduct; (d) guaranty claims and (e) indemnification, contribution, and reimbursement claims.

In December 2001, pursuant to the Safety-Kleen/Laidlaw Mediation Discovery Protocol approved by the Bankruptcy Court for the District of Delaware and the Bankruptcy Court for the Western District of New York, the Debtors, the Debtors' secured Lenders, the Debtors' Creditors' Committee, certain of the Debtors' directors, the Laidlaw Debtors and the Laidlaw Debtors creditors' committee and subcommittees agreed to undertake, on an expedited and consolidated basis, limited preliminary discovery to obtain information to assist in presenting submissions to a mediator in an effort to resolve certain outstanding claims between and among the parties in the Debtors' and Laidlaw Debtors' bankruptcy cases. A mediation proceeding began in early April 2002. On August 16, 2002 and August 30, 2002, the Bankruptcy Court for the District of Delaware and the Bankruptcy Court for the Western District of New York, respectively, approved a settlement resolving Laidlaw's \$6.5 billion claim against the Debtors, and the Debtors' claims against Laidlaw including, but not limited to claims relating to the SKC-Laidlaw Adversary Proceeding and the Safety-Kleen Proof of Claim, claims by the Debtors secured lenders of \$6.3 billion against Laidlaw, and claims by certain officers and directors of each company against the other company. The central component of the settlement between the two companies was the agreement by Laidlaw and its major creditor groups to provide in the Laidlaw Debtors' plan of reorganization for an allowed general unsecured claim of \$225 million in favor of SKC, to be classified as a Class 6 claim with other general unsecured claims under the Laidlaw Debtors' reorganization plan. Pursuant to the terms of the Creditors' Committee Compromise, shares of Laidlaw Stock having a Fair Trading Value of an amount equal to \$29 million will be distributed to holders of Allowed Claims in Classes 4 and 5 in accordance with the Plan, or if the Laidlaw Stock does not have a Fair Trading Value equal to or in excess of \$29 million on the Effective Date, then a combination of Cash or other consideration and Laidlaw Stock, in form and substance acceptable to the Creditors' Committee, sufficient to fund a distribution to holders of Allowed Claims in Classes 4 and 5 totaling \$29 million (less the SKC Indenture Trustees' Fees and the Special Litigation Co-Counsel Fees, which will be paid pursuant to Section 9.10(d)(i) of the Plan) will be distributed to holders of Allowed Claims in Classes 4 and 5 (the "Laidlaw Stock Distribution"); provided, that in no event will the Laidlaw Stock Distribution or the distribution to holders of Allowed Claims in Classes 4 and 5 be in an amount less than \$29 million.

In addition, the settlement provided that: (a) upon effectiveness of the agreement, the Laidlaw parties will assign to Toronto Dominion (Texas), Inc., on behalf of itself and as administrative agent for the Debtors' Lenders under the Prepetition Credit Facility, any and all rights the Laidlaw parties may have to the funds, which aggregate approximately \$2.5 million (as of June 26, 2002) plus accrued interest thereafter, maintained in account #1065366 at Bank One, 1 Bank One Plaza, Chicago, IL, and the Debtors will promptly release such funds to the Debtors' Lenders on the Effective Date, (b) Laidlaw will not make further draws upon the Dai-Ichi Kangyo Bank Letter of Credit issued at the request of the Debtors and (c) Laidlaw agreed to waive any rights it may have against the Debtors for payments of amounts due or to seek reimbursement for any amounts that have been or may in future be paid by Laidlaw under the SKC Insurance & Claims Handling Program 4/1/98 to 8/31/99 dated August 10, 1999, or the Addendum to the Insurance Claims Handling Program, which extended the Insurance Claims Handling Program through August 31, 2000.

On or about February 27, 2003, the Bankruptcy Court for the Western District of New York confirmed the Laidlaw Debtors' third amended joint plan of reorganization.

20. *PricewaterhouseCoopers Issues*

The Debtors filed an action against PwC as set forth more fully in Section X.C.2 to this Disclosure Statement (pg. 41), entitled "History of the Debtors and Events Leading to Chapter 11 Filing and Plan - - Legal Proceedings."

21. *Payment of Superfund Obligations*

On September 8, 2000, March 15, 2001 and April 12, 2002, the Bankruptcy Court authorized the Debtors to continue to pay certain superfund obligations subject to certain approvals from the Lenders and the Creditors' Committee.

22. *Consent Agreement with EPA*

On October 17, 2000, the Bankruptcy Court entered an order approving the CAFO entered into by the Debtors and the EPA. The terms of the CAFO are discussed more fully in Section XII.B.2 (pg. 56), entitled "Chapter 11 Cases - -Postpetition Operations and Liquidity." Following Bankruptcy Court approval of the CAFO, the Bankruptcy Court approved amendments to the CAFO on May 16, 2001, November 5, 2001, May 8, 2002 and October 31, 2002.

### C. Compromises and Settlements under the Plan

The Plan will constitute a motion for the Bankruptcy Court's approval of the following settlements pursuant to Bankruptcy Rule 9019. Entry of the Confirmation Order will constitute the Bankruptcy Court's approval of and finding that the settlements are good faith settlements pursuant to applicable state and federal laws, given and made after due notice and opportunity for hearing.

#### 1. *Pinewood and South Carolina Department of Health and Environment Control Settlement*

An indirect subsidiary of SKC, Pinewood, owns and operated a hazardous waste landfill near the Town of Pinewood in Sumter County, South Carolina. Under the Pinewood Order, dated May 19, 1994, the South Carolina Board of Health and Environmental Control approved the issuance by DHEC of the Pinewood Permit for operation of the Pinewood Facility. The Pinewood Permit included provisions governing financial assurance and capacity for the facility.

The Pinewood Order required Pinewood to establish and maintain an Environmental Impairment Fund ("EIF") in the amount of \$133 million in 1994 dollars by July 1, 2004 as financial assurance for potential environmental cleanup and restoration of environmental impairment at the Pinewood Facility. The EIF has two components: (a) the GSX Contribution Trust Fund, which was to be funded by Pinewood in annual cash payments over a ten year period and (b) the "State Permitted Sites Fund," a legislatively created fund derived from fees on waste disposal at the Pinewood Facility. Under the Pinewood Order, at the end of the 100-year post-closure care period, funding of the GSX Contribution Trust Fund would be subject to evaluation by an independent arbitrator, who would determine what level of funding, if any, was still required. Pinewood was entitled to seek recovery of any excess amount so determined. Upon termination of the GSX Contribution Trust Fund, any remaining trust assets would revert to Pinewood. In 1993 and 1994, Pinewood paid approximately \$15.5 million in cash into the GSX Contribution Trust Fund, which has grown to approximately \$20.7 million as of August 31, 2002. In addition, as of October 31, 2001, there was approximately \$14.8 million in the State Permitted Sites Fund.

In June 1995, the South Carolina legislature approved the S.C. Regulations governing financial assurance for environmental cleanup and restoration of environmental impairment. The S.C. Regulations gave owner/operators of hazardous waste facilities the right to choose from among alternative options for providing financial assurance. The options included insurance, a payment bond, a letter of credit, a cash trust fund and a corporate guaranty, subject to a financial soundness test. Pinewood elected to utilize the insurance option.

Following extensive litigation, the South Carolina Court of Appeals issued a decision on April 4, 2000 (which became final on June 14, 2000). The Court of Appeals ruled that (a) the S.C. Regulations were invalid due to insufficient public notice during the promulgation procedure and Pinewood was required to immediately comply with the cash financial assurance requirements of the May 19, 1994 Order and (b) both non-hazardous and hazardous waste disposed of at the landfill from the beginning of waste disposal needed to be counted against Pinewood's permitted capacity, thereby leaving Pinewood with no unused permitted capacity.

On June 9, 2000, DHEC issued an emergency order finding that Frontier (the issuer of the bonds used by Pinewood to provide for financial assurance for the costs of closure and post-closure, and third party liability) no longer met regulatory standards for bond issuers. Based on this finding, DHEC ordered Pinewood to cease accepting waste for disposal by August 28, 2000, unless it could provide acceptable alternative financial assurance by June 27, 2000. On December 19, 2001, the United States Court of Appeals for the Fourth Circuit determined that DHEC's June 9, 2000 Emergency Order was not subject to the automatic bankruptcy stay.

On June 14, 2000, when the Court of Appeals decision became final, DHEC sent notice by letter to the Pinewood Facility directing that Pinewood cease accepting waste for disposal in 30 days and commence steps to effect the permanent closure of the Pinewood Facility.

On June 22, 2000, DHEC notified Pinewood that the Court of Appeals' decision had vacated the S.C. Regulations and, therefore, Pinewood had the sole responsibility to provide cash funding into the EIF in accordance with the Pinewood Order. The DHEC notice also directed Pinewood to provide information to DHEC, within 15 days, on how Pinewood would comply with the Order including payment into the GSX Contribution Trust Fund. On September 26, 2000, the Pinewood Facility ceased accepting waste for disposal.

On December 4, 2000, DHEC filed proofs of claim against each of (a) SKC, (b) SK Services, (c) Pinewood and (d) SK Systems with respect to the EIF. Each proof of claim was filed in the amount of approximately \$118.5 million (in 1994 dollars).

On December 4, 2000, the South Carolina Public Service Authority (also known as Santee Cooper) also filed proofs of claim against each of (a) SKC, (b) SK Services, (c) Pinewood and (d) SK Systems (collectively, the "Santee Cooper Claims"). The Santee Cooper Claims did not set forth an identifiable amount or basis supporting such claims.

On September 14, 2001, Pinewood was served with a Notice of Violation and Enforcement Conference issued by DHEC, alleging four separate violations of the South Carolina Hazardous Waste Management Act at Pinewood's landfill. DHEC and Pinewood resolved these matters by entering into a Consent Order on October 11, 2002, giving DHEC an allowed, general unsecured claim in the amount of \$24,600.

On November 1, 2001, DHEC filed a motion in the Bankruptcy Court for an allowance of an administrative expense claim in the amount of approximately \$111.5 million (in 1994 dollars) against Pinewood, reserving all rights to file additional administrative expense claim motions against other Debtors. On November 8, 2001, the Debtors filed an objection to that motion asserting that no part of the claim is entitled to administrative status. On November 13, 2001, DHEC filed a reply to the Debtors' objection.

On October 15, 2002, the Debtors entered into the Pinewood Site Settlement Agreement with DHEC to resolve pending claims relating to the landfill at the Pinewood Facility and certain other claims. The settlement is subject to Bankruptcy Court approval and a number of other contingencies explained in more detail below. The complete terms of the settlement are set forth in the Pinewood Site Settlement Agreement, attached as Appendix I to this Disclosure Statement.

The principal terms of the Pinewood Settlement are as follows:

(a) The Pinewood Facility presently owned by Pinewood will be transferred on the Effective Date to a trust to be created to own and manage the Pinewood Facility through the closure and post-closure period. This trust (called the "Pinewood Site Trust") will have responsibility for completing closure of the Pinewood Facility over the next two years and then undertaking post-closure care over the next 100 years. Pinewood will transfer to the Pinewood Site Trust: (i) real property, including improvements thereto, owned by Pinewood and previously utilized in the operation of the Pinewood Facility; (ii) personal property, including vehicles, machines, equipment and supplies, owned by Pinewood and located at the Pinewood Facility as of the Effective Date; (iii) leasehold interests of Pinewood, subject to the terms of applicable leases, previously utilized in the operation of the Pinewood Facility; and (iv) permits for the Pinewood Facility issued by DHEC.

(b) Pinewood will provide specified funding to the Pinewood Site Trust. It will pay to the Pinewood Site Trust \$13,162,768 (subject to downward adjustment for work by Pinewood in the interim) on the Effective Date, to cover closure, and will transfer to the Pinewood Site Trust ownership of a single-payment, fully guaranteed annuity to be paid for by Pinewood, which will pay out \$133 million over the next 100 years. The cost of the annuity will depend on interest rates at the time it is purchased. If it were purchased presently, it is estimated that the cost would be approximately \$23 million.

(c) Pinewood will propose, subject to DHEC's approval, a person or firm to serve as trustee for the Pinewood Site Trust. The funding to be provided by Pinewood to the Pinewood Site Trust will be increased to include compensation for the trustee and certain other costs to be determined. With these additional costs and the downward adjustments for work already done by Pinewood, it is estimated that the payment on the Effective Date will be approximately \$12 million and the cost of the annuity would increase at present interest rates to approximately \$24.5 million.

(d) A second trust, called the New Environmental Impairment Trust Fund, will be created to provide funds to be used by DHEC in the event of environmental impairment at the Pinewood Facility. The funds presently in the GSX Contribution Trust Fund will be transferred to this new trust, and Pinewood will pay another \$14.5 million into it. This trust fund can be utilized by DHEC for any environmental needs at the Pinewood Facility.

(e) The two trusts, the Pinewood Site Trust and the New Environmental Impairment Trust Fund, will stay in existence for the next hundred years, or longer, if necessary, to address continuing risks at the Pinewood Facility. Any funds or property remaining in such trusts when they terminate will be transferred to DHEC or another state agency to be used for environmentally beneficial purposes.

(f) In exchange for the foregoing, DHEC will release all of the Debtors and the Reorganized Debtors, from any further responsibility for the Pinewood Facility (except for any new violations arising between October 15, 2002 and the Effective Date). Once the required payments are made to the two trusts, no Debtor or Reorganized Debtor will have any further liability to those trusts.

(g) The settlement also resolves, with one exception, the many proofs of claim filed by DHEC including some proofs of claim involving South Carolina facilities other than Pinewood. Many of the proofs of claim filed by DHEC will be withdrawn with prejudice as part of the settlement. A number of other proofs of claim filed by DHEC are resolved by the allowance of general unsecured claims totaling about \$1.9 million, as specified in the Settlement Agreement and its exhibits thereto. Some of these claims had been asserted as administrative expense claims. DHEC also releases the Debtors from any other known claims that it has, and the parties agree to dismiss pending litigation between them. The settlement agreement does not resolve DHEC's claims for response costs incurred at the Hollis Road site, more extensively detailed in the case, entitled, *South Carolina Department of Health and Environmental Control v. Western Atlas, Inc., f/k/a/ Litton Industrial Automation Systems, Inc. and successor-in-interest to Litton Business Systems, Inc., David Bright, individually and d/b/a Superior Container Service, Safety-Kleen (TG), Inc., Safety-Kleen Systems, Inc., and Hoover Building Systems, Inc.*, Case No. 3-00-1760, currently pending before the United States District Court for the District of South Carolina ("USDCSC"). The Hollis Road site matter was settled in principle, subject to approval by the Bankruptcy Court and the USDCSC.

(h) DHEC will assign and transfer to Pinewood or its designee any and all claims that DHEC may have against Laidlaw or any of its subsidiaries or affiliates.

(i) After the Pinewood Site Settlement Agreement was executed, releases of claims relating to the Pinewood Facility were also obtained from four other parties previously involved in litigation over the Pinewood Facility: the South Carolina Department of Natural Resources, Santee Cooper, Sierra Club and State Senator Phil Leventis.

The Debtors believe that the terms of the Settlement Agreement are in the best interests of the Debtors. As set forth above, DHEC and the Debtors have been involved in significant litigation that the Settlement Agreement will resolve including, among other things, (a) closure and post-closure care of the Pinewood Facility, (b) the proofs of claim filed by DHEC and Santee Cooper and (c) the administrative expense claims filed by DHEC.

## 2. *Settlement of Creditors' Committee's Adversary Proceeding*

The Chapter 11 Cases gave unsecured creditors, through their statutory representatives, the opportunity to investigate the impact of various pre-petition transactions on the Debtors' creditors. Safety-Kleen is the product of two highly leveraged acquisitions: (a) the leveraged buyout of Rollins Environmental Services, Inc. in 1997 by LESI, structured as a reverse acquisition of Laidlaw Chem-Waste, Inc., (hereinafter, the "Rollins LBO") and (b) the leveraged buyout of "old" Safety-Kleen Corp. (a Wisconsin Corporation) (n/k/a Safety-Kleen Systems, Inc. or "SK Systems") ("Old Safety-Kleen") by LESI (n/k/a Safety-Kleen Corp. or "SKC") in 1998 (hereinafter, the "Safety-Kleen LBO"), through a similar structure. During the Chapter 11 Cases, the Creditors' Committee determined that certain aspects of the Rollins LBO and the Safety-Kleen LBO transactions – particularly the execution of guarantees and granting of the Lenders' liens – were subject to challenge by the Debtors' estates.

On June 7, 2002, the Creditors' Committee, through its special litigation counsel, Genovese, Joblove & Battista, P.A., initiated the Creditors' Committee's Adversary Proceeding against the Pre-Petition Agent and the Lenders (hereinafter, the "Lender Defendants"). In the Creditors' Committee's Adversary Proceeding, the Creditors' Committee, pursuant to applicable bankruptcy and state fraudulent transfer statutes, sought to avoid in excess of \$1.8 billion in pre-petition liens, security interests, and transfers granted to the Lender Defendants in return for certain loans given to facilitate the Safety-Kleen LBO in April 1998. The Creditors' Committee alleged among other things, that the liens and security interests granted to the Pre-Petition Agent and the Lender Defendants, and the transaction fees paid in connection with the Safety-Kleen LBO, were avoidable under various fraudulent transfer statutes. Additionally, in the Creditors' Committee's Adversary Proceeding, the Creditors' Committee lodged objections to the claims filed by the Lender Defendants in each of the Debtors' bankruptcy cases.

On August 19, 2002, certain of the Lender Defendants filed their answer in the Creditors' Committee's Adversary Proceeding. Discovery commenced in late August 2002. At that time, the parties had agreed upon a discovery and litigation schedule, which anticipated a trial commencing in or about January 2004.

During a pre-trial conference held on September 24, 2002, however, the parties agreed to stay the Creditors' Committee's Adversary Proceeding for sixty days in response to the September 20, 2002 decision issued by the United States Court of Appeals for the Third Circuit (the "Third Circuit") in the case of Official Comm. of Unsecured Creditors of Cybergeneics Corp. v. Chinery, et al. (In re Cybergeneics Corp.), 304 F.3d 316 (3d Cir. 2002) (finding phrase "the trustee may" in section 544 of Bankruptcy Code means only a trustee, and not a statutory committee, can commence certain avoidance actions), vacated and reh'g en banc granted, 2002 WL 31554591 (3d Cir. Nov. 18, 2002).

Subsequent to the pre-trial conference, but prior to the expiration of the sixty-day stay of the Creditors' Committee's Adversary Proceeding, the Third Circuit entered an order, dated November 18, 2002, vacating the Cybergeneics decision and providing for a rehearing en banc scheduled for February 19, 2003. Based on the Third Circuit's vacatur, on December 10, 2002, the Creditors' Committee obtained authority to continue prosecuting the Creditors' Committee's Adversary Proceeding and on the same date filed a motion for partial summary judgment.

Given the potential impact of the Cybergeneics decision on the Creditors' Committee's Adversary Proceeding, on December 13, 2002, the Creditors' Committee filed the Brief Of Amicus Curiae The Official Committee of Unsecured Creditors Of Safety-Kleen Corp., et al., In Support of Appellant and Reversal (the "Amicus Brief"). In furtherance of the Amicus Brief, the Creditors' Committee also filed the Motion of Official Committee of Safety-Kleen Corp., et al. For Leave to File Amicus Curiae Brief, Pursuant to Fed. R. App. P. 29, Supporting Official Committee of Unsecured Creditors Of Cybergeneics Corp. And Reversal (the "Amicus Brief Motion"). By order dated December 22, 2002, the Third Circuit granted the Amicus Brief Motion. Oral argument in connection with the en banc rehearing was held on February 19, 2003.

In December 2002, the Creditors' Committee, the Debtors and the Lenders negotiated a settlement with respect to (a) the Creditors' Committee's Adversary Proceeding and (b) the Committee Exclusivity Extension Objection (that is, the Creditors' Committee Compromise). The salient terms of the Creditors' Committee Compromise are:

(a) The Creditors' Committee will cause the Creditors' Committee's Adversary Proceeding to be dismissed effective upon consummation of the Plan. In the event that the consummated Plan does not effectuate the Creditors' Committee Compromise, however, then the Creditors' Committee's Adversary Proceeding will resume and all terms and conditions of the Creditors' Committee Compromise will be null, void, and of no further force and effect;

(b) The U.S. Lenders waive their right to receive any distributions on account of their deficiency Claims with respect to any claims they may have that constitute Allowed Class 4 Claims or Allowed Class 7 Claims.

(c) Holders of Allowed Class 4 General Unsecured Claims (excluding the Lenders' Allowed Class 4 Claims that constitute deficiency claims against SKC) and Allowed Class 5 9¼ % Senior Notes Claims will receive their Pro Rata share of the following:

(i) shares of the Laidlaw Stock with a Fair Trading Value of an amount equal to \$29 million. In the event that the Laidlaw Stock distributed to SKC on account of the Laidlaw Claim and pursuant to Laidlaw's chapter 11 plan does not have a Fair Trading Value equal to or in excess of \$29 million on the Effective Date, then SKC will distribute a combination of Cash or other consideration and Laidlaw Stock, in form and substance acceptable to the Creditors' Committee, such that the Laidlaw Stock Distribution is at least \$29 million (less the SKC Indenture Trustee Fees and the Special Litigation Co-Counsel Fees to be paid pursuant to Section 9.10(d)(i) of the Plan);

(ii) the PwC Litigation Distribution. For further discussion, see Section X.C to this Disclosure Statement (pg. 41) entitled, "History of the Debtors and Events Leading to the Chapter 11 Filing and Plan - - Legal Proceedings." Holders of Allowed Class 4 and Class 5 Claims will share the PwC Litigation Distribution with holders of Allowed Claims in Classes 6 and 7; and

(iii) a distribution in Cash by SKC in an amount equal to 50% of the amount by which any and all Professional Claims of AA are reduced as a consequence of any objection of the Creditors' Committee to AA's Professional Claims, after (A) deducting the fees and expenses incurred by the Creditors' Committee in connection with or relating to the prosecution of any such objection and (B) deducting any reduction in AA's Professional Claims arising from any documented settlement reached between the Debtors and AA with respect to its Professional Claims prior to the date of any hearing to consider confirmation of the Plan.

(d) Holders of Allowed Class 6 9¼% Senior Subordinated Notes Claims will receive the following distributions:

(i) If Class 6 votes to accept the Plan, each holder of a Class 6 9¼% Senior Subordinated Notes Claim will be deemed to have waived its Claim with respect to SKC and both the Lenders and the holders of Class 5 9¼% Senior Notes Claims will be deemed to have waived their contractual subordination rights with respect to the Class 6 9¼% Senior Subordinated Notes Claims. In that event, holders of Allowed Class 6 9¼% Senior Subordinated Notes Claims will receive their Pro Rata share of (x) the beneficial interests in the Safety-Kleen Creditor Trust and (y) the PwC Litigation Distribution. Each holder of a Class 6 9¼% Senior Subordinated Notes Claim will receive a distribution on account of its Class 6 Claim with respect to one Subsidiary sub-Class, but not multiple Subsidiary sub-Classes of Class 6, and will forgo any distribution with respect to the remaining Class 6 sub-Classes.

(ii) If Class 6 votes to reject the Plan, then (A) the contractual subordination rights of (1) the U.S. Lenders with respect to the Class 6 9¼% Senior Subordinated Notes Claims and (2) the holders of Class 5 9¼% Senior Notes Claims with respect to the holders of Class 6 9¼% Senior Subordinated Notes Claims will be preserved and enforced under the Plan in accordance with section 510(a) of the Bankruptcy Code, and therefore the holders of Allowed Class 6 Claims will neither receive nor retain any distributions under the Plan on account of such Claims and (B) pursuant to the terms of the settlement of the Creditors' Committee's Adversary Proceeding, the distributions that would otherwise have been made to the holders of Allowed Class 6 Claims had Class 6 voted to accept the Plan will be distributed to the U.S. Lenders on account of the deficiency Claims of the U.S. Lenders. For further discussion, see Section VII.E (pg. 31), entitled "Effect of the Plan - - Satisfaction of Subordination Rights."

(e) Holders of Allowed Class 7 Subsidiary General Unsecured Claims will receive their Pro Rata share of (i) the beneficial interests in the Safety-Kleen Creditor Trust and (ii) the PwC Litigation Distribution.

The Debtors believe that the terms of the Creditors' Committee Compromise are in the best interests of the Debtors' estates and their creditors. Without the compromise and settlement, unsecured creditors would have no certainty of a meaningful distribution given the magnitude of the Lenders' asserted claims. Furthermore, the continued prosecution of the Creditors' Committee's Adversary Proceeding would have materially and negatively impacted the Debtors' ability to emerge from chapter 11.

### 3. *Jay Alix and Associates Settlement*

On or about June 9, 2000, the Debtors filed an application (the "Jay Alix Application") to retain and employ Jay Alix and Associates ("Jay Alix") as restructuring consultants. On or about June 27, 2000, the Office of the United States Trustee filed an objection (the "Trustee Objection"), as further amended on or about April 2, 2001, to the Jay Alix Application. The Trustee Objection asserted, among other things, that Jay Alix was not a "disinterested person" under sections 101(14) and 327(a) of the Bankruptcy Code. The Debtors and Jay Alix vigorously disputed the Office of the United States Trustee's position on the issue. After significant litigation, the dispute was resolved by stipulation under which Jay Alix was, among other things, (i) retained by the Debtors and (ii) required to disgorge \$250,000 from fees paid to Jay Alix before the Petition Date.

## ARTICLE XIII

### CERTAIN FACTORS TO BE CONSIDERED

Holders of Claims in Classes 3 through 7 should carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or to reject the Plan.

#### A. General Considerations

The formulation of a plan of reorganization is the principal purpose of the Chapter 11 Cases. The Plan sets forth the means for satisfying the Claims against the Debtors. Certain Claims and the Interests will receive no distributions pursuant to the Plan. See Section II.E to this Disclosure Statement (pg. 4), entitled "Summary of the Plan of Reorganization -- Classification and Treatment of Claims and Interests." Reorganization of the Debtors' businesses and operations under the proposed Plan also avoids the potentially adverse impact of a liquidation on the Debtors' employees, and many of their customers, trade creditors and lessors.

##### 1. *Failure to Confirm the Plan*

Even if all Impaired voting classes vote in favor of the Plan and, with respect to any Impaired Class deemed to have rejected the Plan, the requirements for "cramdown" are met, the Bankruptcy Court, which, as a court of equity, may exercise substantial discretion, and may still choose not to confirm the Plan. Section 1129 of the Bankruptcy Code requires, among other things, a showing that confirmation of the Plan will not be followed by liquidation or the need for further financial reorganization of the Debtors, see Article XVII to this Disclosure Statement, entitled "Feasibility of the Plan and Best Interests of Creditors," and that the value of distributions to dissenting holders of Claims and Interests may not be less than the value such holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. See Article XVII to this Disclosure Statement (pg. 92), entitled "Feasibility of the Plan and Best Interests of Creditors." Although the Debtors believe that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

##### 2. *Failure to Consummate the Plan*

The Plan provides for certain conditions that must be fulfilled prior to confirmation of the Plan and the Effective Date. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be met (or waived) or that the other conditions to consummation, if any, will be satisfied. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the restructuring completed.

##### 3. *Certain Provisions of the Certificate of Incorporation and the Bylaws*

The certificate of incorporation and the bylaws may contain provisions that have the effect of discouraging a third party from attempting to obtain control of New Holdco. The certificate of incorporation will authorize the issuance of 40,000,000 shares of New Common Stock of which up to 25,000,000 may be issued on the Effective Date, and may authorize the issuance of preferred stock. This authorized and available New Common Stock could (within the limit imposed by applicable law) be issued by New Holdco, generally without further stockholder approval, and used to discourage a change in control of New Holdco. The bylaws may contain certain provisions that may be considered to be anti-takeover provisions. Those provisions may (a) impose advance notice requirements for stockholder nominations to the Board of Directors and stockholders proposals, (b) allow the Board of Directors to designate the annual meeting date without restriction, (c) allow the Board of Directors to dictate the conduct of stockholder meetings and (d) shorten the notice period for calling a special meeting of the Board of Directors.

## **B. Material United States Federal Income Tax Considerations**

**THERE ARE A NUMBER OF MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS, RISKS AND UNCERTAINTIES ASSOCIATED WITH CONSUMMATION OF THE PLAN. INTERESTED PARTIES SHOULD READ CAREFULLY THE DISCUSSION SET FORTH IN ARTICLE XVI OF THE DISCLOSURE STATEMENT (Pg. 82), ENTITLED "MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN" FOR A DISCUSSION OF THE MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES AND RISKS FOR THE DEBTORS AND FOR U.S. HOLDERS OF CLAIMS THAT ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN RESULTING FROM THE TRANSACTIONS OCCURRING IN CONNECTION WITH THE PLAN.**

## **C. Inherent Uncertainty of Financial Projections**

The projections set forth in Appendix G hereto cover the Reorganized Debtors' operations through the period ending December 31, 2007 (the "Projections"). These Projections are based on numerous assumptions that are an integral part of the Projections, including confirmation and consummation of the Plan in accordance with its terms, realization of the operating strategy of the Reorganized Debtors, industry performance, no material changes in applicable legislation or regulations, exchange rates, generally accepted accounting principles, general business and economic conditions, competition, adequate financing, absence of material contingent or unliquidated litigation or indemnity claims, and other matters, many of which are beyond the control of the Reorganized Debtors and some or all of which may not materialize. In addition, unanticipated events and circumstances occurring subsequent to the date of this Disclosure Statement may affect the actual financial results of the Reorganized Debtors' operations. Because the actual results achieved throughout the periods covered by the Projections may vary from the projected results, the Projections should not be relied upon as a guaranty, representation, or other assurance of the actual results that will occur. (See Article XVII to this Disclosure Statement (pg. 92), entitled "Feasibility of the Plan and Best Interests of Creditors.")

## **D. Risks Associated with Exit Facility**

The Debtors' operations are dependent on the availability and cost of working capital financing and may be adversely affected by any shortage or increased cost of such financing. The Debtors anticipate entering into the Exit Facility, the terms of which will provide a credit availability, secured with liens on substantially all of the Reorganized Debtors' assets, which liens will be senior to the liens securing the New Notes. The Debtors anticipate that the Exit Facility will be used to (1) fund repayment of the DIP Facility, (2) provide short-term working capital needs, (3) fund debt service on the New Notes and (4) fund letters of credit.

The Debtors believe that substantially all of their needs for funds necessary for post-Effective Date working capital financing will be met by projected operating cash flow or the Exit Facility. The proposed Exit Facility may contain certain conditions and covenants that the Debtors may not be able to meet, however. Moreover, if the Debtors require working capital greater than that provided by the Exit Facility, they may be required either to (1) seek to increase the availability under the Exit Facility, (2) obtain other sources of financing or (3) curtail their operations. Some of the factors which may affect the amount of financing required to consummate the Plan include, without limitation, a delay in consummating the Plan, and whether the Debtors' cash flow prior to the Effective Date is more or less than budgeted. The Debtors believe that the recapitalization to be accomplished through the Plan will facilitate the Debtors' ability to obtain additional or replacement working capital financing. No assurance can be given, however, that any additional replacement financing will be available on terms that are favorable or acceptable to the Debtors. Moreover, there can be no assurance that the Debtors will be able to obtain an acceptable credit facility upon expiration of the Exit Facility.

## **E. Risks Associated with New Common Stock**

The New Common Stock to be distributed under the Plan are new securities for which there is no existing trading market. The Debtors do not intend to register the New Common Stock under the Exchange Act or apply for listing or quotation of the New Common Stock on any securities exchange, stock market or interdealer quotation system. Accordingly, there can be no assurance that any trading market will exist for the New Common Stock following the consummation of the Plan. In such an event, a holder of the New Common Stock could find it

difficult to dispose of, or to obtain accurate quotations as to the market value of such securities, following the consummation of the Plan.

**If the Plan is approved, the U.S. Lenders will own a majority of the New Common Stock. As a result, the U.S. Lenders will have the ability to elect a majority of the members of its board and to control the vote on all matters presented to a vote of holders of New Common Stock.**

The New Common Stock will be distributed pursuant to the Plan without registration under the Securities Act of 1933 and without qualification or registration under state securities laws, pursuant to exemptions from such registration and qualification contained in section 1145(a) of the Bankruptcy Code. With respect to certain Persons who receive such securities pursuant to the Plan, these Bankruptcy Code exemptions apply only to the distribution of such securities under the Plan and not to any subsequent sale, exchange, transfer or other disposition of such securities or any interest therein by such Persons. Therefore, subsequent sales, exchanges, transfers or other dispositions of such securities or any interest therein by "underwriters" or "issuers" would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act of 1933 or state securities laws.

In addition, the shares of New Common Stock will be subject to certain transfer restrictions set forth in a stockholders' agreement among the holders of the shares of New Common Stock (the "New Common Stockholders' Agreement") who receive their shares pursuant to the Plan, as the New Common Stockholders' Agreement may be supplemented, modified, amended or restated from time to time. Such transfer restrictions will prohibit a holder of New Common Stock from transferring any shares to any Person not already holding shares of New Common Stock after New Common Stock is held of record by 450 or more Persons.

Also, such Holders of the New Common Stock will be able to sell their shares of New Common Stock only if a registration statement relating to such shares is then in effect, or if such transaction is exempt from the registration requirements of the Securities Act of 1933, and such shares are qualified for sale or exempt from qualification under the applicable securities laws of the states in which the purchaser of such shares resides. See Article XV to this Disclosure Statement (pg. 79), entitled "Applicability of Federal and Other Securities Laws."

#### **F. Risks Associated with New Preferred Stock**

The New Preferred Stock to be distributed under the Plan are new securities for which there is no existing trading market. The Debtors do not intend to register the New Preferred Stock under the Exchange Act or apply for listing or quotation of the New Preferred Stock on any securities exchange, stock market or interdealer quotation system. Accordingly, there can be no assurance that any trading market will exist for the New Preferred Stock following the consummation of the Plan. In such an event, a holder of the New Preferred Stock could find it difficult to dispose of, or to obtain accurate quotations as to the market value of such securities, following the consummation of the Plan.

If the Plan is approved, New Holdco will have the ability to elect a majority of the members of the board of directors of New Parent and to control the vote on all matters presented to a vote of holders of equity of New Parent.

The New Preferred Stock will be distributed pursuant to the Plan without registration under the Securities Act of 1933 and without qualification or registration under state securities laws, pursuant to exemptions from such registration and qualification contained in section 1145(a) of the Bankruptcy Code. With respect to certain Persons who receive such securities pursuant to the Plan, these Bankruptcy Code exemptions apply only to the distribution of such securities under the Plan and not to any subsequent sale, exchange, transfer or other distribution of such securities or any interest therein by such Persons. Therefore, subsequent sales, exchanges, transfers or other dispositions of such securities or any interest therein by "underwriters" or "issuers" would not be exempted by section 1145(a) of the Bankruptcy Code from registration under the Securities Act of 1933 or state securities laws.

In addition, the shares of New Preferred Stock will be subject to certain transfer restrictions set forth in a stockholders' agreement between New Parent and the holders of the shares of New Preferred Stock (the "New Preferred Stockholders' Agreement") who receive their shares pursuant to the Plan, as the New Preferred Stockholders' Agreement may be supplemented, modified, amended or restated from time to time. Such transfer restrictions will

prohibit a holder of New Preferred Stock from transferring any shares to any Person not already holding shares of New Preferred Stock after New Preferred Stock is held of record by 450 or more Persons.

Also, such holders of the New Preferred Stock will be able to sell their shares of New Preferred Stock only if a registration statement relating to such shares is then in effect, or if such transaction is exempt from the registration requirements of the Securities Act of 1933, and such shares are qualified for sale or exempt from qualification under the applicable securities laws of the states in which the purchaser of such shares resides. See Article XV to this Disclosure Statement (pg. 79), entitled "Applicability of Federal and other Securities Laws."

#### **G. Risks Associated with New Notes**

The New Notes to be distributed under the Plan are new securities for which there is no existing trading market. The Debtors do not intend to register the New Notes under the Exchange Act or apply for listing or quotation of the New Notes on any securities exchange or interdealer quotation system. Accordingly, there can be no assurance that any trading market will exist for the New Notes following the consummation of the Plan. In such an event, a holder of the New Notes could find it difficult to dispose of, or to obtain accurate quotations as to the market value of such securities, following the consummation of the Plan.

The New Notes will be distributed pursuant to the Plan without registration under the Securities Act of 1933 and without qualification or registration under state securities laws, pursuant to exemptions from such registration and qualification contained in section 4(2) of the Securities Act of 1933 and Regulation D thereunder. Since the New Notes will not be registered under the Securities Act of 1933, Persons who receive such securities may not offer, sell, pledge or otherwise transfer the New Notes within the United States or to, or for the account or benefit of U.S. Persons, unless a registration statement relating to the New Notes intended to be offered, sold, pledged or otherwise transferred is then in effect, or if such transaction is exempt from the registration requirements of the Securities Act of 1933, and such New Notes are qualified for sale or exempt from qualification under the applicable securities laws of the states in which the purchaser of such New Notes resides. See Article XV to this Disclosure Statement (pg. 79), entitled "Applicability of Federal and Other Securities Laws."

Because the New Notes will have liens junior to those of the Exit Facility, if the Reorganized Debtors become insolvent, they may not have sufficient assets to make payments on amounts due on any or all of the New Notes. If the Reorganized Debtors subsequently become bankrupt, liquidate, dissolve, reorganize or undergo a similar proceeding, the Reorganized Debtors' assets will be available to obligations on the New Notes only after all outstanding Exit Facility debt has been paid in full. In addition, an event of default under the Exit Facility may prohibit the Reorganized Debtors from paying the New Notes.

The inclusion of the New Notes in the Plan increases the financial risk of the Debtors, post-emergence. The Debtors' Business Plan indicates that the Reorganized Debtors will have significant capital expenditures in the near term and, as a result, will not generate free cash flow in the first year of the Business Plan. The New Notes will have conditions and covenants which may be breached in the event actual financial results deviate substantially from the Business Plan. In this case or in the event that the Reorganized Debtors are not able to satisfy the debt service requirements of the New Notes, the Reorganized Debtors would be in default under these securities which could potentially trigger an insolvency. While the Debtors believe that the amount of debt in the capital structure is supportable according to the Business Plan, there can be no assurance that the Reorganized Debtors' actual financial performance will be sufficient to enable the Reorganized Debtors to meet the debt service requirements of the New Notes.

#### **H. Disruption of Operations Due to Failure to Confirm Plan**

The Debtors believe that relationships with their customers, suppliers and employees will be maintained if the chapter 11 process continues in a timely fashion. However, if there is a further protracted chapter 11 process, and if the Debtors' relationships with their customers, suppliers and employees are adversely impacted, the Debtors' operations could be materially affected. Weakened operating results could adversely affect the Debtors' ability to complete the solicitation of acceptances of the Plan or, if such solicitation is successfully completed, to obtain confirmation of the Plan. In the event that the Debtors fail to confirm the Plan, the risks associated with a protracted

chapter 11 process or a liquidation must also be considered (See Article XVIII to this Disclosure Statement (pg. 101), entitled "Alternatives to the Confirmation and Consummation of the Plan").

#### **I. Financial Uncertainty**

The past performance of the Debtors has resulted in significant losses and negative cash flows. While partially due to the extraordinary expense and burden of the Chapter 11 Cases, such circumstance is also a result of continued weak financial performance on an operating basis. The Debtors' financial forecast expects continued negative free cash flow as increased capital expense and lingering costs from chapter 11 activities will further deplete the Debtors' liquidity position. While the management team believes these expenditures and other measures being taken will enhance the future profitability of the Reorganized Debtors, there is no guarantee that such efforts will be successful. The success of the Plan also rests on the realization of at least \$100 million of value from the Laidlaw Recovery. To the extent the value is less than forecast or is not realized on a timely basis, the Debtors will likely need to use the Exit Facility as a means to meet required expenses arising from chapter 11 emergence, as well as ordinary course expenses associated with operations. The current market for secured lending, even with senior priority with respect to assets, is currently illiquid and in great turmoil. While the Debtors have received inquiries from financial institutions with respect to providing financing, there can be no certainty that the Debtors will successfully find banks willing to lend and provide liquidity through a senior secured credit facility upon emergence.

#### **J. Risks Associated with Business and Competition**

The overall demand for services in the Debtors' core business has been declining in recent years. In addition, during the Debtors' chapter 11 proceedings, they have been susceptible to competitors who have used the negative perception of the Debtors' Chapter 11 Cases to their advantage and in some instances competitors have engaged in activities the Debtors believe rise to the level of unfair competition. The markets in which the Debtors operate are competitive. There can be no certainty that the Debtors will not continue to lose customers to competitors.

#### **K. Risks Associated with CSD Sale/Assumed Liabilities**

As part of the sale of the CSD to Clean Harbors, Clean Harbors assumed the Assumed Liabilities from SK Services and the CSD Selling Subsidiaries. The Assumed Liabilities are comprised of, among other things, certain categories of liabilities that Clean Harbors has agreed to pay, perform or otherwise discharge. Following the consummation of the sale, the Debtors and Clean Harbors have been working toward classifying certain claims asserted against the Debtors as either being included in the definition of Assumed Liabilities or not being included in the definition of Assumed Liabilities. There can be no assurance that Clean Harbors will agree on the Debtors' classification of all claims. In the event that Clean Harbors does not agree on the Debtors' proposed classification of all claims, and is ultimately successful in its classification, or otherwise does not or is unable to meet its obligations with respect to the Assumed Liabilities, the Debtors could be subject to material claims against them which could adversely affect the Debtors' financial condition and results of operations.

For a further description of the Assumed Liabilities, see Section XII.B.3 to this Disclosure Statement (pg. 57), entitled "Chapter 11 Cases -- Postpetition Operations and Liquidity."

#### **L. Environmental Matters**

##### *1. Environmental Regulations*

The Debtors' operations are subject to various comprehensive laws and regulations related to the protection of the environment. Such laws and regulations, among other things, (a) regulate the nature of the industrial by-products and wastes that the Debtors can accept for processing at its treatment, storage and disposal facilities, the nature of the treatment they can provide at such facilities and the location and expansion of such facilities; (b) impose liability for remediation and clean-up of environmental contamination, both on-site and off-site, resulting from past and present operations at the Debtors' facilities and (c) require financial assurance that funds will be available for the closure and post-closure care of sites, including acquired facilities. In addition, because the Debtors provide their customers with services designed to protect the environment by cleaning and removing materials or substances from their customers' equipment or sites that must be properly handled, recycled or removed for ultimate disposal, the

Debtors' operations are subject to regulations which impose liability on persons involved in handling, processing, generating or transporting hazardous materials. These requirements also may be imposed as conditions of operating permits or licenses that are subject to renewal, modification or revocation. These laws and regulations are likely to continue to become increasingly stringent. Existing laws and regulations, and new laws and regulations, may require the Debtors to modify, supplement, replace or curtail their operating methods, facilities or equipment at costs which may be substantial without any corresponding increase in revenues.

Adverse impacts to soil or groundwater have been discovered at many of the processing, transfer, storage and disposal facilities used by the Debtors. Remediation or other corrective action may be required at these sites at substantial cost. For each of these sites, the Debtors, typically in conjunction with an environmental consultant, have developed or are developing cost estimates that are periodically reviewed and updated, and the Debtors maintain reserves in accordance with Generally Accepted Accounting Practices for these matters based on such cost estimates. Estimates of the Debtors' liability for remediation of a particular site and the method and ultimate cost of remediation require a number of assumptions and are inherently difficult. There can be no assurance that the ultimate cost and expense of corrective action will not substantially exceed such reserves and have a material adverse impact on the Debtors' operations or financial condition.

In the normal course of business, and as a result of the extensive governmental regulation of industrial and environmental services and resource recovery, the Debtors have been the subject of administrative and judicial proceedings by regulators and have been subject to requirements to remediate environmental contamination or to take corrective action. There will be administrative or court proceedings in the future in connection with the Debtors' present and future operations or the operations of acquired businesses. In such proceedings in the past, the Debtors have been subject to monetary fines and certain orders requiring the Debtors to take environmental remedial action. In the future, the Debtors may be subject to monetary fines, penalties, remediation, clean-up or stop orders, injunctions or orders to cease or suspend certain of their practices. The outcome of any proceeding and associated costs and expenses could have a material adverse impact on the operations or financial condition of the Debtors.

The Debtors' industrial services businesses are subject to extensive governmental regulation, and the complexity of such regulation makes consistent compliance with such laws and regulations extremely difficult. In addition, the demand for certain of the Debtors' services may be adversely affected by the amendment or repeal of federal, state, provincial, or foreign laws and regulations or by changes in the enforcement policies of the regulatory agencies concerning such laws and regulations.

## 2. *Public Concerns*

There is a high level of public concern over industrial by-products recovery and waste management operations, including the siting and operation of transfer, processing, storage and disposal facilities and the collection, processing or handling of industrial by-products and waste materials, particularly hazardous materials. Zoning, permit and licensing applications and proceedings and regulatory enforcement proceedings are all matters open to public scrutiny and comment. As a result, from time to time, the Debtors have been, and may in the future be, subject to citizen opposition and publicity which may have a negative effect on their operations and delay or limit the expansion and development of operating properties and could have a material adverse effect on their operations or financial condition.

## 3. *Environmental Insurance Coverage*

Consistent with waste disposal industry trends, the Debtors may not be able to obtain adequate amounts of environmental impairment insurance at a reasonable premium to cover liability to third parties for environmental damages. Accordingly, if the Debtors were to incur liability for environmental damage either not provided for under such coverage or in excess of such coverage, the Debtors' financial position and results of operations could have a material and adverse affect.

#### 4. *Jurisdictional Restrictions on Waste Transfers*

In the past, various states, provinces, counties and municipalities have attempted to restrict the flow of waste across their borders, and various United States and Canadian federal, provincial, state, county and municipal governments may seek to do the same in the future. Any such border closing may result in the Debtors incurring increased third-party disposal costs in connection with alternate disposal arrangements.

The Debtors are required under certain United States and Canadian laws and regulations to demonstrate financial responsibility for possible bodily injury and property damage to third parties caused by both sudden and non-sudden occurrences. The Debtors also are required to provide financial assurance that funds will be available when needed for closure and post-closure care at certain of its treatment, storage and disposal facilities, the costs of which could be substantial. Such laws and regulations allow the financial assurance requirements to be satisfied by various means, including letters of credit, surety bonds, trust funds, a financial (net worth) test and a guarantee by a parent company. In the United States, a company must pay the closure costs for a waste treatment, storage or disposal facility that it owns by it upon the closure of the facility and thereafter pay post-closure care costs. There can be no assurance that these costs will not materially exceed the amounts provided pursuant to financial assurance requirements. In addition, if such a facility is closed prior to its originally anticipated time, it is unlikely that sufficient funds will have been accrued over the life of the facility to fund such costs, and the owner of the facility could suffer a material adverse impact as a result. Consequently, it may be difficult to close such facilities to reduce operating costs at times when, as is currently the case in the industrial services industry, excess treatment, storage or disposal capacity exists.

#### **M. Claims Estimates**

As noted above, proofs of claim aggregating over 17,400 in number and asserting in excess of \$181 billion in Claim amount (not including Claims asserted in unliquidated amounts) have been filed against the Debtors. The Debtors have been engaged in the process of evaluating the proofs of claim and believe there exist objections to many of the Claims. The estimated Claim amounts reflected herein are the Debtors' best estimates as to the Allowed amount of the Claims, assuming that the Debtors' assumptions prove to be correct. There can be no assurance that the estimated percentage recovery amounts set forth herein for Classes 3 through 7 are correct, and the actual Allowed amount of Claims in Classes 3 through 7 may differ substantially from the estimates. Estimated amounts are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual Allowed amount of Claims in Classes 3 through 7 may vary from those estimated herein, and the Pro Rata distributions is subject to such variation.

#### **N. Litigation**

The Reorganized Debtors will be subject to various claims and legal actions arising in the ordinary course of their businesses. The Debtors are not able to predict the nature and extent of any such claims and actions and cannot guarantee that the ultimate resolution of such claims and actions will not have a material adverse effect on the Reorganized Debtors.

SKC and SK Systems are party to a lawsuit filed by Heritage-Crystal alleging postpetition injuries and seeking damages in excess of \$400 million in consequential and punitive damages which the plaintiff claims is subject to trebling under applicable statutes. SKC and SK Systems have and shall continue to vigorously defend the action filed by Heritage-Crystal in federal court in Illinois. For purposes of calculating the estimated percentage recoveries for Classes under the Plan and the summary of sources and uses of cash in the Debtors' pro forma financial projections, no value has been attributed to the Heritage-Crystal litigation or the proof of claim filed by Heritage-Crystal on or about January 23, 2003 asserting an administrative claim for the full amount of the damages sought in the Heritage-Crystal litigation. The outcome of this litigation, if adverse to SKC or SK Systems, could have a material adverse effect on the financial condition of SKC, SK Systems or Reorganized Systems.

There exists the possibility of future environmental and related claims against the Reorganized Debtors by virtue of their businesses and operation, in undetermined amounts. The Debtors believe that the sale of the CSD to Clean Harbors and the discharge provided by the confirmation of the Plan should mitigate the risk of future liabilities with respect to past actions, but no assurances in that regard can be provided.

**O. Reliance on Key Personnel**

One of the Debtors' primary assets is their highly skilled personnel, who have the ability to leave the Debtors and so deprive them of the skill and knowledge essential for performance of new and existing contracts. The Debtors operate a service business which is highly dependent on their customers' belief that the Debtors will perform tasks of the highest standards over an extended period of time. Deterioration of the Debtors' business, or loss of a significant number of key personnel, will have a material adverse effect on the Debtors and may threaten their ability to survive as going concerns.

The Debtors' successful transition through the restructuring process is dependent in part on their ability to retain and motivate their officers and key employees. The Debtors' financial difficulties have had a detrimental effect on their ability to attract and retain key officers and employees. There can be no assurance that the Debtors will be able to retain or employ qualified management and technical personnel. While the Debtors have entered into employment agreements with certain members of their senior management, should any of these persons be unable or unwilling to continue their employment with the Debtors, the business prospects of the Debtors could be materially and adversely affected.

**ARTICLE XIV**

**SECURITIES TO BE ISSUED IN CONNECTION WITH THE PLAN**

The following discussion summarizes the material provisions of the New Notes, the New Preferred Stock and the New Common Stock. This summary does not purport to be complete and is qualified in its entirety by the certificate of incorporation and bylaws of the Reorganized Debtors, and the form of the New Common Stock, the New Preferred Stock and the New Notes.

**A. New Common Stock**

The New Common Stock will be issued to the Lenders according to the terms set forth above in Section II.E to this Disclosure Statement (pg. 4), entitled "Summary of the Plan of Reorganization -- Classification and Treatment of Claims and Interests." The effects of certain provisions in the certificate of incorporation and bylaws, which may contain defensive measures, on the New Common Stock are described in Section XIII.A.3 to the Disclosure Statement (pg. 71), entitled "Certain Factors to be Considered - - General Considerations." Following the issuance of the New Common Stock to the Lenders, it is intended that the rights of holders of the New Common Stock will be governed by the laws of Delaware, as well as by New Holdco's certificate of incorporation and bylaws. Under New Holdco's certificate of incorporation, the holders of New Common Stock will be entitled to one vote for each share held of record on all matters submitted to a vote of shareholders, including the election of directors. The New Common Stock will not have cumulative voting rights. As a result, the holders of more than fifty percent (50%) of New Common Stock will be able to elect one hundred percent (100%) of the directors to be elected at each annual meeting if they choose to do so. In such event, the holders of the remaining New Common Stock will not be able to elect any directors. Holders of New Common Stock will be entitled to participate equally in such dividends as may be declared by the Board of Directors out of funds legally available therefor. However, it is not anticipated that dividends will be paid on the New Common Stock in the foreseeable future. In the event of a liquidation, dissolution or winding up of New Holdco holders of New Common Stock will be entitled to participate equally in all assets remaining after payment of liabilities and the liquidation preference of any preferred shares of the New Holdco. Holders of New Common Stock will have no preemptive rights. Holders of New Common Stock will have no rights to convert their New Common Stock into any other securities and will have no redemption provisions or sinking fund provisions with respect to such shares.

**B. New Preferred Stock**

The New Preferred Stock will be issued to the Lenders according to the terms set forth above in Section II. E. to this Disclosure Statement (pg. 4), entitled "Summary of the Plan of Reorganization – Classification and Treatment of Claims and Interests." Following the issuance of the New Preferred Stock to the Lenders, it is intended that the rights of holders of the New Preferred Stock will be governed by the laws of Delaware, as well as by

New Parent's certificate of incorporation and bylaws. Under New Parent's certificate of incorporation, the holders of New Preferred Stock will vote with the holders of the common stock of New Parent as a single class on all matters submitted to a vote of shareholders, including the election of directors. Each holder of New Preferred Stock and common stock of New Parent will be entitled to one vote for each share held of record. Initially, New Holdco will own 100% of the common stock of New Parent and will have a majority of the voting power on all matters submitted to a vote of the shareholders of New Parent, and as a result, will be able to elect one hundred percent (100%) of the directors of New Parent to be elected at each annual meeting if it so chooses. The New Preferred Stock will accrue dividends at a rate of twelve percent (12%) per annum which, subject to only limitations set forth in the Reorganized Debtors' senior debt instruments, will be payable 3% in cash and 9% payable in kind, payable quarterly in arrears and accrued on a cumulative basis. Upon any liquidation of New Parent, the holders of New Preferred Stock, as a group, will be entitled to receive \$12 million plus any accrued and unpaid dividends prior to any distributions to other classes of equity of New Parent. New Parent may redeem the New Preferred Stock at any time at a redemption price of \$12 million plus accrued and unpaid dividends. The New Preferred Stock will be mandatorily redeemed at a redemption price of \$12 million plus accrued and unpaid dividends at the earlier of (1) an initial public offering of New Holdco and (2) the date which is the ten (10) year anniversary date of the Confirmation Date.

### **C. New Notes**

The Plan provides for the issuance of New Notes to the U.S. Lenders and the holders of Canadian Lender Administrative Claims in partial satisfaction of their Allowed Class 3 Secured U.S. Lender Claims and Allowed Canadian Lender Administrative Claims.

The New Notes will be in the aggregate principal amount of \$250 million. The interest rate will be 12% per annum (3% payable in Cash and 9% payable in kind). Reorganized Systems will have the option to (1) pay interest in Cash on a quarterly basis at 3% interest and have interest paid in kind and compounded on a quarterly basis at 9% interest or (2) pay interest in Cash on a quarterly basis at 9% interest. The New Notes will have a 5-year term with no amortization, payable in full upon maturity. The New Notes will be secured with liens on substantially all of the assets of the Reorganized Debtors, junior only to the liens of the Exit Facility.

The issuance of the New Notes will be authorized without further act or action under applicable law. The New Notes will be issued and distributed in accordance with the terms of the Plan without further act or action under applicable law, regulation, order or rule and will be exempt from registration under applicable securities laws pursuant to section 4(2) of the Securities Act of 1933 and Regulation D thereunder.

## **ARTICLE XV**

### **APPLICABILITY OF FEDERAL AND OTHER SECURITIES LAWS**

No registration statement will be filed under the Securities Act of 1933 or any state securities laws with respect to the offer of the New Common Stock, the New Preferred Stock or the New Notes pursuant to this solicitation, issuance or subsequent transfer of such securities under the Plan. The Debtors believe that, subject to certain exceptions described below, various provisions of the Securities Act of 1933, the Bankruptcy Code and state securities laws exempt from federal and state securities registration requirements (a) the offer and the sale of such securities pursuant to the Plan and (b) subsequent transfers of such securities.

#### **A. Offer and Sale of New Common Stock, New Preferred Stock and the New Notes Pursuant to the Plan: Bankruptcy Code and Securities Act of 1933 Exemptions from Registration Requirements**

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under both the Securities Act of 1933 and state securities laws, if three principal requirements are satisfied: (1) the securities must be issued "under a plan" of reorganization by the debtor or its successor under a plan or by an affiliate participating in a joint plan of reorganization with the debtor; (2) the recipients of the securities must hold a pre-petition or administrative expense claim against the debtor or an interest in the debtor and (3) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor, or "principally" in such exchange and "partly" for cash or property. The Debtors believe that the offer and sale of the

New Common Stock and New Preferred Stock under the Plan satisfies the requirements of section 1145(a)(1) of the Bankruptcy Code and is, therefore, exempt from registration under the Securities Act of 1933 and state securities laws.

Rule 506 of the Securities Act of 1933 exempts the offer and sale of securities under the Securities Act of 1933, if, with certain exceptions, the following requirements are satisfied: (1) no more than 35 non "accredited investors" (as such term is defined in Rule 501 of the Securities Act of 1933) are acquiring such securities; (2) any non-accredited investors who acquire such securities must be provided with certain specified information regarding the issuer and must, within the reasonable view of the issuer, have knowledge and experience in financial and business matters, either alone or with a representative, so as to be capable of evaluating the merits and risks of the prospective investment; and (3) neither the issuer of such securities, nor any Person acting on its behalf, may offer the securities by an form of general solicitation or general advertising. Based upon representations the Debtors expect to receive from Persons receiving the New Notes pursuant to the Plan, the Debtors believe that the offer and sale of the New Notes under the Plan satisfies the requirements of Rule 506 of the Securities Act of 1933 and is, therefore, exempt from registration under the Securities Act of 1933.

#### **B. Subsequent Transfers of the New Common Stock, New Preferred Stock and the New Notes**

Under section 1145(a) of the Bankruptcy Code, the issuance of the New Common Stock and New Preferred Stock to be distributed under the Plan in exchange for Claims against the Debtors, and the subsequent resale of such securities by Persons that are not "underwriters" (as defined in section 1145(b) of the Bankruptcy Code), is not subject to the registration requirements of section 5 of the Securities Act of 1933. Because of the complex, subjective nature of the question of whether a particular holder may be an underwriter, the Debtors do not make any representation concerning the ability of any Person to dispose of the New Common Stock or New Preferred Stock to be distributed under the Plan.

Section 1145(b) of the Bankruptcy Code provides:

(b)(1) Except as provided in paragraph (2) of this subsection and except with respect to ordinary trading transactions of an entity that is not an issuer, an entity is an underwriter under section 2(11) of the Securities Act of 1933, if such entity –

(A) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such a claim or interest;

(B) offers to sell securities offered or sold under the plan for the holders of such securities;

(C) offers to buy securities offered or sold under the plan from the holders of such securities, if such offer to buy is –

(i) with view to distribution of such securities; and

(ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or

(D) is an issuer, as used in such section 2(11), with respect to such securities.

(2) An entity is not an underwriter under section 2(11) of the Securities Act of 1933 or under paragraph (1) of this subsection with respect to an agreement that provides only for –

(A) the matching or combining of fractional interests in securities offered or sold under the plan into whole interest, or

(B) the purchase or sale for such entities of such fractional or whole interest as are necessary to adjust for any remaining fractional interests after such matching.

(3) An entity other than an entity of the kind specified in paragraph (1) of this subsection is not an underwriter under section 2(11) of the Securities Act of 1933 with respect to any securities offered or sold to such entity in the manner specified in subsection (a)(1) of this section.

GIVEN THE COMPLEX AND SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR HOLDER MAY BE AN UNDERWRITER, THE DEBTORS MAKE NO REPRESENTATION CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN THE NEW COMMON STOCK. THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF THE NEW COMMON STOCK AND THE NEW NOTES CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE THE NEW COMMON STOCK OR NEW NOTES WITHOUT COMPLIANCE WITH THE SECURITIES ACT OF 1933 OR THE EXCHANGE ACT.

Under Rule 506 of the Securities Act of 1933, the issuance of the New Notes to be distributed under the Plan in exchange for Claims against the Debtors is not subject to the registration requirements of section 5 of the Securities Act of 1933. However, holders of the New Notes will be able to sell their New Notes only if a registration statement relating to such securities intended to be sold is then in effect, or if such transaction is exempt from the registration requirements of the Securities Act of 1933, and such securities are qualified for sale or exempt from qualification under the applicable securities laws of the states in which the purchaser of such securities resides.

It is anticipated that after the issuance of the New Common Stock and the New Preferred Stock according to the terms set forth above in Section II.E to this Disclosure Statement (pg. 4), entitled "Summary of the Plan of Reorganization -- Classification and Treatment of Claims and Interests," there will be fewer than 300 holders of record of the New Common Stock. The Debtors intend to file a certification regarding the number of holders of the New Common Stock and the New Preferred Stock with the Securities and Exchange Commission terminating their periodic filing requirements pursuant to the Securities Exchange Act of 1934. The Debtors cannot ensure that a liquid market will develop for the New Common Stock, the New Preferred Stock or the New Notes, that the holders of the New Common Stock, the New Preferred Stock or New Notes will be able to sell any of such securities at a particular time if at all or that the prices that holders will receive when they sell will be favorable. Since the New Common Stock, the New Preferred Stock and New Notes will be issued pursuant to an exemption from registration under the Securities Act of 1933 and the Debtors intend to file a certification terminating their periodic filing requirements, there will be no public market for the New Common Stock, the New Preferred Stock or the New Notes. There is no assurance as to when or if the Debtors will complete an initial public offering for the New Common Stock or the New Preferred Stock.

Until the New Notes are registered, if ever, under the Securities Act of 1933, they will each bear a legend substantially similar to the following effect:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(1) REPRESENTS THAT (A) IT HAS ACQUIRED THIS SECURITY IN CONNECTION WITH THE JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP. AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES, (B) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB"), (C) IT HAS ACQUIRED THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATIONS UNDER THE SECURITIES ACT OR (D) IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A) OF REGULATION D UNDER THE SECURITIES ACT (AN "AI")),

(2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) IN AN OFFSHORE

TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF THE SECURITIES ACT, (D) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (E) TO AN AI THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE COMPANY AN ASSIGNMENT AGREEMENT OR A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS SECURITY, (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.

In addition, the shares of New Common Stock will be subject to certain transfer restrictions set forth in the New Common Stock Shareholders' Agreement. Similarly, the shares of New Preferred Stock will be subject to certain transfer restrictions set forth in the New Preferred Stockholders' Agreement. Such transfer restrictions in the Stockholders' Agreements will prohibit a holder of New Common Stock or New Preferred Stock, as applicable, from transferring any shares to any Person not already holding shares of the same class as proposed to be transferred after such class has record holders of 450 or more Persons. Until the appropriate Stockholders' Agreement is terminated, the shares of New Common Stock and New Preferred Stock, as applicable, will bear an additional legend substantially to the following effect:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND PROVISIONS OF A STOCKHOLDERS' AGREEMENT AMONG NEW HOLDCO OR NEW PARENT, AS APPROPRIATE (THE "COMPANY") AND THE STOCKHOLDERS NAMED THEREIN (AS SUCH AGREEMENT MAY BE SUPPLEMENTED, MODIFIED, AMENDED OR RESTATED FROM TIME TO TIME, THE "STOCKHOLDERS' AGREEMENT") AND MAY NOT BE OFFERED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED (COLLECTIVELY, "TRANSFERRED") UNLESS AND UNTIL SUCH TRANSFER COMPLIES WITH THE STOCKHOLDERS' AGREEMENT, COPIES OF WHICH ARE ON FILE WITH THE SECRETARY OF THE COMPANY.

## ARTICLE XVI

### MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes the material United States federal income tax consequences of the Plan to the Debtors and to certain Claimholders that are U.S. Holders (as defined below). This description is for informational purposes only and, due to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. Only the principal consequences of the Plan for the Debtors and for U.S. Holders of Claims who are entitled to vote to accept or reject the Plan are described below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the Internal Revenue Service (the "IRS") or any other tax authorities have been or will be sought or obtained with respect to the tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. The Debtors are not making any representations regarding the particular tax consequences of the confirmation or implementation of the Plan as to any Claimholder. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

The discussion of material United States federal income tax consequences below is based upon the Internal Revenue Code, the Treasury regulations (including temporary regulations) promulgated and proposed

thereunder, judicial authorities, published opinions of the IRS and other applicable authorities, all as in effect on the date hereof and all of which are subject to change (possibly with retroactive effect) by legislation, administrative action or judicial decision.

The following discussion generally does not address foreign, state or local tax consequences of the Plan, nor does it purport to address the United States federal income tax consequences of the Plan to special classes of taxpayers (*e.g.*, banks and certain other financial institutions, insurance companies, tax-exempt organizations, Claimholders that are, or hold their Claims through, pass-through entities, persons whose functional currency is not the United States dollar, foreign persons, and dealers in securities). The following discussion assumes that Claimholders hold their Claims as capital assets for United States federal income tax purposes. Furthermore, the following discussion does not address United States federal taxes other than income taxes.

For purposes of this discussion, a "U.S. person" is any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation or partnership created or organized under the laws of the United States or any state or political subdivision thereof;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (a) is subject to the primary supervision of a U.S. court and which has one or more U.S. fiduciaries who have the authority to control all substantial decisions of the trust, or (b) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

As used herein, the term "U.S. Holder" means a Claimholder that is a U.S. person, the term "non-U.S. person" means a person other than a U.S. person and the term "Non-U.S. Holder" means a Claimholder that is a non-U.S. person.

**Each Claimholder is strongly urged to consult its own tax advisor regarding the United States federal, state, local and any foreign tax consequences of the transactions described herein or in the Plan.**

#### **A. Effective Date Transactions**

Under the Plan, the following transactions (the "Restructuring") will occur on the Effective Date in the following order:

- (a) New Holdco will be incorporated.
- (b) New Holdco will cause New Parent to be incorporated as a new wholly owned subsidiary and New Holdco will contribute the New Common Stock to New Parent.
- (c) New Parent will purchase the stock of SK Systems from SK Services in exchange for the New Common Stock, the New Preferred Stock and the New Notes (the "Purchase Consideration").
- (d) SK Services will distribute the Purchase Consideration to the holders of the Canadian Lender Administrative Claims and the holders of the Secured U.S. Lender Claims consistent with Sections 4.1(b) and 4.3(a) of the Plan. All distributions will be in accordance with the Plan.
- (e) New Parent will elect pursuant to section 338(h)(10) of the Internal Revenue Code to treat the purchase of the stock of SK Systems as if Reorganized SK Systems acquired all of the Systems Assets at fair market value.

## **B. Material United States Federal Income Tax Consequences to the Debtors**

### *1. Regular United States Federal Income Tax Consequences*

#### (a) Restructuring Transactions

##### (i) Deemed Sale and Transfer of Assets of SK Systems

The purchase by New Parent of the stock of SK Systems (the "Purchase") should be a taxable transaction. New Parent will elect under Internal Revenue Code section 338(h)(10) to treat the Purchase for United States federal income tax purposes as if (A) SK Systems had transferred the Systems Assets to Reorganized SK Systems in exchange for the Purchase Consideration, (B) SK Systems immediately thereafter liquidated and distributed the Purchase Consideration to SK Services and (C) SK Services in turn distributed the Purchase Consideration to the holders of the Canadian Lender Administrative Claims and the U.S. Lender Claims in full or partial satisfaction of their Claims.

SK Systems should recognize gain or loss upon the deemed transfer of the Systems Assets to Reorganized SK Systems in an amount equal to the difference between the fair market value of the Systems Assets and SK Systems's tax basis in such assets. The Debtors believe that no significant federal, state, or local tax liability, if any, should be incurred upon the transfer. However, the Debtors' determination of gain or loss and the resulting tax liability, if any, may be subject to adjustment on audit by the IRS or other tax authorities. In addition, the fair market value of the Systems Assets may vary from current estimates and may be subject to challenge by the IRS or other tax authorities. Any federal, state or local tax liabilities incurred by the Debtors as a consequence of the transfer will be Administrative Claims in the Debtors' Chapter 11 Cases and will have to be paid in full, which may reduce the value of the distribution that other Claimholders would otherwise receive under the Plan. The Debtors believe that no material tax consequences will result from the deemed liquidation of SK Systems.

There can be no assurance that the Purchase will be treated by the IRS as a taxable transaction. For example, the IRS might seek to recharacterize the Restructuring as a non-taxable transaction. If the IRS were to prevail, Reorganized SK Systems would have no net operating loss ("NOL") carryforwards remaining after the attribute reduction discussed below in "Cancellation of Indebtedness" and would have a tax basis in the Systems Assets significantly below the fair market value of such assets, with the result that future tax depreciation and amortization with respect to SK Systems's real and personal property would be reduced. As a result, the taxable income, and thus the U.S. federal income tax liability, of Reorganized SK Systems could be significantly higher. The Debtors believe that the form of the Restructuring should be respected and that any attempt to recharacterize the Restructuring as a tax-free transaction should fail.

##### (ii) Dissolution of SKC and SK Services

On the Effective Date, SKC and SK Services will be deemed dissolved and will have no continuing corporate existence, subject only to each such Debtor's individual Plan imposed obligations to satisfy Allowed Administrative Claims, Allowed DIP Facility Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims and Allowed DHEC Administrative Claim against such Debtor's estate, if any. The Debtors believe that no material tax consequences will result from the deemed dissolution of SKC and SK Services.

##### (iii) Tax Attributes of Reorganized SK Systems

Because New Subsidiary will elect to treat the Purchase as if Reorganized SK Systems acquired all of the assets of SK Systems at fair market value, as discussed above, Reorganized SK Systems will obtain an aggregate tax basis in the Systems Assets equal to their fair market value as of the Effective Date and will not succeed to any tax attributes of SK Systems. Thus, Reorganized SK Systems will have no NOLs or NOL carryforwards and no accumulated earnings and profits as of the Effective Date.

(iv) Transfer of Assets to Safety-Kleen Creditor Trust

On the Effective Date, the Debtors will transfer to the Safety-Kleen Creditor Trust, for and on behalf of holders of Allowed Claims and Disputed Claims in Classes 6 and 7, the Trust Advance and the Trust Claims. In consideration thereof, the Safety-Kleen Creditor Trust will assume the Debtors' obligations to make distributions in accordance with the Plan.

As discussed below in "United States Federal Income Tax Treatment of the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve" the Debtors believe that the Safety-Kleen Creditor Trust will qualify as a liquidating trust, as defined in Treasury regulation section 301.7701-4(d). Thus, the Debtors, the beneficiaries of the Safety-Kleen Creditor Trust and the Trustee will be deemed to agree to treat the transfer of assets directly to those Claimholders receiving interests in the Safety-Kleen Creditor Trust followed by the transfer by such Claimholders of such assets to the Safety-Kleen Creditor Trust in exchange for beneficial interests therein. The Debtors will be treated as having transferred such assets to the Claimholders in return for relief from an amount of debt equal to the fair market value of the assets so transferred. The Debtors will realize gain or loss on the difference between the fair market value of the transferred assets and the Debtors' tax basis in such assets.

The Debtors believe that no significant federal, state or local tax liability, if any, should be incurred in connection with the transfer of assets to the Safety-Kleen Creditor Trust. Regardless, the Debtors' determination of gain or loss and the resulting tax liability, if any, may be subject to adjustment on audit by the IRS or other tax authorities. In addition, the fair market value of the assets transferred to the Safety-Kleen Creditor Trust may vary from current estimates and may be subject to challenge by the IRS or other tax authorities. Any federal, state or local tax liabilities incurred by the Debtors as a consequence of these transfers will be Administrative Claims in the Debtors' Chapter 11 Cases and will have to be paid in full, which may reduce the value of the distribution that holders of Allowed Claims in Classes 6 and 7 would otherwise receive under the Plan.

(v) Constructive Trusts with respect to the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve

From and after the Effective Date, the portion of the AA Savings related to the AA Savings Distribution shall be held in constructive trust for holders of Allowed Claims in Classes 4 and 5, and amounts received or retained in connection therewith shall be received or retained on behalf of such Claimholders. In addition, from and after the Effective Date, the portion of the PwC Litigation Claim related to the PwC Litigation Distribution shall be held in constructive trust for and amounts received or retained in connection therewith shall be received or retained on behalf of holders of Allowed Claims in Classes 4 through 7; and from and after the Effective Date, the portion of the Laidlaw Stock Distribution related to the SKC Distribution Reserve shall be held in constructive trust for and amounts received in connection therewith shall be received or retained on behalf of holders of Disputed Claims in Classes 4 and 5.

As discussed below in "United States Federal Income Tax Treatment of the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve" the Debtors believe that the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve will qualify as liquidating trusts, as defined in Treasury regulation section 301.7701-4(d). Thus, the Debtors, the beneficiaries of the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve and the Trustee will be deemed to agree to treat the transfer of assets directly to those Claimholders receiving interests in the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve, respectively, followed by the transfer by such Claimholders of such assets to the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve, respectively, in exchange for beneficial interests therein. The Debtors will be treated as having transferred such assets to the Allowed Claimholders in return for relief from an amount of debt equal to the fair market value of the assets so transferred. The Debtors will realize gain or loss on the difference between the fair market value of the transferred assets and the Debtors' tax basis in such assets.

The Debtors believe that no significant federal, state or local tax liability, if any, should be incurred in connection with the transfer of assets to these constructive trusts. Regardless, the Debtors' determination of gain or loss and the resulting tax liability, if any, may be subject to adjustment on audit by the IRS or other tax authorities. In

addition, the fair market value of the assets transferred to such constructive trusts may vary from current estimates and may be subject to challenge by the IRS or other tax authorities. Any federal, state or local tax liabilities incurred by the Debtors as a consequence of these transfers will be Administrative Claims in the Debtors' Chapter 11 Cases and will have to be paid in full, which may reduce the value of the distribution that holders of Allowed Claims in Classes 4 through 7 would otherwise receive under the Plan.

(b) Cancellation of Indebtedness

Upon implementation of the Plan, under general tax principles, the Debtors will realize income from the discharge of indebtedness (also known as "Cancellation of Indebtedness" or "COD") to the extent that an obligation to a Claimholder is discharged pursuant to the Plan for an amount less than the amount of such Claim. For this purpose, the amount paid to a Claimholder in discharge of its Claim generally will equal the amount of Cash and the fair market value on the Effective Date of any other property paid to such Claimholder.

Substantial uncertainty exists with respect to the valuation and timing of amounts to be received by the Claimholders. For purposes of calculating COD income, the Debtors intend to treat the constructive transfer of rights to receive the PwC Litigation Distribution and the AA Savings Distribution to trusts for and on behalf of Claimholders as closed transactions and the value of such rights as zero. The IRS may contend that the PwC Litigation Claim and the AA Savings claim have ascertainable fair market values on the Effective Date in excess of zero. In that event, the amount of COD realized by the Debtors on the extinguishment of Allowed Claims in Classes 4 through 7 would be reduced.

Because the Debtors will be debtors in a bankruptcy case at the time they realize COD income, Internal Revenue Code section 108 will not require the Debtors to include COD amounts in their gross income. Instead, the Debtors will be required to reduce certain of their tax attributes – NOLs for the taxable year of the discharge and NOL carryforwards to such taxable year, credits, capital loss carryforwards, basis of property and passive activity losses and credits – by the amount of COD income so excluded. Under the general rules of Internal Revenue Code section 108, the required attribute reduction would be applied first to reduce the Debtors' NOLs and NOL carryforwards, with any excess excluded COD applied to reduce other tax attributes. Internal Revenue Code section 108(b)(5) permits a corporation in bankruptcy proceedings to elect to apply the required attribute reduction to reduce first the basis of its depreciable property to the extent of such basis, with any excess applied next to reduce its NOLs and NOL carryforwards, and then other tax attributes. The Debtors have not yet determined whether they will make the election under Internal Revenue Code section 108(b)(5). Regardless, any attribute reduction will be applied as of the first day following the taxable year in which the Debtors recognize COD income. In the event that the amount of COD attributable to the Debtors exceeds all of their tax attributes, no income will be realized by the Debtors as long as such cancellation occurs in connection with their Chapter 11 Cases.

2. *Alternative Minimum Tax*

A corporation may incur alternative minimum tax liability even in the case that NOL carryovers and other tax attributes are sufficient to eliminate its taxable income as computed under the regular corporate income tax. It is possible that the Debtors will be liable for the alternative minimum tax.

**C. United States Federal Income Tax Treatment of the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve**

On the Effective Date, the Debtors will transfer the Trust Advance and the Trust Claims to the Safety-Kleen Creditor Trust for and on behalf of holders of Allowed Claims and Disputed Claims in Classes 6 and 7. In consideration thereof, the Safety-Kleen Creditor Trust will assume the Debtors' obligations to make distributions to the holders of Class 6 or 7 Allowed Claims and to the holders of such Disputed Claims as become Class 6 or 7 Allowed Claims in accordance with the Plan. In addition, from and after the Effective Date, the portion of the AA Savings related to the AA Savings Distribution shall be held in constructive trust for holders of Allowed Claims in Classes 4 and 5, and the portion of the PwC Litigation Claim related to the PwC Litigation Distribution shall be held in constructive trust for holders of Allowed Claims in Classes 4 through 7. Finally, pursuant to the Plan, the Trustee will establish the SKC Distribution Reserve for and on behalf of holders of Class 4 and Class 5 Disputed Claims by withholding part of the Laidlaw Stock Distribution and AA Savings Distribution.

Under the Internal Revenue Code, amounts earned by an escrow account, settlement fund or similar fund must be subject to current tax. Although certain Treasury regulations have been issued, no Treasury regulations have been promulgated to address the tax treatment of such funds in a bankruptcy context. Accordingly, the proper tax treatment of such funds is uncertain. Depending on the facts and the relevant law, such funds possibly could be treated as grantor trusts, separately taxable trusts, or otherwise.

The Debtors believe that the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve each will qualify as a liquidating trust, as defined in Treasury regulation section 301.7701-4(d). The Debtors therefore intend to treat the assets held therein, respectively, as held by corresponding grantor trusts with respect to which the holders of Allowed Claims in Classes 4 through 7 and Disputed Claims, as applicable, are treated as the grantors. Accordingly, the Debtors, the beneficiaries of the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve and the Trustee will be deemed to agree to treat the transfer of assets directly to those Claimholders receiving interests therein followed by the transfer by such Claimholders of such assets to the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve, respectively, in exchange for beneficial interests therein. Consistent with this treatment, Claimholders receiving interests in the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve will be treated for federal income tax purposes as the grantors and owners of their share of the assets transferred thereto. No tax should be imposed on the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution or the SKC Distribution Reserve themselves on earnings generated by the assets they hold. Instead, holders of Allowed Claims in Classes 4 through 7 and Disputed Claims will be taxed on their allocable shares of such earnings in each taxable year, whether or not they received any distributions from such earnings. The Trustee will report each year to each Claimholder the amount of items of income, gain, loss, deduction or credit of the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve allocable to such Claimholder. The amount of distributions a Claimholder ultimately receives pursuant to the Plan may be less than the amount of earnings generated that are allocated and taxable to such Claimholder.

There can be no assurance that the IRS will respect the foregoing treatment. For example, the IRS may characterize some or all of the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve as grantor trusts for the benefit of the Debtors or as otherwise owned by and taxable to the Debtors. Alternatively, the IRS could characterize some or all of the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve as so-called "complex trusts" subject to a separate entity-level tax on their earnings, except to the extent that such earnings are distributed during the taxable year. Moreover, because the amount received by a holder of an Allowed Claim in Classes 4 through 7 or a Disputed Claim in satisfaction of such Claim may increase or decrease, depending upon whether the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve are treated as grantor trusts, such Claimholder could be prevented from recognizing a loss until the time at which there are no assets at all remaining in the respective the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve against which such Claimholder has a Claim.

Holders of Allowed Claims in Classes 4 through 7 and Disputed Claims are urged to consult their tax advisors regarding the potential United States federal income tax treatment of the Safety-Kleen Creditor Trust and the Reserves and the consequences to them of such treatment (including the effect on the computation of a Claimholder's gain or loss in respect of its Claim and the possibility of taxable income without a corresponding receipt of cash or property with which to satisfy the liability).

#### **D. Material United States Federal Income Tax Consequences to Claimholders**

The tax treatment of Claimholders and the character and amount of income, gain or loss recognized as a consequence of the Plan will depend upon, among other things, (1) whether the Restructuring will be recharacterized as a tax-free transaction by the IRS; (2) whether the Claim constitutes a "security" for United States federal income tax purposes; (3) the manner in which a holder acquired a Claim; (4) the length of time the Claim has been held; (5) whether the Claim was acquired at a discount; (6) whether the holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (7) whether the holder has previously included accrued or unpaid interest with respect to the Claim; (8) the method of tax accounting of the holder and (9) whether the Claim is an installment obligation for United States federal income tax purposes. Therefore, Claimholders

should consult their tax advisors for information that may be relevant to their particular situation and circumstances and the particular tax consequences to them of the transactions contemplated by the Plan.

1. *Holders of Canadian Lender Administrative Claims*

The Debtors believe and intend to take the position that none of the Canadian Lender Administrative Claims will be classified as securities for federal income tax purposes. If this characterization is respected, and if the Restructuring is not recharacterized as a tax-free transaction, then a holder of a Canadian Lender Administrative Claim will recognize gain or loss for United States federal income tax purposes in an amount equal to the difference between its adjusted tax basis in such Claim, if any, and the "amount realized" by such Claimholder in connection with such Claim, except as described below under "Allocation Between Principal and Interest." The amount realized by a holder of a Canadian Lender Administrative Claim will be equal to the sum of (a) the fair market value of such Claimholder's Pro Rata share of the New Common Stock, (b) the fair market value of such Claimholder's Pro Rata share of the New Preferred Stock and (c) the issue price of such Claimholder's Pro Rata share of the New Notes. A holder of a Canadian Lender Administrative Claim will take a basis in its New Common Stock, New Preferred Stock and New Notes equal to the amount so taken into account as the amount realized. A holder of a Canadian Lender Administrative Claim will have a holding period for the New Common Stock, the New Preferred Stock and the New Notes determined by reference to the date of the above-described exchange.

Generally, under Internal Revenue Code section 305(c) and applicable Treasury regulations promulgated thereunder, a holder of the New Preferred Stock will be required to treat the excess of the redemption price of such stock over the issue price of such stock as a constructive distribution received by such holder over the expected term of such stock. The issue price of the New Preferred Stock will be its fair market value on the Effective Date. Although dividends on the New Preferred Stock will be payable quarterly and accrue on a cumulative basis, payment of such dividends will be subject to limitations set forth in the Reorganized Debtors' senior debt instruments, and thus it is not anticipated that dividends will be paid on the New Preferred Stock currently. If the IRS were successfully to assert that the redemption price on the New Preferred Stock is in excess of the issue price of such stock, then holders of such stock would have to accrue such excess as a constructive distribution received over the expected term of such stock under a constant yield method (without a corresponding receipt of cash). Constructive distributions on the New Preferred Stock would be taxable as dividend income to holders only to the extent of their pro rata share of New Parent's current and accumulated earnings and profits for United States federal income tax purposes.

Generally, a Non-U.S. Holder of New Notes will be subject to withholding of United States federal income tax at a 30 percent rate (or such lower rate as may be specified by an applicable income tax treaty) on interest paid thereon over the period in which such holder holds such New Notes. In the event that Reorganized SK Systems elects to issue additional New Notes in lieu of paying cash interest (the "Additional Notes"), the issuance of such Additional Notes would not be treated as a payment of interest for United States federal income tax purposes and thus would not be subject to such withholding. A Non-U.S. Holder of New Notes will be subject to the above-described withholding only when it receives payments of interest in cash or, when it sells or exchanges the New Notes (including the Additional Notes), to the extent that any proceeds received from such a sale or exchange are attributable to original issue discount ("OID") that has accrued on the New Notes while such notes are held by such Non-U.S. Holder.

If a dividend is paid in connection with the New Common Stock or the New Preferred Stock, any such dividend paid to a Non-U.S. Holder that receives such stock in exchange for its Canadian Lender Administrative Claim (including any dividend on the New Preferred Stock deemed paid under Internal Revenue Code section 305(c)) generally will be subject to withholding of United States federal income tax at a 30 percent rate (or such lower rate as may be specified by an applicable income tax treaty) unless the dividend is effectively connected with the conduct of a trade or business of the Non-U.S. Holder within the United States, in which case the dividend will be taxed at ordinary United States federal income tax rates. If such Non-U.S. Holder is a corporation, such effectively connected income may also be subject to an additional "branch profits tax."

Except as described above, a Non-U.S. Holder generally will not be subject to United States federal income tax on any gain realized upon the sale or other disposition of New Common Stock, New Preferred Stock or New Notes received in exchange for a Canadian Lender Administrative Claim unless (a) such gain is effectively connected with a United States trade or business of the Non-U.S. Holder or (b) the Non-U.S. Holder is an individual who holds such New Common Stock, New Preferred Stock or New Notes as a capital asset and who is present in the

United States for a period or periods aggregating 183 days or more during the calendar year in which such sale or disposition occurs and certain other conditions are met. In addition, if Reorganized SK Systems is a "United States real property holding corporation," for United States federal income tax purposes, then a Non-U.S. Holder may be subject to United States federal income taxation on any gain realized from the sale or exchange of such stock unless an exemption is provided by an applicable treaty. The Debtors do not believe that Reorganized SK Systems will be a United States real property holding corporation for United States federal income tax purposes. Because Reorganized SK Systems will own substantial real estate assets in the United States, however, there can be no assurance that the IRS will respect this conclusion.

2. *Holders of U.S. Lender Claims (Classes 3, 4 and 7)*

The Debtors believe and intend to take the position that none of the U.S. Lender Administrative Claims will be classified as securities for federal income tax purposes. If this characterization is respected, and if the Restructuring is not recharacterized as a tax-free transaction, then generally, in a taxable exchange, a holder of a U.S. Lender Administrative Claim would recognize gain or loss for United States federal income tax purposes equal to the difference between its adjusted tax basis in such Claim, if any, and the amount realized by such Claimholder in connection with such Claim except as described below under "Allocation Between Principal and Interest." The amount realized by a holder of a U.S. Lender Claim under such circumstances would be equal to the sum of (a) the fair market value of such Claimholder's Pro Rata share of the New Common Stock, (b) the fair market value of such Claimholder's Pro Rata share of the New Preferred Stock, (c) the issue price of such Claimholder's Pro Rata share of the New Notes, (d) the fair market value of such Claimholder's interest in the Laidlaw Stock Distribution, (e) the fair market value of such Claimholder's interest in the PwC Litigation Distribution and (f) the fair market value of such Claimholder's interest in the AA Savings Distribution.

However, gain or loss is not currently recognized if the property received does not have an ascertainable fair market value. Because of the substantial uncertainty regarding the valuation of the PwC Litigation Claim and the AA Savings claim, the Debtors intend to take the position that the fair market value of such claims cannot be ascertained and that so-called "open transaction treatment" applies. If the IRS takes a contrary position or if a holder were able to establish an ascertainable value, then holders of U.S. Lender Administrative Claims would likely recognize gain or loss as described above.

Generally, under Internal Revenue Code section 305(c) and applicable Treasury regulations promulgated thereunder, a holder of the New Preferred Stock will be required to treat the excess of the redemption price of such stock over the issue price of such stock as a constructive distribution received by such holder over the expected term of such stock. The issue price of the New Preferred Stock will be its fair market value on the Effective Date. Although dividends on the New Preferred Stock will be payable quarterly and accrue on a cumulative basis, payment of such dividends will be subject to limitations set forth in the Reorganized Debtors' senior debt instruments, and thus it is not anticipated that dividends will be paid on the New Preferred Stock currently. If the IRS were successfully to assert that the redemption price on the New Preferred Stock is in excess of the issue price of such stock, then holders of such stock would have to accrue such excess as a constructive distribution received over the expected term of such stock under a constant yield method (without a corresponding receipt of cash). Constructive distributions on the New Preferred Stock would be taxable as dividend income to holders only to the extent of their pro rata share of New Parent's current and accumulated earnings and profits for United States federal income tax purposes.

Generally, a U.S. Holder of New Notes will accrue the interest thereon over the period in which such holder holds such New Notes. However, in the event that Reorganized SK Systems elects to issue Additional Notes in lieu of paying cash interest, the issuance of such Additional Notes would not be treated as a payment of interest for United States federal income tax purposes. Rather, the New Notes (including the Additional Notes) would be deemed to be "reissued" with OID solely for purposes of computing the amount of OID includible in income during the remaining term of the New Notes (including the Additional Notes). U.S. Holders of the New Notes would be required to recognize such OID as ordinary income over the period during which they hold the New Notes, and thus could recognize taxable income in advance of receiving corresponding amounts of cash. The amount of OID includible in ordinary income over the remaining term of the New Notes (including the Additional Notes), determined on the basis of a constant yield method, would be equal to the excess of (a) the sum of the principal amount of the New Notes (including any Additional Notes) and all remaining cash payments of stated interest over (b) the adjusted issue price of the New Notes (including any Additional Notes).

3. *Holders of SKC General Unsecured Claims and 9¼% Senior Notes Claims (Classes 4 and 5)*

Generally, in a taxable transaction, a holder of an SKC General Unsecured Claim or a 9¼% Senior Notes Claim would recognize gain or loss for United States federal income tax purposes equal to the difference between its adjusted tax basis in such Claim, if any, and the amount realized by such Claimholder in connection with such Claim. The amount realized by a holder of an SKC General Unsecured Claim or a 9¼% Senior Notes Claim under such circumstances would be equal to the sum of (a) the fair market value of such Claimholder's interest in the Laidlaw Stock Distribution, (b) the fair market value of such Claimholder's interest in the PwC Litigation Distribution and (c) the fair market value of such Claimholder's interest in the AA Savings Distribution.

However, gain or loss is not currently recognized if the property received does not have an ascertainable fair market value. Because of the substantial uncertainty regarding the valuation of the PwC Litigation Claim and the AA Savings claim, the Debtors intend to take the position that the fair market value of such claims cannot be ascertained and that so-called "open transaction treatment" applies. If the IRS takes a contrary position or if a holder were able to establish an ascertainable value, then holders of SKC General Unsecured Claims and 9¼% Senior Notes Claims would likely recognize gain or loss as described above.

4. *Holders of 9¼% Senior Subordinated Notes Claims (Class 6)*

Generally, in a taxable transaction, a holder of a 9¼% Senior Subordinated Notes Claim would recognize gain or loss for United States federal income tax purposes equal to the difference between its adjusted tax basis in such Claim, if any, and the amount realized by such Claimholder in connection with such Claim. If Class 6 votes to accept the plan, then holders of 9¼% Senior Subordinated Notes Claims will receive interests in the Safety-Kleen Creditor Trust and the PwC Litigation Distribution. The interests received by a holder of a 9¼% Senior Subordinated Notes Claim should be treated as either (a) consideration received in respect of such Claim pursuant to the Plan or (b) a separate payment in the nature of a fee for accepting the Plan. If such interests are treated as consideration received in respect of the Claim, the amount realized by a holder of a 9¼% Senior Subordinated Notes Claim in connection with such Claim generally would be equal to the sum of (x) the fair market value of such Claimholder's interest in the Safety-Kleen Creditor Trust and (y) the fair market value of such Claimholder's interest in the PwC Litigation Distribution. If such interests are treated as a separate fee, the amount realized by a holder of a 9¼% Senior Subordinated Notes Claim in connection with such Claim would be zero, and such holder would likely recognize ordinary income equal to the sum the fair market values of the interests received, regardless of whether such holder otherwise recognizes an overall loss as a result of the Plan. If Class 6 votes to reject the Plan, then holders of 9¼% Senior Subordinated Notes Claims will receive nothing, and the amount realized by a holder of such a Claim also will be zero.

However, gain or loss is not currently recognized if the property received does not have an ascertainable fair market value. Because of the substantial uncertainty regarding the valuation of the PwC Litigation Claim, the Debtors intend to take the position that the fair market value of the PwC Litigation Claim cannot be ascertained and that so-called "open transaction treatment" applies. If the IRS takes a contrary position or if a holder were able to establish an ascertainable value, then holders of 9¼% Senior Subordinated Notes Claims would likely recognize gain or loss as described above.

5. *Holders of Subsidiary General Unsecured Claims (Class 7)*

Generally, in a taxable transaction, a holder of a Subsidiary General Unsecured Claim would recognize gain or loss for United States federal income tax purposes equal to the difference between its adjusted tax basis in such Claim, if any, and the amount realized by such Claimholder in connection with such Claim. The amount realized by a holder of a Subsidiary General Unsecured Claim under such circumstances would be equal to the sum of (a) the fair market value of such Claimholder's interest in the Safety-Kleen Creditor Trust and (b) the fair market value of such Claimholder's interest in the PwC Litigation Distribution.

However, gain or loss is not currently recognized if the property received does not have an ascertainable fair market value. Because of the substantial uncertainty regarding the valuation of the PwC Litigation Claim, the Debtors intend to take the position that the fair market value of the PwC Litigation Claim cannot be ascertained and that so-called "open transaction treatment" applies. If the IRS takes a contrary position or if a holder

were able to establish an ascertainable value, then holders of Subsidiary General Unsecured Claims would likely recognize gain or loss as described above.

#### 6. *Market Discount*

The market discount provisions of the Internal Revenue Code may apply to holders of certain Claims. In general, a debt obligation (other than a debt obligation with a fixed maturity of one year or less) that is acquired by a holder in the secondary market (or, in certain circumstances, upon original issuance) is a "market discount bond" as to that holder if its stated redemption price at maturity (or, in the case of a debt obligation having original issue discount, its revised issue price) exceeds the tax basis of the debt obligation in the holder's hands immediately after its purchase. However, a debt obligation will not be a market discount bond if such excess is less than a statutory *de minimis* amount. Gain recognized by a Claimholder with respect to a market discount bond generally will be treated as ordinary interest income to the extent of the market discount accrued on such bond during the Claimholder's period of ownership, unless the Claimholder elected to include the accrued market discount in taxable income currently. A holder of a market discount bond that is required under the market discount rules of the Internal Revenue Code to defer deduction of all or a portion of the interest on indebtedness incurred or maintained to acquire or carry the bond may be allowed to deduct such interest, in whole or in part, on the disposition of such bond.

#### 7. *Allocation Between Principal and Interest*

The Plan provides that, to the extent that any Allowed Claim entitled to a distribution under the Plan is composed of indebtedness and accrued but unpaid interest on such indebtedness, such distribution will, to the extent permitted by applicable law, be allocated for United States federal income tax purposes to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to the portion of the Claim representing accrued but unpaid interest. The Debtors intend to take the position that any distribution made under the Plan with respect to an Allowed Claim will be allocated first to the principal amount of the Claim, with the excess over the principal amount being allocated to accrued but unpaid interest. However, current federal income tax law is unclear on this point and no assurance can be given that the IRS will not challenge the Debtors' position. If any portion of the distribution were required to be allocated to accrued interest, such portion would be taxable to the holder as interest income rather than as gain or loss as described above, except to the extent the holder has previously reported such interest income.

### **E. Information Reporting and Withholding**

Certain payments, including the payments of Claims pursuant to the Plan, are generally subject to information reporting by the payor (here the relevant Debtor) to the IRS. Moreover, certain payments to Non-U.S. Holders with respect to Claims may be subject to U.S. withholding tax. Holders of Canadian Lender Administrative Claims are obligated under the Plan to furnish to the Debtors certain certificates or statements relating to the application of U.S. withholding tax to payments of interest to them with respect to such Claims. Finally, reportable payments are subject to backup withholding under certain circumstances. Under the Internal Revenue Code's backup withholding rules, a Claimholder may be subject to backup withholding with respect to distributions or payments made pursuant to the Plan unless the holder (1) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (2) provides a correct United States taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a Claimholder's United States federal income tax liability, and such Claimholder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate Claim for refund with the IRS (generally, a United States federal income tax return).

### **F. Importance of Obtaining Professional Tax Assistance**

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION

IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A CLAIMHOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, CLAIMHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE UNITED STATES FEDERAL, STATE, LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

## ARTICLE XVII

### FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS

#### A. Feasibility of the Plan

In connection with confirmation of the Plan, the Bankruptcy Court will have to determine that the Plan is feasible pursuant to section 1129(a)(11) of the Bankruptcy Code, which means that the confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors.

##### 1. *Reorganizing Debtors*

To support their belief in the feasibility of the Plan, the Debtors have relied upon *pro forma* financial projections covering the Reorganized Debtors' operations through December 31, 2007, as set forth in Appendix G annexed to this Disclosure Statement.

The Projections indicate that the Reorganized Debtors should have sufficient cash flow to pay and service their debt obligations, including the New Notes and the Exit Facility, and to fund their operations as contemplated by the Business Plan. Accordingly, the Debtors believe that the Plan complies with the financial feasibility standard of section 1129(a)(11) of the Bankruptcy Code.

The Projections were not prepared with a view toward compliance with the published guidelines of the American Institute of Certified Public Accountants or any other regulatory or professional agency or body or generally accepted accounting principles. Furthermore, the Debtors' independent certified public accountants have not compiled or examined the Projections and accordingly do not express any opinion or any other form of assurance with respect thereto and assume no responsibility for the Projections.

The Projections assume that (a) the Plan will be confirmed and consummated in accordance with its terms, (b) there will be no material change in legislation or regulations, or the administration thereof, including environmental legislation or regulations, that will have an unexpected effect on the operations of the Reorganized Debtors, (c) there will be no change in generally accepted accounting principles in the United States that will have a material effect on the reported financial results of the Reorganized Debtors and (d) there will be no material contingent or unliquidated litigation or indemnity claims applicable to the Reorganized Debtors. To the extent that the assumptions inherent in the Projections are based upon future business decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and considered reasonable by the Debtors when taken as a whole, the assumptions and estimates underlying the Projections are subject to significant business, economic and competitive uncertainties and contingencies, many of which will be beyond the control of the Reorganized Debtors. Accordingly, the Projections are only an estimate that are necessarily speculative in nature. It can be expected that some or all of the assumptions in the Projections will not be realized and that actual results will vary from the Projections, which variations may be material and are likely to increase over time. The Projections should therefore not be regarded as a representation by the Debtors or any other person that the results set forth in the Projections will be achieved. In light of the foregoing, readers are cautioned not to place undue reliance on the Projections. The Projections should be read together with the information in Article XIII to this Disclosure Statement (pg. 71), entitled "Certain Factors to be Considered," which sets forth important factors that could cause actual results to differ from those in the Projections.

**SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:** The Projections contain statements which constitute "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation

Reform Act of 1995. "Forward-looking statements" in the Projections include the intent, belief or current expectations of the Debtors and members of their management team with respect to the timing of, completion of and scope of the current restructuring, reorganization plan, strategic business plan, bank financing, and debt and equity market conditions and the Debtors' future liquidity, as well as the assumptions upon which such statements are based. While the Debtors believe that the expectations are based on reasonable assumptions within the bounds of their knowledge of their business and operations, parties in interest are cautioned that any such forward-looking statements are not guarantees of future performance, and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors currently known to management that could cause actual results to differ materially from those contemplated by the forward-looking statements in the Projections include, but are not limited to, further adverse developments with respect to the Debtors' liquidity position or operations of the Debtors' various businesses, adverse developments in the Debtors' efforts to renegotiate their funding and adverse developments in the bank financing or public or private markets for debt or equity securities, or adverse developments in the timing or results of the Debtors' strategic business plan (including the time line to emerge from chapter 11), the difficulty in controlling industry costs and the ability of the Debtors to realize the anticipated general and administrative expense savings and overhead reductions presently contemplated, the ability of the Debtors to return the Debtors' operations to profitability, the level and nature of any restructuring and other one-time charges, the difficulty in estimating costs relating to exiting certain markets and consolidating and closing certain operations, and the possible negative effects of a change in applicable legislation.

## 2. *Dissolving Debtors*

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the plan not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successors to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. The Plan proposed by the Debtors provides for the dissolution of certain Debtors. The ability of a Dissolving Debtor to make the distributions described in the Plan does not depend on its future earnings. Accordingly, the Debtors believe that the Plan with respect to the Dissolving Debtors is feasible and meets the requirements of section 1129(a)(11) of the Bankruptcy Code.

## **B. Acceptance of the Plan**

As a condition to confirmation, the Bankruptcy Code requires that each Class of Impaired Claims vote to accept the Plan, except under certain circumstances.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds ( $\frac{2}{3}$ ) in dollar amount and more than one-half ( $\frac{1}{2}$ ) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Thus, Classes 3 through 7 (and each subclass thereof) will have voted to accept the Plan only if two-thirds ( $\frac{2}{3}$ ) in amount and a majority in number actually voting in each Class cast their Ballots in favor of acceptance. Holders of Claims that fail to vote are not counted as either accepting or rejecting a plan.

## **C. Best Interests Test and Liquidation Analysis**

As noted above, even if a plan is accepted by the holders of each class of claims or interests, the Bankruptcy Code requires a bankruptcy court to determine that the plan is in the best interests of all holders of claims or interests that are impaired by the plan and that have not accepted the plan. The "best interests" test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires a bankruptcy court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to holders of each impaired class of claims and interests if the debtor were liquidated under chapter 7, a bankruptcy court must first determine the aggregate dollar amount that would be generated from a debtor's assets if its chapter 11 case was converted to a chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the debtor's assets by a chapter 7 trustee.

If a chapter 7 liquidation were pursued for the Debtors, the amount of liquidation value available to unsecured creditors would be reduced by, first, the claims of secured creditors to the extent of the value of their collateral, and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the chapter 7 case and the chapter 11 case. Costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred by the debtor in its chapter 11 case (such as compensation of attorneys, financial advisors and accountants) that are allowed in the chapter 7 case, litigation costs and claims arising from the operations of the debtor during the pendency of the chapter 11 case. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution in respect of equity interests. The liquidation would also prompt the rejection of a large number of executory contracts and unexpired leases and thereby create a significantly higher number of unsecured claims.

If the Debtors were forced to liquidate under chapter 7 of the Bankruptcy Code, the Debtors believe that all or substantially all of the Debtors' assets would be used to pay the chapter 7 administrative expenses and priority claims, the Secured U.S. Lender Claims, the DIP Facility Claims and if any funds were still available would be used to pay Administrative Expense Claims, Canadian Lender Administrative Claims, Tax Priority Claims and Other Priority Claims. A copy of the Debtors' liquidation analysis is set forth on Appendix F to this Disclosure Statement.

The Secured U.S. Lenders have asserted liens on substantially all of the assets of each of the Debtors, and accordingly, each Debtor would be required to satisfy the Secured U.S. Lender Claims. The Debtors believe that the only assets that arguably are not secured by the Lenders and the DIP Facility are certain recoveries from the Avoidance Actions. The Creditors' Committee disputes this assertion and, in the Creditors' Committee's Adversary Proceeding, (i) contended, among other things, that the liens and security interests granted to the Lender defendants (and the transaction fees paid in connection with the Safety-Kleen LBO) were avoidable under various fraudulent transfer statutes and (ii) lodged objections to the claims filed by the Lender defendants in each of the Debtors' Chapter 11 Cases. The Creditors' Committee's Adversary Proceeding has been resolved pursuant to the terms of the Creditors' Committee Compromise. For further discussion on the Creditors' Committee Compromise, see Section XII.C to this Disclosure Statement (pg. 66), entitled "Chapter 11 Cases - - Compromises and Settlements under the Plan."

Nevertheless, any available proceeds would not be available for distribution to General Unsecured Creditors – rather they would be used to pay, among others, the chapter 7 administrative expenses and priority claims, the DIP Facility Claims, Administrative Expense Claims, Canadian Lender Administrative Claims, Priority Tax Claims and Other Priority Claims.

Similarly, the Laidlaw Recovery and the PwC Litigation Claim are assets of SKC, and thus would only be available to creditors of SKC. Moreover, the Secured U.S. Lenders argue that the Laidlaw Recovery is secured because it is the settlement of the Debtors' substantial claims asserted against the Laidlaw Debtors (a position disputed by the Creditors' Committee). Even to the extent that the Laidlaw Recovery is an unsecured claim, the proceeds available would be used to pay substantial administrative and priority claims, including significant claims that the Debtors believe would be asserted by DHEC against SKC relating to the Pinewood Facility, if the settlement with DHEC was not approved in connection with the Plan. As set forth above and in Section II.E to the Disclosure Statement (pg. 4), entitled "Summary of the Plan of Reorganization - - Classification and Treatment of Claims and Interests " the claims that would be paid prior to any distribution for general unsecured creditors in a liquidation are significant and the Debtors believe such claims will likely exceed any anticipated Laidlaw Recovery.

The Lenders similarly argue that the PwC Litigation Claim is secured (a position also disputed by the Creditors' Committee). Regardless of whether the PwC Litigation Claim is secured, the general unsecured creditors will be no worse off under the Plan, and may receive a greater distribution under the Plan than in a chapter 7 liquidation. As set forth in Section X.C.2 to the Disclosure Statement (pg. 41), entitled, "History of the Debtor and Events Leading to Chapter 11 Filing and Plan - - Legal Proceedings," the PwC Litigation Claim is based on an action brought by SKC (and certain former officers and directors of SKC). As such, the proceeds from any recovery belong to the estate of SKC. Under the Plan, the proceeds from the PwC Litigation Claim will be distributed to the unsecured creditors of SKC (Classes 4 through 7). In contrast, in a chapter 7 liquidation the proceeds from the PwC Litigation

Claim would first be used to pay, among other things, the DIP Facility Claims, Administrative Claims, the Canadian Lender Administrative Claims and Other Priority Claims.

Accordingly, the Debtors believe that the Plan meets the "best interests of creditors" test of section 1129(a)(7) of the Bankruptcy Code. The Debtors believe that the members of each Impaired Class will receive the same or greater value under the Plan than they would in a liquidation.

#### **D. Valuation of the Reorganized Debtors**

##### *1. Overview*

The Debtors have been advised by Lazard, their financial advisor, with respect to the reorganization value of the Reorganized Debtors on a going concern basis. Solely for the purposes of the Plan, the estimated range of reorganization values of the Reorganized Debtors is estimated at approximately \$460 million to \$640 million (with a midpoint value of \$550 million), as of April 30, 2003, the assumed Effective Date.

The assumed range of the reorganized value, as of the assumed Effective Date reflects work performed by Lazard on the basis of information regarding the business and assets of the Debtors available to Lazard as of October 2002. Lazard has revised the discounted cash flow analysis to reflect the most recent company Projections. Neither the Debtors nor Lazard have updated the estimated range of the reorganization value to reflect information available to the Debtors or Lazard subsequent to March 2003, but Lazard is not aware of any developments that would materially affect the valuation.

Upon emergence, the amount of debt drawn under the Exit Facility is estimated to be \$139 million, assuming a \$100 million net cash Laidlaw Recovery, and full payment of administrative claims and the Pinewood Settlement. Based upon the assumed range of the reorganization value of the Reorganized Debtors of \$460 million to \$640 million, and long term debt (net of excess cash) of \$386 million (including \$250 million of New Notes and \$12 million of New Preferred Stock), the Reorganized Debtors have an equity value range of \$74 million to \$254 million, with a midpoint value of \$164 million. Assuming a distribution of 25 million shares of the New Common Stock pursuant to the Plan, the estimated range of equity value of the New Common Stock is between \$2.96 and \$10.16 per share with a midpoint value of \$6.56 per share. This estimated range of values is hypothetical and reflects the estimated intrinsic value of the Reorganized Debtors derived through the application of various valuation techniques.

The foregoing estimates of the reorganization value of the Reorganized Debtors are based on a number of assumptions, including, but not limited to, (a) confirmation of the Plan on the assumed Effective Date, (b) a successful reorganization of the Debtors' business and finances in a timely manner, (c) the implementation of the Reorganized Debtors' Business Plan, (d) the achievement of the forecasts reflected in the Projections, (e) market conditions as of October 2002 continuing through the assumed Effective Date and (f) the Plan becoming effective in accordance with the estimates and other assumptions discussed herein.

In estimating the range of the reorganization value of the Reorganized Debtors, Lazard: (a) reviewed certain historical financial information of the Debtors for recent years and interim periods; (b) reviewed certain internal financial and operating data of the Debtors including financial projections, prepared and provided by management, relating to its business and its prospects, including those Projections set forth in Appendix G annexed to this Disclosure Statement; (c) met with certain members of senior management to discuss its business and projections; (d) reviewed publicly available financial data and considered the market value of public companies which Lazard deemed generally comparable to the operating business of the Debtors; (e) considered certain economic and industry information relevant to the operating business; (f) reviewed certain analyses prepared by other firms retained by the Debtors and (g) conducted such other studies, analyses, inquiries and investigations as it deemed appropriate.

In its review and analysis of the Debtors' business, operating assets and liabilities and the Reorganized Debtors' business plans, Lazard assumed and relied on the accuracy and completeness of all (a) financial and other information furnished to it by the Debtors and by other firms retained by the Debtors and (b) publicly available information, including to the extent relevant, precedent transactions. Lazard did not independently verify management's projections in connection with such estimates of the reorganization value, and has assumed that such projections have been prepared reasonably in good faith and on a basis reflecting the best currently available estimates

and judgments of the Debtors as to the future operating and financial performance of the Debtors. Such projections assume the Debtors will operate the businesses reflected in the Business Plan and that such businesses perform as expected in the Business Plan. To the extent that the Debtors operate more or fewer businesses during the projection period, and to the extent that all or a portion of all of the businesses perform at levels inconsistent with those expected in the Business Plan, such adjustments may have a material impact on the operating projections and valuations as presented herein. No independent valuation or appraisals of the Debtors were sought or obtained in connection herewith.

Estimates of the reorganization value do not purport to be appraisals or necessarily reflect the values which may be realized if assets were sold in liquidation or otherwise.

With respect to the valuation of the Reorganized Debtors, in addition to the foregoing, Lazard relied upon the following assumptions:

- The enterprise value reflects the aggregate value of the Reorganized Debtors and its subsidiaries (including Safety-Kleen Canada and its subsidiaries);
- The enterprise valuation indicated represents the enterprise value of the Reorganized Debtors and assumes pro forma debt levels (as set forth in the Projections, annexed hereto as Appendix G) to calculate a range of equity value;
- The Debtors will emerge from chapter 11 on or about April 30, 2003;
- The Projections of the Reorganized Debtors are predicated upon the assumption that the Debtors will be able to obtain all of the necessary financing, as described herein. Lazard makes no representation as to whether the Debtors will obtain financing or as to the forms in which such financing may be obtained and
- The present senior management of the Debtors will continue to manage the business following consummation of the Plan, and general financial and market conditions as of the assumed Effective Date of the Plan will not differ materially from those conditions prevailing as of the date of this Disclosure Statement.

The estimates of the reorganization value represent the hypothetical reorganization enterprise value of the Reorganized Debtors. Such estimates were developed solely to formulate and negotiate the Plan and analyze the implied recoveries of the Claimholders. Such estimates reflect computations of the range of the estimated reorganization enterprise value of the Reorganized Debtors through the application of various valuation techniques and do not purport to reflect or constitute appraisals. Liquidation values or estimates of actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan may be significantly different than the amounts set forth herein.

The value of an operating business is subject to numerous uncertainties and contingencies which are difficult to predict, and will fluctuate with changes in factors affecting the financial condition and prospects of such a business. As a result, the estimate of the range of the reorganization enterprise value of the Reorganized Debtors set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Because such estimates are inherently subject to uncertainties, neither the Debtors, Lazard, nor any other person assumes responsibility for their accuracy. In addition, the valuation of newly-issued securities is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the anticipated initial securities holdings by pre-petition creditors, some of which may prefer to liquidate their investment rather than hold it on a long-term basis, and other factors which generally influence the prices of securities.

The estimates of the reorganization value determined by Lazard represent estimated reorganization values and do not reflect values that could be attainable in the public or private markets. The imputed estimate of the range of the reorganization equity values of the Reorganized Debtors, indicated in the analysis, does not purport to be an estimate of the post-reorganization market trading value. Any such trading value may be materially different from the estimate of the reorganization equity value range for the Reorganized Debtors according to Lazard's valuation analysis.

## 2. *Summary of Financial Analysis*

The following is a summary of certain financial analyses performed by Lazard to arrive at its estimation of enterprise value of the Reorganized Debtors. Lazard performed certain procedures, including each of the financial analyses described below, and reviewed with the management of the Debtors the assumptions on which such analyses were based. Lazard's estimate of enterprise valuation must be considered as a whole and selecting just one methodology or portions of the analysis, without considering the analysis as a whole, could create a misleading or incomplete conclusion as to enterprise value.

*Discounted Cash Flow Analysis.* The discounted cash flow analysis ("DCF") valuation methodology relates the value of an asset or business to the present value of expected future cash flows to be generated by that asset or business. The DCF methodology is a "forward looking" approach that discounts the expected future cash flows by a theoretical or observed discount rate determined by calculating the average cost of debt and equity for publicly traded companies that are similar to the Debtors. This approach has two components: the present value of the projected un-levered free cash flows for a determined period; and the present value of the terminal value (representing firm value beyond the time horizon of the projections).

As the estimated cash flows, estimated discount rate and expected capital structure of the Reorganized Debtors are used to derive a potential value, an analysis of the results of such an estimate is not purely mathematical, but instead involves complex considerations and judgments concerning potential variances in the projected financial and operating characteristics of the Reorganized Debtors, as well as other factors that could affect the future prospects and cost of capital considerations for the Reorganized Debtors.

In calculating the un-levered free cash flows for the Reorganized Debtors, Lazard utilized management's financial projections as the primary input. Beginning with earnings before interest and taxes (EBIT), the analysis taxes this figure at an assumed rate of 40% to calculate an un-levered net income figure. The analysis then adds back the non-cash operating expense of depreciation and amortization. In addition, other factors affecting free cash flow are taken into account, such as the change in working capital, capital expenditures and liability expenditures, all of which do not affect the income statement and therefore require separate adjustments in the calculation.

This calculation was performed for the projection period of 2003-2007 (the "Projection Period"). In performing the calculation, Lazard made assumptions for the weighted average cost of capital (the "Discount Rate"), which is used to value future cash flows based on the riskiness of the projections, and the EBITDA exit multiple, which is used to determine the future value of the enterprise at the end of the Projection Period. In determining the Discount Rate, Lazard estimated the cost of equity and the after-tax cost of debt for the Debtors, and applied a weighting to each according to a target leverage ratio based on the observation of similar leverage ratios for comparable companies in the industry. Lazard estimated the cost of equity based on a capital asset pricing module which assumes that the required equity return is a function of the risk-free cost of capital and the correlation ("Beta") of a publicly traded stock's performance to the return on the broader market.

Since the Debtors do not have a publicly traded stock to provide an empirical basis to estimate the equity cost of capital, Lazard used Betas from comparable companies on an un-levered basis to determine a composite un-levered Beta to be applied in determining an estimated cost of equity. Also included in the calculation of the cost of equity was an implementation risk premium of 12% to reflect the non-systemic risk associated with the fundamental and unproven changes in the business model, which are being implemented as part of management's turnaround plan. In estimating the Debtors' cost of debt, Lazard considered a number of factors including the likely interest rate associated with the Debtors' post-emergence financing, the expected term of such financing and the effective yield for publicly traded debt securities for comparable companies in the industry. Lazard's base case analysis estimated the Discount Rate at 17.5% which included the calculation of a cost of equity of 20.9% and an after-tax cost of debt of 7.2%, with a target debt to capital ratio of 25%. In determining an EBITDA exit multiple, Lazard relied on the Publicly Traded Company Analysis, described below, in assuming that the future enterprise value will be 5.0x the EBITDA in 2007, the terminal year of the Projection Period.

The range of enterprise value, according to this analysis, is as follows: \$480 million (Discount Rate of 20%, Exit EBITDA Multiple of 5.0x) to \$600 million (Discount Rate of 15%, Exit EBITDA Multiple of 5.0x) with a mid-point valuation of \$535 million (Discount Rate of 17.5%, Exit EBITDA Multiple of 5.0x).

*Publicly Traded Company Analysis.* A publicly traded company analysis ("Publicly Traded Company Analysis") estimates value based on a comparison of the target company's financial statistics with the financial statistics of public companies that are generally similar to the target company. The Publicly Traded Company Analysis establishes a benchmark for asset valuation by deriving the value of "comparable" assets, standardized using a common variable such as revenues, EBIT and EBITDA. The analysis includes a detailed multi-year financial comparison of each company's income statement, balance sheet and cash flow. In addition, each company's performance, profitability, margins, leverage and business trends are also examined. Based on these analyses, a number of financial multiples and ratios are calculated to gauge each company's relative performance and valuation. It relies on the fact that the price that an investor is willing to pay in the public markets for securities of similar publicly traded companies represents the Reorganized Debtors' current and future prospects, as well as the rate of return required on the investment.

A key factor to this approach is the selection of companies with relatively similar business and operational characteristics to the target company. Criteria for selecting companies for the analysis include, among other relevant characteristics, similar lines of businesses, business risks, growth prospects, maturity of businesses, market presence, size and scale of operations. The selection of truly comparable companies is often difficult and subject to limitations due to sample size and the availability of meaningful market-based information. Accordingly, an analysis of the results of such comparison is not purely mathematical, but involves complex considerations and judgments concerning the differences in historical and projected financial and operating characteristics of the selected companies and other factors that could affect the value of the selected companies or the Reorganized Debtors to which they are being compared.

The peer group of publicly traded companies which Lazard identified for the purposes of this analysis focused on the waste management industry. While no particular company fits the precise business model presented by the Debtors, these businesses have many similar characteristics in terms of the nature of demand, the regulatory operating environment and the perception among investors that such companies offer similar investment opportunities. The companies selected for the purpose of this analysis are Allied Waste Industries, Inc., Cassela Waste Industries, Inc., Republic Services, Inc., Waste Management, Inc. and Waste Industries USA, Inc.

Lazard primarily observed valuation ratios as a function of the total enterprise value indicated by the equity market capitalization of each company in the peer group. While Lazard observed multiples according to revenues and EBIT, the most emphasis was placed on the EBITDA multiple, which most closely reflects the true cash-generating ability of each enterprise. On the basis of enterprise value as a multiple of the last twelve months ("LTM") of revenues, the peer group indicated a high of 2.14x, a low of 0.95x, a mean of 1.64x and a median of 1.96x. On the basis of enterprise value as a multiple of LTM EBIT, the peer group indicated a high of 13.2x, a low of 9.7x, a mean of 10.7x and a median of 10.1x. Given the emphasis on EBITDA multiples, Lazard observed multiples for both LTM EBITDA and projected 2003 EBITDA. For the LTM EBITDA multiple, the peer group indicated a high of 8.0x, a low of 4.4x, a mean of 6.3x and a median of 6.9x. For the 2003 EBITDA multiple, the peer group indicated a high of 7.3x, a low of 4.5x, a mean of 5.8x and a median of 5.7x.

Lazard's application of these results took into account a variety of factors, both quantitative and qualitative, in an effort to rank the Debtors among the identified peer group and consider the relative valuation which the Debtors would command given the availability of these alternative investments. Those factors considered by Lazard include, but are not limited to, the following: (a) the use of adjusted EBITDA figures for both the LTM and 2003 projection; (b) the extraordinary increase in EBITDA between the LTM and 2003, which is largely attributed to management turnaround efforts, rather than, for example, a commodity price change in the market which has already occurred; (c) the relative performance of the Debtors to its peers with respect to a number of operating metrics such as EBITDA margin, revenue growth, capital expense efficiency and others and (d) a comparison of the historical trading multiples of the peer group and the Debtors, prior to the acquisition of the Debtors by LESI (which analysis indicated that the Debtors traded at an average discount to the peer group of 30% for the period January, 1995 through December, 1997). Taking these and other factors into account, the range of enterprise value, according to this analysis, is as follows: (x) on the basis of LTM EBITDA, \$390 million (4.4x) to \$570 million (6.5x) with a mid-point of \$480 million (5.5x) and (y) on the basis of projected 2003 EBITDA, \$540 million (4.1x) to \$810 million (6.2x) with a mid-point of \$675 million (5.2x).

*Precedent Transaction Analysis.* Precedent transaction analysis ("Precedent Transaction Analysis") estimates value by examining public merger and acquisition or change of control transactions. An analysis of a company's transaction value as a multiple of various operating statistics provides industry-wide valuation multiples for companies in similar lines of businesses to the Reorganized Debtors. These multiples were calculated based on the purchase price (including any debt assumed) paid to acquire companies that are comparable to the Reorganized Debtors. These multiples were then applied to the Reorganized Debtors' key operating statistics to determine going concern values or total enterprise values to a potential buyer. Lazard evaluated each of these multiples and made judgments as to their relative significance in determining the Reorganized Debtors' enterprise valuation range.

No reorganization or acquisition value used in any analysis is identical to a target reorganization or transaction and as a result, valuation conclusions cannot be based solely upon quantitative results. The reasons for, and circumstances surrounding, each acquisition transaction are specific to such acquisition and there are inherent differences between the businesses, operations and prospects of each. Therefore, just as with the Publicly Traded Company Analysis, qualitative judgments must be made concerning the differences between the characteristics of these reorganizations and transactions and other factors and issues which could affect the target's value.

In performing this analysis, Lazard identified the following transactions (target/buyer) as precedents based on the nature of the business of the target company: The Debtors' CSD / Clean Harbors, Severson Environmental Services / SCC Contracting Inc., Hanson Waste Management / Waste Recycling Group PLC, UK Waste (Waste Management, Inc.) / Severn Trent PLC, Waste Management, Inc. - Bio Gro / Syngaro Technologies Inc., Waste Management, Inc. - Waste Col / Waste Corp of America, Waste Management - Nederland / Shanks group PLC, Browning Ferris Industries' Medical Waste Division / Stericycle Inc., and Browning Ferris Industries Inc. / Allied Waste Industries, Inc.

Just as in the Publicly Traded Company Analysis, Lazard primarily observed valuation ratios as a function of the total enterprise value indicated by the market capitalization for the enterprise according to the price paid for the stock or the assets in each sample transaction. While Lazard observed multiples according to revenues and EBIT, the most emphasis was placed on the EBITDA multiple, which most closely reflects the true cash-generating ability of each enterprise. On the basis of enterprise value as a multiple of LTM revenues, the precedent transactions indicated a high of 3.33x, a low of 0.62x, a mean of 1.78x and a median of 1.79x. On the basis of enterprise value as a multiple of LTM EBIT, the precedent transactions indicated a high of 18.1x, a low of 7.6x, a mean of 11.6x and a median of 10.9x. Finally, on the basis of enterprise value as a multiple of LTM EBITDA, the precedent transactions indicated a high of 16.5x, a low of 5.5x, a mean of 8.3x and a median of 6.5x.

Lazard's application of these results took into account a variety of factors, including those mentioned above with respect to the Publicly Traded Company Analysis. In addition, due to the fact that the results of a Precedent Transaction Analysis often reflect a control premium, or are impacted by a competitive dynamic due to multiple bidders, the valuation multiples indicate aspects of value not necessarily present in a reorganization. Taking these and other factors into account, the range of enterprise value according to this analysis is as follows: \$480 million (5.5x LTM EBITDA) to \$660 million (7.5x LTM EBITDA) with a mid-point of \$570 million (6.5x LTM EBITDA).

It should be noted that the composite valuation indicated in the beginning of this section was derived from an evaluation, weighing all of the analyses described herein, and did not rely singularly on any specific analysis or methodology. Any similarity in valuation ranges between the composite valuation and the valuation range of a particular analysis is a matter of coincidence and does not necessarily mean that such analysis was used as the sole basis for determining the value of the Reorganized Debtors.

The summary set forth above does not purport to be a complete description of the analyses performed by Lazard. The preparation of an estimate involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods in the particular circumstances and, therefore, such an estimate is not readily susceptible to summary description. The analyses performed by Lazard and the Debtors combined numerous assumptions with respect to industry performance, business and economic conditions and other matters. The analyses performed by Lazard are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses.

**E. Application of the "Best Interests" Test to the Liquidation Analysis and the Valuation of the Reorganized Debtors**

It is impossible to determine with any specificity the value each creditor will receive as a percentage of its Allowed Claim. This difficulty in estimating the value of such recoveries is due to, among other things, (1) the inherent uncertainty with respect to future performance of the Reorganized Debtors, (2) the ability to liquidate the New Common Stock and (3) the amount of proceeds to be available in the Safety-Kleen Creditor Trust. Such a valuation is made even more difficult because the analysis regarding the amount of Claims in Classes 3 through 7 that will ultimately be Allowed is preliminary and subject to change.

After considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for the distribution to creditors in the Chapter 11 Cases versus the valuation of the Reorganized Debtors as a going concern, each as set forth above, the Debtors have determined that the confirmation of the Plan will provide each holder of an Allowed Claim in Classes 3 through 7 with a recovery that is not less than such holder would receive pursuant to a liquidation under chapter 7.

**F. Confirmation Without Acceptance of All Impaired Classes: The "Cramdown" Alternative**

In view of the deemed rejection by Classes 8 and 9, the Debtors will seek confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code. Specifically, section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of Claims has accepted it. The Bankruptcy Court may confirm a plan at the request of the debtors if the plan "does not discriminate unfairly" and is "fair and equitable" as to each impaired class that has not accepted the plan. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank.

A plan is fair and equitable as to a class of secured claims that rejects such plan if the plan provides (1)(a) that the holders of claims included in the rejecting class retain the liens securing those claims whether the property subject to those liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims and (b) that each holder of a claim of such class receives on account of that claim deferred cash payments totaling at least the allowed amount of that claim, of a value, as of the effective date of the plan, of at least the value of the holder's interest in the estate's interest in such property; (2) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of the liens, with the liens to attach to the proceeds of the sale, and the treatment of the liens on proceeds under clause (1) or (3) of this paragraph or (3) for the realization by such holders of the indubitable equivalent of such claims.

A plan is fair and equitable as to a class of unsecured claims which rejects a plan if the plan provides (1) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim or (2) that the holder of any claim or interest that is junior to the claims of such class will not receive or retain on account of such junior claim or interest any property at all.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides (1) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest or (2) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property at all.

The Debtors also will seek confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code with respect to Classes 8 and 9, and with respect to Classes 4 through 7 if any such Class votes to reject the Plan.

## ARTICLE XVIII

### ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the Plan affords Holders of Claims in Classes 3 through 7 the potential for the greatest realization on the Debtors' assets and, therefore, is in the best interests of such Holders.

If, however, the requisite acceptances are not received, or the Plan is not confirmed and consummated, the theoretical alternatives include: (a) formulation of an alternative plan or plans of reorganization or (b) liquidation of the Debtors under chapter 7 or 11 of the Bankruptcy Code.

#### A. Alternative Plan(s) of Reorganization

If the requisite acceptances are not received or if the Plan is not confirmed, the Debtors (or, if the Debtors' exclusive periods in which to file and solicit acceptances of a plan of reorganization have expired), any other party in interest could attempt to formulate and propose a different plan or plans of reorganization. Such a plan or plans might involve either a reorganization and continuation of the Debtors' businesses or an orderly liquidation of assets.

Additionally, it is not clear whether the Debtors could survive as going concerns in a protracted alternative plan of reorganization. They could have difficulty sustaining operations in the face of high costs, erosion of customer confidence and liquidity difficulties that could well result if they remained Debtors for any length of time.

With respect to an alternative plan, the Debtors have explored various other alternatives in connection with the extensive formulation and development of the Plan. The Debtors believe that the Plan, as described herein, enables creditors to realize the greatest possible value under the circumstances, and, that as compared to any alternative plan of reorganization, has the greatest chance to be confirmed and consummated.

#### B. Liquidation Under Chapter 7 or Chapter 11

If no plan is confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtors' assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict precisely how the proceeds of the liquidation would be distributed to the respective holders of Claims against or Interests in the Debtors.

The Debtors believe that in a liquidation under chapter 7, before creditors receive any distribution, additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other professionals to assist such trustees would cause a substantial diminution in the value of the Debtors' Estates. The assets available for distribution to Creditors would be reduced by such additional expenses and by the Claims, some of which would be entitled to priority, which would arise by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Debtors' assets.

The Debtors could also be liquidated pursuant to the provisions of a chapter 11 plan. In a liquidation under chapter 11, the Debtors' assets could be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7. Thus, a chapter 11 liquidation might result in larger recoveries than in a chapter 7 liquidation, but the delay in distributions could result in lower present values received and higher administrative costs. Because a trustee is not required in a chapter 11 case, expenses for professional fees could be lower than in a chapter 7 case, in which a trustee must be appointed. Any distribution to the holders of Claims under a chapter 11 liquidation plan probably would be delayed substantially.

Although preferable to a chapter 7 liquidation, the Debtors believe that any alternative liquidation under chapter 11 is a much less attractive alternative to creditors than the Plan because of the greater return the Debtors contemplate is provided by the Plan.

## ARTICLE XIX

### THE SOLICITATION; VOTING PROCEDURES

#### A. Solicitation of Votes

In general, a holder of a claim or interest may vote to accept or to reject a plan if (1) the claim or interest is an "allowed" claim, which means generally that no party in interest has objected to such claim or interest and (2) the claim or interest is not impaired by the plan of reorganization. If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan, and, accordingly, holders of such claims and interests do not actually vote on the plan. If a claim or interest is not impaired by the plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the plan.

Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless (1) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (2) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

Claims in Classes 3 through 7 are Impaired under the Plan and holders of such Claims that are neither Disputed Claims nor Disallowed Claims are entitled to vote on the Plan. Holders of Class 8 Claims or Class 9 Interests will receive no distribution under the Plan. Such Classes are therefore Impaired and under 1126(g) of the Bankruptcy Code, Classes 8 and 9 are deemed to have rejected the Plan and are not entitled to vote on the Plan. In contrast, holders of Claims in Classes 1 and 2 are Unimpaired and are not entitled to vote because, by operation of law, they are deemed to have accepted the Plan. Any Claim as to which an objection has been timely filed before confirmation of the Plan will not be entitled to vote; provided, however, that if a Rule 3018(a) Motion is filed on account of such Claim, the holder of such Claim will be entitled provisionally to vote on the Plan and, to the extent such Rule 3018(a) Motion is decided in favor of such Claimholder, the ballot cast on account of such Claim will be counted in determining whether the requirements of section 1126(c) of the Bankruptcy Code have been met. Any holder of a Claim that is the subject of an objection must file a Rule 3018(a) Motion for purposes of having its Claim temporarily Allowed for voting purposes on or before April 21, 2003 at 4:00 p.m. (Eastern time).

Holders of Claims in Classes 3 through 7 will be furnished with a copy of the Disclosure Statement, together with related materials, as well as a Ballot to cast their vote (and pre-addressed, postage-prepaid return envelope) appropriate for the specific creditor. Holders of Claims or Interests in Classes 1, 2, 8 and 9 (who are not entitled to vote because they are either Unimpaired and deemed to have accepted the Plan or Impaired and deemed to have rejected the Plan) will be furnished with a notice of the Confirmation Hearing as well as a notice of their non-voting status. Any party in interest may expeditiously obtain the Disclosure Statement and Plan by (1) accessing <http://www.safetykleenplan.com> and downloading them at no charge or (2) calling (a) Teleconferencing Services, LLC at (888) 451-0900 or (b) Innisfree M&A Incorporated at (877) 750-2689 to request such documents.

#### B. Voting Deadline

All votes to accept or reject the Plan must be cast by using the Ballot enclosed with the Disclosure Statement. No other votes will be counted. Ballots and Master Ballots (as defined herein) must be RECEIVED by the Voting Agent by May 2, 2003 at 1:00 p.m. (Eastern time) (the "Voting Deadline").

The Debtors reserve the absolute right to extend, by oral or written notice to the Voting Agent, the period of time (on a daily basis, if necessary) during which Ballots will be accepted for any reason including, but not limited to, determining whether or not the requisite acceptances have been received, by making a public announcement of such extension no later than 9:00 a.m. (Eastern time) on the first Business Day after the previously announced Voting Deadline. Without limiting the manner in which the Debtors may choose to make any public announcement, the Debtors will not have any obligation to publish, advertise or otherwise communicate any such public announce-

ment, other than by issuing a news release through the Dow Jones News Service. There can be no assurance that the Debtors will exercise their right to extend the solicitation period for the receipt of Ballots.

Except to the extent requested by the Debtors or as permitted by the Bankruptcy Court, Ballots received after the Voting Deadline will not be counted or otherwise used in connection with the Debtors' request for confirmation of the Plan (or any permitted modification thereof).

### **C. Voting Procedures**

The failure of a holder of a Claim in Classes 3 through 7 to deliver a duly executed Ballot will be deemed to constitute an abstention by such holder with respect to voting on the Plan and such abstentions will not be counted as votes for or against the Plan.

Each voting Claimholder should provide all of the information requested by the Ballots. Each voting Claimholder should complete and return all Ballots received in the return envelope provided with each such Ballot. **IN NO CASE SHOULD A BALLOT BE DELIVERED TO ANY ENTITY OTHER THAN THE VOTING AGENT (EXCEPT BENEFICIAL OWNERS OF DEBT SECURITIES ARE INSTRUCTED TO RETURN THEIR BALLOTS TO THEIR NOMINEES).**

### **D. Specific Instructions for Debt Securities Holders**

The record date to determine the holders of stock, bonds, debentures, notes and other securities is March 17, 2003.

#### *1. Beneficial Owners*

A registered record holder holding 9¼% Senior Notes, 9¼% Senior Subordinated Notes, the Clive Industrial Revenue Bond Claims against Safety-Kleen (Clive) Inc., the Osco Treatment System Industrial Revenue Bond Claims against Safety-Kleen (Nashville), Inc., the Aragonite Industrial Revenue Bond Claims against SKC, and the California Pollution Control Financing Authority Industrial Revenue Bond Claims against SKC (the "Debt Securities"), or an authorized signatory for a beneficial owner should vote on the Plan by completing and signing the Ballot and returning it directly to Innisfree on or before the Voting Deadline using the self-addressed, postage-paid envelope enclosed with the Ballot.

A beneficial owner holding Debt Securities in "street name" through a bank, broker, other intermediary, or agent thereof (each, a "Nominee") may vote on the Plan by one of the following two methods (as selected by such beneficial owner's Nominee):

(a) Complete and sign the beneficial owner Ballot and return the Ballot to the Nominee as promptly as possible and in sufficient time to allow such Nominee to process the Ballot and return it to Innisfree by the Voting Deadline. If no self-addressed, postage-paid envelope was enclosed for this purpose, the beneficial owner should contact Innisfree or the Nominee for instructions, or

(b) Complete and sign the pre-validated Ballot (as described below) provided by the Nominee and return the pre-validated Ballot to Innisfree by the Voting Deadline using the return envelope provided.

Any Ballot returned to a Nominee by a beneficial owner will not be counted for purposes of acceptance or rejection of the Plan until such Nominee properly completes and delivers to Innisfree that Ballot or a Master Ballot.

If any beneficial owner owns Debt Securities through more than one Nominee, such beneficial owner may receive multiple mailings containing the Ballots. The beneficial owner should execute a separate Ballot for each block of Debt Securities that it holds through any particular Nominee and return each Ballot to the respective Nominee in the return envelope provided therewith. Beneficial owners who execute multiple Ballots with respect to Debt Securities held through more than one Nominee must indicate on each Ballot the additional amounts of such Debt Securities so held and voted.

## 2. *Nominees*

A Nominee that on the Record Date is the registered holder of Debt Securities for a beneficial owner can obtain the votes of the beneficial owners of such Debt Securities, consistent with customary practices for obtaining the votes of securities held in "street name," in one of the following two ways:

(a) *Prevalidated Ballots.* The Nominee may prevalidate the Ballot by (i) signing the Ballot; (ii) indicating on the Ballot the name of the record holder of the Debt Securities, the principal amount, and the appropriate account numbers through which the beneficial owner's holdings are derived and (iii) forwarding such Ballot, together with the Disclosure Statement, to the beneficial owner of the Debt Securities for voting so that the beneficial owner may return the completed Ballot directly to the Voting Agent in the return envelope provided, so that it is received by the Voting Deadline. A list of the beneficial owners to whom prevalidated Ballots were delivered should be maintained by the Nominees for inspection for at least one year from the Voting Deadline; or

(b) *Master Ballots.* If the Nominee elects not to prevalidate Ballots, the Nominee may obtain the votes of beneficial owners by forwarding to the beneficial owners the unsigned Ballots, together with the Disclosure Statement, a return envelope provided by, and addressed to, the Nominee, and other materials requested to be forwarded. Each such beneficial owner must then indicate his/her or its vote on the Ballot, complete the information requested in the Ballot, review the certifications contained in the Ballot, execute the Ballot, and return the Ballot to the Nominee. After collecting the Ballots, the Nominee should, in turn, complete a Ballot compiling the votes and other information from the Ballot (a "Master Ballot"), execute the Master Ballot, and deliver the Master Ballot to Innisfree so that it is received by Innisfree before the Voting Deadline. All Ballots returned by beneficial owners should either be forwarded to Innisfree (along with the Master Ballot) or be retained by the Nominees for inspection for at least one year from the Voting Deadline. EACH NOMINEE SHOULD ADVISE ITS BENEFICIAL OWNERS TO RETURN THEIR BALLOTS TO THE NOMINEE BY A DATE CALCULATED TO ALLOW THE NOMINEE TO PREPARE AND RETURN THE MASTER BALLOT TO THE VOTING AGENT SO THAT IT IS RECEIVED BY THE VOTING AGENT BEFORE THE VOTING DEADLINE.

## 3. *Miscellaneous*

Ballots or Master Ballots that are signed, dated and timely received, but on which a vote to accept or reject the Plan has not been indicated, will not be counted. Except as provided below, unless the appropriate Ballot or Master Ballot is timely submitted to Innisfree before the Voting Deadline, the Debtors may, in their sole discretion, reject such Ballot or Master Ballot as invalid, and therefore decline to utilize it in connection with seeking confirmation of the Plan.

### **E. Fiduciaries and Other Representatives**

If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or another acting in a fiduciary or representative capacity, such person should indicate such capacity when signing and, unless otherwise determined by the Debtors, must submit proper evidence satisfactory to the Debtors of authority to so act. Authorized signatories should submit the separate Ballot of each beneficial owner for whom they are voting.

### **F. Waivers of Defects, Irregularities, Etc.**

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance and revocation or withdrawal of Ballots will be determined by the Voting Agent and the Debtors in their sole discretion, which determination will be final and binding. As indicated below under "Withdrawal of Ballots; Revocation," effective withdrawals of Ballots must be delivered to the Voting Agent prior to the Voting Deadline. The Debtors reserve the absolute right to contest the validity of any such withdrawal. The Debtors also reserve the right to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, be unlawful. The Debtors further reserve the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. The interpretation (including the Ballot and the respective instructions thereto) by the Debtors, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be

cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

**G. Withdrawal of Ballots; Revocation**

Any party who has delivered a valid Ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Voting Agent at any time prior to the Voting Deadline. A notice of withdrawal, to be valid, must (1) contain the description of the Claim(s) to which it relates and the aggregate principal amount represented by such Claim(s), (2) be signed by the withdrawing party in the same manner as the Ballot being withdrawn, (3) contain a certification that the withdrawing party owns the Claim(s) and possesses the right to withdraw the vote sought to be withdrawn and (4) be received by the Voting Agent in a timely manner at the address set forth below under "Further Information; Additional Copies." The Debtors intend to consult with the Voting Agent to determine whether any withdrawals of Ballots were received and whether the requisite acceptances of the Plan have been received. As stated above, the Debtors expressly reserve the absolute right to contest the validity of any such withdrawals of Ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of Ballots which is not received in a timely manner by the Voting Agent will not be effective to withdraw a previously cast Ballot.

Any party who has previously submitted to the Voting Agent prior to the Voting Deadline a properly completed Ballot may revoke such Ballot and change his or its vote by submitting to the Voting Agent prior to the Voting Deadline a subsequent properly completed Ballot for acceptance or rejection of the Plan. In the case where more than one timely, properly completed Ballot is received, only the Ballot which bears the latest date will be counted for purposes of determining whether the requisite acceptances have been received.

**H. Further Information; Additional Copies**

Any party wishing to review a complete copy of the Plan, the Disclosure Statement or any exhibits or appendices to such documents may obtain them by accessing <http://www.safetykleenplan.com> or calling Teleconferencing Services, LLC at (888) 451-0900. Moreover, any party that has any questions or requires further information about the voting procedure or about the packet of material received, may contact the Voting Agents listed below:

**CREDITORS OTHER THAN HOLDERS OF DEBT SECURITIES**

SAFETY-KLEEN CORP.  
c/o Trumbull Services LLC  
Griffin Center  
4 Griffin Rd., North  
Windsor, CT 06095  
Phone (860) 687-3916

or

**HOLDERS OF EQUITY AND DEBT SECURITIES**

SAFETY-KLEEN BALLOT TABULATION  
c/o Innisfree M&A Incorporated  
501 Madison Avenue, 20<sup>th</sup> Floor  
New York, NY 10022  
Phone (877) 750-2689  
Bankers and brokers call (212) 750-5833

**ARTICLE XX**

**RECOMMENDATION AND CONCLUSION**

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all holders of Claims in Classes 3 through 7 to vote to ACCEPT the Plan, and to complete and return their ballots so that they will be RECEIVED by the Voting Agent on or before 1:00 p.m. Eastern time on the Voting Deadline.

[SIGNATURE BLOCK ON NEXT PAGE]

Dated: March 20, 2003

Respectfully submitted,

SAFETY-KLEEN CORP. AND CERTAIN OF ITS DIRECT AND  
INDIRECT SUBSIDIARIES THAT ARE ALSO DEBTORS AND  
DEBTORS-IN-POSSESSION IN THE CHAPTER 11 CASES

By: /s/ Larry W. Singleton  
Larry W. Singleton

---

Their: Executive Vice President, Chief Financial Officer and Executive  
Officer

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**APPENDIX A**

**TO**

**DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED  
JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

**FIRST AMENDED JOINT PLAN OF REORGANIZATION  
OF SAFETY-KLEEN CORP. AND CERTAIN  
OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

----- X  
In re: : Chapter 11  
: :  
SAFETY-KLEEN CORP., et al., : Case No. 00-2303 (PJW)  
: :  
Debtors. : Jointly Administered  
: :  
----- X

**FIRST AMENDED JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP  
Four Times Square  
New York, New York 10036-6522  
Attn: D. J. Baker  
J. Gregory St. Clair  
Steven B. Eichel

- and -

One Rodney Square  
Wilmington, Delaware 19899  
Attn: Gregg M. Galardi

ATTORNEYS FOR SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT  
SUBSIDIARIES, DEBTORS AND DEBTORS-IN-POSSESSION

Dated: March 20, 2003

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TABLE OF CONTENTS

	Page
INTRODUCTION .....	Plan - 1
ARTICLE I	
DEFINITIONS .....	Plan - 1
1.1 "AA" .....	Plan - 2
1.2 "AA Savings" .....	Plan - 2
1.3 "AA Savings Distribution" .....	Plan - 2
1.4 "Administrative Claim" .....	Plan - 2
1.5 "Administrative Claims Bar Date" .....	Plan - 2
1.6 "Affiliate" .....	Plan - 2
1.7 "Allowed Claim" .....	Plan - 2
1.8 "Allowed . . . Claim" .....	Plan - 2
1.9 "Aragonite Indenture" .....	Plan - 2
1.10 "Aragonite Indenture Trustee" .....	Plan - 2
1.11 "Aragonite Industrial Revenue Bonds" .....	Plan - 2
1.12 "Assumption Order" .....	Plan - 2
1.13 "Avoidance Claims" .....	Plan - 3
1.14 "Bankruptcy Code" .....	Plan - 3
1.15 "Bankruptcy Court" .....	Plan - 3
1.16 "Bankruptcy Rules" .....	Plan - 3
1.17 "BSSD" .....	Plan - 3
1.18 "Business Day" .....	Plan - 3
1.19 "CAFO" .....	Plan - 3
1.20 "California Coverage Action" .....	Plan - 3
1.21 "California Pollution Control Financing Authority Indenture" .....	Plan - 3
1.22 "California Pollution Control Financing Authority Indenture Trustee" .....	Plan - 3
1.23 "California Pollution Control Financing Authority Industrial Revenue Bonds" .....	Plan - 3
1.24 "Canadian Lender Administrative Claims" .....	Plan - 3
1.25 "Canadian Lenders" .....	Plan - 4
1.26 "Cash" .....	Plan - 4
1.27 "Causes of Action" .....	Plan - 4
1.28 "Certificate" .....	Plan - 4
1.29 "Chapter 11 Cases" .....	Plan - 4
1.30 "Claim" .....	Plan - 4
1.31 "Claimholder" .....	Plan - 4
1.32 "Claims Objection Deadline" .....	Plan - 4
1.33 "Class" .....	Plan - 4
1.34 "Clive Indenture" .....	Plan - 4
1.35 "Clive Indenture Trustee" .....	Plan - 4
1.36 "Clive Industrial Revenue Bonds" .....	Plan - 4
1.37 "Common Defendant" .....	Plan - 4
1.38 "Confirmation Date" .....	Plan - 4
1.39 "Confirmation Hearing" .....	Plan - 4
1.40 "Confirmation Order" .....	Plan - 4
1.41 "Creditors' Committee" .....	Plan - 4
1.42 "Creditors' Committee's Adversary Proceeding" .....	Plan - 5
1.43 "CSD Subsidiaries" .....	Plan - 5
1.44 "Cure" .....	Plan - 5
1.45 "Current Directors and Officers" .....	Plan - 5
1.46 "Debt" .....	Plan - 5

	<u>Page</u>
1.47	"Debtors" . . . . . Plan - 5
1.48	"DHEC" . . . . . Plan - 5
1.49	"DHEC Administrative Claim" . . . . . Plan - 5
1.50	"DIP Agent" . . . . . Plan - 5
1.51	"DIP Credit Agreement" . . . . . Plan - 5
1.52	"DIP Facility" . . . . . Plan - 5
1.53	"DIP Facility Claim" . . . . . Plan - 5
1.54	"DIP Facility Order" . . . . . Plan - 5
1.55	"DIP Lenders" . . . . . Plan - 5
1.56	"Disallowed Claim" . . . . . Plan - 6
1.57	"Disbursing Agent" . . . . . Plan - 6
1.58	"Disclosure Statement" . . . . . Plan - 6
1.59	"Disputed Claim" . . . . . Plan - 6
1.60	"Dissolving Debtor" . . . . . Plan - 6
1.61	"Distribution Dates" . . . . . Plan - 6
1.62	"Distribution Notification Date" . . . . . Plan - 6
1.63	"Effective Date" . . . . . Plan - 6
1.64	"Environmental Cleanup or Response Cost Liabilities" . . . . . Plan - 6
1.65	"Environmental Law" . . . . . Plan - 6
1.66	"EPA" . . . . . Plan - 6
1.67	"Estates" . . . . . Plan - 6
1.68	"Exchange Act" . . . . . Plan - 7
1.69	"Exhibit" . . . . . Plan - 7
1.70	"Exhibit Filing Date" . . . . . Plan - 7
1.71	"Existing Securities" . . . . . Plan - 7
1.72	"Exit Facility" . . . . . Plan - 7
1.73	"Face Amount" . . . . . Plan - 7
1.74	"Fair Trading Value" . . . . . Plan - 7
1.75	"Final Order" . . . . . Plan - 7
1.76	"Frontier Bonds" . . . . . Plan - 7
1.77	"General Unsecured Claim" . . . . . Plan - 7
1.78	"GSX Contribution Trust Fund" . . . . . Plan - 7
1.79	"Holdback Amount" . . . . . Plan - 7
1.80	"Impaired" . . . . . Plan - 7
1.81	"Indemnification Obligations" . . . . . Plan - 7
1.82	"Indenture Trustees" . . . . . Plan - 8
1.83	"Indenture Trustees' Fees" . . . . . Plan - 8
1.84	"Industrial Revenue Bonds" . . . . . Plan - 8
1.85	"Initial Distribution Date" . . . . . Plan - 8
1.86	"Insurance Coverage Actions" . . . . . Plan - 8
1.87	"Insurance Settlement" . . . . . Plan - 8
1.88	"Intercompany Claim" . . . . . Plan - 8
1.89	"Interest" . . . . . Plan - 8
1.90	"Interestholder" . . . . . Plan - 8
1.91	"Internal Revenue Code" . . . . . Plan - 8
1.92	"Laidlaw Debtors" . . . . . Plan - 8
1.93	"Laidlaw Recovery" . . . . . Plan - 8
1.94	"Laidlaw Stock" . . . . . Plan - 8
1.95	"Laidlaw Stock Distribution" . . . . . Plan - 8
1.96	"Lender Claims" . . . . . Plan - 9
1.97	"Lender Claims Reserve" . . . . . Plan - 9
1.98	"Lenders" . . . . . Plan - 9
1.99	"Lenders' PwC Litigation Claim" . . . . . Plan - 9

	<u>Page</u>
1.100 "Management Incentive Compensation Plan" .....	Plan - 9
1.101 "Miscellaneous Secured Claim" .....	Plan - 9
1.102 "New Common Stock" .....	Plan - 9
1.103 "New Environmental Impairment Trust Fund" .....	Plan - 9
1.104 "New Holdco" .....	Plan - 9
1.105 "New Jersey Coverage Action" .....	Plan - 9
1.106 "New Note Agreement" .....	Plan - 9
1.107 "New Notes" .....	Plan - 9
1.108 "New Parent" .....	Plan - 9
1.109 "New Preferred Stock" .....	Plan - 10
1.110 "9¼% Senior Notes" .....	Plan - 10
1.111 "9¼% Senior Notes Indenture" .....	Plan - 10
1.112 "9¼% Senior Notes Indenture Trustee" .....	Plan - 10
1.113 "9¼% Senior Subordinated Notes" .....	Plan - 10
1.114 "9¼% Senior Subordinated Notes Indenture" .....	Plan - 10
1.115 "9¼% Senior Subordinated Notes Indenture Trustee" .....	Plan - 10
1.116 "Non-Consummating Debtor" .....	Plan - 10
1.117 "Old Common Stock" .....	Plan - 10
1.118 "Osco Treatment Systems Indenture" .....	Plan - 10
1.119 "Osco Treatment Systems Indenture Trustee" .....	Plan - 10
1.120 "Osco Treatment Systems Industrial Revenue Bonds" .....	Plan - 10
1.121 "Other Priority Claim" .....	Plan - 10
1.122 "Parallel Consent Agreements" .....	Plan - 11
1.123 "Parallel Respondent Debtor" .....	Plan - 11
1.124 "Parallel States" .....	Plan - 11
1.125 "Participating States" .....	Plan - 11
1.126 "Person" .....	Plan - 11
1.127 "Petition Date" .....	Plan - 11
1.128 "Pinewood" .....	Plan - 11
1.129 "Pinewood Facility" .....	Plan - 11
1.130 "Pinewood Settlement" .....	Plan - 11
1.131 "Pinewood Site Settlement Agreement" .....	Plan - 11
1.132 "Pinewood Site Trust" .....	Plan - 11
1.133 "Pinewood Site Trust Agreement" .....	Plan - 11
1.134 "Pinewood Site Trustee" .....	Plan - 11
1.135 "Plan" .....	Plan - 11
1.136 "Plan Supplement" .....	Plan - 11
1.137 "Prepetition Agent" .....	Plan - 11
1.138 "Prepetition Credit Agreement" .....	Plan - 11
1.139 "Prepetition Credit Facility" .....	Plan - 11
1.140 "Prepetition Guarantee and Collateral Agreement" .....	Plan - 11
1.141 "Prepetition Notes" .....	Plan - 12
1.142 "Priority Tax Claim" .....	Plan - 12
1.143 "Pro Rata" .....	Plan - 12
1.144 "Professional" .....	Plan - 12
1.145 "Professional Claim" .....	Plan - 12
1.146 "Professional Fee Orders" .....	Plan - 12
1.147 "PwC Litigation Claim" .....	Plan - 12
1.148 "PwC Litigation Distribution" .....	Plan - 12
1.149 "PwC Litigation Distribution Reserve" .....	Plan - 12
1.150 "Reinstated" or "Reinstatement" .....	Plan - 12
1.151 "Released Person" .....	Plan - 13
1.152 "Releasor" .....	Plan - 13

	<u>Page</u>
1.153	"Reorganized . . ." . . . . . Plan - 13
1.154	"Reorganized Debtors" . . . . . Plan - 13
1.155	"Resolved Insurance Policies" . . . . . Plan - 13
1.156	"Respondent Debtors" . . . . . Plan - 13
1.157	"Restructuring Transactions" . . . . . Plan - 13
1.158	"Retained Actions" . . . . . Plan - 13
1.159	"Safety-Kleen Creditor Trust" . . . . . Plan - 13
1.160	"Scheduled" . . . . . Plan - 13
1.161	"Schedules" . . . . . Plan - 13
1.162	"Secured Claim" . . . . . Plan - 14
1.163	"Secured U.S. Lender Claim" . . . . . Plan - 14
1.164	"Securities Act of 1933" . . . . . Plan - 14
1.165	"SERP" . . . . . Plan - 14
1.166	"Settling Insurers" . . . . . Plan - 14
1.167	"SK Services" . . . . . Plan - 14
1.168	"SK Systems" . . . . . Plan - 14
1.169	"SKC" . . . . . Plan - 14
1.170	"SKC Distribution Reserve" . . . . . Plan - 14
1.171	"SKC Indenture Trustees" . . . . . Plan - 14
1.172	"SKC Indenture Trustee Fees" . . . . . Plan - 14
1.173	"Special Litigation Co-Counsel's Fees" . . . . . Plan - 14
1.174	"Steering Committee of the Lenders" . . . . . Plan - 14
1.175	"Stockholders' Agreements" . . . . . Plan - 15
1.176	"Subordinated Claims" . . . . . Plan - 15
1.177	"Subsidiary" . . . . . Plan - 15
1.178	"Swap Agreements" . . . . . Plan - 15
1.179	"Swap Parties" . . . . . Plan - 15
1.180	"Systems Assets" . . . . . Plan - 15
1.181	"Trust Advance" . . . . . Plan - 15
1.182	"Trust Advance Interest Rate" . . . . . Plan - 15
1.183	"Trust Agreement" . . . . . Plan - 15
1.184	"Trust Assets" . . . . . Plan - 15
1.185	"Trust Claims" . . . . . Plan - 15
1.186	"Trust Distribution Reserve" . . . . . Plan - 15
1.187	"Trust Recoveries" . . . . . Plan - 16
1.188	"Trust Reserve" . . . . . Plan - 16
1.189	"Trustee" . . . . . Plan - 16
1.190	"Unclassified Claims" . . . . . Plan - 16
1.191	"Unimpaired" . . . . . Plan - 16
1.192	"U.S. Lender Claim" . . . . . Plan - 16
1.193	"U.S. Lender Claim Distribution Record Date" . . . . . Plan - 16
1.194	"U.S. Lenders" . . . . . Plan - 16
1.195	"Voting Deadline" . . . . . Plan - 16
1.196	"Washington Coverage Action" . . . . . Plan - 16
1.197	"Westinghouse Note Claim" . . . . . Plan - 16

ARTICLE II

COMPROMISE AND SETTLEMENT OF DISPUTES . . . . .	Plan - 16
---	-----------

ARTICLE III

CLASSIFICATION OF CLAIMS AND INTERESTS . . . . .	Plan - 17
--	-----------

3.1 Introduction ..... Plan - 17  
3.2 Unimpaired Claims ..... Plan - 17  
3.3 Impaired Claims ..... Plan - 18  
3.4 Impaired Interests ..... Plan - 18

ARTICLE IV

TREATMENT OF CLAIMS AND INTERESTS ..... Plan - 19  
4.1 Unclassified Claims ..... Plan - 19  
4.2 Unimpaired Classes of Claims ..... Plan - 20  
4.3 Impaired Classes of Claims ..... Plan - 21  
4.4 Impaired Classes of Interests ..... Plan - 23  
4.5 Reservation of Rights Regarding Unimpaired Claims ..... Plan - 23

ARTICLE V

ACCEPTANCE OR REJECTION OF THE PLAN ..... Plan - 23  
5.1 Impaired Classes of Claims Entitled to Vote ..... Plan - 23  
5.2 Acceptance by the Impaired Class ..... Plan - 23  
5.3 Presumed Acceptance by the Unimpaired Classes ..... Plan - 23  
5.4 Classes Deemed to Have Rejected the Plan ..... Plan - 24  
5.5 Cramdown ..... Plan - 24  
5.6 Confirmability and Severability of a Plan ..... Plan - 24

ARTICLE VI

MEANS FOR IMPLEMENTATION OF THE PLAN ..... Plan - 24  
6.1 Continued Corporate Existence for Branch Sales and Service Division ..... Plan - 24  
6.2 Corporate Action ..... Plan - 24  
6.3 Directors and Officers ..... Plan - 27  
6.4 Management Incentive Compensation Plan ..... Plan - 27  
6.5 Exit Facility ..... Plan - 27  
6.6 New Common Stock and New Preferred Stock ..... Plan - 27  
6.7 New Notes ..... Plan - 27  
6.8 Preservation of Causes of Action ..... Plan - 27  
6.9 Exclusivity Period ..... Plan - 28  
6.10 Intercompany Claims ..... Plan - 28  
6.11 Effectuating Documents; Further Transactions ..... Plan - 28  
6.12 Exemption from Certain Transfer Taxes ..... Plan - 28

ARTICLE VII

EXECUTORY CONTRACTS AND UNEXPIRED LEASES ..... Plan - 29  
7.1 Rejected Contracts and Leases ..... Plan - 29  
7.2 Rejection Damages Bar Date ..... Plan - 29  
7.3 Assumed Contracts and Leases ..... Plan - 29  
7.4 Payments Related to Assumption of Executory Contracts and Unexpired Leases .... Plan - 30  
7.5 Employment, Retirement, Indemnification and Other Employee Related  
Agreements ..... Plan - 30

ARTICLE VIII

SECURITIES TO BE ISSUED IN CONNECTION WITH THE PLAN ..... Plan - 30

## ARTICLE IX

PROVISIONS GOVERNING DISTRIBUTIONS .....	Plan - 30
9.1 Time of Distributions; Record Date .....	Plan - 30
9.2 Interest on Claims .....	Plan - 30
9.3 Disbursing Agent .....	Plan - 31
9.4 Trustee .....	Plan - 31
9.5 Surrender of Securities or Instruments .....	Plan - 31
9.6 Instructions to Indenture Trustees .....	Plan - 31
9.7 Notification Date for Distributions to Holders of Prepetition Notes and Industrial Revenue Bonds .....	Plan - 31
9.8 Claims Administration Responsibility .....	Plan - 32
9.9 Objection Deadline .....	Plan - 32
9.10 Calculation of Distribution Amounts .....	Plan - 32
9.11 Delivery of Distributions .....	Plan - 33
9.12 Procedures for Treating and Resolving Disputed and Contingent Claims .....	Plan - 34
9.13 Fractional Cents .....	Plan - 35
9.14 U.S. Lender Claim Distribution Record Date .....	Plan - 35

## ARTICLE X

ALLOWANCE AND PAYMENT OF CERTAIN ADMINISTRATIVE CLAIMS .....	Plan - 35
10.1 DIP Facility Claim .....	Plan - 35
10.2 Professional Claims .....	Plan - 35
10.3 Substantial Contribution Compensation and Expenses Bar Date .....	Plan - 36
10.4 Other Administrative Claims .....	Plan - 36

## ARTICLE XI

SAFETY-KLEEN CREDITOR TRUST .....	Plan - 36
11.1 Appointment of Trustee .....	Plan - 36
11.2 Assignment of Trust Assets to the Safety-Kleen Creditor Trust .....	Plan - 37
11.3 The Safety-Kleen Creditor Trust .....	Plan - 37
11.4 Funding of the Trust Advance .....	Plan - 38
11.5 Distributions of Trust Assets .....	Plan - 39

## ARTICLE XII

EFFECT OF THE PLAN .....	Plan - 39
12.1 Revesting of Assets .....	Plan - 39
12.2 Discharge of the Debtors .....	Plan - 40
12.3 Compromises and Settlements .....	Plan - 40
12.4 Setoffs .....	Plan - 40
12.5 Satisfaction of Subordination Rights .....	Plan - 40
12.6 Exculpation and Limitation of Liability .....	Plan - 41
12.7 Indemnification Obligations .....	Plan - 41
12.8 Release by Debtors and Debtors-in-Possession .....	Plan - 42
12.9 Release by Holders of Claims and Interests .....	Plan - 42
12.10 Release by Insured Persons .....	Plan - 43
12.11 Injunction .....	Plan - 43

## ARTICLE XIII

CONDITIONS PRECEDENT .....	Plan - 43
----------------------------	-----------

13.1	Conditions to Confirmation . . . . .	Plan - 43
13.2	Conditions to Consummation . . . . .	Plan - 43
13.3	Waiver of Conditions to Confirmation or Consummation . . . . .	Plan - 45

ARTICLE XIV

RETENTION OF JURISDICTION . . . . .	Plan - 45
-------------------------------------	-----------

ARTICLE XV

MISCELLANEOUS PROVISIONS . . . . .	Plan - 46	
15.1	Binding Effect . . . . .	Plan - 46
15.2	Modifications and Amendments . . . . .	Plan - 47
15.3	Withholding and Reporting Requirements . . . . .	Plan - 47
15.4	Creditors' Committee . . . . .	Plan - 47
15.5	Revocation, Withdrawal or Non-Consummation . . . . .	Plan - 47
15.6	Payment of Statutory Fees . . . . .	Plan - 48
15.7	Prepayment . . . . .	Plan - 48
15.8	Notices . . . . .	Plan - 48
15.9	Term of Injunctions or Stays . . . . .	Plan - 49
15.10	Impact of CAFO and Parallel Consent Agreements . . . . .	Plan - 49
15.11	Governing Law . . . . .	Plan - 50
15.12	Waiver . . . . .	Plan - 50
15.13	No Substantive Consolidation . . . . .	Plan - 50
15.14	Allocation of Plan Distributions Between Principal and Interest . . . . .	Plan - 50
15.15	Computation of Time . . . . .	Plan - 50
15.16	Exhibits . . . . .	Plan - 51

## TABLE OF EXHIBITS

Exhibit A —	Schedule of Plan Proponents and Corresponding Bankruptcy Case Numbers
Exhibit B —	Form of Safety-Kleen Creditor Trust Agreement*
Exhibit C —	Form of Restated Articles of Incorporation*
Exhibit D —	Form of Restated Bylaws*
Exhibit E —	Schedule of Assumed Executory Contracts and Unexpired Leases
Exhibit F —	Schedule of Sub-Classes for Classes 1, 3, 6 and 7
Exhibit G —	Schedule of Resolved Insurance Policies
Exhibit H —	Schedule of Settling Insurers
Exhibit I —	Schedule of Retained Actions
Exhibit J —	Schedule of Revesting Assets for Dissolving Debtors
Exhibit K —	Schedule of Non-Released Persons*
Exhibit L —	Schedule of Participating States
Exhibit M —	Schedule of Respondent Debtors
Exhibit N —	Schedule of Parallel Consent Agreements
Exhibit O —	Form of Stockholders' Agreements*

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\* Exhibits marked with an asterisk shall be included in the Plan Supplement.

## INTRODUCTION

SKC (as defined herein) and certain of its direct and indirect subsidiaries, debtors and debtors-in-possession in the above-captioned jointly administered chapter 11 reorganization cases hereby propose the following joint reorganization plans for the resolution of all outstanding claims against, and equity interests in, the Debtors (as defined herein). Reference is made to the Disclosure Statement (as defined herein) for results of operations, projections for future operations, risk factors, a summary and analysis of the Plan (as defined herein) and certain related matters. The Debtors are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code (as defined herein).

These reorganization cases have been consolidated for procedural purposes only and are being jointly administered pursuant to an order of the United States Bankruptcy Court for the District of Delaware. The Plan does not contemplate the substantive consolidation of any of the Debtors. Certain of the Debtors may be dissolved or merged (or combined in another form of transaction) with another Debtor as a means of implementing the Plan. For voting and distribution purposes, the Plan contemplates (a) separate classes for each Debtor and (b) separate plans of reorganization for each Debtor. A list of each Debtor that is a proponent of the Plan contained herein with its corresponding bankruptcy case number is attached as Exhibit A to the Plan.

Under section 1125(b) of the Bankruptcy Code, a vote to accept or reject the Plan cannot be solicited from a Claimholder (as defined herein) until such time as the Disclosure Statement has been approved by the Bankruptcy Court (as defined herein) and distributed to Claimholders and Interestholders (as defined herein). **ALL CLAIMHOLDERS ARE ENCOURAGED TO READ THE PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.**

Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code, Rule 3019 of the Bankruptcy Rules (as defined herein) and the Plan, the Debtors expressly reserve their right to alter, amend or modify the Plan, one or more times, before its substantial consummation; provided, however, that any such amendment or modification made after the Voting Deadline that materially and adversely alters the treatment of any Class entitled to a distribution under the Plan shall require the approval of the Steering Committee of the Lenders and the Creditors' Committee and either (i) approval of the Bankruptcy Court or (ii) the consent of such Class.

## ARTICLE I

### DEFINITIONS

For purposes of the Plan, except as expressly provided or unless the context otherwise requires, all capitalized terms not otherwise defined shall have the meanings ascribed to them in Article I of the Plan. Any term used in the Plan that is not defined herein, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or the Bankruptcy Rules. Whenever it appears appropriate from the context, each term stated in the singular or the plural includes the singular and the plural, and each pronoun stated in the masculine, feminine or neuter includes the masculine, feminine and neuter.

For purposes of the Plan: (a) any reference in the Plan to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions, (b) any reference in the Plan to an existing document or Exhibit filed or to be filed means such document or Exhibit as it may have been or may be amended, modified or supplemented, (c) unless otherwise specified, all references in the Plan to Sections, Articles and Exhibits are references to Sections, Articles and Exhibits of or to the Plan, (d) the words "herein," "hereof," "hereunder" and "hereto" and other words of similar import refer to the Plan in its entirety rather than to a particular portion of the Plan unless the context requires otherwise, (e) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan and (f) the rules of construction set forth in section 102 of the Bankruptcy Code and in the Bankruptcy Rules shall apply.

- 1.1 **"AA"** means the accounting firm of Arthur Andersen LLP, which was initially retained by the Debtors by order dated July 25, 2001.
- 1.2 **"AA Savings"** means the amount by which any and all Professional Claims of AA are reduced as a consequence of any objection of the Creditors' Committee to AA's Professional Claims, after (a) deducting the fees and expenses incurred by the Creditors' Committee in connection with or relating to the prosecution of any such objection and (b) deducting any reduction in AA's Professional Claims arising from any documented settlement reached between the Debtors and AA with respect to its Professional Claims prior to the date of any hearing to consider confirmation of the Plan. From and after the Effective Date, the portion of the AA Savings related to the AA Savings Distribution shall be held in constructive trust for, and amounts received or retained in connection therewith shall be received or retained on behalf of, holders of Allowed Claims in Classes 4 and 5.
- 1.3 **"AA Savings Distribution"** means the Cash distribution by SKC to holders of Allowed Class 4 Claims and Allowed Class 5 Claims in an amount equal to fifty-percent (50%) of the AA Savings.
- 1.4 **"Administrative Claim"** means a Claim for payment of an administrative expense of a kind specified in section 503(b) of the Bankruptcy Code and entitled to priority pursuant to section 507(a)(1) of the Bankruptcy Code, including, but not limited to, the actual, necessary costs and expenses, incurred after the Petition Date, of preserving the Estates and operating the businesses of the Debtors, including wages, salaries or commissions for services rendered after the commencement of the Chapter 11 Cases, Professional Claims and all fees and charges assessed against the Estates under chapter 123 of title 28, United States Code and all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order under section 546(c) of the Bankruptcy Code.
- 1.5 **"Administrative Claims Bar Date"** means thirty (30) calendar days after the Confirmation Date.
- 1.6 **"Affiliate"** has the meaning given to such term by section 101(2) of the Bankruptcy Code.
- 1.7 **"Allowed Claim"** means a Claim or any portion thereof (a) that has been allowed by a Final Order, (b) as to which, on or by the Effective Date (i) no proof of claim has been filed with the Bankruptcy Court and (ii) the liquidated and noncontingent amount of which is Scheduled, other than a Claim that is Scheduled at zero, in an unknown amount, or as disputed, (c) for which a proof of claim in a liquidated amount has been timely filed pursuant to the Bankruptcy Code or any Final Order of the Bankruptcy Court and as to which either (i) no objection to its allowance has been filed within the periods of limitation fixed by the Plan, the Bankruptcy Code or by any order of the Bankruptcy Court or (ii) any objection to its allowance has been settled, waived through payment or withdrawn, or has been denied by a Final Order or (d) that is expressly allowed in a liquidated amount in the Plan.
- 1.8 **"Allowed . . . Claim"** means an Allowed Claim of the type described.
- 1.9 **"Aragonite Indenture"** means the indenture of trust, dated as of July 1, 1997, between Tooele County, Utah, as issuer, and U.S. Bank, a national banking association, as trustee, as the same may have been amended, modified, supplemented or restated from time to time prior to the Petition Date.
- 1.10 **"Aragonite Indenture Trustee"** means Wilmington Trust, successor to U.S. Bank, a national banking association, as trustee under the Aragonite Indenture.
- 1.11 **"Aragonite Industrial Revenue Bonds"** means, collectively, the industrial revenue bonds issued by Tooele County, Utah in the principal amount of \$45.7 million.
- 1.12 **"Assumption Order"** means the Order Under 11 U.S.C. §§ 105 and 363(b) in Aid of Consummation of the Sale of Substantially All of the Assets and Certain Equity Interests of the Debtors' Chemical Services Division to Clean Harbors, Inc., dated September 6, 2002.

- 1.13 **"Avoidance Claims"** means Causes of Action against Persons arising under sections 502, 510, 541, 542, 544, 545, 547 through 551 and/or 553 of the Bankruptcy Code, or under related state or federal statutes and common law, including fraudulent transfer and fraudulent conveyance laws, that have not otherwise been released or dismissed pursuant to the Plan, whether or not litigation has commenced to prosecute such Claims.
- 1.14 **"Bankruptcy Code"** means the Bankruptcy Reform Act of 1978, as amended and codified in title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as in effect on the date hereof and as it may thereafter be amended.
- 1.15 **"Bankruptcy Court"** means the United States Bankruptcy Court for the District of Delaware, or such other court as may have jurisdiction over the Chapter 11 Cases.
- 1.16 **"Bankruptcy Rules"** means the Federal Rules of Bankruptcy Procedure and the Official Bankruptcy Forms, as amended, the Federal Rules of Civil Procedure, as amended, as applicable to the Chapter 11 Cases or proceedings therein and the Local Rules of the Bankruptcy Court, as applicable to the Chapter 11 Cases or proceedings therein, as the case may be.
- 1.17 **"BSSD"** means SKC's Branch Sales and Service Division, which consists of SK Systems and each of its direct and indirect subsidiaries.
- 1.18 **"Business Day"** means any day, excluding Saturdays, Sundays and legal holidays, on which commercial banks are open for business in New York City.
- 1.19 **"CAFO"** means the Consent Agreement between certain Debtors and the EPA, dated August 24, 2000, and Final Order, dated September 5, 2000, which the Bankruptcy Court approved by order, dated October 17, 2000, and as thereafter amended.
- 1.20 **"California Coverage Action"** means that certain civil action styled as *Safety-Kleen Corp. v. Continental Insurance Company et al.*, pending in the Superior Court of California, County of Los Angeles, Case No. BC 216723, in which the Debtors seek coverage under certain comprehensive general liability insurance policies for the costs and expenses of defense and settlement of lawsuits in which plaintiffs allege injury as a result of alleged exposure to solvent products manufactured, sold, distributed or used by the Debtors.
- 1.21 **"California Pollution Control Financing Authority Indenture"** means the indenture of trust, dated as of July 1, 1997, between California Pollution Control Financing Authority, as issuer, and U.S. Bank, a national banking association, as trustee, as the same may have been amended, modified, supplemented or restated from time to time prior to the Petition Date.
- 1.22 **"California Pollution Control Financing Authority Indenture Trustee"** means Wilmington Trust, successor to U.S. Bank, a national banking association, as trustee under the California Pollution Control Financing Authority Indenture.
- 1.23 **"California Pollution Control Financing Authority Industrial Revenue Bonds"** means, collectively, the industrial revenue bonds issued by the California Pollution Control Financing Authority in the principal amount of \$19.5 million.
- 1.24 **"Canadian Lender Administrative Claims"** means the obligations owed to the Canadian Lenders arising under or relating to the Prepetition Credit Agreement and that certain letter agreement between Toronto-Dominion Bank and Safety-Kleen Ltd., dated as of April 3, 1998, that were assumed by SK Services, pursuant to the Assumption Order.

- 1.25 "Canadian Lenders"** means the Canadian banks and financial institutions or other entities that from time to time are parties to the Prepetition Credit Agreement and that certain letter agreement between Toronto-Dominion Bank and Safety-Kleen Ltd.
- 1.26 "Cash"** means legal tender of the United States.
- 1.27 "Causes of Action"** means any and all actions, causes of action, suits, accounts, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise.
- 1.28 "Certificate"** means an instrument evidencing a Claim on account of the Prepetition Notes or any of the Industrial Revenue Bonds.
- 1.29 "Chapter 11 Cases"** means the chapter 11 cases of the Debtors pending in the Bankruptcy Court and being jointly administered with one another, and "Chapter 11 Case" means any one of the Chapter 11 Cases.
- 1.30 "Claim"** means a claim against any of the Debtors, whether or not asserted, as defined in section 101(5) of the Bankruptcy Code.
- 1.31 "Claimholder"** means a holder of a Claim.
- 1.32 "Claims Objection Deadline"** means the first Business Day which is at least 180 days after the Effective Date, or such other subsequent Business Day as may be established by the Bankruptcy Court in accordance with Section 9.9(b) of the Plan.
- 1.33 "Class"** means a category of Claimholders or Interestholders described in Article III of the Plan.
- 1.34 "Clive Indenture"** means the indenture of trust, dated as of August 1, 1995, between Tooele County, Utah, as issuer, and West One Bank, Utah, as trustee, as the same may have been amended, modified, supplemented or restated from time to time prior to the Petition Date.
- 1.35 "Clive Indenture Trustee"** means U.S. Bank, a national banking association, successor to West One Bank, Utah, as trustee under the Clive Indenture.
- 1.36 "Clive Industrial Revenue Bonds"** means, collectively, the industrial revenue bonds issued by Tooele County, Utah in the principal amount of \$10 million.
- 1.37 "Common Defendant"** means a Person allegedly liable both to the Reorganized Debtors in respect of a Retained Action and to the Safety-Kleen Creditor Trust in respect of a Trust Claim.
- 1.38 "Confirmation Date"** means the date of entry of the Confirmation Order.
- 1.39 "Confirmation Hearing"** means the hearing before the Bankruptcy Court on confirmation of the Plan and related matters under section 1128 of the Bankruptcy Code.
- 1.40 "Confirmation Order"** means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.
- 1.41 "Creditors' Committee"** means that Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases pursuant to section 1102(a) of the Bankruptcy Code.

- 1.42 **"Creditors' Committee's Adversary Proceeding"** means that adversary proceeding, bearing the caption *Official Committee Of Unsecured Creditors of Safety-Kleen Corp., et al. v. Toronto Dominion (Texas), Inc., et al. (In re Safety-Kleen Corp.)*, Adv. Proc. No. 02-43485 (PJW) (Bankr. D. Del.) commenced on June 7, 2002 by the Creditors' Committee seeking, inter alia, to avoid or limit certain prepetition liens, security interests and transfers to the Lenders as fraudulent transfers and objecting to certain Claims of the Lenders.
- 1.43 **"CSD Subsidiaries"** means, collectively, all of the direct and indirect Subsidiaries (that are Debtors) of SK Services, except for SK Systems and its direct and indirect subsidiaries.
- 1.44 **"Cure"** means the distribution within a reasonable period of time following the Effective Date of Cash or such other property as may be agreed upon by the parties, ordered by the Bankruptcy Court or determined in such other manner as the Bankruptcy Court may specify with respect to the assumption of an executory contract or unexpired lease, pursuant to section 365(b) of the Bankruptcy Code and Article VII of the Plan.
- 1.45 **"Current Directors and Officers"** means each director or officer of each of the Debtors that served in such capacity as of the date hereof.
- 1.46 **"Debt"** means the liability of any Debtor on a Claim.
- 1.47 **"Debtors"** means Safety-Kleen Corp. and each of its direct and indirect Subsidiaries listed on Exhibit A to the Plan in their capacity as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.
- 1.48 **"DHEC"** means South Carolina Department of Health and Environmental Control.
- 1.49 **"DHEC Administrative Claim"** means all Claims or requests for payment filed by DHEC relating to the Pinewood Facility and asserted to be entitled to treatment as Administrative Claims.
- 1.50 **"DIP Agent"** means Toronto Dominion (Texas), Inc. in its capacity as administrative agent for the DIP Lenders under the DIP Credit Agreement.
- 1.51 **"DIP Credit Agreement"** means the Second Amended and Restated Debtor in Possession Credit Agreement, dated as of March 22, 2002, among Safety-Kleen Services, Inc., the lenders from time to time party thereto, Toronto Dominion (Texas), Inc., as General Administrative Agent and Underwriter, Goldman Sachs Credit Partners, L.P., as Underwriter, and The CIT Group/Business Credit Inc., as Collateral Agent and Underwriter, as such agreement has been amended, supplemented or otherwise modified from time to time.
- 1.52 **"DIP Facility"** means the \$200 million debtor-in-possession secured financing facility provided to the Debtors by the DIP Lenders pursuant to the DIP Credit Agreement authorized by the Bankruptcy Court pursuant to the DIP Facility Order.
- 1.53 **"DIP Facility Claim"** means all Claims of the DIP Agent and the DIP Lenders arising under or pursuant to the DIP Facility.
- 1.54 **"DIP Facility Order"** means, collectively, the interim order that was entered by the Bankruptcy Court on June 13, 2000, the final order that was entered by the Bankruptcy Court on July 19, 2000, authorizing and approving the DIP Facility and the agreements related thereto and the order of the Bankruptcy Court, dated March 20, 2002, authorizing additional and extended postpetition financing on a superpriority basis pursuant to section 364 of the Bankruptcy Code.
- 1.55 **"DIP Lenders"** means the lenders that are parties to the DIP Credit Agreement from time to time.

- 1.56 **"Disallowed Claim"** means a Claim, or any portion thereof, that (a) has been disallowed by a Final Order or (b) is Scheduled at zero or as contingent, disputed or unliquidated and as to which no proof of claim has been timely filed pursuant to either the Bankruptcy Code or any Final Order of the Bankruptcy Court or otherwise deemed timely filed under applicable law.
- 1.57 **"Disbursing Agent"** means the Debtors or the Person designated by the Debtors, in their sole discretion, to serve as a disbursing agent with respect to (a) the Unclassified Claims and (b) Classes 1 through 3.
- 1.58 **"Disclosure Statement"** means the written disclosure statement that relates to the Plan, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rule 3017, as such disclosure statement may be amended, modified or supplemented from time to time.
- 1.59 **"Disputed Claim"** means, as applicable, any Claim not otherwise allowed, disallowed or paid pursuant to the Plan or an order of the Bankruptcy Court (a) proof of which was required to be filed by order of the Bankruptcy Court but as to which a proof of Claim was not timely or properly filed, (b) that is disputed in accordance with the provisions of the Plan or (c) as to which a Debtor, the Disbursing Agent or the Trustee has interposed a timely objection or request for estimation in accordance with the Plan, the Bankruptcy Code, the Bankruptcy Rules or any orders of the Bankruptcy Court, or is otherwise disputed by the Debtors, the Disbursing Agent or the Trustee in accordance with applicable law, which objection or request for estimation has not been withdrawn, waived through payment or determined by a Final Order.
- 1.60 **"Dissolving Debtor"** means a Debtor that is dissolving or deemed to have been dissolved upon the Effective Date as a result of the Restructuring Transactions.
- 1.61 **"Distribution Dates"** means the Initial Distribution Date and the first Business Day after each six month anniversary of the Initial Distribution Date.
- 1.62 **"Distribution Notification Date"** means the notification date for purposes of making distributions under the Plan on account of Allowed Claims, which date shall be the Confirmation Date or such other date designated in the Confirmation Order.
- 1.63 **"Effective Date"** means, in the sole discretion of the Reorganized Debtors, either the last calendar day of the month or the first calendar day of the following month after all conditions to the consummation of the Plan set forth in Section 13.2 hereof have been satisfied or waived as provided in Section 13.3 hereof.
- 1.64 **"Environmental Cleanup or Response Cost Liabilities"** means any liability for closure, post closure or corrective action with respect to a facility under an Environmental Law, for injunctive relief or reimbursement of costs for the cleanup of substances, wastes, or material, or facilities under an Environmental Law, or for injunctive relief or damages under an Environmental Law relating to the release of substances, wastes, or material into the air, land, soil, surface waste, groundwater or other medium.
- 1.65 **"Environmental Law"** means any federal, state or local statute or regulation regulating pollution, contamination, or the release, management, treatment, storage, disposal, transportation or handling of hazardous or toxic substances, waste or material into the air, land, soil, surface waste, groundwater or other medium, including but not limited to statutes or regulations regulating the cleanup of those substances, wastes or material.
- 1.66 **"EPA"** means the United States Environmental Protection Agency.
- 1.67 **"Estates"** means the estates created pursuant to section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Cases.

- 1.68 **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.
- 1.69 **"Exhibit"** means an exhibit annexed to the Plan.
- 1.70 **"Exhibit Filing Date"** means the date on which certain Exhibits to the Plan will be filed with the Bankruptcy Court, which date shall be at least ten (10) calendar days prior to the Voting Deadline.
- 1.71 **"Existing Securities"** means, collectively, the 9¼% Senior Notes, the 9¼% Senior Subordinated Notes, the Aragonite Industrial Revenue Bonds, the California Pollution Control Financing Authority Industrial Revenue Bonds, the Clive Industrial Revenue Bonds, the Osco Treatment Systems Industrial Revenue Bonds and the Old Common Stock.
- 1.72 **"Exit Facility"** means the senior secured credit facility with a letter of credit sub-limit sufficient to meet the working capital needs of the Debtors to be extended as a means of implementing the Plan and as described in Section 6.5 hereof.
- 1.73 **"Face Amount"** means (a) when used in reference to a Disputed Claim or a Disallowed Claim, the full stated amount claimed by the Claimholder in any proof of claim timely filed or otherwise deemed timely filed by any Final Order of the Bankruptcy Court and (b) when used in reference to an Allowed Claim, the allowed amount of such Claim.
- 1.74 **"Fair Trading Value"** means the aggregate value of common shares of stock traded on a national exchange or on NASDAQ's Over-the-Counter Bulletin Board based upon the average closing price of such shares over the 45 trading days after such shares have commenced trading.
- 1.75 **"Final Order"** means an order or judgment, the operation or effect of which has not been stayed, reversed or amended and as to which order or judgment (or any revision, modification or amendment thereof) the time to appeal or seek review or rehearing has expired and as to which no appeal or petition for review or rehearing was filed or, if filed, remains pending.
- 1.76 **"Frontier Bonds"** means surety bonds issued pursuant to 40 C.F.R. Part 264 and 265, Subpart H, 40 C.F.R. Section 761.65(g) or analogous provisions of state law, by Frontier Insurance Company on behalf of certain subsidiaries of SKC and provided to relevant federal and state regulators as financial assurance for certain closure, post-closure and corrective action activities at facilities owned and/or operated by such subsidiaries.
- 1.77 **"General Unsecured Claim"** means a Claim against any Debtor (including any unsecured portion of a Secured Claim) that is not an Administrative Claim, DIP Facility Claim, Priority Tax Claim, the DHEC Administrative Claim, Other Priority Claim, Intercompany Claim, Miscellaneous Secured Claim, Canadian Lender Administrative Claim or that is otherwise classified in Classes 3, 5, 6, 8 or 9.
- 1.78 **"GSX Contribution Trust Fund"** means the environmental impairment trust fund established pursuant to a trust agreement, dated October 5, 1992, between Nationsbank of South Carolina, N.A., as trustee, and GSX Services of South Carolina, Inc. (n/k/a Pinewood), as grantor.
- 1.79 **"Holdback Amount"** means the amount of fees billed to the Debtors in a given month that were retained by the Debtors as a holdback on payment of Professional Claims pursuant to the Professional Fee Orders.
- 1.80 **"Impaired"** refers to any Claim or Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.
- 1.81 **"Indemnification Obligations"** means any obligation of any of the Debtors to indemnify, reimburse or provide contribution to any Professional, advisor, director, officer, employee, agent or representative of the Debtors, pursuant to bylaws, articles of incorporation, contract or otherwise.

- 1.82** **"Indenture Trustees"** means, collectively, (a) the 9¼% Senior Notes Indenture Trustee, (b) the 9¼% Senior Subordinated Notes Indenture Trustee, (c) the Aragonite Indenture Trustee, (d) the California Pollution Control Financing Authority Indenture Trustee, (e) the Clive Indenture Trustee and (f) the Osco Treatment Systems Indenture Trustee.
- 1.83** **"Indenture Trustees' Fees"** means the reasonable and customary fees and expenses incurred by the Indenture Trustees (including fees and expenses of their counsel) from and after the Petition Date through the Effective Date in accordance with the terms of the related indenture.
- 1.84** **"Industrial Revenue Bonds"** means, collectively, (a) the Aragonite Industrial Revenue Bonds, (b) the Clive Industrial Revenue Bonds, (c) the Osco Treatment Systems Industrial Revenue Bonds and (d) the California Pollution Control Financing Authority Industrial Revenue Bonds.
- 1.85** **"Initial Distribution Date"** means the date, occurring as soon as reasonably practicable after the Effective Date, on which the first distribution is made on account of Allowed Claims in a particular Class.
- 1.86** **"Insurance Coverage Actions"** means any claim, Cause of Action or right of the Debtors, asserted in the New Jersey Coverage Action, the Washington Coverage Action and the California Coverage Action, arising from or related to the Debtors' efforts to seek coverage under any of their historical comprehensive general liability insurance policies or other insurance policies.
- 1.87** **"Insurance Settlement"** means any settlement agreement entered into by the Debtors with any of the insurers with respect to the Insurance Coverage Actions.
- 1.88** **"Intercompany Claim"** means a Claim of a Debtor against another Debtor.
- 1.89** **"Interest"** means the rights of any current or former holder or owner of any shares of Old Common Stock authorized and issued prior to the Confirmation Date.
- 1.90** **"Interestholder"** means a holder of an Interest.
- 1.91** **"Internal Revenue Code"** means the Internal Revenue Code of 1986, as amended.
- 1.92** **"Laidlaw Debtors"** means, collectively, Laidlaw USA, Inc., Laidlaw Inc., Laidlaw Investments Ltd., Laidlaw International Finance Corporation, Laidlaw Transportation, Inc. and Laidlaw One, Inc.
- 1.93** **"Laidlaw Recovery"** means the proceeds from the claims asserted by the Debtors and the parties in interest in the Chapter 11 Cases against the Laidlaw Debtors, which resulted in a mediation settlement in which SKC was granted a \$225 million allowed general unsecured claim against the Laidlaw Debtors in their bankruptcy cases pending in the United States Bankruptcy Court for the Western District of New York.
- 1.94** **"Laidlaw Stock"** means the shares of common stock of the applicable reorganized Laidlaw Debtor distributed to SKC with respect to the Laidlaw Recovery.
- 1.95** **"Laidlaw Stock Distribution"** means the distribution by SKC to holders of Allowed Claims in Classes 4 and 5 of Laidlaw Stock having a Fair Trading Value of an amount equal to \$29 million; provided, however, that if the Laidlaw Stock does not have a Fair Trading Value equal to or in excess of \$29 million on the Effective Date, then the Laidlaw Stock Distribution shall consist of a combination of Cash or other consideration and Laidlaw Stock, in form and substance acceptable to the Creditors' Committee, sufficient to fund a distribution to holders of Allowed Claims in Classes 4 and 5 totaling \$29 million (less the SKC Indenture Trustees' Fees and the Special Litigation Co-Counsel Fees to be paid pursuant to Section 9.10(d)(i) of the Plan); provided, further, that in no event shall the Laidlaw Stock Distribution

or the distribution to holders of Allowed Claims in Classes 4 and 5 be in an amount less than \$29 million.

- 1.96** "Lender Claims" means all Claims of the Prepetition Agent and the Lenders arising under or pursuant to the Prepetition Credit Facility.
- 1.97** "Lender Claims Reserve" means the reserve for any secured Claim or portion thereof for reimbursement obligations related to letters of credit posted under the Prepetition Credit Agreement with respect to the Frontier Bonds that remain outstanding as of the Effective Date and are not otherwise replaced or backstopped through letters of credit issued under the Exit Facility.
- 1.98** "Lenders" means, collectively, the U.S. Lenders and the Canadian Lenders.
- 1.99** "Lenders' PwC Litigation Claim" means that certain civil action styled as *Toronto Dominion (Texas), Inc. et al. v. PricewaterhouseCoopers LLP*, Civil Action No. 00VS012679-F, pending in the State Court of Fulton County, Georgia.
- 1.100** "Management Incentive Compensation Plan" means a management incentive compensation plan expected to be negotiated and executed by and among certain members of management and the Reorganized Debtors and acceptable to the Steering Committee of the Lenders.
- 1.101** "Miscellaneous Secured Claim" means any Secured Claim other than the Lender Claims. Miscellaneous Secured Claims shall include, without limitation, Claims secured by liens junior in priority to existing liens, whether by operation of law, contract or otherwise, but solely to the extent of the value of the lien after giving effect to all security interests or liens senior in priority.
- 1.102** "New Common Stock" means the 40,000,000 shares of common stock of New Holdco authorized under the articles of incorporation of New Holdco and Section 6.6 of the Plan of which up to 25,000,000 may be issued on the Effective Date.
- 1.103** "New Environmental Impairment Trust Fund" means the trust fund established in accordance with the Pinewood Site Settlement Agreement.
- 1.104** "New Holdco" means a newly incorporated company that will be the ultimate parent corporation of the Reorganized Debtors as described in Section 6.2(d) of the Plan.
- 1.105** "New Jersey Coverage Action" means that certain civil action styled as *The Solvents Recovery Service of New Jersey, Inc., et al. v. American Reinsurance Company, et al.*, pending in the Superior Court of New Jersey, Hudson County, Law Division, Docket No. L-3095-00, in which the Debtors seek coverage under certain historical comprehensive general liability insurance policies for the costs, expenses and liabilities arising out of claims, demands and suits brought against the Debtors for property damage, bodily injury and personal injury arising out of environmental and other damage allegedly caused by the Debtors and/or arising out of the Debtors' ownership or business operations.
- 1.106** "New Note Agreement" means the agreement under which the New Notes shall be issued, which shall substantially conform to the term sheet included in the Plan Supplement.
- 1.107** "New Notes" means the 12% (3% payable in Cash and 9% payable in kind) senior secured second lien notes due 2008 in the aggregate principal amount of \$250 million, that are to be governed by the terms of the New Note Agreement.
- 1.108** "New Parent" means a newly incorporated, wholly owned subsidiary of New Holdco as described in Section 6.2(d) of the Plan.

- 1.109 "New Preferred Stock"** means the shares of preferred stock of New Parent having a liquidation preference in the aggregate amount of \$12 million and an aggregate dividend of 12%, 3% payable in Cash and 9% payable in kind, authorized under the articles of incorporation of New Parent and Section 6.7 of the Plan to be issued to the Lenders.
- 1.110 "9¼% Senior Notes"** means, collectively, the 9¼% Senior Notes due 2009 in the principal amount of approximately \$225 million issued pursuant to the 9¼% Senior Notes Indenture.
- 1.111 "9¼% Senior Notes Indenture"** means the indenture dated as of May 17, 1999, as amended, supplemented or otherwise modified prior to the Petition Date, by and between SKC and Cole Taylor Bank, successor to The Bank of Nova Scotia Trust Company of New York, as trustee, as the same may have been amended, modified, supplemented or restated from time to time prior to the Petition Date.
- 1.112 "9¼% Senior Notes Indenture Trustee"** means The Bank of Nova Scotia Trust Company of New York and Cole Taylor Bank, as successor to the Bank of Nova Scotia, as trustees under the 9¼% Senior Notes Indenture.
- 1.113 "9¼% Senior Subordinated Notes"** means, collectively, the 9¼% Senior Subordinated Notes due 2008 in the principal amount of approximately \$325 million issued pursuant to the 9¼% Senior Subordinated Notes Indenture.
- 1.114 "9¼% Senior Subordinated Notes Indenture"** means the indenture dated as of May 28, 1998, as amended, supplemented or otherwise modified prior to the Petition Date, by and between SK Services and Wells Fargo Bank Minnesota, National Association (f/k/a Norwest Bank Minnesota, National Association), successor to The Bank of Nova Scotia Trust Company of New York, as trustee, as the same may have been amended, modified, supplemented or restated from time to time prior to the Petition Date.
- 1.115 "9¼% Senior Subordinated Notes Indenture Trustee"** means Wells Fargo Bank Minnesota, National Association f/k/a Norwest Bank Minnesota, National Association, successor to The Bank of Nova Scotia Trust Company of New York, as trustee under the 9¼% Senior Subordinated Notes Indenture.
- 1.116 "Non-Consummating Debtor"** means any Debtor for which (a) the Debtors have revoked or withdrawn the Plan prior to the Effective Date or (b) the Confirmation Date or the Effective Date of the Plan does not occur.
- 1.117 "Old Common Stock"** means shares of SKC's common stock and all options, warrants or rights, contractual or otherwise, if any, to acquire any such common stock outstanding as of the Petition Date.
- 1.118 "Osco Treatment Systems Indenture"** means the indenture, dated as of May 1, 1993, by and between the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County, as issuer, and The Bank of New York, successor to Nationsbank of Tennessee, N.A., as trustee, as the same may have been amended, modified, supplemented or restated from time to time prior to the Petition Date.
- 1.119 "Osco Treatment Systems Indenture Trustee"** means The Bank of New York, successor to Nationsbank of Tennessee, N.A., as trustee under the Osco Treatment Systems Indenture.
- 1.120 "Osco Treatment Systems Industrial Revenue Bonds"** means, collectively, the industrial revenue bonds issued by the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County in the principal amount of \$15.2 million.
- 1.121 "Other Priority Claim"** means a Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code other than a Priority Tax Claim, DIP Facility Claim, the DHEC Administrative Claim, the Canadian Lender Administrative Claim or an Administrative Claim.

- 1.122 **"Parallel Consent Agreements"** means those agreements set forth on Exhibit N to the Plan.
- 1.123 **"Parallel Respondent Debtor"** means a Debtor that is a party to a Parallel Consent Agreement.
- 1.124 **"Parallel States"** means Colorado, Kansas, Missouri, South Carolina, Texas and Louisiana.
- 1.125 **"Participating States"** means those States set forth on Exhibit L to the Plan.
- 1.126 **"Person"** means an individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, limited liability partnership, trust, estate, unincorporated organization, statutory committee or other entity.
- 1.127 **"Petition Date"** means June 9, 2000.
- 1.128 **"Pinewood"** means Safety-Kleen (Pinewood), Inc.
- 1.129 **"Pinewood Facility"** means the hazardous waste treatment, storage and disposal facility in Sumter County, South Carolina, previously operated by Pinewood.
- 1.130 **"Pinewood Settlement"** means the settlement by and between the Debtors and DHEC with respect to, among other things, closure and post-closure care at the Pinewood Facility.
- 1.131 **"Pinewood Site Settlement Agreement"** means the agreement, dated as of October 15, 2002, setting forth the terms of the Pinewood Settlement.
- 1.132 **"Pinewood Site Trust"** means the trust established by the Pinewood Site Trust Agreement.
- 1.133 **"Pinewood Site Trust Agreement"** means the Pinewood Site Custodial Trust Agreement between the Debtors and the Pinewood Site Trustee.
- 1.134 **"Pinewood Site Trustee"** means the trustee of the Pinewood Site Trust.
- 1.135 **"Plan"** means those first amended joint plans of reorganization and all Schedules and Exhibits thereto (including the Plan Supplement and all Schedules and Exhibits thereto), as the same may be amended, modified or supplemented from time to time in accordance with their terms.
- 1.136 **"Plan Supplement"** means the compilation of documents and forms of documents specified in the Plan that shall be filed with the Bankruptcy Court on or before the Exhibit Filing Date.
- 1.137 **"Prepetition Agent"** means Toronto Dominion (Texas), Inc. in its capacity as general administrative agent under the Prepetition Credit Agreement.
- 1.138 **"Prepetition Credit Agreement"** means that certain Amended and Restated Credit Agreement, dated as of April 3, 1998, as amended, supplemented or otherwise modified prior to the Petition Date, by and among LES, Inc. and Laidlaw Environmental Services (Canada) Ltd., as borrowers, Toronto Dominion (Texas), Inc., as General Administrative Agent, the Toronto Dominion Bank, as Canadian Administrative Agent, TD Securities (USA) Inc., as arranger, and the Lenders.
- 1.139 **"Prepetition Credit Facility"** means the financing accommodations evidenced by the Prepetition Credit Agreement, Prepetition Guarantee and Collateral Agreement and related documents.
- 1.140 **"Prepetition Guarantee and Collateral Agreement"** means the Amended and Restated Guarantee and Collateral Agreement, dated as of April 3, 1998, as amended, supplemented or otherwise modified prior to the Petition Date, among the Prepetition Agent and the Debtors.

- 1.141 "Prepetition Notes"** means, collectively, the 9¼% Senior Notes and the 9¼% Senior Subordinated Notes.
- 1.142 "Priority Tax Claim"** means a Claim entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code.
- 1.143 "Pro Rata"** means, at any time, the proportion that the Face Amount of a Claim in a particular Class or Classes bears to the aggregate Face Amount of all Claims (including Disputed Claims, but excluding Disallowed Claims) in such Class or Classes, as appropriate, unless the Plan provides otherwise. For purposes of calculating distributions to holders of Allowed Claims in Classes 4 through 7, "Pro Rata" means, at any time, the proportion that the Face Amount of a Claim in a particular Class or Classes bears to the aggregate Face Amount of all Claims (including Disputed Claims, but excluding (a) Disallowed Claims and (b) Lender Claims that are not Secured Claims) in such Class or Classes, as appropriate, unless the Plan provides otherwise.
- 1.144 "Professional"** means any professional employed in the Chapter 11 Cases pursuant to sections 327, 328, 363 or 1103 of the Bankruptcy Code or otherwise and any professional for whom a Person is seeking compensation or reimbursement of expenses in connection with the Chapter 11 Cases pursuant to section 503(b)(4) of the Bankruptcy Code.
- 1.145 "Professional Claim"** means a Claim of a Professional or any member of the Creditors' Committee pursuant to sections 327, 328, 330, 331, 363, 503(b) or 1103 of the Bankruptcy Code or otherwise (excluding, however, the SKC Indenture Trustee Fees), for compensation and/or reimbursement of costs and expenses relating to services performed after the Petition Date and prior to and including the Effective Date.
- 1.146 "Professional Fee Orders"** means the Administrative Order Under 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals entered by the Bankruptcy Court on July 11, 2000 and the Stipulation and Order, Pursuant to Sections 105(a) and 331 of the Bankruptcy Code, Amending Administrative Procedures for Interim Compensation and Reimbursement of Expenses of Professionals, entered on December 22, 2000, authorizing the interim payment of Professional Claims subject to the Holdback Amount.
- 1.147 "PwC Litigation Claim"** means that certain civil action styled as *Safety-Kleen Corp., et al. v. PricewaterhouseCoopers LLP and PricewaterhouseCoopers LLP (Canada)*, pending in the Circuit Court of South Carolina, Richland County, Civil No. 3:01-4247-17. From and after the Effective Date, the portion of the PwC Litigation Claim related to the PwC Litigation Distribution shall be held in constructive trust for, and amounts received or retained in connection therewith shall be received on behalf of, holders of Allowed Claims in Classes 4 through 7.
- 1.148 "PwC Litigation Distribution"** means the distribution to holders of Allowed Claims in Classes 4 through 7 in the aggregate amount representing 20% of the proceeds from the PwC Litigation Claim and the Lenders' PwC Litigation Claim (after reimbursement of the actual fees and expenses incurred by the Lenders and the Debtors in connection with the prosecution of their respective actions) in excess of \$200 million.
- 1.149 "PwC Litigation Distribution Reserve"** means that portion of the PwC Litigation Distribution to be reserved pending allowance of Disputed Claims in accordance with Section 9.12 of the Plan.
- 1.150 "Reinstated" or "Reinstatement"** means (a) leaving unaltered the legal, equitable and contractual rights to which a Claim entitles the Claimholder so as to leave such Claim Unimpaired in accordance with section 1124 of the Bankruptcy Code or (b) notwithstanding any contractual provision or applicable law that entitles the Claimholder to demand or receive accelerated payment of such Claim after the occurrence of a default (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code, (ii) reinstating the

maturity of such Claim as such maturity existed before such default, (iii) compensating the Claimholder for any damages incurred as a result of any reasonable reliance by such Claimholder on such contractual provision or such applicable law and (iv) not otherwise altering the legal, equitable or contractual rights to which such Claim entitles the Claimholder; provided, however, that any contractual right that does not pertain to the payment when due of principal and interest on the obligation on which such Claim is based, including, but not limited to, financial covenant ratios, negative pledge covenants, covenants or restrictions on merger or consolidation and affirmative covenants regarding corporate existence prohibiting certain transactions or actions contemplated by the Plan or conditioning such transactions or actions on certain factors, shall not be required to be reinstated in order to accomplish Reinstatement.

- 1.151 "Released Person"** has the meaning ascribed to it in Section 12.8(a) of the Plan.
- 1.152 "Releasor"** means a Person who votes to accept the Plan and does not make the election not to release each Released Person.
- 1.153 "Reorganized . . ."** means, when used in reference to a particular Debtor, such Debtor on and after the Effective Date.
- 1.154 "Reorganized Debtors"** means those Debtors that are reorganized pursuant to the Plan and that continue in existence after the Effective Date without having been dissolved or merged into another Reorganized Debtor.
- 1.155 "Resolved Insurance Policies"** means the policies resolved in the Insurance Settlements, including but not limited to those policies set forth on Exhibit G to the Plan.
- 1.156 "Respondent Debtors"** means those Debtors listed on Exhibit M to the Plan, and shall be construed consistently with paragraph 15 of the CAFO.
- 1.157 "Restructuring Transactions"** means those transactions described in Section 6.2(d) of the Plan.
- 1.158 "Retained Actions"** means (a) all Causes of Action, including, but not limited to, those Causes of Action identified on Exhibit I to the Plan and all Causes of Action, whether or not listed on Exhibit I to the Plan including all claims, rights of action, suits and proceedings, whether in law or in equity, whether known or unknown, which the Debtors may hold against any entity, including, without limitation, any Causes of Action brought prior to or after the Petition Date and actions against any Persons for failure to pay for products or services rendered by the Debtors, (b) all claims, Causes of Action, suits and proceedings relating to enforcement of the Debtors' intellectual property rights, including patents, copyrights and trademarks and (c) all claims or Causes of Action seeking the recovery of the Debtors' or the Reorganized Debtors' accounts receivable or other receivables or rights to payment created or arising in the ordinary course of the Debtors' or the Reorganized Debtors' businesses; provided, however, that each of the foregoing shall not include Trust Claims.
- 1.159 "Safety-Kleen Creditor Trust"** means the trust which is created pursuant to the Plan to be administered by the Trustee, all as more specifically set forth in the Plan and the Trust Agreement substantially in the form of Exhibit B to the Plan.
- 1.160 "Scheduled"** means, with respect to any Claim or Interest, the status and amount, if any, of such Claim or Interest as set forth in the Schedules.
- 1.161 "Schedules"** means the schedules of assets and liabilities and the statements of financial affairs filed in the Bankruptcy Court by the Debtors, as such schedules or statements have been or may be amended, modified or supplemented from time to time in accordance with Bankruptcy Rule 1009 or orders of the Bankruptcy Court.

- 1.162 "Secured Claim"** means a Claim secured by a lien on property in which an Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claimholder's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code.
- 1.163 "Secured U.S. Lender Claim"** means a Secured Claim of (a) a U.S. Lender arising under or as a result of the Prepetition Credit Agreement, excluding the Secured Claim for reimbursement obligations related to letters of credit posted under the Prepetition Credit Agreement that are to be replaced or backstopped under the Exit Facility and (b) the Swap Parties arising under or as a result of the Swap Agreements.
- 1.164 "Securities Act of 1933"** means the Securities Act of 1933, 15 U.S.C. §§ 77a-77aa, as now in effect or hereafter amended.
- 1.165 "SERP"** means the Debtors' Supplemental Executive Retirement Plan.
- 1.166 "Settling Insurers"** means the insurers set forth on Exhibit H to the Plan or any other insurer that hereafter enters into an Insurance Settlement with the Debtors in connection with the Insurance Coverage Actions and their respective parents, holding companies, subsidiaries, past and present affiliates, predecessors in interest, successors in interest, respective directors, officers, employees, agents, assigns and related companies.
- 1.167 "SK Services"** means Safety-Kleen Services, Inc., debtor-in-possession in the jointly administered above-captioned cases.
- 1.168 "SK Systems"** means Safety-Kleen Systems, Inc., debtor-in-possession in the jointly administered above-captioned cases.
- 1.169 "SKC"** means Safety-Kleen Corp., debtor-in-possession in the jointly administered above-captioned cases.
- 1.170 "SKC Distribution Reserve"** means the Cash or other assets available for distribution to holders of Allowed Claims in Classes 4 and 5 to be reserved pending allowance of Class 4 and 5 Disputed Claims in accordance with Section 9.12 of the Plan. From and after the Effective Date, the portion of the Laidlaw Stock Distribution related to the SKC Distribution Reserve shall be held in constructive trust for, and amounts received in connection therewith shall be received on behalf of holders of, Disputed Claims in Classes 4 and 5.
- 1.171 "SKC Indenture Trustees"** means, collectively, (a) the 9¼% Senior Notes Indenture Trustee, (b) the 9¼% Senior Subordinated Notes Indenture Trustee, (c) the Aragonite Indenture Trustee and (d) the California Pollution Control Financing Authority Indenture Trustee.
- 1.172 "SKC Indenture Trustee Fees"** means the Indenture Trustees' Fees of the SKC Indenture Trustees that are outstanding as of the Effective Date, in the amounts certified to SKC by the respective SKC Indenture Trustee without need for further application to the Bankruptcy Court, estimated to be approximately \$1 million in the aggregate.
- 1.173 "Special Litigation Co-Counsel's Fees"** means the Allowed Professional Claims of the Creditors' Committee's special litigation co-counsel, Genovese Joblove & Battista, P.A., which firm was retained by order dated June 13, 2002, and Rosenthal, Monhait, Gross & Goddess, P.A., which firm was retained by order dated August 13, 2002, to commence and prosecute the Creditors' Committee's Adversary Proceeding.
- 1.174 "Steering Committee of the Lenders"** means the steering committee of the Lenders under the Prepetition Credit Agreement.

- 1.175 "Stockholders' Agreements"** means, collectively, (a) the agreement between and among New Holdco and the holders of New Common Stock and (b) the agreement between and among New Parent and the holders of New Preferred Stock substantially in the forms attached as Exhibit O to the Plan.
- 1.176 "Subordinated Claims"** means Claims subject to subordination under sections 510(b) or 510(c) of the Bankruptcy Code, including Claims that (a) arise from rescission of, or for damages, indemnification, reimbursement or contribution with respect to, a purchase or sale of Old Common Stock or other debt or equity securities of SKC or any of its direct and indirect subsidiaries prior to the Petition Date or (b) the Bankruptcy Court subordinates under the principles of equitable subordination.
- 1.177 "Subsidiary"** means any Debtor other than SKC.
- 1.178 "Swap Agreements"** means, collectively, (a) the ISDA Master Agreement dated as of August 20, 1999, as amended, modified or supplemented, by and between SK Services and Citibank, N.A. and (b) the ISDA Master Agreement dated as of March 31, 1997, as amended, modified or supplemented, by and between SK Services and Toronto Dominion (Texas), Inc.
- 1.179 "Swap Parties"** means, collectively, (a) Citibank, N.A. and (b) Toronto Dominion (Texas), Inc., in their respective capacities as parties to the Swap Agreements.
- 1.180 "Systems Assets"** means all of the assets of SK Systems, including the equity interests of its direct and indirect subsidiaries.
- 1.181 "Trust Advance"** means the funds advanced by the Reorganized Debtors, in the form of a loan, on the Effective Date or as soon thereafter as practicable to or for the benefit of the Safety-Kleen Creditor Trust, in the aggregate amount of \$1.25 million to be repaid as set forth in Section 11.5 of the Plan with interest at the Trust Advance Interest Rate.
- 1.182 "Trust Advance Interest Rate"** means the lowest interest rate at which funds are available to the Reorganized Debtors under the Exit Facility.
- 1.183 "Trust Agreement"** means that certain Trust Agreement and any ancillary agreements relating thereto, including, but not limited to, agreements concerning (a) the SKC Distribution Reserve, (b) the PwC Litigation Distribution Reserve and (c) the Trust Distribution Reserve, in form and substance acceptable to the Creditors' Committee and substantially in the form of Exhibit B to the Plan which is to govern the Safety-Kleen Creditor Trust, pursuant to which, among other things, (w) the Trust Assets shall be liquidated and distributed to holders of Allowed Class 6 Claims and Class 7 Claims, (x) the PwC Litigation Distribution shall be distributed to holders of Allowed Class 4 through Class 7 Claims, (y) the Laidlaw Stock Distribution and AA Savings Distribution shall be distributed to holders of Allowed Class 4 and Class 5 Claims and (z) Claims asserted in Classes 4 through 7 shall be reconciled, all in a manner consistent with the terms of the Plan.
- 1.184 "Trust Assets"** means those assets owned by the Safety-Kleen Creditor Trust including, without limitation (a) the Trust Advances, (b) the Trust Claims, (c) the Trust Recoveries and (d) any and all proceeds of the foregoing and interest accruing with respect thereto.
- 1.185 "Trust Claims"** means those Avoidance Claims that have been previously commenced by the Debtors or that are the subject of a tolling agreement between the Debtors and certain third parties and are not otherwise released in the Plan.
- 1.186 "Trust Distribution Reserve"** means the Cash for distribution to holders of Allowed Claims in Classes 6 and 7 to be reserved pending allowance of Class 6 and 7 Disputed Claims in accordance with Section 9.12 of the Plan.

- 1.187 **"Trust Recoveries"** means any and all proceeds received by the Safety-Kleen Creditor Trust from (a) the prosecution to, and collection of, a final judgment of a Trust Claim against a Person or (b) the settlement or other compromise of a Trust Claim against a Person.
- 1.188 **"Trust Reserve"** means that reserve established to pay the fees, expenses and costs of the Safety-Kleen Creditor Trust.
- 1.189 **"Trustee"** means the Person designated to serve as the trustee of the Safety-Kleen Creditor Trust as contemplated by the Trust Agreement who shall, among other things, (a) reconcile Claims asserted in Classes 4 through 7, (b) act as a disbursing agent to make distributions to holders of Allowed Claims in Classes 4 through 7 and (c) prosecute the Trust Claims.
- 1.190 **"Unclassified Claims"** means, collectively, the Administrative Claims, the Canadian Lender Administrative Claims, the DIP Facility Claims, the Priority Tax Claims and the DHEC Administrative Claim.
- 1.191 **"Unimpaired"** refers to any Claim or Interest which is not Impaired within the meaning of section 1124 of the Bankruptcy Code.
- 1.192 **"U.S. Lender Claim"** means any Claim of a U.S. Lender that is a Lender Claim.
- 1.193 **"U.S. Lender Claim Distribution Record Date"** means the record date for purposes of making distributions under the Plan on account of Allowed U.S. Lender Claims, which date shall be the Voting Deadline.
- 1.194 **"U.S. Lenders"** means the United States banks and financial institutions or entities from time to time that are parties to the Prepetition Credit Agreement.
- 1.195 **"Voting Deadline"** means May 2, 2003 at 1:00 p.m. (Eastern time).
- 1.196 **"Washington Coverage Action"** means that certain civil action styled as *Safety-Kleen Corp. v. Unigard Security Ins. Co., et al.*, pending in the Superior Court of Washington, King County, Docket No. 01-2-10468-3 SEA, in which the Debtors seek coverage under certain historical comprehensive general liability insurance policies for the costs, expenses and liabilities arising out of claims, demands and suits brought against the Debtors for property damage, bodily injury and personal injury arising out of environmental and other damage allegedly caused by the Debtors and/or arising out of the Debtors' ownership or business operations.
- 1.197 **"Westinghouse Note Claim"** means the Claim of Toronto Dominion (Texas), Inc. arising out of the promissory note dated May 15, 1997 issued by Laidlaw Environmental Services, Inc. in favor of Westinghouse Electric Corporation in the original principal amount of \$60 million.

## ARTICLE II

### COMPROMISE AND SETTLEMENT OF DISPUTES

The Plan incorporates the compromise and settlement of certain disputes among the Debtors and certain parties in interest, all as more fully discussed in the Disclosure Statement. These compromises and settlements include among other things (a) the Pinewood Settlement, which is a material and integral part of the Plan, and which provides for the settlement of substantially all of the claims filed by DHEC, South Carolina Public Service Authority and the South Carolina Department of National Resources against Pinewood and certain other Debtors as well as their assertions that in excess of \$100 million of such claims were entitled to treatment as Administrative Claims, (b) the compromise and settlement reached between the Debtors and the Laidlaw Debtors, (c) the Insurance Settlement with the Settling Insurers in connection with certain coverage actions that the Debtors commenced prepetition and (d) the compromise and settlement reached between the Steering Committee of the

Lenders and the Creditors' Committee with respect to the Creditors' Committee's Adversary Proceeding; provided, however, that notwithstanding anything to the contrary in the Plan, including, without limitation Section 12.8 thereof, if the Plan is not consummated containing the terms of such compromise, then the Creditors' Committee shall continue to prosecute the Creditors' Committee's Adversary Proceeding and all agreements, compromises and settlements reached among the Creditors' Committee, the Debtors and the Lenders with respect to the same shall be null, void and of no further force or effect. The treatment of Impaired Claims under the Plan reflects and implements the foregoing compromises and settlements.

To the extent necessary, the Plan constitutes a motion for approval of the aforementioned compromises and settlements. The Confirmation Order, subject to the occurrence of the Effective Date, shall constitute an order of the Bankruptcy Court finding and determining that such settlements are (a) in the best interests of the Debtors and their Estates; (b) fair, equitable and reasonable; (c) made in good faith and (d) approved by the Bankruptcy Court.

## ARTICLE III

### CLASSIFICATION OF CLAIMS AND INTERESTS

#### 3.1 Introduction

The Plan consists of separate Plans for each of the Debtors. Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of classes of Claims against and Interests in the Debtors. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Canadian Lender Administrative Claims, DIP Facility Claims, Priority Tax Claims and the DHEC Administrative Claim have not been classified, and the respective treatment of such Unclassified Claims is set forth in Section 4.1 of the Plan.

A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released or otherwise settled prior to the Effective Date.

Classes 1, 2, 3, 6 and 7 consist of sub-Classes for each Debtor and a list of sub-Classes is set forth on Exhibit F to the Plan.

#### 3.2 Unimpaired Claims

##### *Class 1: Other Priority Claims*

Class 1 consists of separate sub-Classes for all Other Priority Claims against each of the Debtors. Each such sub-Class is deemed to be a separate Class for all purposes under the Bankruptcy Code. A list of the sub-Classes is set forth on Exhibit F to the Plan.

##### *Class 2: Miscellaneous Secured Claims*

Class 2 consists of separate sub-Classes for each Miscellaneous Secured Claim against the Debtors. Each such sub-Class is deemed to be a separate Class for all purposes under the Bankruptcy Code.

### **3.3 Impaired Claims**

#### *Class 3: Secured U.S. Lender Claims*

Class 3 consists of (a) the U.S. Lender Claims that are Secured Claims against the Debtors, excluding the Secured Claim for reimbursement obligations related to letters of credit posted under the Prepetition Credit Agreement that are to be replaced or backstopped under the Exit Facility and (b) the Secured Claims of the Swap Parties arising under or as a result of the Swap Agreements. Class 3 consists of separate sub-Classes for Secured U.S. Lender Claims against each Debtor. Each such sub-Class is deemed to be a separate Class for all purposes under the Bankruptcy Code. A list of the sub-Classes is set forth on Exhibit F to the Plan.

#### *Class 4: SKC General Unsecured Claims*

Class 4 consists of all General Unsecured Claims against SKC, including (a) the Aragonite Industrial Revenue Bond Claims, (b) the California Pollution Control Financing Authority Industrial Revenue Bond Claims, (c) the deficiency Claims of the U.S. Lenders against SKC and (d) the Westinghouse Note Claim; excluding, however, (x) the Class 5 9¼% Senior Notes Claims against SKC and (y) the Class 6 9¼% Senior Subordinated Notes Claims against SKC.

#### *Class 5: 9¼% Senior Notes Claims*

Class 5 consists of all 9¼% Senior Notes Claims against SKC.

#### *Class 6: 9¼% Senior Subordinated Notes Claims*

Class 6 consists of separate sub-Classes for all 9¼% Senior Subordinated Notes Claims against each of the Debtors. Each such sub-Class is deemed to be a separate Class for all purposes under the Bankruptcy Code. A list of the sub-Classes is set forth on Exhibit F to the Plan.

#### *Class 7: Subsidiary General Unsecured Claims*

Class 7 consists of separate sub-Classes for all General Unsecured Claims against each of the Subsidiaries. Each such sub-Class is deemed to be a separate sub-Class for all purposes under the Bankruptcy Code. A list of the sub-Classes is set forth on Exhibit F to the Plan.

#### *Class 8: Subordinated Claims*

Class 8 consists of all Subordinated Claims against the Debtors.

### **3.4 Impaired Interests**

#### *Class 9: Interests*

Class 9 consists of all Interests.

## ARTICLE IV

### TREATMENT OF CLAIMS AND INTERESTS

#### 4.1 Unclassified Claims

##### (a) **Administrative Claims**

Allowed Administrative Claims against a particular Debtor shall include only those Administrative Claims that constitute Allowed Administrative Claims against such Debtor. Except as otherwise provided for herein, and subject to the provisions of Article X of the Plan, on, or as soon as reasonably practicable after, the latest of (i) the Initial Distribution Date, (ii) the date such Administrative Claim becomes an Allowed Administrative Claim or (iii) the date such Administrative Claim becomes payable pursuant to any agreement between the applicable Debtor and the holder of such Administrative Claim, a holder of an Allowed Administrative Claim shall receive, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Administrative Claim (x) Cash equal to the unpaid portion of such Allowed Administrative Claim or (y) such other less favorable treatment as to which the applicable Debtor and such holder of an Allowed Administrative Claim shall have agreed upon in writing; provided, however, that Allowed Administrative Claims with respect to liabilities incurred by any of the BSSD Debtors in the ordinary course of business during the Chapter 11 Cases shall be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto.

##### (b) **Canadian Lender Administrative Claims**

The Canadian Lender Administrative Claims are, pursuant to the Assumption Order, Allowed Administrative Claims against SK Services in the approximate aggregate amount of U.S. \$83.1 million (as of January 31, 2003) plus accrued interest at the contractual non-default rate through the Effective Date, which excludes any amounts with respect to any letter of credit posted by a Canadian Lender and outstanding as of the Effective Date that are replaced or backstopped under the Exit Facility. On the Initial Distribution Date, or as soon as reasonably practicable thereafter, each holder of an Allowed Canadian Lender Administrative Claim shall receive, in full satisfaction, settlement, release and discharge of and in exchange for such Canadian Lender Administrative Claim, such holder's share of (i) New Common Stock, (ii) New Preferred Stock and (iii) New Notes; provided, however, that distributions made pursuant to this Section 4.1(b) shall be in full satisfaction, settlement and release of, and in exchange for, any and all Claims asserted by the Canadian Lenders.

All payments to any holder of a Canadian Lender Administrative Claim with respect to such Claim shall be made free and clear of, and without deduction for, any U.S. withholding taxes, which taxes shall be paid to the relevant governmental authority by the appropriate Debtor. The Debtors shall not be obligated to pay any such Canadian Lender Administrative Claim unless and until the holder thereof has completed and delivered to the applicable Debtor (i) two copies of each appropriate Internal Revenue Service Form W-8 or other certificate, form or other document the completion and delivery of which are a precondition to obtaining the benefit of a reduced rate of taxation or a complete exemption from such U.S. withholding taxes for which such holder may be eligible under any applicable law, regulation, treaty or other rule, or (ii) if no such certificate, form or other document is applicable to the circumstances of such Canadian Lender Administrative Claim, a written statement so indicating. If a holder of a Canadian Lender Administrative Claim becomes aware that it is entitled to claim a refund from a governmental authority in respect of U.S. taxes withheld and paid pursuant to this Section 4.1(b), such holder shall promptly notify the Reorganized Debtors of the availability of such refund claim and make a claim to such governmental authority for such refund. If a holder of a Canadian Lender Administrative Claim receives a refund in respect of U.S. withholding taxes paid pursuant to this Section 4.1(b), such holder shall within thirty (30) calendar days from the date of such receipt pay over such refund to the Reorganized Debtors, net of all out-of-pocket expenses of such holder and without interest (other than interest paid by the relevant governmental authority with respect to such refund).

**(c) DIP Facility Claims**

Each holder of an Allowed DIP Facility Claim shall receive on the later of the Effective Date or the date on which such DIP Facility Claim becomes payable pursuant to any agreement between the Debtors and the holder of such DIP Facility Claim, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed DIP Facility Claim (i) Cash equal to the full amount of such holder's Allowed DIP Facility Claim or (ii) such other treatment as to which the Debtors and such holder shall have agreed upon in writing.

**(d) Priority Tax Claims**

With respect to each Allowed Priority Tax Claim, at the sole option of the Debtors or the applicable Reorganized Debtor, a holder of an Allowed Priority Tax Claim shall be entitled to receive on account of such Allowed Priority Tax Claim, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Priority Tax Claim: (i) equal Cash payments made on the last Business Day of every three-month period following the Initial Distribution Date, over a period not exceeding six years after the assessment of the tax on which such Allowed Priority Tax Claim is based, totaling the principal amount of such Allowed Priority Tax Claim plus simple interest on any outstanding balance from the Initial Distribution Date calculated at the interest rate available on ninety (90) day United States Treasuries on the Initial Distribution Date, (ii) payment in full in Cash on the Effective Date or as soon thereafter as reasonably practicable or (iii) such other treatment agreed to by the holder of the Allowed Priority Tax Claim and the Debtors or the applicable Reorganized Debtor; provided, such treatment is on more favorable terms to the Debtors or the applicable Reorganized Debtor, as the case may be, than the treatment set forth in clauses (i) or (ii) hereof; provided, that the Debtors reserve the right to pay any Allowed Priority Tax Claim, or any remaining balance of any Allowed Priority Tax Claim, in full at any time on or after the Initial Distribution Date without premium or penalty, and; provided further, that no holder of an Allowed Priority Tax Claim shall be entitled to any payments on account of any interest accrued on or penalty arising after the Petition Date but prior to the Effective Date with respect to or in connection with such Allowed Priority Tax Claim.

**(e) DHEC Administrative Claim**

Pursuant to the terms of the Pinewood Site Settlement Agreement, on the Effective Date, in full satisfaction, settlement, release and discharge of and in exchange for the Allowed DHEC Administrative Claim, the following shall occur: (i) Pinewood shall transfer the Pinewood Facility and related personal property, including vehicles, machines, equipment and supplies, located at the Pinewood Facility to the Pinewood Site Trust; (ii) the Debtors shall (A) pay \$13,162,768 (subject to adjustment for work performed prior to the Effective Date and for certain administrative costs of the Pinewood Site Trust) to the Pinewood Site Trust and (B) transfer to the Pinewood Site Trust ownership of a single-payment, fully guaranteed annuity, which shall pay out \$133 million (subject to adjustment for certain administrative costs of the Pinewood Site Trust) over the next 100 years; (iii) the Debtors shall create the New Environmental Impairment Trust Fund into which the funds presently in the GSX Contribution Trust Fund shall be deposited and (iv) the Debtors shall pay \$14.5 million into the New Environmental Impairment Trust Fund. The Reorganized Debtors intend to make all such payments from the Laidlaw Recovery.

**4.2 Unimpaired Classes of Claims**

**(a) Class 1: Other Priority Claims**

On, or as soon as reasonably practicable after, the latest of (i) the Initial Distribution Date, (ii) the date such Class 1 Other Priority Claim becomes an Allowed Class 1 Other Priority Claim or (iii) the date such Class 1 Other Priority Claim becomes payable pursuant to any agreement between the applicable Debtor and the holder of such Class 1 Other Priority Claim, a holder of an Allowed Class 1 Other Priority Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Class 1 Other Priority Claim, (x) Cash equal to the unpaid portion of such Allowed Class 1 Other Priority Claim or (y) such other treatment as to which such applicable Debtor and such Claimholder shall have agreed upon in writing. Class 1 is Unimpaired and the holders of Class 1 Other Priority Claims shall not be entitled to vote on the Plan.

**(b) Class 2: Miscellaneous Secured Claims**

Each holder of an Allowed Class 2 Miscellaneous Secured Claim shall, at the option of the applicable Debtor, be entitled to the treatment set forth below in option A, B, C or D:

*Option A:* Allowed Class 2 Miscellaneous Secured Claims with respect to which the applicable Debtor elects Option A shall, on, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date, or (ii) the date such Class 2 Miscellaneous Secured Claim becomes an Allowed Class 2 Miscellaneous Secured Claim, be paid in Cash, in full.

*Option B:* Allowed Class 2 Miscellaneous Secured Claims with respect to which the applicable Debtor elects Option B shall be Reinstated. The Debtors' failure to object to any Class 2 Miscellaneous Secured Claim that is Reinstated in the Chapter 11 Cases shall be without prejudice to the Reorganized Debtors' right to contest or otherwise defend against such Claim in the appropriate forum when and if such Claim is sought to be enforced.

*Option C:* Allowed Class 2 Miscellaneous Secured Claims with respect to which the applicable Debtor elects Option C shall be satisfied by the surrender to the Claimholder of the collateral securing the applicable Class 2 Miscellaneous Secured Claim.

*Option D:* Allowed Class 2 Miscellaneous Secured Claims with respect to which the applicable Debtor elects Option D shall be satisfied in accordance with such other terms and conditions as may be agreed upon by the applicable Debtor or Reorganized Debtor and the holder of such Allowed Class 2 Miscellaneous Secured Claim.

The applicable Debtor shall be deemed to have elected Option B with respect to all Allowed Class 2 Miscellaneous Secured Claims except those with respect to which the applicable Debtor elects another option in writing prior to the Confirmation Hearing. Class 2 is Unimpaired and the holders of Class 2 Miscellaneous Secured Claims shall not be entitled to vote on the Plan.

**4.3 Impaired Classes of Claims**

**(a) Class 3: Secured U.S. Lender Claims**

On the Effective Date, each holder of an Allowed Class 3 Secured U.S. Lender Claim shall be entitled to receive, on or as soon as reasonably practicable after, the Initial Distribution Date, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 3 Secured U.S. Lender Claim against each Debtor, such holder's share of (i) the New Common Stock after deducting therefrom the New Common Stock distributed to or reserved for the holders of the Canadian Lender Administrative Claims, (ii) the New Preferred Stock after deducting therefrom the New Preferred Stock distributed to or reserved for the holders of the Canadian Lender Administrative Claims and (iii) the New Notes after deducting therefrom the New Notes distributed to or reserved for the holders of the Canadian Lender Administrative Claims. Class 3 is Impaired and the holders of Class 3 Secured U.S. Lender Claims that are neither Disputed Claims nor Disallowed Claims shall be entitled to vote on the Plan.

**(b) Class 4: SKC General Unsecured Claims**

On, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date or (ii) subject to Article IX of the Plan, the date on which a Class 4 SKC General Unsecured Claim becomes an Allowed Class 4 SKC General Unsecured Claim, each holder of an Allowed Class 4 SKC General Unsecured Claim shall receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 4 SKC General Unsecured Claim, such holder's Pro Rata share of (x) the Laidlaw Stock Distribution, (y) the PwC Litigation Distribution and (z) the AA Savings Distribution; provided, however, that the U.S. Lenders, with respect to their deficiency claims against SKC, shall be deemed to have waived any right to receive, and shall not receive any distribution on account of their respective Class 4 General Unsecured Claims. Class 4 is

Impaired and holders of Class 4 SKC General Unsecured Claims that are neither Disputed Claims nor Disallowed Claims shall be entitled to vote on the Plan.

**(c) Class 5: 9¼% Senior Notes Claims**

On, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date or (ii) subject to Article IX of the Plan, the date on which a Class 5 9¼% Senior Notes Claim becomes an Allowed Class 5 9¼% Senior Notes Claim, a holder of an Allowed Class 5 9¼% Senior Notes Claim shall receive, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 5 9¼% Senior Notes Claim and for SKC's obligations under the 9¼% Senior Notes Indenture, such holder's Pro Rata share of (x) the Laidlaw Stock Distribution, (y) the PwC Litigation Distribution and (z) the AA Savings Distribution. Class 5 is Impaired and holders of Class 5 9¼% Senior Notes Claims that are neither Disputed Claims nor Disallowed Claims shall be entitled to vote on the Plan.

**(d) Class 6: 9¼% Senior Subordinated Notes Claims**

If Class 6 votes to accept the Plan, each holder of a Class 6 9¼% Senior Subordinated Notes Claim shall be deemed to have waived its Claim with respect to SKC and both the Lenders and the holders of Class 5 9¼% Senior Notes Claims shall be deemed to have waived their contractual subordination rights with respect to the Class 6 9¼% Senior Subordinated Notes Claims. In that event, on, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date or (ii) subject to Article IX of the Plan, the date on which a Class 6 9¼% Senior Subordinated Notes Claim becomes an Allowed Class 6 9¼% Senior Subordinated Notes Claim, a holder of an Allowed Class 6 9¼% Senior Subordinated Notes Claim shall receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 6 9¼% Senior Subordinated Notes Claim and for the Debtors' obligations under the 9¼% Senior Subordinated Notes Indenture, such holder's Pro Rata share of (x) the beneficial interests in the Safety-Kleen Creditor Trust and (y) the PwC Litigation Distribution. Each holder of a Class 6 9¼% Senior Subordinated Notes Claim shall receive a distribution on account of its Class 6 Claim with respect to one Subsidiary sub-Class, but not multiple Subsidiary sub-Classes of Class 6, and shall forgo any distribution with respect to the remaining Class 6 sub-Classes.

If Class 6 votes to reject the Plan, then (a) the contractual subordination rights of (i) the U.S. Lenders with respect to the Class 6 9¼% Senior Subordinated Notes Claims and (ii) the holders of Class 5 9¼% Senior Notes Claims with respect to the holders of Class 6 9¼% Senior Subordinated Notes Claims shall be preserved and enforced under the Plan in accordance with section 510(a) of the Bankruptcy Code, and therefore the holders of Allowed Class 6 Claims shall neither receive nor retain any distributions under the Plan on account of such Claims and (b) pursuant to the terms of the settlement of the Creditors' Committee's Adversary Proceeding, the distributions that would otherwise have been made to the holders of Allowed Class 6 Claims had Class 6 voted to accept the Plan shall be distributed to the U.S. Lenders on account of the deficiency Claims of the U.S. Lenders.

Class 6 is Impaired and holders of Class 6 9¼% Senior Subordinated Notes Claims that are neither Disputed Claims nor Disallowed Claims shall be entitled to vote on the Plan.

**(e) Class 7: Subsidiary General Unsecured Claims**

On, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date or (ii) subject to Article IX of the Plan, the date on which a Class 7 Subsidiary General Unsecured Claim becomes an Allowed Class 7 Subsidiary General Unsecured Claim, a holder of an Allowed Class 7 Subsidiary General Unsecured Claim shall receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 7 Subsidiary General Unsecured Claim, such holder's Pro Rata share of (x) the beneficial interests in the Safety-Kleen Creditor Trust and (y) the PwC Litigation Distribution.

Class 7 is Impaired and holders of Class 7 Subsidiary General Unsecured Claims that are neither Disputed Claims nor Disallowed Claims shall be entitled to vote on the Plan.

**(f) Class 8: Subordinated Claims**

The holders of Subordinated Claims shall not receive or retain any property under the Plan on account of such Subordinated Claims and all Class 8 Subordinated Claims shall be discharged as of the Effective Date. Class 8 is Impaired and shall be deemed to have rejected the Plan and therefore shall not be entitled to vote on the Plan.

**4.4 Impaired Classes of Interests**

**Class 9: Interests**

On the Effective Date, all Class 9 Interests shall be deemed cancelled and extinguished. The holders of Class 9 Interests shall not receive or retain any property under the Plan on account of their Class 9 Interests. Class 9 is Impaired and shall be deemed to have rejected the Plan and therefore shall not be entitled to vote on the Plan.

**4.5 Reservation of Rights Regarding Unimpaired Claims**

Except as otherwise explicitly provided in the Plan, nothing shall affect the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to any Unimpaired Claims, including, but not limited to, all rights with respect to legal and equitable defenses to alleged rights of setoff or recoupment of Unimpaired Claims. Except to the extent a Reorganized Debtor expressly assumes an obligation or liability of a Debtor or another Reorganized Debtor, the Plan shall not operate to impose liability on any Reorganized Debtor for the Claims against any other Debtor or the debts and obligations of any other Debtor or Reorganized Debtor, and from and after the Effective Date, each Reorganized Debtor, subject to the Restructuring Transactions, shall be separately liable only for its own debts and obligations.

**ARTICLE V**

**ACCEPTANCE OR REJECTION OF THE PLAN**

**5.1 Impaired Classes of Claims Entitled to Vote**

Claimholders in each Impaired Class of Claims other than Class 8 shall be entitled to vote as a Class to accept or reject the Plan. Accordingly, the votes of holders of Claims that are neither Disputed Claims nor Disallowed Claims in Classes 3 through 7 (including sub-classes) shall be solicited with respect to the Plan. Votes shall be separately tabulated for each of the Debtors with respect to each Debtor's Plan.

**5.2 Acceptance by the Impaired Class**

In accordance with section 1126(c) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted the Plan if the Plan is accepted by the holders of at least two-thirds ( $\frac{2}{3}$ ) in dollar amount and more than one-half ( $\frac{1}{2}$ ) in number of the Claims of such Class that have timely and properly voted to accept or reject the Plan.

**5.3 Presumed Acceptance by the Unimpaired Classes**

Classes 1 and 2 are Unimpaired under the Plan. Under section 1126(f) of the Bankruptcy Code, such Unimpaired Classes are conclusively presumed to have accepted the Plan, and the votes of the holders of Claims in such Classes shall not be solicited.

#### **5.4 Classes Deemed to Have Rejected the Plan**

Holders of Class 8 Claims and Class 9 Interests are not entitled to receive or retain any property under the Plan. Under section 1126(g) of the Bankruptcy Code, Classes 8 and 9 are deemed to have rejected the Plan, and the votes of such Claimholders or Interestholders shall not be solicited.

#### **5.5 Cramdown**

The Debtors shall seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code in view of the deemed rejection by Classes 8 and 9. To the extent that any other Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors shall request confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code with respect to such other Impaired Class. The Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan, as to all Debtors, or with respect to one or more Debtors but not all Debtors, the Plan Supplement and any Exhibit or appendix attached thereto, including to amend or modify such document to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary. The Debtors shall consult with the Creditors' Committee and the Steering Committee of the Lenders prior to seeking any such modification.

#### **5.6 Confirmability and Severability of a Plan**

The confirmation requirements of section 1129 of the Bankruptcy Code must be satisfied separately with respect to each Debtor. Except as limited in the Plan, if the Bankruptcy Court holds that any provision of the Plan is invalid, void or unenforceable, the Debtors, at their option, may alter, amend, modify, revoke or withdraw the Plan as it applies to any particular Debtor. A determination by the Bankruptcy Court that the Plan, as it applies to one or more Debtors, is not confirmable pursuant to section 1129 of the Bankruptcy Code shall not limit or affect: (a) the confirmability of the Plan as it applies to any other Debtor or (b) the Debtors' ability to modify the Plan, as it applies to any other Debtor, to satisfy the confirmation requirements of section 1129 of the Bankruptcy Code. The Debtors may seek to confirm the Plan, as amended or modified, without the necessity to resolicit the Plan for voting; provided, however, that the Plan, as amended, does not materially adversely alter the treatment of Classes entitled to receive a distribution under the Plan, as determined by the Bankruptcy Court at the Confirmation Hearing, or otherwise, or such modification is consented to by any such Class. The Debtors shall consult with the Creditors' Committee and the Steering Committee of the Lenders prior to seeking any such modification.

### **ARTICLE VI**

#### **MEANS FOR IMPLEMENTATION OF THE PLAN**

#### **6.1 Continued Corporate Existence for Branch Sales and Service Division**

Subject to the Restructuring Transactions, certain of the BSSD Reorganized Debtors shall continue to exist after the Effective Date as separate corporate entities, with all the powers of a corporation under applicable law in the jurisdiction in which each is incorporated and pursuant to the certificate of incorporation and bylaws in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws are amended by the Plan, without prejudice to any right to terminate such existence (whether by merger or otherwise) under applicable law after the Effective Date.

#### **6.2 Corporate Action**

Each of the matters provided for under the Plan involving the corporate structure of any Debtor or Reorganized Debtor or corporate action to be taken by or required of any Debtor or Reorganized Debtor shall, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and shall be authorized and approved in all respects without any requirement of further action by stockholders or directors of any of the Debtors or the Reorganized Debtors.

**(a) Dissolution of Corporate Existence of Certain Debtors**

On the Effective Date, each of SKC, SK Services and each CSD Subsidiary shall be deemed dissolved and shall have no continuing corporate existence, subject only to each such Debtor's individual Plan imposed obligation to satisfy Allowed Administrative Claims, Allowed DIP Facility Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims and Allowed DHEC Administrative Claim against such Debtor's estate, if any. With respect to each such Debtor, upon either (i) the final payment and satisfaction of the last of such Plan imposed obligations or (ii) the assumption of the last of such Plan imposed obligations by another Debtor or a Reorganized Debtor, such Debtor: (A) shall be deemed to have been discharged as of the Effective Date and immediately thereafter deemed to have dissolved for all purposes and withdrawn its business operations from any state or country in which it was previously conducting, or is registered or licensed to conduct, its business operations, and shall not be required to file any document, pay any sum or take any other action in order to effectuate such dissolution and withdrawal; (B) shall be deemed to have had all of its Interests cancelled pursuant to the Plan and (C) shall not be liable in any manner to any taxing authority for franchise, business, capital, license or similar taxes that otherwise would have accrued on or after the Effective Date, all without the necessity for any other or further actions to be taken on behalf of such Debtor; provided, however, that the Reorganized Debtors may, if they so elect, and any officer of a Reorganized Debtor shall be an authorized signatory for such purpose, prepare and file all corporate resolutions, statements, notices, tax returns or certificates of dissolution in such Debtors' jurisdiction of incorporation or organization or other jurisdiction. The Reorganized Debtors, the Disbursing Agent, the Safety-Kleen Creditor Trust, the Trustee and the Current Directors and Officers shall not have or incur any liability for any actions taken or not taken under this Section 6.2(a) with respect to SKC, SK Services or any CSD Subsidiary.

**(b) Articles of Incorporation and Bylaws**

The articles of incorporation and bylaws of each of the BSSD Reorganized Debtors shall be amended as necessary to satisfy the provisions of the Plan and the Bankruptcy Code. The articles of incorporation of New Holdco shall among other things: (i) authorize the issuance of the shares of New Common Stock and (ii) provide, pursuant to section 1123(a)(6) of the Bankruptcy Code, for (A) a provision prohibiting the issuance of non-voting equity securities, and, if applicable, (B) a provision as to the classes of securities issued pursuant to the Plan or thereafter possessing voting power, for an appropriate distribution of such power among such classes, including, in the case of any class of equity securities having a preference over another class of equity securities with respect to dividends, adequate provisions for the election of directors representing such preferred class in the event of default in the payment of such dividends. The articles of incorporation of New Parent shall among other things: (a) authorize the issuance of shares of New Preferred Stock and (b) provide, pursuant to section 1123(a)(6) of the Bankruptcy Code, for (i) a provision prohibiting the issuance of non-voting equity securities, and, if applicable, (ii) a provision as to the classes of securities issued pursuant to the Plan or thereafter possessing voting power, for an appropriate distribution of such power among such classes, including, in the case of any class of equity securities having a preference over another class of equity securities with respect to dividends, adequate provisions for the election of directors representing such preferred class in the event of default in the payment of such dividends. The articles of incorporation and the bylaws of New Holdco and New Parent shall be substantially in the form of Exhibit C and Exhibit D to the Plan, respectively.

**(c) Cancellation of Existing Securities and Agreements**

On the Effective Date, except as otherwise provided for herein (i) the Existing Securities and any other note, bond, indenture, or other instrument or document evidencing or creating any indebtedness or obligation of the Debtors, except such notes or other instruments evidencing indebtedness or obligations of the Debtors that are Reinstated under the Plan, shall be cancelled and (ii) the obligations of, and/or Claims against, the Debtors under, relating or pertaining to any agreements, indentures or certificates of designations governing the Existing Securities and any other note, bond, indenture or other instrument or document evidencing or creating any indebtedness or obligation of the Debtors, except such notes or other instruments evidencing indebtedness or obligations of the Debtors that are Reinstated under the Plan, as the case may be, shall be released and discharged; provided, however, that each indenture or other agreement that governs the rights of the Claimholder and that is administered by an Indenture Trustee, an agent or a servicer shall continue in effect solely for the purposes of

allowing such Indenture Trustee, agent or servicer (x) to make the distributions to be made on account of such Claims under the Plan as provided in Article IX of the Plan and (y) to maintain any rights and liens an indenture trustee may have for any unpaid fees, costs, expenses and indemnification under such indenture or other agreement; provided, however, that such rights and liens are limited to the distributions, if any, related to holders of Allowed Claims arising under the respective indentures. Provided, further, that the provisions of this proviso shall not affect the discharge of the Debtors' liabilities under the Bankruptcy Code and the Confirmation Order or result in any expense or liability to the Reorganized Debtors.

**(d) Restructuring Transactions**

On the Effective Date, the following transactions shall occur in the following order:

- (i) New Holdco will be incorporated.
- (ii) New Holdco will cause New Parent to be incorporated as a new wholly owned subsidiary and New Holdco will contribute the New Common Stock to New Parent.
- (iii) New Parent will purchase the stock of SK Systems from SK Services in exchange for the New Common Stock, the New Preferred Stock and the New Notes.
- (iv) SK Services will distribute the New Common Stock, the New Preferred Stock and the New Notes to the holders of the Canadian Lender Administrative Claims and the holders of the Secured U.S. Lender Claims consistent with Sections 4.1(b) and 4.3(a) of the Plan. All distributions shall be in accordance with the Plan.
- (v) New Parent will elect pursuant to section 338(h)(10) of the Internal Revenue Code to treat the purchase of stock of SK Systems as if Reorganized SK Systems acquired the Systems Assets at fair market value.

**(e) Post-Effective Date Restructuring Transactions**

On or after the Effective Date, the applicable Reorganized Debtors may enter into such transactions and may take such actions as may be necessary or appropriate to effect a corporate restructuring of their respective businesses, to simplify otherwise the overall corporate structure of the Reorganized Debtors, or to reincorporate certain of the Debtors under the laws of jurisdictions other than the laws of which the applicable Debtors are presently incorporated. Such restructuring may include one or more mergers, consolidations, restructures, dispositions, liquidations, or dissolutions, as may be determined by the Debtors or the Reorganized Debtors to be necessary or appropriate. The actions to effectuate these transactions may include: (i) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, disposition, liquidation or dissolution containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable state law and such other terms to which the applicable entities may agree; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the terms of the Plan and having such other terms to which the applicable entities may agree; (iii) the filing of appropriate certificates or articles of merger, consolidation or dissolution pursuant to applicable state law and (iv) all other actions that the applicable entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable state law in connection with such transactions. Such transactions may include one or more mergers, consolidations, restructurings, dispositions, liquidations or dissolutions, as may be determined by the Reorganized Debtors to be necessary or appropriate to result in substantially all of the respective assets, properties, rights, liabilities, duties and obligations of certain of the Reorganized Debtors vesting in one or more surviving, resulting or acquiring corporations.

### **6.3 Directors and Officers**

(a) The existing officers of SKC shall be entitled to serve as officers of New Holdco in their current capacities after the Effective Date pending the appointment of new officers by the board of directors of New Holdco.

(b) The new board of directors of New Holdco shall consist of not fewer than five (5) and no more than nine (9) directors to be selected by the Steering Committee of the Lenders. If fewer than nine (9) members of the board of directors of New Holdco are selected, then the Steering Committee of the Lenders shall have the sole power to select additional members of the board of directors of New Holdco pursuant to the terms of a Stockholders' Agreement, substantially in the form attached as Exhibit O to the Plan.

### **6.4 Management Incentive Compensation Plan**

At or before the Confirmation Hearing, the Debtors intend to file with the Bankruptcy Court a copy of any Management Incentive Compensation Plan proposed to be adopted by the Reorganized Debtors on the Effective Date.

### **6.5 Exit Facility**

(a) The Reorganized Debtors expect to enter into an Exit Facility in the aggregate amount of approximately \$250 million to \$310 million in order to obtain the funds necessary to repay the DIP Facility Claims, make other required payments and conduct their post-reorganization operations. The Exit Facility is expected to be secured by a first lien on substantially all of the assets of the Reorganized Debtors.

(b) The Debtors shall file documents evidencing the Exit Facility by the Confirmation Hearing. The Confirmation Order shall (i) approve the Exit Facility in substantially the form filed with the Bankruptcy Court and (ii) authorize the Debtors to execute the same together with such other documents as the Exit Facility lenders or participants may reasonably require.

### **6.6 New Common Stock and New Preferred Stock**

The issuance of the New Common Stock and New Preferred Stock is hereby authorized without further act or action under applicable law. The New Common Stock and New Preferred Stock shall be issued and distributed in accordance with the terms of the Plan without further act or action under applicable law, regulation, order or rule and shall be exempt from registration under applicable securities laws pursuant to section 1145(a) of the Bankruptcy Code.

### **6.7 New Notes**

The issuance of the New Notes is hereby authorized without further act or action under applicable law. The New Notes shall be secured with liens on substantially all of the Reorganized Debtors' assets, which liens shall be junior to the liens of the Exit Facility. The New Notes shall be issued and distributed in accordance with the terms of the Plan without further act or action under applicable law, regulation, order or rule and shall be exempt from registration under applicable securities laws pursuant to section 4(2) of the Securities Act of 1933 and Regulation D thereunder.

### **6.8 Preservation of Causes of Action**

(a) In accordance with section 1123(b)(3) of the Bankruptcy Code, and except as otherwise provided in the Plan, the Confirmation Order or in any contract, instrument, release or other agreement entered into in connection with the Plan, the Reorganized Debtors shall retain and may prosecute, settle or compromise the Retained Actions and the Trustee may prosecute, settle or compromise the Trust Claims.

(b) The Reorganized Debtors, in the exercise of their business judgment, shall determine whether to enforce, prosecute, settle or compromise (or decline to do any of the foregoing) any of the Retained Actions, and the Trustee, in the exercise of his or her business judgment, shall determine whether to enforce, prosecute, settle or compromise (or decline to do any of the foregoing) any of the Trust Claims.

(c) The Reorganized Debtors and the Trustee shall be entitled to pursue their respective claims against a Common Defendant. The Reorganized Debtors and the Trustee may, but shall be under no obligation to, enter into arrangements for the joint prosecution of their respective claims, the sharing of litigation costs and/or recoveries and any other arrangements that are mutually acceptable to each such party. Neither the Reorganized Debtors nor the Trustee shall have the right to release a Common Defendant (or any other entity) from the claims of the other.

(d) The failure of the Debtors to specifically list any claim, right of action, suit or proceeding in the Debtors' Schedules or in Exhibit I to the Plan does not, and shall not be deemed to, constitute a waiver or release by the Debtors of such claim, right of action, suit or proceeding, and the Reorganized Debtors or the Trustee, as applicable, shall retain the right to pursue such claims, rights of action, suits or proceedings in their sole discretion and, therefore, no preclusion doctrine, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall apply to such claim, right of action, suit or proceeding upon or after the confirmation or consummation of the Plan.

#### **6.9 Exclusivity Period**

The Debtors shall retain the exclusive right to amend or modify the Plan and to solicit acceptances of any amendments to or modifications of the Plan, through and until the Effective Date.

#### **6.10 Intercompany Claims**

Except with respect to any Intercompany Claim which the Debtors, with the consent of the Steering Committee of the Lenders, have determined to reinstate on the Effective Date all Claims between and among the Debtors shall, in the sole discretion of the applicable Debtor or Reorganized Debtor, (a) be released, waived and discharged as of the Effective Date or (b) be contributed to the capital of the obligor corporation.

#### **6.11 Effectuating Documents; Further Transactions**

The Chairman of the Board of Directors, the Chief Executive Officer or any other officer of any of the Reorganized Debtors, shall be authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents, and take such actions as may be necessary or desirable to effectuate and further evidence the terms and conditions of the Plan, including any actions necessary or desirable to formally dissolve SKC, SK Services and the CSD Subsidiaries. The Secretary or Assistant Secretary of any of the Reorganized Debtors shall be authorized to certify or attest to any of the foregoing actions.

#### **6.12 Exemption from Certain Transfer Taxes**

Pursuant to section 1146(c) of the Bankruptcy Code, any transfers in the United States from a Debtor to a Reorganized Debtor or any other Person or among the Reorganized Debtors pursuant to the Plan including (a) the Restructuring Transactions, (b) the transactions contemplated by Section 6.2(e) of the Plan or other provisions of the Plan, (c) the issuance, transfer or exchange of debt or equity securities under the Plan, or (d) the creation of any mortgage, lien, deed of trust or other security interest under the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, mortgage and lien recording tax for new debt or other similar tax or governmental assessment, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

## ARTICLE VII

### EXECUTORY CONTRACTS AND UNEXPIRED LEASES

#### 7.1 Rejected Contracts and Leases

Each executory contract and unexpired lease to which any of the Debtors is a party shall be deemed automatically rejected as of the Effective Date, unless such executory contract or unexpired lease (a) shall have been previously assumed by the Debtors, (b) is the subject of a motion to assume filed on or before the Confirmation Date or (c) is listed on the schedule of assumed contracts and leases annexed hereto as Exhibit E to the Plan. The Debtors may at any time on or before the Confirmation Date (or, with respect to any executory contracts or unexpired leases for which there is a dispute regarding the nature or the amount of any Cure, at any time on or before the entry of a Final Order resolving such dispute) amend Exhibit E to the Plan to delete therefrom or add thereto any executory contract or unexpired lease, in which event such executory contract or unexpired lease shall be deemed to be rejected, assumed or assumed and assigned, as the case may be. The Debtors shall provide notice of any amendments to Exhibit E to the Plan to the parties to the executory contracts or unexpired leases affected thereby and counsel to the Creditors' Committee. The fact that any contract or lease is listed on Exhibit E to the Plan shall not constitute or be construed to constitute an admission that such contract or lease is an executory contract or unexpired lease within the meaning of section 365 of the Bankruptcy Code or that the Debtors or any successor to the Debtors (including Reorganized SK Systems) has any liability thereunder. The Confirmation Order shall constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date. The Debtors reserve the right to file a motion on or before the Confirmation Date to assume and assign or reject any executory contract or unexpired lease whether or not initially identified on Exhibit E to the Plan.

#### 7.2 Rejection Damages Bar Date

If the rejection, pursuant to the Plan or otherwise, of an executory contract or unexpired lease results in a Claim, then such Claim shall be forever barred and shall not be enforceable against the Debtors or the Reorganized Debtors or their respective properties unless, a proof of claim is filed with Trumbull Services LLC, c/o Safety-Kleen Corp., P.O. Box 267, Windsor, Connecticut 06095-0267 (for U.S. mail) or Griffin Center, 4 Griffin Road North, Windsor, Connecticut 06095 (for overnight delivery) and served upon (a) counsel to the Debtors and (b) either (i) counsel to the Creditors' Committee, if served prior to the Effective Date or (ii) counsel to the Trustee to the Safety-Kleen Creditor Trust, if served after the Effective Date, no later than thirty (30) calendar days after the later of the Confirmation Date or the entry of an order of rejection. This Section 7.2 shall not extend any prior deadline to file a proof of claim for damages arising from the rejection of an executory contract or unexpired lease.

#### 7.3 Assumed Contracts and Leases

Except as otherwise provided in the Plan or the Confirmation Order, all executory contracts and unexpired leases identified in Exhibit E to the Plan shall be deemed automatically assumed as of the Effective Date.

Each executory contract and unexpired lease that is assumed and relates to the use, ability to acquire or occupancy of real property shall include (a) all modifications, amendments, renewals, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affect such executory contract or unexpired lease and (b) all executory contracts or unexpired leases appurtenant to the premises, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easement agreements and any other interests in real estate or rights in rem related to such premises, unless any of the foregoing agreements has been rejected pursuant to a Final Order of the Bankruptcy Court or is otherwise rejected as a part of the Plan. To the extent the Debtor who is party to the unexpired lease or executory contract is to be merged or dissolved as a part of a Restructuring Transaction, any non-debtor party to such unexpired lease or executory contract shall, upon assumption as contemplated herein, be deemed to have consented to the assignment of such unexpired lease or executory contract to the Reorganized Debtor set forth on Exhibit E to the Plan.

The Confirmation Order shall constitute an order of the Bankruptcy Court approving the assumption of such executory contracts and unexpired leases, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date.

**7.4 Payments Related to Assumption of Executory Contracts and Unexpired Leases**

Any monetary amounts by which each executory contract and unexpired lease to be assumed under the Plan may be in default shall be satisfied, under section 365(b)(1) of the Bankruptcy Code by Cure. In the event of a dispute regarding (a) the nature or the amount of any Cure, (b) the ability of the applicable Reorganized Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to assumption, Cure shall occur no later than thirty (30) calendar days following the entry of a Final Order resolving the dispute and approving the assumption and, as the case may be, assignment.

**7.5 Employment, Retirement, Indemnification and Other Employee Related Agreements**

On the Effective Date, the Debtors shall be deemed to have rejected all existing prepetition employment, retirement, indemnification and other employee related plans, agreements and programs, including the SERP, except as set forth in Section 12.7(c) of the Plan and those agreements, plans and programs specifically set forth on Exhibit E to the Plan.

**ARTICLE VIII**

**SECURITIES TO BE ISSUED IN CONNECTION WITH THE PLAN**

On the Effective Date, the New Common Stock, the New Preferred Stock and the New Notes shall be issued for distribution in accordance with the provisions of the Plan. All securities to be issued shall be deemed issued as of the Effective Date regardless of the date on which they are actually distributed. The form of the New Note Agreement shall substantially conform to the term sheet attached to the Plan Supplement.

**ARTICLE IX**

**PROVISIONS GOVERNING DISTRIBUTIONS**

**9.1 Time of Distributions; Record Date**

Except as otherwise provided for herein or ordered by the Bankruptcy Court, distributions under the Plan shall be made on the later to occur of (a) the Initial Distribution Date or (b) the next Distribution Date after a Claim becomes an Allowed Claim. The record date for purposes of determining the identity of holders of Allowed General Unsecured Claims (other than holders of Claims with respect to Prepetition Notes and Industrial Revenue Bonds) entitled to distributions under the Plan shall be the close of business on the Confirmation Date.

**9.2 Interest on Claims**

Unless otherwise specifically provided for in the Plan, the Confirmation Order, the DIP Credit Agreement, any other order of the Bankruptcy Court (including without limitation the Assumption Order) or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on Claims, and no Claimholder shall be entitled to interest accruing on or after the Petition Date on any Claim. Interest shall not accrue or be paid upon any Disputed Claim in respect of the period from the Petition Date to the date a final distribution is made thereon if and after such Disputed Claim becomes an Allowed Claim.

### **9.3 Disbursing Agent**

The Disbursing Agent shall make all distributions required under the Plan with respect to holders of (a) Unclassified Claims and (b) Claims in Classes 1 through 3. The Disbursing Agent and the Reorganized Debtors shall reasonably cooperate with the Trustee and any Indenture Trustee with respect to distributions to be made in accordance with the Plan.

### **9.4 Trustee**

The Trustee shall make all distributions to the holders of Claims in Classes 4 through 7; provided, however, notwithstanding any provision contained in the Plan to the contrary, with respect to any distributions to be made to any holders of Allowed Claims which are subject to an indenture, the Trustee shall promptly deliver such distributions directly to the applicable Indenture Trustee (or should the applicable Indenture Trustee otherwise instruct the Trustee to deliver such distribution to another third-party disbursing agent), who shall then promptly deliver such distributions in accordance with such indenture. The Trustee shall reasonably cooperate with the Disbursing Agent and any Indenture Trustee with respect to distributions to be made in accordance with the Plan, and the Disbursing Agent and the Reorganized Debtors shall reasonably cooperate with the Trustee with respect to distributions to be made in accordance with the Plan.

### **9.5 Surrender of Securities or Instruments**

No distribution of property hereunder shall be made to or on behalf of any Claimholder unless and until a Certificate evidencing indebtedness to such Claimholder is received by the Trustee or the respective Indenture Trustee, agent or servicer, as the case may be, or the unavailability of such Certificate is reasonably established to the satisfaction of the Trustee or the respective Indenture Trustee, agent or servicer, as the case may be. Any such Claimholder who fails to surrender or cause to be surrendered such Certificate or fails to execute and deliver an affidavit of loss and indemnity reasonably satisfactory to the Trustee or the respective Indenture Trustee, agent or servicer, as the case may be, prior to the second (2nd) anniversary of the Effective Date, shall be deemed to have forfeited all rights and Claims in respect of such Certificate and shall not participate in any distribution hereunder with respect to the Claim evidenced by the Certificate, and all property in respect of such forfeited distribution, including interest accrued thereon, shall revert to the Safety-Kleen Creditor Trust notwithstanding any federal or state escheat laws to the contrary.

### **9.6 Instructions to Indenture Trustees**

Prior to any distribution on account of any Prepetition Notes or Industrial Revenue Bonds, the Indenture Trustees, agents or servicers of the Prepetition Notes or Industrial Revenue Bonds shall inform the Trustee (a) as to the amount of properly surrendered Prepetition Notes or Industrial Revenue Bonds and (b) in a form and manner that the Trustee reasonably determines to be acceptable, of the names of such Allowed Claimholders that have properly surrendered their respective Prepetition Notes or Industrial Revenue Bonds and the denominations of such surrendered Prepetition Notes or Industrial Revenue Bonds. To the extent that any Indenture Trustee provides services related to distributions pursuant to the Plan, such Indenture Trustee shall be entitled to payment from the distribution to the applicable holders of the Prepetition Notes or Industrial Revenue Bonds without further Bankruptcy Court approval, of its reasonable and customary fees and expenses incurred in connection with providing such services.

### **9.7 Notification Date for Distributions to Holders of Prepetition Notes and Industrial Revenue Bonds**

At the close of business on the Distribution Notification Date, the transfer ledgers of the Indenture Trustees, agents and servicers of the Prepetition Notes and the Industrial Revenue Bonds, shall be closed, and there shall be no further changes in the record holders of the Prepetition Notes and the Industrial Revenue Bonds. The Reorganized Debtors, the Indenture Trustees, agents and servicers of the Prepetition Notes and the Industrial Revenue Bonds, and the Trustee shall have no obligation to recognize any transfer of any of the Prepetition Notes or Industrial Revenue Bonds occurring after the Distribution Notification Date. The Reorganized Debtors, the Indenture Trustees, agents and servicers for the Prepetition Notes and the Industrial Revenue Bonds, and the

Trustee shall be entitled instead to recognize and deal for all purposes hereunder with only those record holders stated on the transfer ledgers as of the close of business on the Distribution Notification Date.

#### **9.8 Claims Administration Responsibility**

(a) The Disbursing Agent shall be responsible for administering, disputing, objecting to, compromising or otherwise resolving (i) the Unclassified Claims and (ii) Claims in Classes 1 through 3. The Trustee shall have the same responsibilities set forth in the foregoing sentence with respect to Claims in Classes 4 through 7.

(b) The Trustee shall be deemed substituted for the Debtors as the party prosecuting any claims objections filed by the Debtors concerning any Claims in Classes 4 through 7 that are pending as of the Effective Date and shall be authorized and empowered thereafter to prosecute such objections and file new objections in the name of and in substitution for the Debtors with respect to Claims in Classes 4 through 7.

#### **9.9 Objection Deadline**

(a) As soon as practicable, but no later than the later of the Claims Objection Deadline or sixty (60) calendar days after a proof of claim is filed, the Trustee, or the Disbursing Agent, as applicable, may file objections with the Bankruptcy Court and serve such objections on the creditors holding the Claims to which objections are made. Nothing contained herein, however, shall limit the right of the Trustee, or the Disbursing Agent, as applicable, to object to Claims, if any, filed or amended after the Claims Objection Deadline.

(b) The Claims Objection Deadline may be extended by the Bankruptcy Court upon motion by either the Disbursing Agent or the Trustee without notice or hearing.

#### **9.10 Calculation of Distribution Amounts**

##### **(a) New Common Stock and New Preferred Stock**

No fractional shares of New Common Stock or New Preferred Stock shall be issued or distributed under the Plan. Each Person entitled to receive New Common Stock or New Preferred Stock shall receive the total number of whole shares of New Common Stock or New Preferred Stock to which such Person is entitled. Whenever any distributions to a Person would otherwise call for distribution of a fraction of a share, the actual distribution of shares shall be rounded to the next higher or lower whole number as follows: fractions of  $\frac{1}{2}$  or greater shall be rounded to the next higher whole number, and fractions of less than  $\frac{1}{2}$  shall be rounded to the next lower whole number. No consideration shall be provided in lieu of fractional shares that are rounded down. The total number of shares of New Common Stock or New Preferred Stock to be distributed to each Class of Claims shall be adjusted as necessary to account for the rounding provided for in this Section 9.10.

##### **(b) New Notes**

New Notes shall be issued in denominations of \$1,000 and such fractions thereof as is necessary.

##### **(c) Conversion Rate**

Canadian dollar Claims shall be converted to United States dollars for purposes of distributions by applying the exchange rate of .678150006 in effect as of the Petition Date.

##### **(d) Laidlaw Stock Distribution**

(i) SKC shall pay the SKC Indenture Trustee Fees and Special Litigation Co-Counsel's Fees on the Initial Distribution Date in Cash and such amounts shall be deducted from the Laidlaw Stock Distribution.

(ii) No fractional shares of Laidlaw Stock shall be issued or distributed under the Plan. Each Person entitled to receive shares of Laidlaw Stock shall receive the total number of whole shares of Laidlaw Stock to which such Person is entitled. Whenever any distributions to a Person would otherwise call for distribution of a fraction of a share of Laidlaw Stock, the actual distribution of shares of such Laidlaw Stock shall be rounded to the next higher or lower whole number as follows: fractions of  $\frac{1}{2}$  or greater shall be rounded to the next higher whole number, and fractions of less than  $\frac{1}{2}$  shall be rounded to the next lower whole number. No consideration shall be provided in lieu of fractional shares that are rounded down. The total number of shares of Laidlaw Stock to be distributed shall be adjusted as necessary to account for the rounding provided for in this Section 9.10.

#### **9.11 Delivery of Distributions**

(a) Distributions to Allowed Claimholders shall be made by the Trustee, the Disbursing Agent or the appropriate Indenture Trustee, agent or servicer, as the case may be (i) at the addresses set forth on the proofs of claim filed by such Claimholders (or at the last known addresses of such Claimholders if no proof of claim is filed or if the Debtors have been notified of a change of address), (ii) at the addresses set forth in any written notices of address changes delivered to the Trustee, the Disbursing Agent or the appropriate Indenture Trustee after the date of any related proof of claim, (iii) at the addresses reflected in the Schedules if no proof of claim has been filed and the Trustee or the Disbursing Agent, as the case may be, has not received a written notice of a change of address or (iv) in the case of a Claimholder whose Claim is governed by an indenture or other agreement and is administered by an Indenture Trustee, agent or servicer, at the addresses contained in the official records of such Indenture Trustee, agent or servicer. If any Claimholder's distribution is returned as undeliverable, no further distributions to such Claimholder shall be made unless and until the Trustee, the Disbursing Agent or the appropriate Indenture Trustee, agent or servicer is notified of such Claimholder's then current address, at which time all missed distributions shall be made to such Claimholder without interest. Amounts in respect of undeliverable distributions shall be returned to (x) the Safety-Kleen Creditor Trust, the SKC Distribution Reserve or the PwC Litigation Distribution Reserve, as applicable, with respect to distributions made by the Trustee or any Indenture Trustee, agent or servicer and (y) the Reorganized Debtors with respect to distributions made by the Disbursing Agent until such distributions are claimed. All claims for undeliverable distributions shall be made on or before the later of the second (2nd) anniversary of the Effective Date or 180 days after the distribution was made. After such date, (x) all unclaimed property relating to distributions to be made from the Safety-Kleen Creditor Trust shall revert to the Safety-Kleen Creditor Trust, (y) all unclaimed property relating to distributions to be made by the Trustee with respect to Classes 4 and 5 shall revert to the SKC Distribution Reserve or the PwC Distribution Reserve, as applicable, and (z) all the other unclaimed property shall revert to the Reorganized Debtors. Upon such reversion, the claim of any Claimholder or successor to such Claimholder with respect to such property shall be discharged and forever barred notwithstanding any federal or state escheat laws to the contrary.

(b) In accordance with Section 11.6 of the Plan, the Trustee shall determine whether to redistribute unclaimed property that reverted to the Safety-Kleen Creditor Trust. At the time of termination of the Safety-Kleen Creditor Trust, Cash and other unclaimed property that is not distributed by the Safety-Kleen Creditor Trust shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and shall be redistributed among holders of Allowed Claims in Classes 6 and 7 in accordance with Sections 4.3(d) and 4.3(e) of the Plan.

(c) The Trustee shall determine whether to redistribute unclaimed property that reverted to the SKC Distribution Reserve or the PwC Litigation Distribution Reserve, as applicable. All unclaimed property that is not distributed by the Trustee shall be deemed unclaimed property under the Bankruptcy Code and shall revert in Reorganized SK Systems. Upon such reversion, the claim of any Claimholder or successor to such Claimholder with respect to such property shall be discharged and forever barred notwithstanding any federal or state escheat laws to the contrary.

(d) The Disbursing Agent shall determine whether to redistribute unclaimed property.

## **9.12 Procedures for Treating and Resolving Disputed and Contingent Claims**

### **(a) No Distributions Pending Allowance**

No payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by a Final Order and the Disputed Claim has become an Allowed Claim.

### **(b) Trust Distribution Reserve**

The Trustee shall establish the Trust Distribution Reserve by withholding, from the Trust Assets to be distributed to Claimholders in Classes 6 and 7, an amount of Cash equal to the amount of Cash each holder of a Class 6 or 7 Disputed Claim would be entitled to based on the estimated amount of each such Disputed Claim as determined by the Bankruptcy Court. If the Trustee elects not to request an estimation of a Class 6 or 7 Disputed Claim from the Bankruptcy Court, then the Trustee shall withhold an amount of Cash equal to the Face Amount of such Claim.

### **(c) SKC Distribution Reserve**

The Trustee shall establish the SKC Distribution Reserve by withholding from the Laidlaw Stock Distribution and AA Savings Distribution an amount of Cash and/or Laidlaw Stock equal to the amount of Cash and/or Laidlaw Stock each holder of a Class 4 or 5 Disputed Claim would be entitled to based on the estimated amount of each such Disputed Claim as determined by the Bankruptcy Court. If the Trustee elects not to request an estimation of a Class 4 or 5 Disputed Claim from the Bankruptcy Court, then the Trustee shall withhold an amount of Cash and/or Laidlaw Stock equal to the Face Amount of such Claim.

### **(d) PwC Litigation Distribution Reserve**

The Trustee shall establish the PwC Litigation Distribution Reserve by withholding from the PwC Litigation Distribution an amount of Cash equal to the amount of Cash each holder of a Class 4 through 7 Disputed Claim would be entitled to based on the estimated amount of each such Disputed Claim as determined by the Bankruptcy Court. If the Trustee elects not to request an estimation of a Class 4, 5, 6 or 7 Disputed Claim from the Bankruptcy Court, then the Trustee shall withhold an amount of Cash equal to the Face Amount of such Claim.

### **(e) Distributions After Allowance or Disallowance**

Distributions from the Trust Distribution Reserve, SKC Distribution Reserve and PwC Litigation Distribution Reserve shall be made to holders of Disputed Claims, to the extent that such Disputed Claims ultimately become Allowed Claims and shall be made in accordance with the provisions of the Plan that govern distributions of Allowed Claims in that Class.

On the next Distribution Date after entry of an order or judgment of the Bankruptcy Court allowing all or part of such Claim, and such order or judgment becomes a Final Order, the Trustee shall distribute to the holders of Claims in the applicable Class any Cash or Laidlaw Stock in the Trust Distribution Reserve, SKC Distribution Reserve and PwC Litigation Distribution Reserve, as applicable, that would have been distributed on any previous Distribution Dates to that Allowed Claim had such Allowed Claim been an Allowed Claim on such previous Distribution Dates.

On the next Distribution Date following the date on which all or part of a Disputed Claim becomes a Disallowed Claim, the amount previously reserved that would have been distributed to the holder of such Disputed claim had such Disputed Claim become an Allowed Claim, shall be distributed to holders of Allowed Claims in the same Class and set aside for reserve for those holders who continue to hold Disputed Claims in such Class in proportion to the amounts of their respective Claims.

All distributions made under this Article IX on account of an Allowed Claim shall be made together with any dividends, payments or other distributions made on account of, as well as any obligations arising from, the distributed property as if such Allowed Claim had been an Allowed Claim on the previous Distribution Dates on which distributions were made to holders of Allowed Claims. Nothing in the Plan or Disclosure Statement shall be deemed to entitle the holder of a Disputed Claim to postpetition interest on such Claim.

**(f) Lender Claims Reserve**

The Disbursing Agent shall establish a Lender Claims Reserve for letters of credit posted with respect to the Frontier Bonds (letter of credit number 1452) by withholding the New Common Stock, the New Preferred Stock and the New Notes to be distributed to the holders of any Secured Claim for reimbursement obligations related to such letters of credit posted under the Prepetition Credit Agreement and outstanding as of the Effective Date not otherwise replaced or backstopped through letters of credit issued under the Exit Facility. To the extent such Claim becomes noncontingent and liquidated, the holder of such Claim shall receive its Pro Rata share of the Lender Claims Reserve. If such Claim is withdrawn or disallowed, then the New Common Stock, the New Preferred Stock and the New Notes in the Lender Claims Reserve shall be distributed Pro Rata to holders of Allowed Class 3 Claims and holders of Allowed Canadian Lender Administrative Claims.

**9.13 Fractional Cents**

Notwithstanding any other provision of the Plan to the contrary, no payment of fractional cents shall be made pursuant to the Plan. Whenever any payment of a fraction of a cent under the Plan would otherwise be required, the actual distribution made shall reflect a rounding of such fraction to the nearest whole penny (up or down), with half cents or more being rounded up and fractions less than half of a cent being rounded down.

**9.14 U.S. Lender Claim Distribution Record Date**

The distribution to the holders of Allowed U.S. Lender Claims shall be made to the holders of such Allowed Claims as of the U.S. Lender Claim Distribution Record Date. The Reorganized Debtors and the Disbursing Agent shall be entitled to recognize and deal for all purposes hereunder with only those record holders as of the close of business on the U.S. Lender Claim Distribution Record Date.

**ARTICLE X**

**ALLOWANCE AND PAYMENT OF CERTAIN ADMINISTRATIVE CLAIMS**

**10.1 DIP Facility Claim**

On the Effective Date, all obligations of the Debtors under the DIP Facility shall be paid in full in Cash or otherwise satisfied in a manner acceptable to such Claimholders in accordance with the terms of the DIP Facility, and all liens and security interests granted to secure such obligations shall be deemed cancelled and shall be of no further force and effect. On the Effective Date, such Claimholders shall execute such documents and take all other actions as may be necessary to release any liens and security interests they have in the Debtors' property.

**10.2 Professional Claims**

**(a) Final Fee Applications**

All final requests for payment of Professional Claims must be filed no later than sixty (60) calendar days after the Effective Date. The deadline to file final requests for payment of Professional Claims may be extended by the Bankruptcy Court upon motion by a Professional. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior orders of the Bankruptcy Court, the allowed amounts of such Professional Claims shall be determined by the Bankruptcy Court.

**(b) Payment of Professional Claims**

After the Bankruptcy Court has entered an order authorizing a Professional's final request for payment of its Professional Claim, the Reorganized Debtors shall make payment on account of such request, including any Holdback Amounts, approved by the Bankruptcy Court.

**(c) Terminating Fee Application Requirements**

Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 and 363 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate.

**10.3 Substantial Contribution Compensation and Expenses Bar Date**

Any Person that requests compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to section 503(b)(3), (4) or (5) of the Bankruptcy Code must file an application with the Clerk of the Bankruptcy Court, on or before the date that is fifteen (15) calendar days after the Confirmation Date, and serve such application upon counsel for the Debtors, the Creditors' Committee, the DIP Agent and the Prepetition Agent and as otherwise required by the Bankruptcy Court and the Bankruptcy Code or be forever barred from seeking such compensation or expense reimbursement.

**10.4 Other Administrative Claims**

All other requests for payment of an Administrative Claim (other than as set forth in Sections 10.2 and 10.3 of the Plan) must be filed with the Bankruptcy Court and served on counsel for the Debtors no later than the Administrative Claims Bar Date. Unless the Debtors, the Reorganized Debtors, the Disbursing Agent, the Creditors' Committee, the Steering Committee of the Lenders or the Trustee objects to an Administrative Claim within ninety (90) calendar days after the Administrative Claims Bar Date, such Administrative Claim shall be deemed allowed in the amount requested against the appropriate Debtor's Estate. In the event that the Debtors, the Disbursing Agent, the Creditors' Committee, the Steering Committee of the Lenders or the Trustee objects to an Administrative Claim, the Bankruptcy Court shall determine the Allowed amount of such Administrative Claim. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be filed with respect to an Administrative Claim which is paid or payable by the BSSD Debtors in the ordinary course of business. The deadline to file an objection to an Administrative Claim may be extended by the Bankruptcy Court upon motion by the Debtors, the Reorganized Debtors, the Disbursing Agent, the Creditors' Committee, the Steering Committee of the Lenders or the Trustee.

**ARTICLE XI**

**SAFETY-KLEEN CREDITOR TRUST**

**11.1 Appointment of Trustee**

**(a)** The Trustee for the Safety-Kleen Creditor Trust shall be designated by the Creditors' Committee. The Person designated as Trustee shall file an affidavit demonstrating that such Person is disinterested. The Person so designated by the Creditors' Committee shall become the Trustee on the Effective Date if the Bankruptcy Court enters an order approving the designation after consideration of the same and any objections thereto at the Confirmation Hearing.

**(b)** The Trustee shall perform all of the duties, responsibilities, rights and obligations set forth in the Trust Agreement.

## **11.2 Assignment of Trust Assets to the Safety-Kleen Creditor Trust**

On the Effective Date or as soon thereafter as practicable, the Debtors and/or the Reorganized Debtors shall transfer and shall be deemed to have transferred to the Safety-Kleen Creditor Trust, for and on behalf of the beneficiaries of the Safety-Kleen Creditor Trust (a) a Trust Advance in the amount of no more than \$1.25 million to be paid to Safety-Kleen Creditor Trust pursuant to Section 11.5 of the Plan and (b) the Trust Claims.

## **11.3 The Safety-Kleen Creditor Trust**

(a) Without any further action of the directors or shareholders of the Debtors, on the Effective Date, the Trust Agreement shall become effective. The Trustee shall accept the Safety-Kleen Creditor Trust and sign the Trust Agreement on that date and the Safety-Kleen Creditor Trust then shall be deemed created and effective.

(b) The Trustee shall have full authority to take any steps necessary to administer the Safety-Kleen Creditor Trust, including, without limitation, the duty and obligation to liquidate Trust Assets, to make distributions to the holders of Allowed Claims in Classes 4 through 7, to review, pursue and compromise objections to Claims in Classes 4 through 7, and to pursue and settle any other Trust Claims. Upon the assignment of the Trust Claims, the Trustee, on behalf of the Safety-Kleen Creditor Trust, shall assume and be responsible for all of the Debtors' responsibilities, duties and obligations with respect to the subject matter of the Trust Claims, and the Debtors, the Disbursing Agent and the Reorganized Debtors shall have no other further rights or obligations with respect thereto.

(c) The Trustee shall take such steps as it deems necessary to reduce the Trust Assets to Cash to make distributions required hereunder, provided that the Trustee's actions with respect to disposition of the Trust Assets should be taken in such a manner so as reasonably to maximize the value of the Trust Assets.

(d) The Trustee shall make all distributions required under the Plan with respect to the holders of Allowed Claims in Classes 4 through 7 and shall be responsible for administering, disputing, objecting to, compromising or otherwise resolving the Claims in Classes 4 through 7.

(e) All costs and expenses associated with the administration of the Safety-Kleen Creditor Trust, including those rights, obligations and duties described in Section 11.3(b) of the Plan, shall be the responsibility of and paid by the Safety-Kleen Creditor Trust. Notwithstanding the foregoing, the Reorganized Debtors shall cooperate with the Trustee in pursuing the Trust Recoveries and shall afford reasonable access during normal business hours, upon reasonable notice, to personnel and books and records of the Reorganized Debtors to representatives of the Safety-Kleen Creditor Trust to enable the Trustee to perform the Trustee's responsibilities under the Trust Agreement and the Plan; provided, however, that the Reorganized Debtors shall not be required to make expenditures in response to such requests determined by them to be unreasonable. The Bankruptcy Court retains jurisdiction to determine the reasonableness of any request for assistance or related expenditure. Any requests for assistance shall not unreasonably interfere with the Reorganized Debtors' business operations.

(f) The Trustee may retain professionals, including, but not limited to, attorneys, accountants, experts, advisors, consultants, investigators, appraisers or auctioneers as it may deem necessary, in its sole discretion, to aid in the performance of its responsibilities pursuant to the terms of the Trust Agreement and the Plan including, without limitation, the liquidation and distribution of Trust Assets, the pursuit of the Trust Claims and the reconciliation of Claims in Classes 4 through 7.

(g) For federal income tax purposes, it is intended that the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve be classified as liquidating trusts under section 301.7701-4 of the Treasury regulations and that each such trust be owned by its beneficiaries. Accordingly, the Debtors, the beneficiaries of the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve and the Trustee will be deemed to agree to treat the transfer of assets to each trust as a transfer directly to those creditors receiving interests in the respective trust followed by the transfer by such creditors of such assets to the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve, respectively, in exchange for

beneficial interests therein. Consistent with this treatment, creditors receiving interests in the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve will be treated for federal income tax purposes as the grantors and owners of their share of the assets transferred thereto.

(h) The Trustee shall be responsible for filing all federal, state and local tax returns for the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve.

(i) The Trust Agreement shall govern the operations of the Safety-Kleen Creditor Trust. The Trust Agreement shall provide among other things, the following: (i) the beneficial interests in the Safety-Kleen Creditor Trust shall either (A) be represented by certificates that bear a legend stating that the certificates are transferable only upon death or by operation of law or (B) be uncertificated and non-transferable except upon death or operation of law; (ii) the Safety-Kleen Creditor Trust shall terminate five (5) years after the Effective Date; provided, however, that the Trustee may extend the term of the Safety-Kleen Creditor Trust for additional one-year terms, provided that the Trustee receives court approval of such extension for good cause within 2 months from the beginning of the extended term and (iii) if the Safety-Kleen Creditor Trust becomes subject to the registration requirements of the Exchange Act, the Trustee shall cause the Safety-Kleen Creditor Trust to register pursuant to, and comply with the applicable reporting requirements of, the Exchange Act and will issue reports to all beneficiaries of the Safety-Kleen Creditor Trust in accordance therewith.

(j) Promptly following the Effective Date, the Trustee shall use its best efforts to make a good faith valuation of the Trust Assets, the portion of the AA Savings relating to the AA Savings Distribution, the portion of the PwC Litigation Claim relating to the PwC Litigation Distribution and the portion of the Laidlaw Stock Distribution relating to the SKC Distribution Reserve. These valuations shall be used by the Trustee and the beneficiaries of each trust, for federal income tax purposes.

(k) The Trustee may invest the corpus of the Safety-Kleen Creditor Trust, the PwC Litigation Distribution, the AA Savings Distribution and the SKC Distribution Reserve in prudent investments in addition to those described in section 345 of the Bankruptcy Code; provided, however, that such investments shall be investments permitted by a liquidating trust (as such term is defined in Treasury Regulation 301.7701-4(d)).

(l) The Trustee may be removed in the event of gross negligence or willful misconduct; provided, however, that such removal must be approved by (i) the majority (51%) of the holders of beneficial interests in the Safety-Kleen Creditor Trust and (ii) two-thirds ( $\frac{2}{3}$ ) in amount of beneficial interests in the Safety-Kleen Creditor Trust. In the event the requisite approval is not obtained, the Trustee may be removed by the Bankruptcy Court for cause shown. In the event of the resignation or removal of the Trustee, the holders of beneficial interests in the Safety-Kleen Creditor Trust shall designate a Person to serve as successor Trustee in accordance with the terms of the Trust Agreement.

(m) The constructive trusts established in connection with the PwC Litigation Claim, the AA Savings and the SKC Distribution Reserve shall terminate no later than five (5) years after the Effective Date; provided, however, that the Trustee may extend the term of each such constructive trust for additional one-year terms, provided that the Trustee receives court approval of such extension for good cause within 2 months from the beginning of the extended term. The Trustee shall at all times act with respect to each such constructive trust in a manner consistent with the classification of such constructive trusts as liquidating trusts under section 301.7701-4 of the Treasury regulations.

#### **11.4 Funding of the Trust Advance**

On the Effective Date or as soon thereafter as practicable, the Reorganized Debtors shall fund the Safety-Kleen Creditor Trust with the Trust Advance to be used by the Trustee consistent with the purposes of the Safety-Kleen Creditor Trust and subject to the terms and conditions of the Trust Agreement and the Plan.

## **11.5 Distributions of Trust Assets**

### **(a) Trust Advance**

The Trust Advance of \$1.25 million shall be used to establish the Trust Reserve.

### **(b) Application of Trust Recoveries**

The Trustee shall distribute or hold all Trust Recoveries in the following manner:

(i) If (A) the entire amount of the Trust Advance with interest at the Trust Advance Interest Rate has not been repaid in full and (B) the amount of the Trust Reserve is \$250,000 or more, then the Trust Recoveries shall be paid first to the Reorganized Debtors until the full amount of the Trust Advance with interest at the Trust Advance Interest Rate has been repaid in full;

(ii) If (A) the entire amount of the Trust Advance with interest at the Trust Advance Interest Rate has not been repaid in full and (B) the amount of the Trust Reserve is less than \$250,000, then the Trustee may, in its sole discretion, retain one-half (½) of the Trust Recoveries until the Trust Reserve is \$250,000; provided, however, that at all times that the Trust Reserve is \$250,000 or more, the Trust Recoveries shall be distributed in accordance with Section 11.5(b)(i) of the Plan until the Trust Advance with interest at the Trust Advance Interest Rate has been repaid in full;

(iii) If (A) the entire amount of the Trust Advance with interest at the Trust Advance Interest Rate has not been repaid in full and (B) the amount of the Trust Reserve is less than \$125,000, then the Trustee may, in its sole discretion, retain all Trust Recoveries until the Trust Reserve is \$125,000; provided, however, that at all times that the Trust Reserve is greater than \$125,000 but less than \$250,000, the Trust Recoveries shall be distributed in accordance with Section 11.5(b)(ii) of the Plan until the Trust Advance with interest at the Trust Advance Interest Rate has been repaid in full, and at all times that the Trust Reserve is \$250,000 or more, the Trust Recoveries shall be distributed in accordance with Section 11.5(b)(i) of the Plan until the Trust Advance with interest at the Trust Advance Interest Rate has been repaid in full; or

(iv) If the entire amount of the Trust Advance with interest at the Trust Advance Interest Rate has been repaid in full, then the Trustee shall either (A) hold the Trust Recoveries or (B) distribute the Trust Recoveries in the following order: (1) first, for the payment of any associated taxes and unpaid administrative expenses of the Safety-Kleen Creditor Trust, (2) second, for the payment of the reasonable unpaid fees and expenses incurred by the Trustee in employing professionals and the compensation and expenses of the Trustee and (3) third, the balance for distribution to the holders of Safety-Kleen Creditor Trust beneficial interests in accordance with Section 4.3 of the Plan.

## **ARTICLE XII**

### **EFFECT OF THE PLAN**

#### **12.1 Revesting of Assets**

Except as otherwise provided in the Plan, on the Effective Date, all property comprising the Estates of each Debtor (other than a Dissolving Debtor) shall revest in the respective Reorganized Debtor or its successor as a result of a Restructuring Transaction, free and clear of all Claims, liens, charges, encumbrances and interests of creditors and equity security holders (other than as expressly provided in the Plan or the Confirmation Order). On the Effective Date, any prepetition and postpetition property of Dissolving Debtors that shall not otherwise be distributed under the Plan shall, at the option of the Reorganized Debtors, vest in one or more Reorganized Debtor as set forth on Exhibit J to the Plan, free and clear of all Claims, liens, charges, encumbrances and interests of creditors and equity security holders of such Dissolving Debtor (other than as expressly provided in the Plan or the Confirmation Order). As of the Effective Date, each Reorganized Debtor may operate its business and may use,

acquire and dispose of property without supervision of the Bankruptcy Court free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and Confirmation Order.

## **12.2 Discharge of the Debtors**

Pursuant to section 1141(d) of the Bankruptcy Code, except as otherwise specifically provided in the Plan or in the Confirmation Order, the distributions and rights that are provided for in the Plan shall be in exchange for and in complete satisfaction, discharge and release, effective as of the Effective Date, of Claims and Causes of Action (whether known or unknown) against, liabilities of, liens on, obligations of and Interests in the Debtors or the Reorganized Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims, including, but not limited to, demands and liabilities that arose on or before the Effective Date, any liability (including withdrawal liability) to the extent such Claims relate to services performed by employees of the Debtors prior to the Petition Date and that arise from a termination of employment or a termination of any employee or retiree benefit program regardless of whether such termination occurred prior to or after the Petition Date and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (a) a proof of claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code, (b) a Claim based upon such debt is Allowed under section 502 of the Bankruptcy Code or (c) the Claimholder of such a Claim accepted the Plan. The Confirmation Order shall be a judicial determination of the discharge of all liabilities of the Debtors, subject to the Effective Date occurring.

## **12.3 Compromises and Settlements**

(a) From and after the Confirmation Date, the Disbursing Agent may compromise and settle the Disputed Unclassified Claims and Disputed Claims in Classes 1 through 3 without further Bankruptcy Court approval and the Reorganized Debtors may compromise and settle claims and Causes of Action that they have against other Persons in the ordinary course of their business without further Bankruptcy Court approval.

(b) From and after the Effective Date, the Trustee may compromise and settle the Disputed Claims in Classes 4 through 7 without further Bankruptcy Court approval for Claims allowed in amounts that do not exceed \$1,000,000 and Trust Claims that do not exceed \$100,000 without further Bankruptcy Court approval.

## **12.4 Setoffs**

The Debtors, the Reorganized Debtors or the Trustee, as applicable, may, but shall not be required to, set off against any Claim, and the payments or other distributions to be made pursuant to the Plan in respect of such Claim, claims of any nature whatsoever that the Debtors, the Reorganized Debtors or the Trustee may have against such Claimholder; but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release of any such claim that the Debtors, the Reorganized Debtors or the Trustee, as applicable, may have against such Claimholder.

## **12.5 Satisfaction of Subordination Rights**

All Claims against the Debtors and all rights and claims between or among Claimholders relating in any manner whatsoever to Claims against the Debtors, based upon any claimed subordination rights (if any), shall be deemed satisfied by the distributions under the Plan, and such subordination rights shall be deemed waived, released, discharged and terminated as of the Effective Date. Distributions to the various Classes of Claims hereunder shall not be subject to levy, garnishment, attachment or similar legal process by any Claimholder by reason of any claimed subordination rights or otherwise, so that each Claimholder shall have and receive the benefit of the distributions in the manner set forth in the Plan. Notwithstanding anything to the contrary stated in this Section 12.5, the subordination rights between the Lenders and the holders of the Class 6 9/4% Senior Subordinated Notes Claims shall be as follows:

(a) If Class 6 votes to accept the Plan, then the contractual subordination rights between (i) the Lenders and the holders of Class 6 9¼% Senior Subordinated Notes Claims and (ii) the holders of Class 5 9¼% Senior Notes Claims and the holders of Class 6 9¼% Senior Subordinated Notes Claims shall be waived with respect to the Class 6 Claims against the Subsidiaries and SKC, respectively, and the holders of Class 6 9¼% Senior Subordinated Notes Claims shall receive in full satisfaction, settlement, release and discharge of and in exchange for such Claims the distribution set forth in Section 4.3(d) of the Plan.

(b) If Class 6 votes to reject the Plan, then the contractual subordination rights between (i) the Lenders and the holders of Class 6 9¼% Senior Subordinated Notes Claims and (ii) the holders of Class 5 9¼% Senior Notes Claims and the holders of Class 6 9¼% Senior Subordinated Notes Claims shall remain in effect and be preserved and enforced consistent with Section 4.3(d) of the Plan. In such event, holders of Class 6 9¼% Senior Subordinated Notes Claims shall neither receive nor retain any distributions under the Plan.

## **12.6 Exculpation and Limitation of Liability**

*Except as otherwise specifically provided in the Plan, the Debtors, the Reorganized Debtors, the Disbursing Agent, the Trustee, the Creditors' Committee, the members of the Creditors' Committee in their capacity as such, the Lenders, the Prepetition Agent, the DIP Lenders, the DIP Agent, any of such parties' respective present or former members, officers, directors, employees, advisors, attorneys, representatives, financial advisors, investment bankers or agents, and any of such parties' successors and assigns, shall not have or incur, and are hereby released from, any claim, obligation, Causes of Action or liability to one another or to any Claimholder or Interestholder, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or Affiliates, or any of their successors or assigns, for any postpetition act or omission through and including the Effective Date in connection with, relating to or arising out of the Debtors' Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan, except for any act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct, and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.*

*Notwithstanding any other provision of the Plan, no Claimholder or Interestholder, or other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys or Affiliates, and no successors or assigns of any of the foregoing, shall have any right of action against the Debtors, the Reorganized Debtors, the Disbursing Agent, the Trustee, the Creditors' Committee, the members of the Creditors' Committee in their capacity as such, the Lenders, the Prepetition Agent, the DIP Lenders, the DIP Agent, or any of such parties' respective present or former members, officers, directors, employees, advisors, attorneys, representatives, financial advisors, investment bankers or agents, or such parties' successors and assigns, for any postpetition act or omission through and including the Effective Date in connection with, relating to or arising out of the Debtors' Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan, except for any act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct.*

## **12.7 Indemnification Obligations**

(a) Indemnification Obligations owed to any Professional or advisor of the Debtors that actively served in such capacity as of the Confirmation Date, including, without limitation, accountants, auditors, financial consultants, underwriters or outside attorneys, arising under contracts that applied, in whole or in part, to any period occurring on or after the Petition Date shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code under the Plan. To the extent such Indemnification Obligations to the Debtors' Professionals or advisors arose postpetition, such Indemnification Obligations shall continue in force with respect to the applicable Reorganized Debtor.

(b) Indemnification Obligations owed to any other Professional or advisor of the Debtors, including, without limitation, accountants, auditors, financial advisors and investment bankers and outside attorneys, including without limitation any party set forth on Exhibit K to the Plan, shall be deemed to be, and shall be

treated as though they are, executory contracts that are rejected pursuant to section 365 of the Bankruptcy Code under the Plan.

(c) Indemnification Obligations owed to Current Directors and Officers, whether pursuant to charter, bylaws, contract or otherwise, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code under the Plan and shall continue in force with respect to the applicable Reorganized Debtor, and such Indemnification Obligations (subject to any defense thereto) shall survive confirmation of the Plan, irrespective of whether indemnification is owed in connection with a pre-Petition Date or post-Petition Date occurrence; provided, however, that the foregoing assumption shall not affect any release of such obligations given to the Debtors before the Effective Date or the Reorganized Debtors on or after the Effective Date.

(d) Indemnification Obligations owed to any other Person not specified above in Section 12.7(c) shall be deemed to be, and shall be treated as though they are, executory contracts that are rejected pursuant to section 365 of the Bankruptcy Code under the Plan.

## **12.8 Release by Debtors and Debtors-in-Possession**

(a) Pursuant to section 1123(b)(3) of the Bankruptcy Code, and unless otherwise provided herein or in the Confirmation Order effective as of the Effective Date, the Debtors, in their individual capacities and as debtors-in-possession, for and on behalf of the Estates, release and discharge: (i) the Lenders, the Prepetition Agent, the DIP Lenders and the DIP Agent and all Professionals and advisors to the Lenders, the Prepetition Agent, the DIP Lenders and the DIP Agent in their respective capacities as such; (ii) all directors of the Debtors serving in such capacity postpetition; (iii) all officers of the Debtors serving in such capacity as of the date hereof; (iv) attorneys, accountants, auditors, financial advisors and investment bankers of the Debtors actively serving in such capacities as of the Confirmation Date and (v) the Creditors' Committee and all members of the Creditors' Committee in their capacity as Creditors' Committee members, agents of or acting for the Creditors' Committee, including all professionals retained by the Creditors' Committee (each of the Persons described in clauses (i), (ii), (iii), (iv) and (v), a "Released Person") for and from any and all claims or Causes of Action existing as of the Effective Date in any manner arising from, based on or relating to, in whole or in part, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Person, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases or any act, omission, occurrence or event in any manner related to any such Claims, Interest, restructuring or the Chapter 11 Cases.

(b) The Safety-Kleen Creditor Trust, the Reorganized Debtors, the Disbursing Agent, the Trustee and any newly-formed entities that will be continuing the Debtors' businesses after the Effective Date shall be bound, to the same extent the Debtors are bound, by the releases set forth above in Section 12.8(a).

(c) Notwithstanding anything to the contrary contained in this Section 12.8, a Released Person shall not include (i) a Person (other than a Debtor) that is a party to either (A) a Retained Action with respect to that Retained Action or (B) an Avoidance Claim with respect to that Avoidance Claim; (ii) any director, officer or employee who has filed and not released, settled or withdrawn with prejudice, any Secured Claim, Priority Claim, Administrative Claim or request for payment of Administrative Claim; and (iii) the parties set forth on Exhibit K to the Plan.

## **12.9 Release by Holders of Claims and Interests**

*A Releasor shall have absolutely, unconditionally, irrevocably and forever, released and discharged each Released Person, and any Person that may be liable derivatively through any such Released Person, from any claim or Cause of Action existing as of the Effective Date arising from, based on or relating to, in whole or in part (a) the subject matter of, or the transaction or event giving rise to, the Claim or Interest of such Releasor and (b) any act, omission, occurrence or event in any manner related to such subject matter, transaction or obligation.*

## **12.10 Release by Insured Persons**

*(a) Any Person that claims benefits of insurance under, or that qualifies or claims to qualify, or has, or may claim to have, any right or interest as an insured under the Resolved Insurance Policies, whether as a named insured, additional named insured or successor or assignee to a named and/or additional insured, or in any other manner, shall have no right of action or any other right, including the right to tender or present any claims against the Settling Insurers based upon, relating to, arising out of or in any way connected with the Resolved Insurance Policies.*

*(b) Any Person that claims benefits of insurance under, or that qualifies or claims to qualify, or has, or may claim to have, any right or interest as an insured under the Resolved Insurance Policies, whether as a named insured, additional named insured or successor or assignee to a named and/or additional insured, or in any other manner, shall be permanently restrained and enjoined from taking any action, or commencing or continuing any action, employment of process or any other act to enforce, collect, offset or recover any claim, Cause of Action or equitable claim or right against the Settling Insurers based upon, relating to, arising out of or in any way connected with the Resolved Insurance Policies.*

## **12.11 Injunction**

*The satisfaction, releases and discharge pursuant to Article XII of the Plan shall also act as an injunction against any Person commencing or continuing any action, employment of process or act to collect, offset, recoup or recover any Claim or Cause of Action satisfied, released or discharged under the Plan to the fullest extent authorized or provided by the Bankruptcy Code, including, without limitation, to the extent provided for or authorized by sections 524 and 1141 thereof.*

## **ARTICLE XIII**

### **CONDITIONS PRECEDENT**

#### **13.1 Conditions to Confirmation**

The following are conditions precedent to confirmation of the Plan, each of which may be satisfied or waived in accordance with Section 13.3 of the Plan:

**(a)** The Bankruptcy Court shall have approved by Final Order a disclosure statement with respect to the Plan in form and substance reasonably acceptable to the Debtors, the Steering Committee of the Lenders and the Creditors' Committee.

**(b)** The Confirmation Order shall be in form and substance reasonably acceptable to the Debtors, the Steering Committee of the Lenders and the Creditors' Committee.

#### **13.2 Conditions to Consummation**

The following are conditions precedent to the occurrence of the Effective Date, each of which may be satisfied or waived in accordance with Section 13.3 of the Plan:

**(a)** The Bankruptcy Court shall have entered one or more orders (which may include the Confirmation Order) authorizing the rejection of unexpired leases and executory contracts by the Debtors as contemplated by Section 7.1 of the Plan.

**(b)** The Reorganized Debtors shall have entered into the Exit Facility, the material terms of which are satisfactory to the Steering Committee of the Lenders, and all conditions precedent to the consummation thereof shall have been waived or satisfied in accordance with the terms thereof.

- (c) The Confirmation Order shall have been entered by the Bankruptcy Court and shall be a Final Order, and no request for revocation of the Confirmation Order under section 1144 of the Bankruptcy Code shall have been made, or, if made, shall remain pending.
- (d) The Debtors shall have received the proceeds of the Laidlaw Recovery.
- (e) The Debtors shall have appointed a Disbursing Agent, and the Creditors' Committee shall have appointed the Trustee.
- (f) The Confirmation Date shall have occurred and the Confirmation Order shall, among other things, provide that:
- (i) the provisions of the Confirmation Order are non-severable and mutually dependent;
  - (ii) all executory contracts or unexpired leases assumed (and not otherwise previously assigned) by the Debtors during the Chapter 11 Cases or under the Plan shall be assigned and transferred to, and remain in full force and effect for the benefit of, the Reorganized Debtors, notwithstanding any provision in such contract or lease (including those described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits such assignment or transfer or that enables or requires termination of such contract or lease;
  - (iii) the transfers of property by the Debtors (A) to the Reorganized Debtors (1) are or shall be legal, valid, and effective transfers of property, (2) vest or shall vest good title to such property in the Reorganized Debtors free and clear of all liens, charges, claims, encumbrances or interests, except as expressly provided in the Plan or Confirmation Order, (3) do not and shall not constitute avoidable transfers under the Bankruptcy Code or under applicable nonbankruptcy law and (4) do not and shall not subject the Reorganized Debtors to any liability by reason of such transfer under the Bankruptcy Code or under applicable nonbankruptcy law, including, without limitation, any laws affecting successor or transferee liability and (B) to Claimholders under the Plan are for good consideration and value;
  - (iv) except as expressly provided in the Plan or the Confirmation Order, each of the Debtors is discharged effective upon the Effective Date from any Debt, and each of the Debtor's liability in respect thereof is extinguished completely, whether reduced to judgment or not, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted, fixed or unfixed, matured or unmatured, disputed or undisputed, legal or equitable, known or unknown, or that arose from any agreement of a Debtor entered into or obligation of a Debtor incurred before the Effective Date, or from any conduct of a Debtor prior to the Effective Date, or that otherwise arose before the Effective Date, including, without limitation, all interest, if any, on any such debts, whether such interest accrued before or after the Petition Date, and any liability (including withdrawal liability) to the extent such liability relates to services performed by employees of the Debtors prior to the Petition Date and that arise from a termination of employment or a termination of any employee or retiree benefit program regardless of whether such termination occurred prior to or after the Petition Date;
  - (v) except as expressly provided in the Plan, all Interests shall be terminated effective upon the Effective Date;
  - (vi) New Holdco is authorized to issue the New Common Stock, New Parent is authorized to issue the New Preferred Stock and Reorganized SK Systems is authorized to issue the New Notes;
  - (vii) the Bankruptcy Court has determined that the New Common Stock, the New Preferred Stock and the New Notes issued under the Plan in exchange for Claims against the Debtors are exempt from registration under the Securities Act of 1933 pursuant to, and to the extent provided by, section 1145 of the Bankruptcy Code (the New Notes shall also be issued pursuant to the exemption from registration provided by Regulation D of the Securities Act of 1933);

(g) all authorizations, consents and regulatory approvals required, if any, in connection with the consummation of the Plan shall have been obtained;

(h) the Debtors or Reorganized Debtors shall have executed and delivered all documents necessary to effectuate issuance of the New Notes;

(i) all outstanding letters of credit under the Prepetition Credit Agreement, except those set forth in Section 9.12(f) of the Plan, shall have been released or replaced or backstopped under the Exit Facility; and

(j) all other actions, documents and agreements necessary to consummate the Plan shall have been effected or executed.

### **13.3 Waiver of Conditions to Confirmation or Consummation**

The conditions set forth in Sections 13.1 and 13.2 of the Plan may be waived by the Debtors, with the consent of the Steering Committee of the Lenders and the Creditors' Committee, without any further notice to parties in interest or the Bankruptcy Court and without a hearing. The failure to satisfy or waive any condition to the Confirmation Date or the Effective Date may be asserted by the Debtors regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtors in their sole discretion). The failure of the Debtors to exercise any of the foregoing rights shall not be deemed a waiver of any other rights and each such right shall be deemed an ongoing right, which may be asserted at any time.

## **ARTICLE XIV**

### **RETENTION OF JURISDICTION**

Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 Cases and the Plan, including, among other things, the following matters:

(a) to hear and determine pending motions for the assumption or rejection of executory contracts or unexpired leases or the assumption and assignment, as the case may be, of executory contracts or unexpired leases to which any of the Debtors is a party or with respect to which any of the Debtors may be liable, and to hear and determine the allowance of Claims resulting therefrom including the amount of Cure, if any, required to be paid to such Claimholders;

(b) to adjudicate any and all adversary proceedings, applications and contested matters that may be commenced or maintained pursuant to the Chapter 11 Cases or the Plan, including, without limitation, any adversary proceeding or contested matter with respect to a Trust Claim and all controversies and issues arising from or relating to any of the foregoing;

(c) to ensure that distributions to holders of Allowed Claims are accomplished as provided herein;

(d) to hear and determine any and all objections to the allowance or estimation of Claims filed, both before and after the Confirmation Date, including any objections to the classification of any Claim or Interest, and to allow or disallow any Claim, in whole or in part;

(e) to enter and implement such orders as may be appropriate if the Confirmation Order is for any reason stayed, revoked, modified or vacated;

(f) to issue orders in aid of execution, implementation or consummation of the Plan;

(g) to consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(h) to hear and determine all applications for compensation and reimbursement of Professional Claims under the Plan or under sections 330, 331, 363, 503(b), 1103 and 1129(a)(4) of the Bankruptcy Code; provided, however, that from and after the Confirmation Date, the payment of the fees and expenses of the retained professionals of the Reorganized Debtors accruing on or after the Confirmation Date shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(i) to determine requests for the payment of Claims entitled to priority under section 507(a)(1) of the Bankruptcy Code, including compensation of and reimbursement of expenses of parties entitled thereto;

(j) to hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan, including disputes arising under agreements, documents or instruments executed in connection with the Plan;

(k) to hear and determine all suits or adversary proceedings to recover assets of the Debtors and property of their Estates, wherever located;

(l) to hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

(m) to hear any other matter not inconsistent with the Bankruptcy Code;

(n) to hear and determine all disputes involving the existence, nature or scope of the Debtors' discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;

(o) to hear and determine disputes arising in connection with the Safety-Kleen Creditor Trust and the interpretation, implementation or enforcement of the Trust Agreement;

(p) to enter a final decree closing the Chapter 11 Cases; and

(q) to enforce all orders previously entered by the Bankruptcy Court.

Notwithstanding anything contained herein to the contrary and except to the extent the Bankruptcy Court has previously ordered otherwise, the Bankruptcy Court retains exclusive jurisdiction to hear and determine disputes concerning Claims, Retained Actions and Trust Claims and any motions to compromise or settle such disputes. With respect to any Claims that are specifically excepted from discharge pursuant to the Plan or Confirmation Order or postpetition Claims incurred in the ordinary course of business of the BSSD Debtors and proposed to be satisfied in the ordinary course of business, the Bankruptcy Court shall retain jurisdiction, but not exclusive jurisdiction, to hear and determine any disputes with respect to such Claims. Despite the foregoing, if the Bankruptcy Court is determined not to have jurisdiction with respect to any of the foregoing, or if the Reorganized Debtors or the Trustee chooses to pursue any Retained Action or Trust Claim (as applicable) in another court of competent jurisdiction, the Reorganized Debtors or the Trustee (as applicable) shall have authority to bring such action in any other court of competent jurisdiction.

## ARTICLE XV

### MISCELLANEOUS PROVISIONS

#### **15.1 Binding Effect**

The Plan shall be binding upon and inure to the benefit of the Debtors, the Reorganized Debtors, the Disbursing Agent, the Safety-Kleen Creditor Trust, the Trustee, all present and former Claimholders, all present and former Interestholders, other parties in interest and their respective successors and assigns.

## **15.2 Modifications and Amendments**

The Debtors may alter, amend or modify the Plan or any Exhibits thereto under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Hearing; provided, however, that any material modifications shall require the consent of the Steering Committee of the Lenders and the Creditors' Committee. Following the Confirmation Date, the Debtors may make ministerial changes as the Debtors or Reorganized Debtors deem necessary, without notice and a hearing under section 1127(b) of the Bankruptcy Code or disclosure or re-solicitation under section 1127(c) of the Bankruptcy Code. Additionally, after the Confirmation Date and prior to substantial consummation of the Plan as defined in section 1101(2) of the Bankruptcy Code, the Debtors or Reorganized Debtors may, under section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and resolve such matters as may be necessary to carry out the purposes and effects of the Plan.

## **15.3 Withholding and Reporting Requirements**

In connection with the Plan and all instruments issued in connection therewith and distributions thereon, the Debtors shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements.

## **15.4 Creditors' Committee**

The Creditors' Committee shall continue to exist after the Effective Date; provided, however, that after the Effective Date, the Creditors' Committee's duties and responsibilities shall be limited to (a) filing applications for Professional Claims; and (b) interposing and prosecuting objections to any and all Professional Claims (including, but not limited to the Professional Claims of AA); provided, further, that the Creditors' Committee's existence after the Effective Date shall continue for the longer of (x) ninety (90) calendar days after the Effective Date; (y) thirty (30) calendar days after any responses or objections are due to be filed to any Professional Claims, whether such deadline is established upon the motion of any Professional, by the Bankruptcy Court, or by the Bankruptcy Code and Bankruptcy Rules and (z) the conclusion (including appeals) of any matter in which the Creditors' Committee has joined issue within the later of the post-Effective Date periods established pursuant to subsections (x) and (y) hereof, after which the Creditors' Committee shall cease to exist. The Creditors' Committee shall be entitled to obtain reimbursement for the reasonable fees and expenses of its members and Professionals relating to the foregoing in accordance with Section 10.2 of the Plan, and the Bankruptcy Court shall retain jurisdiction to hear and determine any disputes relating to such fees and expenses.

## **15.5 Revocation, Withdrawal or Non-Consummation**

### **(a) Right to Revoke or Withdraw**

The Debtors reserve the right to revoke or withdraw the Plan as to all Debtors, or as to one or more but less than all Debtors, at any time prior to the Effective Date.

### **(b) Effect of Withdrawal, Revocation or Non-Consummation**

The Plan, any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Class of Claims), the assumption or rejection of executory contracts or unexpired leases effected by the Plan and any document or agreement executed pursuant to the Plan shall be null and void with respect to a Non-Consummating Debtor. In such event, nothing contained herein, and no acts taken in preparation for consummation of the Plan, shall be deemed to constitute a waiver or release of any claims by or against a Non-Consummating Debtor or any other Person, to prejudice in any manner the rights of a Non-Consummating Debtor or any Person in any further proceedings involving such Non-Consummating Debtor or to constitute an admission of any sort by such Non-Consummating Debtor any other Person.

**15.6 Payment of Statutory Fees**

All fees payable under section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on or before the Effective Date. All such fees that arise after the Effective Date but before the closing of the Chapter 11 Cases shall be paid by the Reorganized Debtors.

**15.7 Prepayment**

Except as otherwise provided in the Plan, any ancillary documents entered into in connection herewith or the Confirmation Order, the Debtors shall have the right to prepay, without penalty, all or any portion of an Allowed Claim at any time; provided, however, that any such prepayment shall not be violative of, or otherwise prejudice, the relative priorities among the Classes of Claims.

**15.8 Notices**

Any notice required or permitted to be provided to the Debtors, the Creditors' Committee, the DIP Agent or the Prepetition Agent under the Plan shall be in writing and served by (a) certified mail, return receipt requested, (b) hand delivery or (c) overnight delivery service, to be addressed as follows:

If to the Debtors:

Safety-Kleen Systems, Inc.  
1301 Gervais Street  
Suite 300  
Columbia, South Carolina 29201  
Attention: General Counsel

and

Safety-Kleen Systems, Inc.  
5400 Legacy Drive  
Plano, Texas 75024-3015  
Attention: General Counsel

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square  
New York, New York 10036  
Attention: D. J. Baker, Esq.  
J. Gregory St. Clair, Esq.

If to the Creditors' Committee:

Milbank, Tweed, Hadley & McCloy LLP  
1 Chase Manhattan Plaza  
New York, New York 10005  
Attention: Luc Despins, Esq.  
Susheel Kirpalani, Esq.  
James C. Tecce, Esq.

If to the DIP Agent:

Toronto Dominion (Texas), Inc.  
31 West 52<sup>nd</sup> Street  
New York, New York 10019  
Attention: Peter Spielman

and

Toronto Dominion  
900 Fannin, Suite 1700  
Houston, Texas 77010  
Attention: James Birdwell

with a copy to:

Simpson, Thacher & Bartlett  
425 Lexington Avenue  
New York, New York 10017  
Attention: Mark Thompson, Esq.

If to the Prepetition Agent:

Toronto Dominion (Texas), Inc.  
31 West 52<sup>nd</sup> Street  
New York, New York 10019  
Attention: Peter Spielman

and

Toronto Dominion  
900 Fannin, Suite 1700  
Houston, Texas 77010  
Attention: James Birdwell

with a copy to:

Weil, Gotshal & Manges LLP  
767 Fifth Avenue  
New York, New York 10153  
Attention: Kathryn Turner, Esq.

### **15.9 Term of Injunctions or Stays**

Unless otherwise provided herein or in the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code or otherwise, and extant on the Confirmation Date, shall remain in full force and effect until the Effective Date.

### **15.10 Impact of CAFO and Parallel Consent Agreements**

Notwithstanding any provision in the Plan or the Confirmation Order, including without limitation Sections 12.2, 12.6, 12.8, 12.9 and 12.11 of the Plan, paragraph 100 of the CAFO shall remain in full force and effect with respect to the Respondent Debtors, the EPA and any Participating States. Accordingly, all claims or rights to injunctive relief of the EPA and any Participating States against any Respondent Debtor for Environmental Cleanup or Response Cost Liabilities shall not be discharged or impaired by the Plan or Confirmation Order,

except for (i) a money judgment that the EPA or a Participating State has obtained prior to the Confirmation Date or (ii) an Administrative Claim, Other Priority Claim or General Unsecured Claim that is an Allowed Claim in the Chapter 11 Cases.

Parallel States also have entered into separate agreements with certain of the Respondent Debtors, which agreements, like the CAFO, provide for the nondischargeability of certain claims and certain rights to injunctive relief, as set forth in the Parallel Consent Agreements. Notwithstanding any provision in the Plan or the Confirmation Order, including without limitation Sections 12.2, 12.6, 12.8, 12.9 and 12.11 of the Plan, such nondischargeability provisions in the Parallel Consent Agreements shall remain in full force and effect with respect to the respective parties to the Parallel Consent Agreements. Accordingly, certain claims and rights to injunctive relief, as set forth in the Parallel Consent Agreements, of a Parallel State against a Parallel Respondent Debtor for Environmental Cleanup or Response Cost Liabilities shall not be discharged or impaired by the Plan or Confirmation Order, except for (i) a money judgment that the EPA or a Participating State has obtained prior to the Confirmation Date or (ii) an Administrative Claim, Other Priority Claim or General Unsecured Claim that is an Allowed Claim in the Chapter 11 Cases.

Nothing in this Section 15.10 shall limit any defense any Reorganized Debtor or third party may have to any claim brought under the CAFO after Confirmation of the Plan of Reorganization nor shall anything in this Section 15.10 be deemed to create a claim or right to injunctive relief against a Reorganized Debtor that would not otherwise exist under applicable law.

#### **15.11 Governing Law**

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of Delaware shall govern the construction and implementation of the Plan, any agreements, documents and instruments executed in connection with the Plan.

#### **15.12 Waiver**

Each Claimholder or Interestholder shall be deemed to have waived any right to assert that its Claim or Interest should be Allowed in a certain amount, in a certain priority, secured or not subordinated by virtue of an agreement made with the Debtors and/or their counsel, the Creditors' Committee and/or its counsel, or any other party, if such agreement was not disclosed in the Plan, the Disclosure Statement or papers filed with the Bankruptcy Court.

#### **15.13 No Substantive Consolidation**

The Plan does not provide for substantive consolidation of the Debtors' Estates. The structure of the Plan shall not impose liability on any Debtor or Reorganized Debtor for the Claims against any other Debtor or the debts and obligations of any other Reorganized Debtor.

#### **15.14 Allocation of Plan Distributions Between Principal and Interest**

To the extent that any Allowed Claim entitled to a distribution under the Plan is composed of indebtedness and accrued but unpaid interest thereon, such distribution shall, for federal income tax purposes, be allocated to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

#### **15.15 Computation of Time**

In computing any period of time prescribed or allowed by the Plan, unless otherwise expressly provided, the provisions of Bankruptcy Rule 9006(a) shall apply.

**15.16 Exhibits**

All Exhibits referenced in the Plan are incorporated into and are a part of the Plan as if set forth in full herein and, to the extent not annexed hereto, shall be filed with the Bankruptcy Court on or before the Exhibit Filing Date. After the Exhibit Filing Date, copies of Exhibits can be obtained by (a) accessing <http://www.safetykleenplan.com> and downloading them at no charge or (b) requesting them by calling (i) Teleconferencing Services, LLC at (888) 451-0900 or (ii) Innisfree M&A Incorporated at (877) 750-2689.

[SIGNATURE BLOCK ON NEXT PAGE]

Dated: March 20, 2003

Respectfully submitted,

SAFETY-KLEEN CORP. AND CERTAIN OF ITS DIRECT AND  
INDIRECT SUBSIDIARIES THAT ARE ALSO DEBTORS AND  
DEBTORS-IN-POSSESSION IN THE CHAPTER 11 CASES

By: /s/ Larry W. Singleton  
Larry W. Singleton

Their: Executive Vice President, Chief Financial Officer and Executive  
Officer

EXHIBIT A

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES

SCHEDULE OF PLAN PROPONENTS  
AND CORRESPONDING BANKRUPTCY CASE NUMBERS

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SCHEDULE OF PLAN PROPONENTS  
AND CORRESPONDING BANKRUPTCY CASE NUMBERS

NAME OF DEBTOR	Bankruptcy Case Number
SAFETY-KLEEN CORP.	00-2303(PJW)
SAFETY-KLEEN SERVICES, INC.	00-2304(PJW)
SAFETY-KLEEN (CONSULTING), INC.	00-2305(PJW)
SAFETY-KLEEN (LONE AND GRASSY MOUNTAIN), INC.	00-2306(PJW)
SAFETY-KLEEN (TULSA), INC.	00-2307(PJW)
SAFETY-KLEEN (SAN ANTONIO), INC.	00-2308(PJW)
SAFETY-KLEEN (WICHITA), INC.	00-2309(PJW)
SAFETY-KLEEN (DELAWARE), INC.	00-2310(PJW)
SK SERVICES (EAST), L.C.	00-2311(PJW)
SK SERVICES, L.C.	00-2312(PJW)
SAFETY-KLEEN (ROSEMOUNT), INC.	00-2313(PJW)
SAFETY-KLEEN (SAWYER), INC.	00-2314(PJW)
SAFETY-KLEEN (PPM), INC.	00-2315(PJW)
NINTH STREET PROPERTIES, INC.	00-2316(PJW)
SAFETY-KLEEN (SAN JOSE), INC.	00-2317(PJW)
CHEMCLEAR, INC. OF LOS ANGELES	00-2318(PJW)
USPCI, INC. OF GEORGIA	00-2319(PJW)
SAFETY-KLEEN HOLDINGS, INC.	00-2320(PJW)
SAFETY-KLEEN (WESTMORELAND), INC.	00-2321(PJW)
SAFETY-KLEEN (BUTTONWILLOW), INC.	00-2322(PJW)
SAFETY-KLEEN (NE), INC.	00-2323(PJW)
SAFETY-KLEEN (CROWLEY), INC.	00-2324(PJW)
SAFETY-KLEEN (LAPORTE), INC.	00-2325(PJW)
SAFETY-KLEEN (TG), INC.	00-2326(PJW)

NAME OF DEBTOR	Bankruptcy Case Number
SAFETY-KLEEN (ROEBUCK), INC.	00-2327(PJW)
SAFETY-KLEEN (TS), INC.	00-2328(PJW)
SAFETY-KLEEN (COLFAX), INC.	00-2329(PJW)
GSX CHEMICAL SERVICES OF OHIO, INC.	00-2330(PJW)
LEMC, INC.	00-2331(PJW)
SAFETY-KLEEN CHEMICAL SERVICES, INC.	00-2332(PJW)
SAFETY-KLEEN (ALTAIR), INC.	00-2333(PJW)
SAFETY-KLEEN (FS), INC.	00-2334(PJW)
SAFETY-KLEEN (BDT), INC.	00-2335(PJW)
SAFETY-KLEEN (GS), INC.	00-2336(PJW)
SAFETY-KLEEN (CLIVE), INC.	00-2337(PJW)
SAFETY-KLEEN (WT), INC.	00-2338(PJW)
SAFETY-KLEEN OSCO HOLDINGS, INC.	00-2339(PJW)
SAFETY-KLEEN (NASHVILLE), INC.	00-2340(PJW)
SAFETY-KLEEN (BARTOW), INC.	00-2341(PJW)
SAFETY-KLEEN (CALIFORNIA), INC.	00-2342(PJW)
SAFETY-KLEEN (CHATTANOOGA), INC.	00-2343(PJW)
SAFETY-KLEEN (PECATONICA), INC.	00-2344(PJW)
SAFETY-KLEEN (PINWOOD), INC.	00-2345(PJW)
SAFETY-KLEEN (WHITE CASTLE), INC.	00-2346(PJW)
SAFETY-KLEEN (PUERTO RICO), INC.	00-2347(PJW)
SAFETY-KLEEN (BRIDGEPORT), INC.	00-2348(PJW)
SAFETY-KLEEN (DEER PARK), INC.	00-2349(PJW)
SAFETY-KLEEN (BATON ROUGE), INC.	00-2350(PJW)
SAFETY-KLEEN (PLAQUEMINE), INC.	00-2351(PJW)
SAFETY-KLEEN (CUSTOM TRANSPORT), INC.	00-2352(PJW)
SAFETY-KLEEN (LOS ANGELES), INC.	00-2353(PJW)
SAFETY-KLEEN (TIPTON), INC.	00-2354(PJW)
SAFETY-KLEEN (GLOUCESTER), INC.	00-2355(PJW)

<b>NAME OF DEBTOR</b>	<b>Bankruptcy Case Number</b>
SAFETY-KLEEN (DEER TRAIL), INC.	00-2356(PJW)
SAFETY-KLEEN (MT. PLEASANT), INC.	00-2357(PJW)
SAFETY-KLEEN (MINNEAPOLIS), INC.	00-2358(PJW)
SAFETY-KLEEN (ARAGONITE), INC.	00-2359(PJW)
SAFETY-KLEEN (SUSSEX), INC.	00-2360(PJW)
SAFETY-KLEEN (ENCOTEC), INC.	00-2361(PJW)
SAFETY-KLEEN SYSTEMS, INC.	00-2362(PJW)
ECOGARD, INC.	00-2363(PJW)
SK EUROPE, INC.	00-2364(PJW)
DIRT MAGNET, INC.	00-2365(PJW)
THE MIDWAY GAS AND OIL CO.	00-2366(PJW)
ELGINT CORP.	00-2367(PJW)
SAFETY-KLEEN ENVIROSYSTEMS COMPANY	00-2368(PJW)
SAFETY-KLEEN ENVIROSYSTEMS COMPANY OF PUERTO RICO	00-2369(PJW)
PETROCON, INC.	00-2370(PJW)
PHILLIPS ACQUISITION CORP.	00-2371(PJW)
SK REAL ESTATE INC.	00-2372(PJW)
SAFETY-KLEEN INTERNATIONAL, INC.	00-2373(PJW)
SAFETY-KLEEN OIL RECOVERY CO.	00-2374(PJW)
SAFETY-KLEEN OIL SERVICES, INC.	00-2375(PJW)
THE SOLVENTS RECOVERY SERVICE OF NEW JERSEY, INC.	00-2376(PJW)

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EXHIBIT B

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES  
FORM OF SAFETY-KLEEN CREDITOR TRUST AGREEMENT

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FORM OF SAFETY-KLEEN CREDITOR TRUST AGREEMENT

**TO BE FILED ON OR BEFORE  
THE EXHIBIT FILING DATE**

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EXHIBIT C

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES

FORM OF RESTATED ARTICLES OF INCORPORATION

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FORM OF RESTATED ARTICLES OF INCORPORATION

**TO BE FILED ON OR BEFORE  
THE EXHIBIT FILING DATE**

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EXHIBIT D

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES

FORM OF RESTATED BYLAWS

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FORM OF RESTATED BYLAWS

**TO BE FILED ON OR BEFORE  
THE EXHIBIT FILING DATE**

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EXHIBIT E

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES

SCHEDULE OF ASSUMED EXECUTORY CONTRACTS  
AND UNEXPIRED LEASES

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## Exhibit E

### Schedule of Assumed Executory Contracts and Unexpired Leases

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	300 CANAL STREET ASSOCIATES D/B/A PACIFIC MILLS INDUSTRIAL COMPLEX	REAL ESTATE 300 CANAL STREET, BLDG 8, 2ND FLOOR	6/17/1990	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	A&B BUILDING COMPANY	REAL ESTATE 2777 S. TEJON STREET ENGLEWOOD, CO 80110	3/20/1991	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	A. CALVIN & LOIS S. BAIRD	REAL ESTATE 4130 SOUTH CREEK ROAD CHATTANOOGA, TN 37406	6/28/1991	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	A.P. DAWSON REALTY TRUST	REAL ESTATE 50 A BRIGHAM STREET MARLBOROUGH, MA 01752	10/1/1980	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	AARUM COMPANY	TERMINATION AGREEMENT	3/15/1989	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	A-BCD, INC.	RAIL TRACK LEASE	9/15/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ADVANCE HEATING & PLUMBING, INC.	REAL ESTATE 6628 COAL CREEK ROAD CASPER, WY 82604	8/30/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	AHR TRUCKING AND STORAGE	REAL ESTATE 10272 HICKS FIELD ROAD FORT WORTH, TX 76179	8/12/1998	\$475.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AIR LIQUIDE AMERICA CORPORATION	SERVICE AGREEMENT NO. 99-0	6/21/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	AL & MAURINE EDMOND/ EDMOND DEVELOPMENT COMPANY	REAL ESTATE 5318 NORTHWEST 10011 DRIVE GRIMES, IA 50111	6/18/1975	\$0.00
ROLLINS ENVIRONMENTAL, INC. N/K/A SAFETY-KLEEN (ENCOTEC), INC.	SAFETY-KLEEN SYSTEMS, INC.	ALBEMARLE ENVIRONMENTAL SERVICE	ENVIRONMENTAL SERVICE AGREEMENT #10-62108	4/23/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ALBRECHT PROPERTIES	REAL ESTATE 1537½ FIRST AVENUE SOUTH, FARGO, ND 58103	7/15/1978	\$2,600.00
SAFETY-KLEEN CORP., N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	ALLEGIANCE HEALTH CARE CORPORATION	WASTE SYSTEMS AGREEMENT FOR HAZARDOUS AND SPECIAL WASTE	2/11/1998	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SYSTEMS, INC.	N/A	AMOCO OIL COMPANY	REAL ESTATE PARKING 601 RILEY ROAD EAST CHICAGO, IN 46312	6/10/1991	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	AMOCO OIL COMPANY	REAL ESTATE RAIL 601 RILEY ROAD EAST CHICAGO, IN 46312	8/18/1994	\$9,553.78
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	AMOCO OIL COMPANY	INSTALLATION AND MAINTENANCE OF 15" PRODUCT PIPELINE	6/10/1991	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	AMQUEST, INC.	AGREEMENT FOR SERVER HOSTING SERVICES	3/29/1999	\$9,806.00
LIDLAW ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ANHEUSER-BUSCH COMPANIES, INC.	MASTER WASTE TRANSPORTATION AND DISPOSAL AGREEMENT	8/5/1992	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ANT, LLC	REAL ESTATE WITCHITA HEIGHTS, KS PRIVATE ROAD ACCESS WITCHITA, KS 67209	4/1/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ARGONNE COMMERCIAL CENTER C/O ALVIN J. WOLFF MANAGEMENT CO.	REAL ESTATE 9516 E. MONTGOMERY BAYS, UNIT 16-19 SPOKANE, WA 99206	8/16/1989	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY	REAL ESTATE ACCESS AGREEMENT	4/29/1998	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ARKANSAS MISSOURI RR	RAIL TRACK LEASE	1/17/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ATCHISON, TOPEKA & SANTA FE RAILWAY CO. C/O BURLINGTON NORTHERN SANTA FE RAILWAY COMPANY (STAUBAUCH CO.)	REAL ESTATE 215 WEST DENNIS AVENUE OLATHE, KS 73149	12/31/1993	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ATP, LLC	REAL ESTATE 4582 DONOVAN WAY NORTH LAS VEGAS, NV 89031	9/23/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ATTEBURY GRAIN, INC.	REAL ESTATE 1750 W LOOP 335 S. AMARILLO, TX 79110	2/26/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	B & B ENTERPRISES	REAL ESTATE 2100 BADGER RD. KAUKAUNA, WI 54130	4/11/1985	\$4,377.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	B&G ASSOCIATES	REAL ESTATE 751 ORCHARD LAKE ROAD PONTIAC, MI 48341	1/1/1979	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	BANC ONE LEASING CORPORATION	DETAILED VEHICLE LEASE SCHEDULE	6/1/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	BANK OF AMERICA	MASTER LEASE AGREEMENT	8/20/1999	\$0.00
SAFETY-KLEEN CORP., N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	BAXTER HEALTHCARE CORPORATION	WASTE SYSTEMS AGREEMENT FOR HAZARDOUS AND SPECIAL WASTE	12/20/1990	\$0.00
LIDLAW ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	BAXTER HEALTHCARE CORPORATION	SERVICE AGEEMENT	6/1/1991	\$0.00
SAFETY-KLEEN CORP., N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	BAXTER HEALTHCARE CORPORATION	WASTE SYSTEMS AGREEMENT FOR HAZARDOUS AND SPECIAL WASTE	2/10/1990	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	BC STOCKING DISTRIBUTING, INC.	REAL ESTATE 7300 CHEVRON WAY DIXON, CA 95620	5/18/1999	\$8,081.13
SAFETY-KLEEN SYSTEMS, INC.	N/A	BETTY NELMONS	REAL ESTATE ACCESS AGREEMENT	3/19/1997	\$0.00
LIDLAW ENVIRONMENTAL SERVICES (U.S.), INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	BFI WASTE SYSTEMS OF NORTH AMERICA, INC.	MASTER WASTE AND RECYCLING SERVICES AGREEMENT	1/30/1998	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	BIPRTA (BARR INDUSTRIAL PARK RAILROAD TRACK ASSOCIATION)	REAL ESTATE S.E. BARR & WILLIAM STREET ALBUQUERQUE, NM 87107	12/18/1997	\$1,500.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	BLUE CROSS OF SC	HR SERVICES DENTAL CLAIMS ADMINISTRATOR	7/1/1993	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	BMC SOFTWARE	MAINFRAME SOFTWARE MAINTENANCE	7/23/1991	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	BN SPUR TRACK	RAIL TRACK LEASE #547786	11/1/1997	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	BN TRACK LEASE	RAIL TRACK LEASE #590657	3/1/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	BOUNDBROOK INVESTORS, INC.	REAL ESTATE 509-515 E. MAIN STREET BOUNDBROOK, NJ 08805	1/1/1977	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN CORP., N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	BRISTOL-MYERS SQUIBB CO.	ENVIRONMENTAL SERVICES AGREEMENT	2/24/1995	\$0.00
SAFETY-KLEEN CORP., N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	BRISTOL-MYERS SQUIBB CO.	WASTE HANDLING AGREEMENT	10/24/1995	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	BROOKVILLE P-52 LLC	REAL ESTATE 8424-8426 BROOKVILLE ROAD INDIANAPOLIS, IN 46239	11/16/1978	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	BROWNING FERRIS WASTE SYSTEMS OF NORTH AMERICA, INC.	SUBORDINATE AGREEMENT TO BID WASTE MANAGEMENT SERVICE	9/10/1999	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	BROWNING-FERRIS INDUSTRIES, INC.	MASTER WASTE AND RECYCLING SERVICES AGREEMENT	9/4/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	BURLINGTON NORTHERN SANTA FE	REAL ESTATE N.E. 9TH STREET OKLAHOMA CITY, OK 73104	4/5/1982	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CALDWELL PRODUCTS, INC.	REAL ESTATE 4234 OIL BELT LANE ABILENE, TX 79605	2/10/2000	\$961.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CAS COMPANY	REAL ESTATE ACCESS AGREEMENT	7/6/1993	\$0.00
LIDLAW ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CATERPILLAR, INC.	NATIONAL SERVICES AGREEMENT	11/15/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CAWTHON-HOLLUMS PROPERTIES, INC.	REAL ESTATE ACCESS AGREEMENT	1/1/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CENTURION AUTOMOTIVE PRODUCTS	REAL ESTATE 203 FACTORY AVENUE MATTYDALE, NY 13208	5/21/1995	\$123.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CHARKAYE LLC	REAL ESTATE 1655 STOCKER ST. NORTH LAS VEGAS, NV 89030	1/17/1986	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CHARLIE AND MARY LOU REYNOLDS	REAL ESTATE 1606 MISSILE ROAD WICHITA FALLS, TX 76306	10/17/1983	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SYSTEMS, INC.	N/A	CHARLIE REYNOLDS	REAL ESTATE 2130 GRAUWYLER ROAD IRVING, TX 75061	6/5/1978	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CHARLIE REYNOLDS	REAL ESTATE 2130 "A" E. GRAUWYLER ROAD IRVING, TX 75061	4/5/1984	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CHARLIE REYNOLDS	REAL ESTATE 7528 NEW CASTLE ROAD OKLAHOMA, OK 73169	4/5/1984	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CHEVRON USA PRODUCTION CO	SERVICE AGREEMENT CB120221UEK	11/10/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CHINO CROSSROADS BUS PARK - NML	REAL ESTATE 2875 SOUTH RESERVOIR ST. POMONA, CA 91766	6/8/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CHUCK WOLD / C & W SALES	REAL ESTATE ACCESS AGREEMENT	8/25/1997	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CHURCH & DWIGHT COMPANY, INC.	PARTNERSHIP AGREEMENT AND ASSOCIATED DOCUMENT SURROUNDING ARMAKLEEN PARTNERSHIP	1/1/1999	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	CHURCH & DWIGHT COMPANY, INC.	SALES AGREEMENT	8/16/1995	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	CHURCH & DWIGHT COMPANY, INC.	ADDENDUM TO SALES AGREEMENT	8/15/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CINDERELLA PROPERTIES C/O KEVIN J. O'BRIEN	REAL ESTATE 3210 C STREET NC, UNIT D-G AUBURN, WA 98002	2/13/1978	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CIT GROUP	MASTER LEASE AGREEMENT	4/1/2000	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CITY OF CLOQUET DIRECTOR OF PUBLIC WORKS	REAL ESTATE ACCESS AGREEMENT	5/11/1993	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CITY OF GRIMES	REAL ESTATE ACCESS AGREEMENT	2/11/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CITY OF LITTLE ROCK	REAL ESTATE CITY OF LITTLE ROCK LITTLE ROCK, AR 72206	7/31/1996	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SYSTEMS, INC.	N/A	CITY OF LITTLE ROCK (96190)	REAL ESTATE ACCESS AGREEMENT	5/26/1995	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CITY OF LITTLE ROCK (96190)	REAL ESTATE ACCESS AGREEMENT	5/24/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CITY OF MASON, MI	REAL ESTATE ACCESS AGREEMENT	9/19/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CITY OF ORANGE, TX	REAL ESTATE ACCESS AGREEMENT	6/24/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CITY OF SOUTH BEND, IN	REAL ESTATE ACCESS AGREEMENT	3/6/1995	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CITY OF TULSA - RODGERS COUNTY PORT AUTHORITY	REAL ESTATE 5550 E. CHANNEL RD. PORT OF CATOOSA, OK 74015	3/1/1981	\$6,667.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CLIFF INVESTORS/ JOHN ALLEN AND JOEL BUT	REAL ESTATE ACCESS AGREEMENT	10/1/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CLOQUET AUTOMOTIVE	REAL ESTATE ACCESS AGREEMENT	5/25/1995	\$0.00
SAFETY-KLEEN (PUERTO RICO), INC.	SAFETY-KLEEN ENVIROSYSTEMS COMPANY OF PUERTO RICO	CMA ARCHITECTS & ENGINEERS	ARCHITECTURE AND ENGINEERING SERVICES	7/2/1999	\$6,190.96
SAFETY-KLEEN CORPORATION N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	COMPUWARE CORPORATION	LICENSE AGREEMENT FOR PROPRIETARY SOFTWARE PRODUCTS AND MAINTENANCE		\$0.00
LAIDLAW ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CONTINENTAL PLANTS CORPORATION	DISPOSITION AGREEMENT		\$0.00
SAFETY-KLEEN CORP., N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	COOPER INDUSTRIES, INC.	MASTER SERVICES AGREEMENT – TREATMENT, STORAGE, AND DISPOSAL OF WASTE	11/11/1994	\$0.00
LAIDLAW ENVIRONMENTAL SERVICES (CHATTANOOGA), INC. N/K/A SAFETY-KLEEN (CHATTANOOGA), INC.	SAFETY-KLEEN SYSTEMS, INC.	COPPERWELD	ENVIRONMENTAL SERVICES AGREEMENT	6/22/1998	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CRAVEN ROAD 88 GROUP LTD.	REAL ESTATE ACCESS AGREEMENT	2/20/1992	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CROWN WEST REALTY	RAIL TRACK LEASE	11/1/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CROWN WEST REALTY	REAL ESTATE ACCESS AGREEMENT	12/18/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CSX RR	REAL ESTATE ACCESS AGREEMENT	8/28/1991	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CSX TRANSPORTATION	REAL ESTATE 1606 PITTSBURG STREET ERIE, PA 16505	10/24/1990	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CSX TRANSPORTATION, INC.	REAL ESTATE CAMBRIA COUNTY JOHNSTOWN, PA 15904	10/30/1989	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CSX TRANSPORTATION, INC.	REAL ESTATE 50 BRIGHAM STREET MARLBOROUGH, MA 01752	1/1/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CSX TRANSPORTATION, INC.	REAL ESTATE 633 E 138TH STREET DOLTON, IL 60419	6/27/1989	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	CUNNINGHAM & SONS	REAL ESTATE 24 BRIXTON STREET WEST HARTFORD, CT 06110	5/15/1980	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	D&A RENTALS/ WILLIAM GROSZ	REAL ESTATE 3704 SARATOGA AVENUE, UNIT A-E BISMARCK, ND 58501	7/2/1985	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	D.E. GRESSETTE	REAL ESTATE 7230 PEPPERMILL PKWY. NORTH CHARLESTON, SC 29418	11/17/1992	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	DAN BURNS OLDSMOBILE, INC., ET AL.	REAL ESTATE ACCESS AGREEMENT	12/13/1993	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	DAN TWOMEY/TRUCK GEARS, INC.	REAL ESTATE ACCESS AGREEMENT	4/18/1997	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DANA CORPORATION	SERVICE AGREEMENT NO. 10001002	9/28/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	DAVID R. RUFFIN	REAL ESTATE 600 E. TRAIL DODGE CITY, KS 67801	4/1/1975	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	DEFFENBAUGH INDUSTRIES	REAL ESTATE 568 SOUTH 51ST STREET PITTSBURG, KS 66762	4/29/1996	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SYSTEMS, INC.	N/A	DEL H. & DOROTHY C. BARTON	REAL ESTATE 6302 212TH ST. SW SUITE A& B LYNNWOOD, WA 98036	12/18/1987	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	DELBERT TRICKLE & J.W. WATER D/B/A D&J COMPANY	REAL ESTATE 16 SW 11TH STREET MASON CITY, IA 50401	2/12/1976	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	DELTA AIRLINES, INC.	REAL ESTATE ACCESS AGREEMENT	4/14/1997	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY KLEEN SYSTEMS, INC.	N/A	DIVERSIFIED SOFTWARE SYSTEMS, INC	MAINFRAME SOFTWARE MAINTENANCE	8/29/1988	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	DOLORES MAROTTA	REAL ESTATE ACCESS AGREEMENT	3/30/1995	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	DON C. & GRACE WARD BOULTON / DON C. BOULTON LIVING TRUST	REAL ESTATE 3 NE 9TH STREET OKLAHOMA CITY, OK 73104	8/29/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.		DONALD W. SOURBECK	REAL ESTATE 19200 PEACHLAND BLVD. (UNITS 1-6) PORT CHARLOTTE, FL 33948	3/18/1992	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	DOUGLAS D. & JACQUELINE L. MOODY	REAL ESTATE S.E. BARR & WILLIAM STREET ALBUQUERQUE, NM 87107	7/11/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	DUANE & SHARON PUTIKKA C/O WEAR-A-KNIT	REAL ESTATE ACCESS AGREEMENT	7/28/1995	\$0.00
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	E.I. DU PONT DE NEMOURS & COMPANY	SERVICE AGREEMENT	11/14/1997	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	EASTERN TENNESSEE RAILROAD	RAIL TRACK LEASE	11/1/1996	\$0.00
U.S. POLLUTION CONTROL, INC. N/K/A SAFETY-KLEEN (LONE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	EATON CORP.	WASTE DISPOSAL AND TRANSPORTATION SERVICES AGREEMENT	1/29/1991	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ED & MAURINE EDMOND	REAL ESTATE ACCESS AGREEMENT	12/13/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	EDWARD B. HALL JR. & NANCY FEIMSTER	REAL ESTATE HIGHWAY 301 NORTH ST. PAULS, NC 28394	3/20/1985	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	EDWARD CHANDLER, JR.	CONSULTING AGREEMENT	6/22/1998	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SERVICES, INC.	N/A	ELF AUTOCHEM NORTH AMERICA, INC.	WASTE SERVICE AGREEMENT	9/8/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ELGIN JOLIET & EASTERN RR	REAL ESTATE ROUTE 20 ELGIN, IL 60120	1/1/1985	\$4,243.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ELWOOD & VIRGINIA ENTZ	REAL ESTATE ACCESS AGREEMENT	5/21/1998	\$0.00
SAFETY-KLEEN CORP., N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	EMERSON ELECTRIC CO.	WASTE HANDLING AGREEMENT (JOINT SERVICE AGREEMENT)	12/22/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	EMMERT DEVELOPMENT COMPANY	REAL ESTATE ACCESS AGREEMENT	1/9/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	EMMERT DEVELOPMENT COMPANY	REAL ESTATE CLACKMAS, OR	10/29/1999	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	EMPIRE TRANSFER	RAIL TRACK LEASE	10/1/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	EQUITABLE LIFE ASSURANCE	REAL ESTATE ACCESS AGREEMENT	8/1/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	EUGENE WATER & ELECTRIC BOARD	REAL ESTATE ACCESS AGREEMENT	7/23/1998	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	FAHRENWAL TRUST C/O QUEST PROPERTIES	REAL ESTATE ACCESS AGREEMENT	5/23/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.		FERRELLGAS	EQUIPMENT RENT AND GAS SALE AGREEMENT	6/30/1995	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	FOXFORD BUSINESS CENTER, LLC	REAL ESTATE 960 TURNPIKE STREET CANTON, MA 02021	10/6/1998	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	GARFIELD WESTERN RAIL SPUR	RAIL TRACK LEASE	1/14/1997	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	GATEWAY WESTERN	RAIL TRACK LEASE	7/12/1997	\$0.00
SAFETY-KLEEN CORP., N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	GENERAL MOTORS CORPORATION	CORPORATE PURCHASE AGREEMENT 3857	1/1/1990	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SYSTEMS, INC.	N/A	GEOCONSULT	ENGINEERING AND MONTHLY ENVIRONMENTAL TESTING	5/14/1999	\$26,001.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	GEORGIA SW RAIL YARD	RAIL TRACK LEASE	10/22/1997	\$0.00
SAFETY-KLEEN CORP., N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	GEORGIA-PACIFIC CORPORATION	SERVICES AGREEMENT	1/1/1997	
SAFETY-KLEEN SYSTEMS, INC.	N/A	GRACEY-HELM, INC. C/O ROBERT W. FED	REAL ESTATE ACCESS AGREEMENT	11/17/1994	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	GREAT PLAINS GRAIN TERMINAL	RAIL TRACK LEASE	1/17/1997	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	GT SOFTWARE, INC.	MAINFRAME SOFTWARE MAINTENANCE (AGREEMENT FOR SOFTWARE LICENSE)	2/1/1991	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	H.J. BROOKS, LLC	REAL ESTATE 8E INDUSTRIAL WAY, UNIT 7A SALEM, NH 03079	9/1/1998	\$0.00
SAFETY-KLEEN CORP., N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	HALIBURTON ENERGY SERVICES, INC.	MASTER SERVICES AGREEMENT	4/5/1993	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	HARLAN B. & VIRGINIA SPEEGLE	REAL ESTATE ACCESS AGREEMENT	2/21/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	HARRY A'S ESTATE	REAL ESTATE 50 SNAKE HILL RD. WEST NYACK, NY 10994	10/4/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	HAZEL L. HAEGERTY	REAL ESTATE 5050 SALIDA BLVD. SALIDA, CA 95368	9/1/1975	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	HERBERT & MARJORINE FELDER	REAL ESTATE ACCESS AGREEMENT	11/30/1995	\$0.00
ECOGARD, INC.	N/A	HOGAN MOTOR LEASING	TRUCK LEASES	4/16/1992	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	HOUSEMAN DEVELOPMENT CO.	RAIL TRACK LEASE	1/17/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	HOWARD D. WOMACK	REAL ESTATE ACCESS AGREEMENT	6/3/1993	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY KLEEN SYSTEMS, INC.	N/A	HOWARD STACNAKER	REAL ESTATE ACCESS AGREEMENT	9/30/1991	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	HUNT, DUPREE, RHINE & ASSOCIATES	HR SERVICES US 401(K) PLAN ADMINISTRATION	7/1/1998	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	HUNTSMAN CORPORATION	WASTE MANAGEMENT AGREEMENT HC-2256	10/18/1999	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	HUNTSMAN CORPORATION	WASTE MANAGEMENT AGREEMENT HC-2226	10/18/1999	\$0.00
SAFETY-KLEEN OIL RECOVERY CO.	N/A	INDIANA HARBOR BELT	SUPPLIER/ SIDETRACK AGREEMENT FOR RAIL SPUR	4/18/1991	\$0.00
SAFETY-KLEEN CORP. N/A SAFETY-KLEEN SYSTEMS, INC.	N/A	INNOVATION DATA PROCESSING	MAINFRAME SOFTWARE MAINTENANCE	12/1/1992	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	IOWA NORTHERN RAILWAY CO.	REAL ESTATE 1330 SHEFFIELD AVENUE WATERLOO, IA 50702	10/25/1996	\$3,718.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	IRE REAL ESTATE INVESTMENTS, INC./ DELRAY INDUSTRIAL PARK	REAL ESTATE 1855 S.W. 4TH AVENUE B-11 DELRAY BEACH, FL 33444	4/27/1981	\$188.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	J.C. CORPORATION C/O LUCISANO BROS.	REAL ESTATE BLDG PP#9, RIVER ROAD TULLYTOWN, PA 19007	1/24/1977	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	J.D. KINSEY	REAL ESTATE 4210 A HAWKINS ROAD FARMINGTON, NM 87401	12/29/1980	\$1,629.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	JAMES E. & PATRICK F. BURKE AGENCY	REAL ESTATE 2000 NORTH WESTPORT AVE SIOUX FALLS, SD 57107	1/18/1984	\$1,177.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	JAMES J. & MARY M. CRANDALL / BEATRICE LIGHTFOOT	REAL ESTATE 6050 EAGLE AVENUE PORTAGE, IN 46368	1/10/1985	\$3,200.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	JAMES J. & MARY M. CRANDALL/ BEATRICE	REAL ESTATE ACCESS AGREEMENT	8/9/1993	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	JAMES L. PAULSON	REAL ESTATE ACCESS AGREEMENT	2/13/1995	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	JAN WINKLER	REAL ESTATE 697 OAKWOOD AVENUE WEST HARTFORD, CT 06110	7/9/1992	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SYSTEMS, INC.	N/A	JANET K. BOSSELMAN C/O RYDER TRUCK	REAL ESTATE ACCESS AGREEMENT	10/27/1992	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	JERRY J. BOX TRUSTEE C/O AZTEC REALTY	REAL ESTATE 1217 EAST TAMARACK AVE. MCALLEN, TX 78501	9/1/1999	\$586.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	JOE F. JONES	REAL ESTATE 4810 S. OLD PEACHTREE ROAD NORCROSS, GA 30071	7/4/1985	\$1,413.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	JOEY GOLDEN/ GOOD HAMEL, INC.	REAL ESTATE ACCESS AGREEMENT	3/31/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	JOHN & MARY SMITH	REAL ESTATE ACCESS AGREEMENT	1/11/1994	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	JOHN DEERE	MASTER SERVICES AGREEMENT 20063349	10/18/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	JOHN J. LAGUE	REAL ESTATE 23 W. SECOND ST. BARRE, VT 05641	8/28/1980	\$104.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	JOSEPH FREED & B.H. WERBER	REAL ESTATE 10651 HICKSON STREET, UNIT A&B EL MONTE, CA 91731	3/22/1989	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	JOSEPH FREED & B.H. WERBER	REAL ESTATE 10625 HICKSON STREET, UNIT A-E EL MONTE, CA 91731	3/22/1989	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	KIKU OF SANTA BARBARA	REAL ESTATE 5310 OVERPASS ROAD GOLETA, CA 93111	7/25/1995	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	KLEINSCHMIDT	RAIL REPORT	11/4/1998	\$3,241.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	KOCH GATEWAY PIPELINE COMPANY, KOCH OIL COMPANY, KOCH NITROGEN COMPANY, KOCH REFINING COMPANY, KOCH SERVICE, INC., KOCH PIPELINE, L.P., KOCH FERTILIZER STORAGE & TERMINAL COMPANY AND KOCH HYDROCARBON COMPANY	INTERMITTENT SERVICES AGREEMENT	3/11/1996	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	LACRUZ AZUL DE PUERTO RICO	HR SERVICES MEDICAL CLAIMS ADMINISTRATION	8/1/1995	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	LANE STROBEL IN C/O SLAVEN RENTALS, INC. AND EXCEL TOWING	REAL ESTATE ACCESS AGREEMENT	3/30/1995	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SYSTEMS, INC.	N/A	LARRY D. TUCKER	REAL ESTATE ACCESS AGREEMENT		\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	LAWRENCE WEINGEURG & GRINDA OLIVER	REAL ESTATE ACCESS AGREEMENT	4/20/1998	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	LEAH SMITH	REAL ESTATE ACCESS AGREEMENT	1/11/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	LEE J. SHAMALEY TRUST	REAL ESTATE 900 S HAWKINS BLVD, UNIT B EL PASO, TX 79915	1/14/1974	\$895.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	LEONA P. & ROGER MICHAEL MILLER, CO-TRUSTEES/ VICTOR B. MILLER FAMILY TRUST	REAL ESTATE 2801 & 2805 S. TEJON ENGLEWOOD, CO 80110	6/27/1985	\$1.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	LEONRAD C. ELLIS JR. C/O ELLIS REAL ESTATE ACCOUNT	REAL ESTATE 11320 BALLS FORD. MANASSAS, VA 22110	5/1/1995	\$4,997.42
SAFETY-KLEEN SYSTEMS, INC.	N/A	LEROY TIPPING	REAL ESTATE 11 TIPPING DRIVE BRANFORD, CT 06405	2/1/1982	\$1,368.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	LEVI, RAY & SHOUP, INC.	MAINFRAME SOFTWARE MAINTENANCE	9/28/1989	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	LEWIS & MARLENE LOUISE WILLIAMS TRUSTEE	REAL ESTATE 53RD & BROADWAY (5400 BLOCK) WICHTA, KS 67209	7/1/1998	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	LITTLE ROCK PORT AUTHORITY (64932)	REAL ESTATE ACCESS AGREEMENT	12/17/1998	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	LITTLE ROCK PORT AUTHORITY OF THE CITY OF LITTLE ROCK	REAL ESTATE 8401 LINSEY ROAD LITTLE ROCK, AR 85226	6/10/1985	\$1,077.16
SAFETY-KLEEN SYSTEMS, INC.	N/A	LYNDA I TOMLINSON REVOCABLE TRUST	REAL ESTATE 26 N.E. 9TH STREET OKLAHOMA CITY, OK 73104	2/10/2000	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MANULIFE	MEDICAL, DENTAL, VISION, SHORT TERM DISABILITY, LONG TERM DISABILITY, LIFE, AD&D, VOLUNTARY LIFE AND DEPENDENT LIFE	5/15/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MARK E. BRUCE LARINER	REAL ESTATE ACCESS AGREEMENT	4/1/1991	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SYSTEMS, INC.	N/A	MARK'S ENGINEERING	LEASE OF PROPERTY OWNED BY DEBTOR 5798 COMMERCE BLVD, BLDG. 5 ROHNERT PARK, CA 94928	1/20/2000	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MARVIN & LINDA WEINBERG	REAL ESTATE 1142 GREENHILL ROAD WEST CHESTER, PA 19380	2/3/1983	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MARVIN & LINDA WEINBERG	REAL ESTATE 1138-40 GREENHILL ROAD WEST CHESTER, PA 19380	7/4/1985	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MARY ALICE & DEE L. RAYMER (13860)	REAL ESTATE ACCESS AGREEMENT	5/16/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MARY ALICE OR DEL L. RAYMER	REAL ESTATE 3282 LAGRANGE ROAD NEW CASTLE, KY 40050	5/16/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MARY ANN SHARTS	REAL ESTATE 27 ST. CHARLES STREET THORNWOOD, NY 10594	5/17/1977	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MASCO CORPORATION	WASTE DISPOSAL AGREEMENT 10001023	6/1/1998	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MASCO CORPORATION	SERVICE AGREEMENT NO. 10001023	6/1/1998	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MASON ELEVATOR COM.	LEASE OF PROPERTY OWNED BY DEBTOR 700 ZIMMERMAN ROAD MASON, MI 48854	8/30/1990	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MATKO & VERNA MILICIC	REAL ESTATE 14 - 26TH STREET KENNER, LA 70062	2/8/1977	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MAX VALUE, INC.	SUPPLIER/TOYOTA FORK TRUCK		\$928.12
SAFETY-KLEEN SYSTEMS, INC.	N/A	MAX VALUE, INC.	VENDOR/FORKLIFT LEASE		\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MAXCO SUPPLY, INC.	REAL ESTATE ACCESS AGREEMENT	11/17/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MCDONALD ENTERPRISES, INC.	REAL ESTATE ACCESS AGREEMENT	3/29/1993	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MCDONNELL DOUGLAS CORPORATION	SERVICE AND SUPPLY AGREEMENT	3/1/2000	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SYSTEMS, INC.	N/A	MCGRATH PROPERTIES, LLC.	REAL ESTATE 1066 S. PIONEER RD. SALT LAKE CITY, UT 84104	6/28/1985	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MELVIN S. BLACK	REAL ESTATE 121 RED LION ROAD VINCENTOWN, NJ 08088	11/7/1988	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	MEMBREX, INC.	DEVELOPMENT & EXCLUSIVE PURCHASE AGREEMENT		\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	MEMBREX, INC.	LICENSE AGREEMENT		\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	MEMBREX, INC.	PATENT & TRADEMARK SECURITY AGREEMENT		\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MERCK & CO., INC.	WASTE MANAGEMENT SERVICES AGREEMENT 10001019	8/1/1998	\$0.00
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	MERCK & CO., INC.	HAZARDOUS WASTE SERVICES AGREEMENT	2/12/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MERRIT - DJ1, LLC	REAL ESTATE 1448,50,52,54,56 DESOTO ROAD BALTIMORE, MD 21230	5/15/1984	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MERVIN & MARTHA WEGLER	REAL ESTATE ACCESS AGREEMENT	8/2/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	METCALFE MACHINE	LEASE OF PROPERTY OWNED BY DEBTOR 5788 COMMERCE BLVD, BLDG. 5 ROHNERT PARK, CA 94928	1/10/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MICC, INC.	LEASE OF PROPERTY OWNED BY DEBTOR 5786 COMMERCE BLVD, BLDG 5 ROHNERT PARK, CA 94928	3/21/2000	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MICHAEL BIHN	REAL ESTATE ACCESS AGREEMENT	10/24/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MID-OHIO DEVELOPMENT CORP. / HERBERT J. MURPHY, JR.	REAL ESTATE 2041 JAMES PKWY MID-OHIO INDUSTRIAL PARK, BLDG. 10 HEATH, OH 43056	12/31/1990	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MIE DEVELOPMENT COMPANY, AGENT FOR GLEN BURNIE BUSINESS CENTRE	REAL ESTATE 150 PENROD COURT, SECT F,G,H & I GLEN BURNIE, MD 21061	3/28/1979	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MILLARD LUMBER	RAIL TRACK LEASE	8/26/1996	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MINN. COMERCIAL RR	RAIL TRACK LEASE	6/19/1997	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	MOBIUS MANAGEMENT SYSTEMS	MAINFRAME SOFTWARE MAINTENANCE	3/4/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MONTE W. SMITH AND REVA L. SMITH	REAL ESTATE 220379 SUNSET DRIVE GERING, NE 69341	3/30/1979	\$936.00
SAFETY-KLEEN CORP., N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	MOORE BUSINESS FORMS, INC.	WASTE HANDLING AGREEMENT (JOINT SERVICE AGREEMENT)	8/1/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	MSI TECHNOLOGIES, INC.	LEASE OF PROPERTY OWNED BY DEBTOR 5790-94 COMMERCE BLVD, BLDG. 5 ROHNERT PARK, CA 94928	1/20/2000	\$0.00
LIDLAW ENVIRONMENTAL SERVICES (US), INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	NABISCO, INC.	ENVIRONMENTAL SERVICES AGREEMENT	3/1/1998	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	NETWORK ASSOCIATES INC.	VIRUS SOFTWARE LEASE AND SUPPORT CONTRACT (AGREEMENT FOR SOFTWARE LICENSE)	8/19/2000	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	NICHIBEI KOYU COMPANY, LTD.	LICENSE AGREEMENT	10/9/1986	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	NICHIBEI KOYU COMPANY, LTD.	LICENSE AGREEMENT	6/16/1993	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	NICHIBEI KOYU COMPANY, LTD.	LICENSE AGREEMENT TO CONDUCT A SK BUSINESS OF SPRAY EQUIPMENT CLEANER/LAQUER THINNER SERVICE AND USE SK MARKS, LOGO AND PROCESS, ETC.	6/16/1993	\$0.00
SAFETY-KLEEN OIL RECOVERY CO.	N/A	NIPSCO	SUPPLIER/ ELECTRICITY FOR EAST CHICAGO, INDIANA FACILITY	10/1/1998	\$135,226.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	NORFOLK SOUTHERN CORPORATION	REAL ESTATE 130-A FRONTAGE ROAD LEXINGTON, SC 29073	12/1/1991	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	OAK LEAF PROPERTY MANAGEMENT, LLC	REAL ESTATE 550 SHELLEY STREET, SPACES A-E SPRINGFIELD, OR 97477	4/22/1982	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	OCCIDENTAL CHEMICAL CORPORATION	MASTER WASTE HANDLING SERVICES AGREEMENT	1/1/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	OIL FILTER RECYCLERS	OUTSIDE DISPOSAL GROUP, TPD AGREEMENT, CONTAINER SUPPLIER AND SERVICER		\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SYSTEMS, INC.	N/A	OKHUI PLUMMER: DEINY FAMILY TRUST	REAL ESTATE 13024-28 BRADLEY AVENUE SYLMAR, CA 91342	5/4/1989	\$2,544.00
SAFETY KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	OMNOVA SOLUTIONS, INC.	WASTE TRANSPORTATION AND DISPOSAL AGREEMENT NUMBER 10001016	6/8/2000	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	OSCAR TAUBER	REAL ESTATE 1311 EAST TAMARACK MCALLEN, TX 78501	8/1/1974	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	PACCAR, INC.	WASTE HANDLING AGREEMENT (JOINT SERVICE AGREEMENT)	3/29/1996	\$0.00
LIDLAW ENVIRONMENTAL SERVICES OF WHITE CASTLE, INC. N/K/A SAFETY-KLEEN (WHITE CASTLE), INC.	SAFETY-KLEEN SYSTEMS, INC.	PAGE AND KRAEMER ENVIRONMENTAL SERVICES, INC.	ENVIRONMENTAL SERVICES AGREEMENT	1/1/1994	\$0.00
ECOGARD, INC.	N/A	PAM OIL, INC.	REAL ESTATE 200 PETRO, TANKS 51-54 SIOUX FALLS, SD 57107	3/1/1994	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PAN WESTERN	RAIL TRACK LEASE	9/15/1998	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	PARKWAY PROPERTIES, L.P.	REAL ESTATE 1201 MAIN STREET, 11TH FL. COLUMBIA, SC 29201	1/3/2000	\$444.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	PARTNERS REALTY CORP.	REAL ESTATE 1953 46TH STREET ASTORIA, NY 11105	8/21/1998	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	PAULINE BURETZ	REAL ESTATE 345 LOCUST FAIRMONT, WV 26554	6/4/1980	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PENINSULA TERMINAL	RAIL TRACK LEASE	5/31/1996	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PENSKE/ROLLINS	TRUCK LEASES	6/15/1992	\$0.00
SAFETY-KLEEN SERVICES, INC.		PEOPLESOFT USA, INC.	LICENSE AND SERVICE AGREEMENT	6/24/1998	\$0.00
SAFETY-KLEEN CORP., N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	PETERBLT MOTORS, CO., A DIVISION OF PACCAR, INC.	CHEMICAL WASTE HANDLING AGREEMENT	5/23/1995	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	PETERSON DANIELS STREET COMPANY LLC	REAL ESTATE 2325 DANIELS ST. MADISON, WI 53718	11/25/1983	\$11.25

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	PETERSON RISK CONSULTING LLC	ENGAGEMENT LETTER FOR INSURANCE RECOVERY PROJECT FOR ENVIORNMENTAL TOXIC TORT, PRODUCT LIABILITY AND SIMILAR OR RELATED CLAIMS, LOSSES AND LIABILITIES	7/1/1999	\$0.00
SAFETY-KLEEN CORP, N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	PFIZER, INC.	CHEMICAL WASTE HANDLING AGREEMENT (JOINT SERVICE AGREEMENT)	10/1/1992	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	PHILIP JARVIS / ASHLAND WAREHOUSING SERVICES, INC.	REAL ESTATE ACCESS AGREEMENT	3/18/1998	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	PORT OF PASCO	REAL ESTATE 814 E AINSWORTH PASCO, WA 99301	7/1/1985	\$0.00
SAFETY-KLEEN OIL RECOVERY CO.	N/A	PRAXAIR, INC.	CONTRACT FOR SUPPLY OF HYDROGEN GAS FOR EAST CHICAGO, INDIANA FACILITY	2/1/1991	\$80,896.00
SAFETY-KLEEN OIL RECOVERY CO.	N/A	PRAXAIR, INC.	CONTRACT FOR SUPPLY OF HYDROGEN GAS FOR EAST CHICAGO, INDIANA FACILITY	11/1/1994	\$17,609.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PROCUREMENT, A DIVISION OF EXXON MOBIL GLOBAL SERVICES COMPANY	PURCHASE AGREEMENT C14807	3/1/1988	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PROCUREMENT, A DIVISION OF EXXONMOBIL GLOBAL SERVICES COMPANY	AGREEMENT C18047	7/1/1994	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PROCUREMENT, A DIVISION OF EXXONMOBIL GLOBAL SERVICES COMPANY	SERVICE AGREEMENT C17164	3/1/1994	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PROCUREMENT, A DIVISION OF EXXONMOBIL GLOBAL SERVICES COMPANY	SERVICE AGREEMENT C17105	3/1/1992	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	QUEST DIAGNOSTICS, INC.	MASTER SERVICES AGREEMENT 10001005	12/15/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	R.L. TRAMMEL C/O TRAMMEL CONSTRUCTION COMPANY	REAL ESTATE 11919 TRAMWAY DRIVE SHARONVILLE, OH 45241	11/15/1984	\$676.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	R.O. MASON (52370)	REAL ESTATE ACCESS AGREEMENT	4/1/1993	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SYSTEMS, INC.	N/A	RAY & MARILYN RIIHILUOMA/STATE BANK	REAL ESTATE 1362 18TH STREET CLOQUET, MN 55720	8/19/1975	\$510.27
SAFETY-KLEEN SYSTEMS, INC.	N/A	REX COPE FAMILY TRUST	REAL ESTATE ACCESS AGREEMENT	11/1/1995	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	RHODES DRILLING COMPANY	REAL ESTATE ACCESS AGREEMENT	2/14/1992	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	RICH & SONS CAMPER SALES	REAL ESTATE ACCESS AGREEMENT	9/18/1995	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	RICHARD JOHNSON	REAL ESTATE ACCESS AGREEMENT	4/1/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	RICHARD SHYKES	REAL ESTATE ACCESS AGREEMENT	5/25/1995	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ROBERT ENTERPRISE C/O ROBERT LANGFORD	REAL ESTATE 6529 MIDWAY RD. FORT WORTH, TX 76117	11/12/1987	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ROBERT PAPAIZAN	REAL ESTATE 3561 & 3525 S. MAPLE AVE. FRESNO, CA 93725	11/10/1976	\$2,385.00
SAFETY KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ROCHE CAROLINA, INC.	MASTER SERVICES AGREEMENT CORPORATE NUMBER 2013429	1/20/2000	\$0.00
SAFETY KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ROHMAX USA, INC.	HAZARDOUS WASTE DISPOSAL SERVICES AGREEMENT NO. 10000004	4/14/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ROHNERT PARK AUTOMOTIVE	LEASE OF PROPERTY OWNED BY DEBTOR 5772-76 COMMERCE BLVD, BLDG. 4 ROHNERT PARK, CA 94928	1/12/1998	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ROMINE ENTERPRISES	REAL ESTATE 5217 AND 5219 AUGUSTA RD. GARDEN CITY, CA 31408	1/12/1972	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	RONALD MELLMAN	REAL ESTATE ACCESS AGREEMENT	3/20/1994	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ROSEBORO LUMBER CO	RAIL TRACK LEASE	4/16/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	ROY & MARGARET STANFORD	REAL ESTATE ACCESS AGREEMENT	3/28/1994	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
ECOGARD, INC.	N/A	RUAN LEASING CO.	TRUCK LEASES	12/15/1997	\$5,000.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	S.J. PROPERTIES ATTN: BILL OR JANIS PATTISON	REAL ESTATE 5761 FLORIN PERKINS ROAD SACRAMENTO, CA 95828	10/4/1988	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	SANGER PLAZA DEVELOPMENT	REAL ESTATE 22006 WOODWAY DR. WACO, TX 76712	12/1/1982	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	SBP ENTERPRISES, INC.	RAIL TRACK LEASE	1/24/1997	\$0.00
LIDLAW ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	SCHERING CORPORATION	MASTER AGREEMENT FOR THE TREATMENT, STORAGE AND/OR DISPOSAL OF WASTE	7/1/1995	\$0.00
LIDLAW ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	SCHERING CORPORATION	MASTER AGREEMENT FOR TRANSPORTATION OF WASTE	7/1/1995	\$0.00
LIDLAW ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	SCHERING-PLOUGH HEALTHCARE PRODUCTS, INC.	MASTER WASTE SYSTEMS AGREEMENT	2/1/1991	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	SCOTT BEARD & DENISE SANSING	REAL ESTATE ACCESS AGREEMENT	4/29/1996	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	SEARS ROEBUCK & COMPANY	CHEMICAL WASTE HANDLING AGREEMENT (JOINT SERVICE AGREEMENT)	8/8/1994	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	SECURITY LAND & INVESTMENT CO.	REAL ESTATE 4013 CRATER LAKE HWY MEDFORD, OR 97504	12/13/1993	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	SERGIO LOREDO	REAL ESTATE ACCESS AGREEMENT	4/16/1992	\$0.00
ROLLINS ENVIRONMENTAL, INC. N/K/A SAFETY-KLEEN (ENCOTEC), INC.	SAFETY-KLEEN SYSTEMS, INC.	SHELL OIL CHEMICAL COMPANY	ENVIRONMENTAL SERVICE AGREEMENT 10-60803	5/16/1996	\$0.00
APTUS, INC. N/K/A SAFETY-KLEEN (ARGONITE), INC.	SAFETY-KLEEN SYSTEMS, INC.	SMITHKLINE BEECHAM ANIMAL HOSPITAL	HAZARDOUS OR TOXIC WASTE MANAGEMENT SERVICE AGREEMENT	7/15/1994	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	SOFTWARE DIVERSIFIED SERVICES	MAINFRAME SOFTWARE MAINTENANCE	5/1/1988	\$1,045.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	ST. LAWRENCE & HUDSON RAIL WAY	TRACK LEASE	7/1/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	TALLAHASSEE INDUSTRIAL PARK	REAL ESTATE ACCESS AGREEMENT	6/15/1993	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	TECH CENTER 29 LTD. PARTNERSHIP	REAL ESTATE ACCESS AGREEMENT	7/1/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	TENET HEATHSYSTEM HOSPITALS, INC.	REAL ESTATE ACCESS AGREEMENT	8/26/1997	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	TEXAS MEXICAN RAILWAY COMPANY	TRACK LEASE	7/1/1997	\$15,672.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	THE FRICK COMPANY	UNEMPLOYMENT SERVICES	1/7/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	THOMAS & VIRGINIA DATENA	REAL ESTATE ACCESS AGREEMENT	10/22/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	THOMAS & VIRGINIA DATENA	REAL ESTATE ACCESS AGREEMENT	8/21/1997	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	THOMAS ANTHONY	REAL ESTATE 317 INDUSTRIAL PARK RD. PINEY FLATS, TN 37686	12/14/1993	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	THOMAS J. HUGHES	REAL ESTATE ACCESS AGREEMENT	7/23/1997	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	TIBS TRADING PTE. LTD.	TERMINATION AGREEMENT TERMINATING SK LICENSES IN SINGAPORTE & TAIWAN (W/TIBS TRADING PTE. LTD. AND SAFETY-KLEEN U.K. LTD. DATED 5/10/90) AND TECHNICAL COOPERATION AGREEMENT WITH SAFETY-KLEEN CORP. DATED 2/26/90	2/26/1990	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	TIC TAC PARTNERSHIP	REAL ESTATE 4161 E. TENNESSEE TUCSON, AZ 85714	10/3/1984	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	TORINO TRAILER SERVICE	REAL ESTATE ACCESS AGREEMENT	6/26/1992	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	TRI-STAMP MANUFACTURING, INC.	LEASE OF PROPERTY OWNED BY DEBTOR 13942 PARK TREE MASON, MI 48854	3/24/1989	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	UNITED BEHAVIORAL HEALTH	EMPLOYEE ASSISTANCE PROGRAM	8/1/1998	\$316.44

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	UNITED STATES GYPSUM CO	SERVICE AGREEMENT	2/17/2000	\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	UNITED TECHNOLOGIES CORPORATION	MASTER AGREEMENT FOR TRANSPORTATION, RECYCLING, TR 10001009	3/8/2000	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	UNIVERSAL FIRE PROTECTION SYSTEMS, INC.	REAL ESTATE 11923 TRAMWAY DRIVE SHARONVILLE, OH 45241	10/28/1996	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	UNIVERSAL LABORATORIES	STORMWATER ANALYSIS		\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	UNUM	LONG TERM DISABILITY	4/1/1997	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	UNUM	HR SERVICES TRAVEL ACCIDENT	5/15/1999	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	UNUM INSURANCE COMPANY	HR SERVICES SHORT DISABILITY, AD&D, EMPLOYEE, DEPENDENT AND VOLUNTARY LIFE	7/1/1998	\$62,739.03
SAFETY-KLEEN ENVIROSYSTEMS OF PUERTO RICO	N/A	UPJOHN MANUFACTURING COMPANY	CHEMICAL WASTE HANDLING AGREEMENT	3/12/1993	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	US TRUST	HR SERVICES PENSION TRUSTEE	8/1/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	VINCE LAGAMARSINO	LEASE OF PROPERTY OWNED BY DEBTOR 5796 COMMERCE BLVD, BLDG. 5 ROHNERT PARK, CA 94928	3/6/2000	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	VINCENT DIMARCO	REAL ESTATE ACCESS AGREEMENT	3/8/1994	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	VISION SERVICE PLAN	VISION CLAIMS ADMINISTRATOR	1/1/1993	\$82,321.35
SAFETY-KLEEN SYSTEMS, INC.	N/A	WARD DEVELOPMENT C/O GEORGE WARD	REAL ESTATE ACCESS AGREEMENT	9/30/1996	\$0.00
SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC.	N/A	WARREN SHEPELL CONSULTANTS CORP.	EMPLOYEE ASSISTANCE PROGRAM	10/6/1993	\$0.00

Debtor	Contract or Lease Assignee	Non-Debtor Party to Contract or Lease	Contract/Lease Description	Date of Contract or Lease	Cure Amount
SAFETY-KLEEN SYSTEMS, INC.	N/A	WASTE MANAGEMENT	TRASH REMOVAL		\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	WASTE MANAGEMENT	GARBAGE PICKUP		\$0.00
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	WASTE MANAGEMENT HOLDINGS, INC.	MASTER SERVICES AGREEMENT 10000011	2/1/2000	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	WASTE MANAGEMENT OF NORTH AMERICA	WASTE COLLECTION AND TRANSPORTATION SERVICES	5/2/1999	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	WESTERN INDUSTRIAL DEVELOPMENT CO., INC.	REAL ESTATE 7206 LARKIN STREET DOLOMITE, AL 35061	7/23/1992	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	WILLIAM A. CONROY & ALICE T.C. DONOVAN	REAL ESTATE 2315 RIPPLE LOS ANGELES, CA 90039	11/30/1992	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	WILLIAM C. MYERS & WALKER R. OGDEN	REAL ESTATE 4200 SHREVEPORT HWY. PINEVILLE, LA 71360	1/12/1978	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	WILLIAM LEONARD DUPONT	REAL ESTATE 3820 BRATTON RD. CORPUS CHRISTI, TX 78413	8/24/1984	\$0.00
SAFETY-KLEEN SYSTEMS, INC.	N/A	WRIGHT MONUMENT CO. C/O JOE RUSH	REAL ESTATE ACCESS AGREEMENT	9/30/1996	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	ZEVNICK HORTON GUIBORD MCGOVERN PALMER & FOGNANI, L.L.P.	ENGAGEMENT LETTER FOR NON-PRODUCT LIABILITY ENVIRONMENTAL, TOXIC TORT, AND SIMILAR OR RELATED CLAIMS, LOSSES AND LIABILITIES	6/10/1999	\$0.00
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	ZEVNICK HORTON GUIBORD MCGOVERN PALMER & FOGNANI, L.L.P.	ENGAGEMENT LETTER FOR INSURANCE RECOVERY PROJECT FOR SOLVENT-RELATED PRODUCT LIABILITY AND SIMILAR OR RELATED CLAIMS, LOSSES AND LIABILITIES	7/22/1999	\$0.00

**Total Cure Amount**

**\$513,432.91**

The Debtors shall also assume the following types of unexpired contracts between either SK Systems or Safety-Kleen EnviroSystems Company of Puerto Rico, Inc. and customers that are not designated by the Debtors as national account customers: (1) standard short-form Services Agreements; (2) standard Placement Forms and (3) government contracts with federal government agencies, departments or other divisions of state, county or local authorities. No Cure is owed with respect to the above contracts.

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EXHIBIT F

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES

SCHEDULE OF SUB-CLASSES FOR CLASSES 1, 3, 6 AND 7

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SCHEDULE OF SUB-CLASSES FOR CLASSES 1, 3, 6 AND 7

This Exhibit F sets forth the sub-Classes for Classes 1, 3, 6 and 7. Class 1 sub-Classes consists of Other Priority Claims against each Debtor. Class 3 sub-Classes consists of Secured U.S. Lender Claims against each Debtor. Class 6 sub-Classes consists of 9¼% Senior Subordinated Notes Claims against each Debtor. Class 7 sub-Classes consists of General Unsecured Claims against each Subsidiary (i.e., sub-Classes .02 through .74).

SUB-CLASS	NAME OF DEBTOR
.01	SAFETY-KLEEN CORP.
.02	SAFETY-KLEEN SERVICES, INC.
.03	SAFETY-KLEEN (CONSULTING), INC.
.04	SAFETY-KLEEN (LONE AND GRASSY MOUNTAIN), INC.
.05	SAFETY-KLEEN (TULSA), INC.
.06	SAFETY-KLEEN (SAN ANTONIO), INC.
.07	SAFETY-KLEEN (WICHITA), INC.
.08	SAFETY-KLEEN (DELAWARE), INC.
.09	SK SERVICES (EAST), L.C.
.10	SK SERVICES, L.C.
.11	SAFETY-KLEEN (ROSEMOUNT), INC.
.12	SAFETY-KLEEN (SAWYER), INC.
.13	SAFETY-KLEEN (PPM), INC.
.14	NINTH STREET PROPERTIES, INC.
.15	SAFETY-KLEEN (SAN JOSE), INC.
.16	CHEMCLEAR, INC. OF LOS ANGELES
.17	USPCI, INC. OF GEORGIA
.18	SAFETY-KLEEN HOLDINGS, INC.
.19	SAFETY-KLEEN (WESTMORELAND), INC.
.20	SAFETY-KLEEN (BUTTONWILLOW), INC.
.21	SAFETY-KLEEN (NE), INC.
.22	SAFETY-KLEEN (CROWLEY), INC.

SUB-CLASS	NAME OF DEBTOR
.23	SAFETY-KLEEN (LAPORTE), INC.
.24	SAFETY-KLEEN (TG), INC.
.25	SAFETY-KLEEN (ROEBUCK), INC.
.26	SAFETY-KLEEN (TS), INC.
.27	SAFETY-KLEEN (COLFAX), INC.
.28	GSX CHEMICAL SERVICES OF OHIO, INC.
.29	LEMC, INC.
.30	SAFETY-KLEEN CHEMICAL SERVICES, INC.
.31	SAFETY-KLEEN (ALTAIR), INC.
.32	SAFETY-KLEEN (FS), INC.
.33	SAFETY-KLEEN (BDT), INC.
.34	SAFETY-KLEEN (GS), INC.
.35	SAFETY-KLEEN (CLIVE), INC.
.36	SAFETY-KLEEN (WT), INC.
.37	SAFETY-KLEEN OSCO HOLDINGS, INC.
.38	SAFETY-KLEEN (NASHVILLE), INC.
.39	SAFETY-KLEEN (BARTOW), INC.
.40	SAFETY-KLEEN (CALIFORNIA), INC.
.41	SAFETY-KLEEN (CHATTANOOGA), INC.
.42	SAFETY-KLEEN (PECATONICA), INC.
.43	SAFETY-KLEEN (PINWOOD), INC.
.44	SAFETY-KLEEN (WHITE CASTLE), INC.
.45	SAFETY-KLEEN (PUERTO RICO), INC.
.46	SAFETY-KLEEN (BRIDGEPORT), INC.
.47	SAFETY-KLEEN (DEER PARK), INC.
.48	SAFETY-KLEEN (BATON ROUGE), INC.
.49	SAFETY-KLEEN (PLAQUEMINE), INC.
.50	SAFETY-KLEEN (CUSTOM TRANSPORT), INC.
.51	SAFETY-KLEEN (LOS ANGELES), INC.

SUB-CLASS	NAME OF DEBTOR
.52	SAFETY-KLEEN (TIPTON), INC.
.53	SAFETY-KLEEN (GLOUCESTER), INC.
.54	SAFETY-KLEEN (DEER TRAIL), INC.
.55	SAFETY-KLEEN (MT. PLEASANT), INC.
.56	SAFETY-KLEEN (MINNEAPOLIS), INC.
.57	SAFETY-KLEEN (ARAGONITE), INC.
.58	SAFETY-KLEEN (SUSSEX), INC.
.59	SAFETY-KLEEN (ENCOTEC), INC.
.60	SAFETY-KLEEN SYSTEMS, INC.
.61	ECOGARD, INC.
.62	SK EUROPE, INC.
.63	DIRT MAGNET, INC.
.64	THE MIDWAY GAS AND OIL CO.
.65	ELGINT CORP.
.66	SAFETY-KLEEN ENVIROSYSTEMS COMPANY
.67	SAFETY-KLEEN ENVIROSYSTEMS COMPANY OF PUERTO RICO
.68	PETROCON, INC.
.69	PHILLIPS ACQUISITION CORP.
.70	SK REAL ESTATE INC.
.71	SAFETY-KLEEN INTERNATIONAL, INC.
.72	SAFETY-KLEEN OIL RECOVERY CO.
.73	SAFETY-KLEEN OIL SERVICES, INC.
.74	THE SOLVENTS RECOVERY SERVICE OF NEW JERSEY, INC.

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EXHIBIT G

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES

SCHEDULE OF RESOLVED INSURANCE POLICIES

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SCHEDULE OF RESOLVED INSURANCE POLICIES

Policy Period			Carrier	Policy No.
11/1/78	-	8/30/79	First State Insurance Company	922238
8/30/82	-	8/30/83	First State Insurance Company	912761
8/30/83	-	8/30/84	First State Insurance Company	980370
11/10/78	-	1/1/80	First State Insurance Company	927334
1/1/84	-	1/1/85	First State Insurance Company	EU936395
2/11/77	-	2/15/78	First State Insurance Company	923947
2/15/78	-	2/15/79	First State Insurance Company	924971
1/1/84	-	1/1/85	Hartford Insurance Company	FXS 100015
3/25/73	-	3/25/74	Hartford Accident and Indemnity Company	18C839970
3/25/74	-	3/25/75	Hartford Accident and Indemnity Company	18C843592
3/25/75	-	3/25/76	Hartford Accident and Indemnity Company	18C848109
3/25/76	-	3/25/77	Hartford Accident and Indemnity Company	13C706518
3/25/77	-	3/25/78	Hartford Accident and Indemnity Company	13C711056
3/25/78	-	8/11/78	Hartford Accident and Indemnity Company	13C714344
5/25/83	-	5/25/84	Hartford Fire Insurance Company	08CJC0090
5/25/84	-	5/25/85	Hartford Fire Insurance Company	08CXJ3499
5/25/85	-	5/25/86	Hartford Fire Insurance Company	08CMB2340
1/1/83	-	1/1/84	Hartford Fire Insurance Company	10CLRC30101
1/1/84	-	1/1/85	Hartford Fire Insurance Company	10CLRC30114
1/1/83	-	1/1/84	Hartford Fire Insurance Company	10CLRC30100
2/15/78	-	5/4/78	New England Reinsurance Company	683806
8/30/82	-	8/30/83	Nutmeg Insurance Company	BXS 100413
8/30/83	-	8/30/84	Nutmeg Insurance Company	BXS 100413
6/30/82	-	6/30/83	Twin City Fire Insurance Company	TXU 104593
6/30/83	-	6/30/84	Twin City Fire Insurance Company	TXU 107529
8/30/84	-	8/30/85	American Centennial Insurance Company	CC-01-60-55
1/1/79	-	1/1/80	Puritan Insurance Company	ML 651560
8/30/76	-	8/30/77	Manhattan Fire & Marine Insurance Company	ML650710
1/1/70	-	1/1/71	Fidelity & Casualty Company of New York	LX 1216400
6/1/71	-	6/1/72	Continental Insurance Company	CBP 404464
1/1/71	-	1/1/72	Fidelity & Casualty Company of New York	LX 1216400
6/1/72	-	6/1/73	Continental Insurance Company	CBP 404464
1/1/72	-	1/1/73	Fidelity & Casualty Company of New York	LX 1216400
6/1/73	-	6/1/74	Continental Insurance Company	CBP 404464
1/1/73	-	1/1/74	Fidelity & Casualty Company of New York	LX 1216437
6/1/74	-	1/1/75	Continental Insurance Company	CBP 407996
1/1/74	-	1/1/75	Fidelity & Casualty Company of New York	LX 1216437
1/1/75	-	1/1/76	Continental Insurance Company	CBP 407996
1/1/75	-	1/1/76	Fidelity & Casualty Company of New York	LX 1216437
1/1/76	-	1/1/77	Fidelity & Casualty Company of New York	L6342307
2/4/77	-	1/1/78	Columbia Casualty Company	RDU 3652820
1/26/78	-	1/26/79	Continental Casualty Company	RDX 1770229
1/1/79	-	1/1/80	Continental Casualty Company	RDX 1779733

Policy Period			Carrier	Policy No.
1/1/79	-	1/1/80	Continental Casualty Company	RDX 1779727
6/1/79	-	6/1/80	Continental Insurance Company	SRL 3635842
8/30/79	-	8/30/80	Columbia Casualty Company	RDX4169838
8/30/79	-	8/30/80	Continental Insurance Company	SRX 2153320
8/30/79	-	8/30/80	Harbor Insurance Company	127038
1/1/80	-	1/1/81	Continental Insurance Company	CCP 005-3126-10
1/1/81	-	1/1/82	Continental Insurance Company	CCP 005-3126-10
8/30/80	-	8/30/81	Continental Insurance Company	SRX 3192904
8/30/80	-	8/30/81	Columbia Casualty Company	RDX4170082
6/1/80	-	6/1/81	Continental Insurance Company	SRL 3635842
6/1/81	-	6/1/82	Continental Insurance Company	SRL 3635842
8/30/81	-	8/30/82	Continental Insurance Company	SRX 1591513
TBD	-	2/15/82	Fidelity & Casualty Company of New York	L2872505
6/1/82	-	6/1/83	Continental Insurance Company	SRL 3635842
8/30/82	-	8/30/83	Continental Insurance Company	SRX 1591768
6/1/83	-	6/1/84	Continental Insurance Company	SRL 3635842
8/30/83	-	8/30/84	Continental Insurance Company	SRX 1592040
6/1/84	-	6/1/85	Continental Insurance Company	SRL 3635842
8/30/84	-	8/30/85	Continental Insurance Company	SRX 1592229
8/30/84	-	8/30/85	Harbor Insurance Company	HI 179641
10/1/84	-	10/1/85	Harbor Insurance Company	HI 180291
10/1/84	-	10/1/85	Columbia Casualty Company	RDX 9176461
6/1/85	-	6/1/86	Continental Insurance Company	SRL 3635842
8/30/85	-	8/30/86	Continental Insurance Company	SRX 1592261
2/10/84	-	2/10/85	Hudson Insurance Company	HL 01826
8/30/82	-	8/30/83	Hudson Insurance Company	HN 00145
8/30/83	-	8/30/84	Hudson Insurance Company	HN 01196
9/14/78	-	8/22/79	North Star Reinsurance Corporation	NSX 16554
2/15/79	-	4/1/80	Federal Insurance Company	(80)79226379
8/30/76	-	8/30/78	Federal Insurance Company	7932-95-85
8/30/84	-	8/30/85	Federal Insurance Company	7935-83-28
4/11/78	-	1/1/79	Federal Insurance Company	7933-26-60
3/25/72	-	3/25/73	Globe Indemnity Company	LU 705256
7/1/80	-	7/1/81	Royal Globe Insurance Company	PLU 583843
1/1/82	-	7/1/83	Royal Insurance Company of America	PLU 625049
7/1/83	-	7/1/84	Royal Insurance Company of America	PLU 625049
8/30/84	-	8/30/85	Royal Indemnity Company	ED 102963
7/1/83	-	7/1/84	Newark Insurance Company	NLA 151003
1/26/78	-	1/26/79	Fireman's Fund Insurance Company	XLX 1363699
1/26/79	-	1/1/80	Fireman's Fund Insurance Company	XLX 1364997
1/1/85	-	1/1/86	The American Insurance Company	XLX1734327
5/25/78	-	5/25/81	The American Insurance Company	MXX 3265572
5/25/81	-	5/25/82	National Surety Corporation	MXX 66200939
5/25/82	-	5/25/83	National Surety Corporation	MXX 4585096
5/25/75	-	5/25/78	The American Insurance Company	MXP 273 00 85
10/1/82	-	1/22/85	Fireman's Fund Insurance Company	MXX 61702184
8/30/84	-	8/30/85	The American Insurance Company	XLX 1685319
1/1/84	-	1/1/85	The American Insurance Company	XLX 1618303
10/1/82	-	10/1/83	National Surety Corporation	XLX 1482571
10/1/83	-	10/1/84	National Surety Corporation	XLX 1530294
10/1/84	-	10/1/85	National Surety Corporation	XLX 1687439
10/1/84	-	10/1/85	National Surety Corporation	XLX 1687437

Policy Period			Carrier	Policy No.
8/30/84	-	8/30/85	The American Insurance Company	XLX 168 53 18
4/1/73	-	4/1/1974	Protective Insurance Company	X147-73
7/15/73	-	7/15/1974	Protective Insurance Company	U-117
4/1/74	-	4/1/1975	Protective Insurance Company	X147-74
7/15/74	-	7/15/1975	Protective Insurance Company	U-1012
7/15/74	-	7/15/1975	Protective Insurance Company	U-1013
4/1/75	-	4/1/1976	Protective Insurance Company	X147-75
7/15/75	-	8/15/1976	Protective Insurance Company	U-1050
7/15/75	-	7/15/1976	Protective Insurance Company	U-1051
4/1/76	-	4/1/1977	Protective Insurance Company	X147-76
8/30/76	-	8/30/1977	Protective Insurance Company	U-1104
8/30/76	-	8/30/1977	Protective Insurance Company	U-1103
4/1/77	-	4/1/1978	Protective Insurance Company	X147-77
8/30/77	-	8/30/1978	Protective Insurance Company	U-1156
8/30/77	-	8/30/1978	Protective Insurance Company	U-1155
4/1/78	-	6/1/1979	Protective Insurance Company	X147-78
7/15/72	-	7/15/1973	Protective Insurance Company	U-107
TBD	-	TBD	Protective Insurance Company	X147-79
1/1/76	-	1/1/1979	Liberty Mutual Insurance Company	LG1-612-004135-026
1/1/79	-	1/1/1980	Liberty Mutual Insurance Company	LG1-612-004135-029
8/30/84	-	8/30/1985	Evanston Insurance Company	EX 11495
11/4/84	-	8/30/1985	Evanston Insurance Company	EX 11518
1/1/85	-	1/1/1986	Evanston Insurance Company	EX 11522
8/30/76	-	8/30/1977	Associated International Insurance Company	AEL 050194
8/30/77	-	8/30/1978	Associated International Insurance Company	AEL050489
11/6/84	-	2/10/1985	Associated International Insurance Company	XS 108810
4/1/80	-	10/1/1980	Ranger Insurance Company	CGL 506375
10/1/80	-	10/1/1981	Ranger Insurance Company	CGL 509034
10/1/81	-	10/1/1982	Ranger Insurance Company	CGL 528111
10/1/82	-	10/1/1983	Ranger Insurance Company	CGL 528759
7/15/72	-	7/15/1973	International Insurance Company	XSI-1320
7/15/73	-	7/15/1974	International Insurance Company	XSI-1741
7/15/74	-	7/15/1975	International Insurance Company	XSI-2067
7/15/75	-	8/30/1976	International Insurance Company	XSI-2270
8/30/76	-	8/30/1977	International Insurance Company	XSI-2651
8/30/77	-	8/30/1978	International Insurance Company	XSI 3966
8/30/82	-	8/30/1983	International Insurance Company	XSI 8372
8/30/83	-	8/30/1984	International Insurance Company	XSI 8608
8/30/84	-	8/30/1985	International Insurance Company	XSI 8912
10/1/95	-	10/1/1996	TIG Insurance Company	XLX 9271038
10/1/96	-	10/1/1997	TIG Insurance Company	XLX 9271167
10/1/97	-	10/1/1998	TIG Insurance Company	XLX 9271308
5/7/75	-	5/7/1978	United States Fire Insurance Company	DCL737656
5/7/78	-	5/7/1979	United States Fire Insurance Company	520-352424-9
5/7/79	-	5/7/1980	United States Fire Insurance Company	523-007918-1
5/7/80	-	5/25/1981	United States Fire Insurance Company	523-06355385
5/25/81	-	5/25/1982	United States Fire Insurance Company	523-117324-8
5/25/82	-	5/25/1983	United States Fire Insurance Company	523-235166-3
5/25/83	-	5/25/1984	United States Fire Insurance Company	523-270487-7
5/25/84	-	5/25/1985	United States Fire Insurance Company	523-367728-2
10/1/83	-	10/1/1984	International Insurance Company (novated to United States Fire Insurance Company)	540628896
9/18/75	-	9/18/76	Unigard Insurance Company	CL 07-2121
9/18/75	-	9/18/76	Unigard Insurance Company	BC 01-2091

Policy Period			Carrier	Policy No.
9/18/76	-	9/18/77	Unigard Insurance Company	CL 07-2121
9/18/76	-	9/18/77	Unigard Insurance Company	BC 01-2091
9/18/77	-	9/18/78	Unigard Insurance Company	CL 07-2121
9/18/77	-	9/18/78	Unigard Insurance Company	BC 01-2091
9/18/78	-	7/25/79	Unigard Insurance Company	GL 33-1008
9/18/78	-	9/18/79	Unigard Insurance Company	BC 01-2091
4/1/68	-	4/1/69	Insurance Company of North America	SRL 5728
4/1/69	-	4/1/70	Insurance Company of North America	SRL 5728
4/1/70	-	4/1/71	Insurance Company of North America	SRL 5728
4/1/71	-	4/1/72	Insurance Company of North America	SMT 10405
4/1/72	-	4/1/73	Insurance Company of North America	SMT 10405
7/15/72	-	7/15/73	California Union Insurance Company	ZCX000707
7/15/73	-	7/15/74	California Union Insurance Company	ZCX000707
7/15/74	-	7/15/75	California Union Insurance Company	ZCX000707
7/15/75	-	3/1/76	California Union Insurance Company	ZCX000707
9/14/77	-	9/14/78	Central National Insurance Company of Omaha	CNU127948
7/11/79	-	7/11/80	Insurance Company of North America	GLP827037
8/30/79	-	8/30/80	Insurance Company of North America	XCP 14372
7/11/80	-	7/11/81	Insurance Company of North America	GLP G066183-1
7/11/81	-	7/11/82	Insurance Company of North America	GLP G014801-8
10/1/81	-	10/1/82	Central National Insurance Company of Omaha	CNZ006027
2/10/82	-	2/10/83	Illinois Union Insurance Company	ICU020329
7/11/82	-	7/11/83	Insurance Company of North America	GLP G0332718-8
2/10/83	-	2/10/84	Illinois Union Insurance Company	ICU020561
10/1/82	-	10/1/83	Central National Insurance Company of Omaha	CNZ008099
10/1/83	-	10/1/84	Central National Insurance Company of Omaha	CNZ008432
7/11/83	-	7/11/84	Insurance Company of North America (cancelled flat effective 7/11/83)	GLP G0 4530895
10/1/84	-	10/1/85	Insurance Company of North America	XCP 156738
8/30/84	-	8/30/85	Pacific Employers Insurance Company	XCC014542
7/1/84	-	7/1/85	Pacific Employers Insurance Company	XMO011004
12/31/84	-	1/1/86	Insurance Company of North America	XCP157246
1/1/85	-	1/1/86	Insurance Company of North America	CFG G0313277-8
11/29/84	-	1/1/86	International Insurance Company	522 040668 3
10/30/85	-	10/1/86	Pacific Employers Insurance Company	XCC 017665
11/10/78	-	1/1/80	Employers Mutual Casualty Company	MMO 70506
11/10/78	-	1/1/80	American Reinsurance Company	EUR 4001535
7/15/72	-	7/15/75	American Reinsurance Company	M0691482
7/15/75	-	7/15/76	American Reinsurance Company	M1026012
8/30/80	-	8/30/81	American Excess Insurance Company	EUL 5077800
8/30/81	-	8/30/82	American Excess Insurance Company	EUL 5078824
8/30/82	-	8/30/83	American Excess Insurance Company	EUL 5093782
7/15/72	-	7/15/73	The Aetna Casualty and Surety Company (n/k/a Travelers Casualty and Surety Company)	27XS836WCA
7/15/73	-	7/15/74	The Aetna Casualty and Surety Company (n/k/a Travelers Casualty and Surety Company)	27XS836WCA
7/15/74	-	7/15/75	The Aetna Casualty and Surety Company (n/k/a Travelers Casualty and Surety Company)	27XS836WCA
7/15/75	-	8/30/76	The Aetna Casualty and Surety Company (n/k/a Travelers Casualty and Surety Company)	27XS1509WCA
11/1/78	-	8/30/79	The Aetna Casualty and Surety Company (n/k/a Travelers Casualty and Surety Company)	27XN148WCA
11/10/78	-	1/1/80	The Aetna Casualty and Surety Company (n/k/a Travelers Casualty and Surety Company)	38XN25WCA

Policy Period			Carrier	Policy No.
1/1/79	-	1/1/80	The Aetna Casualty and Surety Company (n/k/a Travelers Casualty and Surety Company)	38XN26WCA
8/30/78	-	8/30/79	The Aetna Casualty and Surety Company (n/k/a Travelers Casualty and Surety Company)	27XN145WCA
8/30/80	-	8/30/81	Allianz Insurance Company	AUX 5200162
8/30/79	-	8/30/80	Allianz Insurance Company	UMB 599298
8/30/81	-	8/30/82	Allianz Insurance Company	AUX 5200509
8/30/81-	-	8/30/82	Allianz Insurance Company	AUX 5200510
10/1/86	-	10/1/87	Pacific Employers Insurance Company	XMO 026844*
10/1/86	-	10/1/87	Pacific Employers Insurance Company	XCC 026953*
10/1/86	-	10/1/87	Westchester Fire Insurance Company	522 069468 3*
12/18/86	-	10/1/87	Westchester Fire Insurance Company	522 069329 7*
10/1/87	-	10/1/88	Westchester Fire Insurance Company	522 062227 8*
10/1/87	-	10/1/88	Pacific Employers Insurance Company	XCC 026980*
10/1/88	-	10/1/89	Westchester Fire Insurance Company	531 201130 2*
10/1/89	-	10/1/90	Westchester Fire Insurance Company	531 202382 1*
10/1/90	-	10/1/91	Westchester Fire Insurance Company	531 203694 3*
10/1/91	-	10/1/92	Westchester Fire Insurance Company	531 204864 3*
10/1/92	-	10/1/93	International Insurance Company	531 205948 8*
10/1/93	-	10/1/94	Westchester Fire Insurance Company	531 206940 6*
10/1/94	-	10/1/95	Westchester Fire Insurance Company	XLA 260326-0*
10/1/95	-	10/1/96	Westchester Fire Insurance Company	XLA 260635-0*
10/1/96	-	10/1/97	Westchester Fire Insurance Company	XLA 260831-0*

\* These policies are "Resolved Insurance Policies" only as to "Environmental Claims" as that term is defined in the Settlement Agreement between the Debtors and ACE.

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EXHIBIT H

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES

SCHEDULE OF SETTLING INSURERS

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SCHEDULE OF SETTLING INSURERS

Allianz Insurance Company  
American Casualty Company of Reading, Pennsylvania  
American Centennial Insurance Company  
American Excess Insurance Company  
American Loyalty Insurance Company  
American Reinsurance Company  
Asia Insurance Company, Ltd.  
Associated International Insurance Company  
Bankers and Shippers Insurance Company  
Bayside Reinsurance Company, Ltd.  
Boston Indemnity Insurance Company, Ltd.  
Boston Marine Insurance Company  
Boston Old Colony Insurance Company  
Buckeye Union Insurance Company  
Buffalo Reinsurance Company Casualty Insurance Company  
Casualty Insurance Company  
Central National Insurance Company of Omaha  
Century Indemnity Company, as successor to CCI Insurance Company, as successor to Insurance Company of North America  
Century Indemnity Company, as successor to CIGNA Specialty Insurance Company (formerly California Union Insurance Company)  
Cornerstone Insurance Company  
CNA Assurance Company of Connecticut  
CNA Casualty of California  
CNA Casualty of Illinois  
CNA Casualty of Puerto Rico  
CNA Casualty Company of South Carolina  
CNA Casualty Company of Texas  
CNA Chile Compania De Seguros De Vida, S.A.  
CNA Group Life Assurance Company  
CNA International Life Company, SPC Limited  
CNA Insurance Company (Europe) Ltd.  
CNA Lakeview Insurance Company  
CNA Life Insurance Company of Canada  
CNA Lloyd's of Texas  
CNA Reinsurance Company  
CNA Reinsurance Company Limited  
Columbia Casualty Company  
Commercial Insurance Company of Newark, New Jersey  
Commercial Life Insurance Company  
Continental Assurance Company  
Continental Casualty Company  
Continental Insurance Company  
Continental Insurance Company of New Jersey  
Continental Insurance Company of Puerto Rico  
Continental Life (International), Ltd.  
Continental Lloyd's Insurance Company

Continental National Indemnity Company  
Continental Pacific Insurance Company (Australia), Limited  
Continental Reinsurance Company  
Continental Reinsurance Corporation  
Continental Reinsurance Corporation International, Ltd.  
Continental Reinsurance Corporation (U.K.), Ltd.  
De Montfort Insurance Company PLC  
Deutsche Continental Reinsurance AG  
Dominion Insurance Company  
East River Indemnity Company (Barbados), Ltd.  
East River Insurance Company (Bermuda), Ltd.  
Employers Mutual Casualty Company  
Equitable Fire Insurance Company  
Evanston Insurance Company  
Federal Insurance Company  
Fidelity & Casualty Company of New York  
Fireman's Fund Insurance Company  
Firemen's Insurance Company of New York  
Firemen's Insurance Company of Newark, New Jersey  
First Fire and Casualty Insurance of Hawaii, Inc.  
First Indemnity Insurance of Hawaii, Inc.  
First Insurance Company of Hawaii, Ltd.  
First Security Insurance of Hawaii, Inc.  
First State Insurance Company  
Galway Insurance Company  
Glens Falls Insurance Company  
Globe Indemnity Company  
Hallmark Insurance Company  
Harbor Insurance Company  
Hartford Accident and Indemnity Company  
Hartford Fire Insurance Company  
Hartford Insurance Company  
Hong Kong Fire Insurance Company, Ltd.  
Hudson Insurance Company  
Illinois Union Insurance Company  
Insurance Company of North America  
Intergroup  
International Insurance Company  
Jersey Insurance Company of New York  
Kansas City Fire and Marine Insurance Company  
Liberty Mutual Insurance Company  
Lombard General Insurance  
Lombard Insurance Company, Limited  
London Guarantee & Accident of New York  
Loyalty Life Insurance Company  
Manhattan Fire & Marine Insurance Company  
Marine Office of America Corporation  
Maritime Insurance Company Limited  
Mayflower Insurance Company, Ltd.  
Mid-States Insurance Company  
MUI Continental Insurance  
National-Ben Franklin Insurance Company of Illinois  
National-Ben Franklin Life Insurance Company  
National Surety Corporation  
New England Reinsurance Company  
Newark Insurance Company

Niagara Fire Insurance Company  
 North Rock Insurance Company, Limited  
 North Star Reinsurance Corporation  
 Nutmeg Insurance Company  
 Omega Aseguradora de Riesgo de Trabajo  
 Pacific Employers Insurance Company  
 Pacific Insurance Company  
 Pacific Insurance Company of New York  
 Phoenix Assurance Company of Canada  
 Phoenix Assurance Company of New York  
 Protective Insurance Company  
 Puerto Rican-American Insurance Company  
 Puritan Insurance Company  
 Ranger Insurance Company  
 Royal Globe Insurance Company  
 Royal Indemnity Company  
 Royal Insurance Company of America  
 Royal Insurance Company of Canada  
 R.V.I. America Insurance Company  
 R.V.I. Guaranty Company Ltd.  
 Seaboard Fire & Marine  
 Surety Bonding Company of America  
 The American Insurance Company  
 The Century Insurance Company of Canada  
 The Manhattan Fire & Marine Insurance Company  
 TIG Insurance Company  
 Tokio Marine & Fire Insurance Company  
 Transcontinental Insurance Company  
 Transportation Insurance Company  
 Travelers Casualty and Surety Company (f/k/a The Aetna Casualty and Surety Company)  
 Troy Fain Insurance, Inc.  
 Twin City Fire Insurance Company  
 Unigard Insurance Company  
 Unionamerica Insurance Company  
 United States Branch of Chiyoda Fire & Marine  
 United States Fire Insurance Company  
 Universal Surety of America  
 Valley Forge Insurance Company  
 Valley Forge Life Insurance Company  
 Washington General Insurance Corporation  
 Westchester Fire Insurance Company  
 Western Surety Company  
 Westport Insurance Company, as successor to Manhattan Fire & Marine Insurance Company &  
 Puritan Insurance Company  
 William Penn Life Insurance Company of New York  
 William Penn Life Assurance Company

The following Settling Insurers entered into final settlements with the Debtors prior to the filing of the Plan: (a) Royal Indemnity Company, Royal Globe Insurance Company, Globe Indemnity Company, Newark Insurance Company, Royal Insurance Company of America and Royal Insurance Company of Canada (collectively, "Royal"); (b) North Star Reinsurance Corporation ("North Star"); (c) Fireman's Fund Insurance Company, The American Insurance Company and National Surety Corporation (collectively, "Fireman's Fund"); (d) Liberty Mutual Insurance Company ("Liberty Mutual"); (e) Unigard Insurance Company ("Unigard"); (f) Protective Insurance Company ("Protective"); (g) Ranger Insurance Company, International Insurance Company, TIG Insurance Company, United States Fire Insurance Company (collectively, "Fairfax"); (h) Employers Mutual Casualty Company ("Employers"); (i) American Reinsurance Company ("American Reinsurance") and American

Excess Insurance Company ("American Excess"); (j) Travelers Casualty and Surety Company (f/k/a The Aetna Casualty and Surety Company) ("Travelers"); and (k) Allianz Insurance Company ("Allianz"). The Debtors have sought and obtained Bankruptcy Court approval of the settlement agreements with Royal, North Star, Fireman's Fund, Liberty Mutual and Unigard, and have also sought Bankruptcy Court approval of the settlement agreements with Protective, Fairfax, Employers, American Reinsurance and American Excess and will seek Bankruptcy Court approval of the agreements with Allianz and Travelers. The insurance policies to be resolved with respect to these Settling Insurers are included on Exhibit G to the Plan.

In addition, the following insurers have entered into settlements-in-principle with the Debtors: (a) Evanston Insurance Company ("Evanston"); (b) Associated International Insurance Company ("Associated International"); and (c) Century Indemnity Company, as successor to CCI Insurance Company, as successor to Insurance Company of North America; Century Indemnity Company, as successor to CIGNA Specialty Insurance Company (formerly California Union Insurance Company); Central National Insurance Company of Omaha; Insurance Company of North America; Illinois Union Insurance Company; International Insurance Company; Pacific Employers Insurance Company; and Westchester Fire Insurance Company (collectively, "ACE"). The Debtors intend to seek Bankruptcy Court approval of the settlement agreements with Evanston, Associated International and ACE upon finalizing such settlement agreements. The insurance policies to be resolved with respect to these Settling Insurers are included on Exhibit G to the Plan.

EXHIBIT I

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES

SCHEDULE OF RETAINED ACTIONS

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**Exhibit I**  
**Schedule of Retained Actions\***

<b>Case</b>	<b>Matter Number</b>	<b>Court Filed</b>
Safety-Kleen Services, Inc. v. Chem-Klean, et al.	00-10450-CA-06	11th Judicial Cir. Dade County FL
Safety-Kleen Systems, Inc. v. Guglielmi, et al.	02 C 0287	N. Dist. IL Eastern Div.
Safety-Kleen Systems, Inc. v. Brett Henry	02 CH 252	Peoria County IL
Safety-Kleen Systems, Inc. v. Brian Gabriel	CV 02-2941	E. Dist. Pennsylvania
Safety-Kleen Systems, Inc. v. Craig Rose	02C1782	N. Dist. IL Eastern Div.
Safety-Kleen Systems, Inc. v. David Wallace	02-CVS-1466	Cabarrus County NC
Safety-Kleen Systems, Inc. v. Don Pennell	CV-02-03565	E. Dist. Pennsylvania
Safety-Kleen Systems, Inc. v. James Zielinski	02-CV-G458CJS	W. Dist. New York
Safety-Kleen Systems, Inc. v. Jermone Johnson	71D05 0204	St. Joseph's County IN
Safety-Kleen Systems, Inc. v. John Perkins	1-01-1256-T/B	W. Dist. TN
Safety-Kleen Systems, Inc. v. Keith Flack	1:02CV00484	U.S. Dist. Middle Dist. NC
Safety-Kleen Systems, Inc. v. Kevin Hennkens	4:02CV00406ERW	E. Dist. Missouri E Div.
Safety-Kleen Systems, Inc. v. Michael L. McGinn	02-11319-MEL	Dist. Mass.
Safety-Kleen Systems, Inc. v. Heritage Environmental Services, et al.	01-CP-40-5196	5th Judicial Dist. SC
Safety-Kleen Corp. v. American Re-Insurance Company, et al.	L-3095-00	Superior Ct. NJ Hudson County
Safety-Kleen Corp. v. AIG, Continental Ins. Co., et al.	BC 216723	Superior Ct. CA LA County
Safety-Kleen Corp., et al. v. Pricewaterhouse Coopers, et al.	01-CP-40-4213	Cir. Ct. SC, Richland County
U.S. for Use and Benefit of Dutra Group v. Safety-Kleen Services, Inc., et al.	99-1188; 01-460; 01-2736	U.S. Dist. Ct. New Jersey
Safety-Kleen Services (East) v. Army Corp. of Engineers	DAWC51-98-C-0004 and DAWC91-C-0032	U.S. Ct. of Federal Claims
Safety-Kleen Corp. v. Nat'l Union Fire Insurance of Pittsburgh, PA, et al.	01CP404813	Richland County, SC
United States of America and United States Army (Tooele Army Depot) United States Pollution	93-C-951B	U.S. Dist. Ct. Utah
Safety-Kleen Corp., et al. v. MIMS International, Inc.	03-CP-40-0376	Richland County, SC
Safety-Kleen Corp., et al. v. Peoplesoft USA	A02-4297 (PJW)	U.S. Bankruptcy Ct. Delaware
In the Matter of the Appeal of Safety-Kleen (GS), Inc.	ASBCA No. 53668	Armed Services Bd of Contract Appeals
In the Matter of the Appeal of Safety-Kleen (GS), Inc.	ASBCA No. 53820	Armed Services Bd of Contract Appeals

\*Retained Actions also include any and all actions, claims or cases in connection with or related to the following:

- 1) Counter-claims or cross-claims in pending litigation or any other proceeding
- 2) Contribution claims against co-liable parties
- 3) Claims against employees and former employees
- 4) Claims under any policy of insurance
- 5) Claims filed by a Debtor in any other bankruptcy cases or as a creditor
- 6) The collection of outstanding accounts receivable or monies owed to a Debtor
- 7) Claims for contractual indemnification

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EXHIBIT J

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES  
SCHEDULE OF REVESTING ASSETS FOR DISSOLVING DEBTORS

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**Exhibit J**  
**Schedule of Revesting Assets for Dissolving Debtors**

Debtor	Reorganized Debtor to Which Asset is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
LEMC, INC.	SAFETY-KLEEN SYSTEMS, INC.		COMPUTER EQUIPMENT ASSIGNED TO EMPLOYEES IN CORPORATE	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.		CONSTRUCTION IN PROGRESS RELATING TO SAP	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.		IMPROVEMENTS AND OFFICE CABLE TO BE SCRAPPED	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.		OFFICE EQUIPMENT IN COLUMBIA, SOUTH CAROLINA	
SAFETY-KLEEN (SAN JOSE), INC.	SAFETY-KLEEN SYSTEMS, INC.	A STRIPPING WORKSHOP	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	A.J. MEHTA	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	1/13/2003
GSX SERVICES, INC. N/K/A SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS, INC.	A-1 PUMPING SERVICES, INC.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE NON-COMPETITION AND CONFIDENTIALITY AGREEMENT	
GSX SERVICES, INC. N/K/A SAFETY-KLEEN (TS), INC. AND ITS SUBS	SAFETY-KLEEN SYSTEMS, INC.	A-1 PUMPING SERVICES, INC.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH ASSET PURCHASE AGREEMENT	
GSX SERVICES, INC. N/K/A SAFETY-KLEEN (TS), INC. AND ITS SUBS	SAFETY-KLEEN SYSTEMS, INC.	A-1 PUMPING SERVICES, INC.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH INDEMNIFICATION AGREEMENT	
THERMAL OXIDATION CORPORATION N/K/A SAFETY-KLEEN (TOC), INC. GSX CHEMICAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ABCO INDUSTRIES, INC.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE INDEMNIFICATION AGREEMENT	
SAFETY-KLEEN (SAN JOSE), INC.	SAFETY-KLEEN SYSTEMS, INC.	ABOVENET COMMUNICATIONS INC.	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	ACCOUNTING PRINCIPALS	HR SERVICE	3/16/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ACE INA GROUP	INSURANCE POLICY INSURING DEBTORS	9/1/1998

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ACE INA GROUP	INSURANCE POLICY INSURING DEBTORS LDMFB770/S	9/1/1999
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	ACXIOM CORPORATION	AGREEMENT FOR OUTSOURCING SERVICES	7/31/2000
SAFETY-KLEEN (ENCOTEC), INC./SAFETY-KLEEN (LONE & GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	ADT	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	ADT SECURITY SERVICES	COMMERCIAL SALES AGREEMENT	8/23/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	ADT SECURITY SERVICES, INC.	COMMERCIAL SALES AGREEMENT H007421105, H007421106	3/26/2002
SAFETY-KLEEN (PR)	SAFETY-KLEEN ENVIROSYSTEMS COMPANY OF PUERTO RICO, INC.	AGA PUERTO RICO CORP.	SUPPLY SYSTEM AGREEMENT	11/21/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	AGILENT ANALYTICAL INSTRUMENT	SUPPORT SERVICES 2623N1733	7/9/2002
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINEWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AGRICULTURAL EXCESS AND SURPLUS INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS UM0002822	12/31/1985
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINEWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AGRICULTURAL EXCESS AND SURPLUS INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS X50005319	1/1/1985
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINEWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AGRICULTURAL EXCESS AND SURPLUS INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS UM0002811	11/29/1984
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	AIR CONDITIONING COMPANY, INC.	SERVICE AGREEMENT	8/5/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AIRBORNE EXPRESS	EXTENSION OF CREDIT	5/6/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AIRBORNE EXPRESS	LIBRA AGREEMENT	4/26/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AIRBORNE EXPRESS	NATIONAL ACCOUNT LETTER OF AGREEMENT	5/3/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AIRBORNE EXPRESS	INVOICE DATA INTERCHANGE AGREEMENT	9/30/2002
SAFETY KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ALCOA, INC.	MASTER PURCHASE AGREEMENT AND PURCHASE ORDER NO. EA041362PA	2/14/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ALEX RICHERT	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	10/1/2002
SAFETY-KLEEN (SAN JOSE), INC.	SAFETY-KLEEN SYSTEMS, INC.	ALL METALS PROCESSING COMPANY	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ALLEN YU	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	11/14/2002
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ALLIANZ INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS AUX 5200510	8/30/1981
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ALLIANZ INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS UMB 599298	8/30/1979
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ALLIANZ INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS AUX 5200509	8/30/1981
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ALLIANZ INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS AUX 5200162	8/30/1980
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	ALLIED WORLD ASSURANCE CO., LTD	INSURANCE D & O LIABILITY C000249	4/3/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	ALLIED WORLD ASSURANCE CO., LTD	INSURANCE D & O LIABILITY	4/3/2002
SAFETY-KLEEN (TS), INC	SAFETY-KLEEN SYSTEMS, INC.	AMERETURN	ACCOUNTS RECEIVABLE	
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN CENTENNIAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS CC-01-60-55	8/30/1984
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	AMERICAN DISPOSAL SERVICES	CUSTOMER SERVICE AGREEMENT ADSO006873	8/20/2002
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN EXCESS INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS EUL 5093782	8/30/1982

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN EXCESS INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS EUL 5078824	8/30/1981
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN EXCESS INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS EUL 5077800	8/30/1980
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	GENERAL LIABILITY GL1737655	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	GENERAL LIABILITY RMGLA2507228	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY 5273705	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY 5273707	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY 5273708	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY CA5273500	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY 5273709	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY RMB116707	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY RMB1167007	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY RMB1167007	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY CA5273501	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY CA5273499	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY CA5273342	9/1/2000

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY CA5273498	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY CA5273433	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY CA5273432	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE AUTO LIABILITY CA5273343	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE GENERAL LIABILITY RMGLA2507228	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE GENERAL LIABILITY GL1737814	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE GENERAL LIABILITY RMGLA2507228	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE GENERAL LIABILITY 1737871	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE OWNERS & CONT. PRO. 1737688	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE OWNERS & CONT. PRO. 1737657	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE WORKERS COMP. WC 406-65-81	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE	INSURANCE WORKERS COMP. WC 406-65-80	9/1/2000
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS CE356214	7/15/1973
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS CE2691717	7/15/1974
SAFETY-KLEEN (ALTAIR), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS BE 7719437	7/1/1980

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS RMGL1737484	9/1/1999
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS CE356131	7/15/1972
SAFETY-KLEEN (ALTAIR), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN HOME ASSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS BE 7719291	7/1/1979
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XLX 1685318	8/30/1984
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN INT'L INS. AGENCY	INSURANCE AUTO LIABILITY 148-080127-01	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN INT'L INS. AGENCY	INSURANCE AUTO LIABILITY 148-080127-03	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN INT'L INS. CO. OF PR	INSURANCE AUTO LIABILITY CA148-080252-0	9/1/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AMERICAN REGISTRY FOR INTERNET NUMBERS, LTD.	AGREEMENT FOR INTERNET ADDRESS REGISTRATION 20020729.1284	8/30/2002
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN REINSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS ML026012	7/15/1975
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN REINSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS M0691482	7/15/1972
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN REINSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS EUR 4001535	1/1/1978
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN REINSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS EUR 4001535	1/1/1979
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN REINSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS M0691482	7/15/1974
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	AMERICAN REINSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS M0691482	7/15/1973
ROLLINS ENVIRONMENTAL SERVICES (LA) INC. N/K/A SAFETY-KLEEN (BATON ROUGE), INC.	SAFETY-KLEEN SYSTEMS, INC.	AMERICAN TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY TRACTS OF LAND IN EAST BATON ROUGE, LA COMMITMENT #01-083318	7/31/1984

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
ROLLINS ENVIRONMENTAL SERVICES (LA) INC. N/K/A SAFETY-KLEEN (BATON ROUGE), INC.	SAFETY-KLEEN SYSTEMS, INC.	AMERICAN TITLE INSURANCE COMPANY,	TITLE INSURANCE POLICY 13351 SCFNIC HIGHWAY BATON ROUGE, LA 70807 01-083318	7/31/1984
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	AMERICORP, INC.	RELOCATION MANAGEMENT SERVICES	9/3/2002
SAFETY-KLEEN (WESTMORLAND), INC.	SAFETY-KLEEN SYSTEMS, INC.	AMERIFIX REPAIR & CONSTRUCTION	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	AMERIGAS PROPANE, L.P., D/B/A AMERIGAS	PROPANE SUPPLY AGREEMENT AND EQUIPMENT LEASE (FORKLIFT)	11/21/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AMERITECH	AGREEMENT FOR TELECOMMUNICATION SERVICES	9/28/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AMERITECH INFORMATION SYSTEMS, INC. AS AGENT FOR ILLINOIS BELL TELEPHONE CO., DBA AMERITECH ILLINOIS	AGREEMENT FOR TELECOMMUNICATION SERVICES	9/28/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AMERITECH INFORMATION SYSTEMS, INC. AS AGENT FOR INDIANA BELL TELEPHONE CO., DBA AMERITECH INDIANA	AGREEMENT FOR TELECOMMUNICATION SERVICES	9/28/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AMERITECH INFORMATION SYSTEMS, INC. AS AGENT FOR MICHIGAN BELL TELEPHONE CO., DBA AMERITECH MICHIGAN	AGREEMENT FOR TELECOMMUNICATION SERVICES	9/28/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ANDREW POPE	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	11/25/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ANITA MANSFIELD	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	11/13/2002
ALL DISSOLVING DEBTOR ENTITIES	SAFETY-KLEEN SYSTEMS, INC.	APPLICABLE TAXING AUTHORITIES	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	AQUAPURE, LLC	RENTAL/SERVICE AGREEMENT	12/11/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	ARCH INSURANCE GROUP	INSURANCE D & O LIABILITY 25 FADOX 00011-00	4/3/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	ARCH INSURANCE GROUP	INSURANCE D & O LIABILITY 25 FADOX 00011-00	4/3/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN OF PUERTO RICO	SAFETY-KLEEN ENVIROSYSTEMS COMPANY OF PUERTO RICO, INC.	ASOMAR TELECOMMUNICATION SYSTEMS	MAINTENANCE AGREEMENT 08/02-05154	7/16/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	ASSOCIATED AVIATION UNDERWRITERS	INSURANCE OWNED AIRCRAFT BHV 110226	9/1/2000
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ASSOCIATED INTERNATIONAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS AEL 050194	8/30/1976
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ASSOCIATED INTERNATIONAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XS 108810	11/6/1984
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ASSOCIATED INTERNATIONAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS AEL050489	8/30/1977
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AT&T CANADA CORP.	AGREEMENT FOR LONG DISTANCE VOICE AND DATA SERVICES 776	4/3/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AT&T COMMUNICATIONS OF CALIFORNIA, INC.	AGREEMENT FOR INTRASTATE TELECOMMUNICATION SERVICES	10/12/2001
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	AT&T CORP.	AGREEMENT FOR INTERNET SERVICE 15209	8/11/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AT&T CORP.	AGREEMENT FOR VOICE & DATA SERVICES 109140	10/12/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	AT&T GLOBAL NETWORK SERVICES, INC.	AGREEMENT FOR TELECOMMUNICATION SERVICES	8/13/2002
SAFETY-KLEEN SERVICE, INC.	SAFETY-KLEEN SYSTEMS, INC.	AWS NATIONAL ACCOUNTS, LLC	AGREEMENT FOR WIRELESS SERVICES	8/20/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	BANK ONE	ESCROW ACCOUNT RELATING TO LAIDLAW LITIGATION (ACCT# 1065366)	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	BANK ONE, NA	BANK ONE 5500672, 1064716 AND LOCKBOXES	9/5/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	BARRY FOGLE	LETTER AGREEMENT	10/30/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	BECKY EITEL	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	9/26/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	BEVISON HLA VATY ARCHITECTS	ARCHITECTURAL AND DESIGN PROPOSAL	8/26/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	BIRMINGHAM FIRE	INSURANCE PROPERTY 2606450	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	BIRMINGHAM FIRE INS. CO.	INSURANCE PROPERTY ST 2606413	9/1/2001
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	BIRMINGHAM FIRE INSURANCE COMPANY OF PENNSYLVANIA	INSURANCE POLICY INSURING DEBTORS SE 607348	1/1/1979
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	BIRMINGHAM FIRE INSURANCE COMPANY OF PENNSYLVANIA	INSURANCE POLICY INSURING DEBTORS SE 6073357	1/26/1978
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	BISCOM, INC.	AGREEMENT FOR SOFTWARE AND HARDWARE SUPPORT	10/26/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	BISCOM, INC.	AGREEMENT FOR SOFTWARE AND HARDWARE SUPPORT	1/24/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	BLACKSTONE-NEY ULTRASONICS, INC.	PURCHASE AND SALE AGREEMENT	8/29/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	BLUE CROSS BLUE SHIELD OF SOUTH CAROLINA	COBRA ADMINISTRATION	1/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	BLUE CROSS BLUE SHIELD OF SOUTH CAROLINA	FSA (FLEXIBLE SPENDING ACCOUNT)	1/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	BLUE CROSS OF SOUTH CAROLINA	MEDICAL	1/1/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	BP AMERICA PRODUCTION CO.	MASTER SERVICE CONTRACT BPA-01-03726	01/18/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	BRAD HAMES	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	1/2/2003
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	BRADFORD, KAY	PERSONAL SERVICES	8/2/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	BRIAN MARTIN	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	1/10/2003

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	BRIO SOFTWARE	AGREEMENT FOR SOFTWARE LICENSE RENEWAL AND SUPPORT	9/19/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	BROWNING FERRIS INDUSTRIES	AGREEMENT S6923883	1/22/2003
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	BRUCE E. ROBERSON	EMPLOYMENT AGREEMENT	8/5/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	BRUCE E. ROBERSON	COMPANY INDEMNIFICATION AGREEMENT	8/5/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	BUNDY-STEWART ASSOCIATES, INC.	HR SERVICE	12/3/2002
SAFETY-KLEEN (ARAGONITE), (WICHITA), (LONE & GRASSY MTN.) (SAWYER), 3E COMP. ENVIR., ECOLOGIAL & ENGINEERING	SAFETY-KLEEN SYSTEMS, INC.	BURLINGTON NORTHERN RR	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	C & K ENTERPRISES	RECRUITER	1/14/2003
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	C&C PEST CONTROL	PEST CONTROL SERVICE AGREEMENT	9/27/2002
SAFETY-KLEEN (PR)	SAFETY-KLEEN ENVIROSYSTEMS COMPANY OF PUERTO RICO, INC.	CADILLAC UNIFORM & LINEN SUPPLY, INC.	LINEN RENTAL	3/28/2002
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CALIFORNIA UNION INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS ZCX000707	7/15/1974
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CALIFORNIA UNION INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS ZCX000707	7/15/1975
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CALIFORNIA UNION INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS ZCX000707	7/15/1973
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CALIFORNIA UNION INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS ZCX000707	7/15/1972
SAFETY-KLEEN (CONSULTING), INC., SAFETY-KLEEN (LOVE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	CAMERON-COLE, LLC	ASSIGNMENT & ASSUMPTION AGREEMENT	
SAFETY-KLEEN (CONSULTING), INC., SAFETY-KLEEN (LOVE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	CAMERON-COLE, LLC	SECURITY AGREEMENT	

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CAMERON-COLE, LLC	AGREEMENT FOR PROFESSIONAL ENVIRONMENTAL SERVICES	
SAFETY-KLEEN (CONSULTING), INC., AND SAFETY-KLEEN (LOVE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	CAMERON-COLE, LLC, COLORADO BUSINESS BANK, N.A.	SUBORDINATION AGREEMENT	
SAFETY-KLEEN (CONSULTING), INC., SAFETY-KLEEN (LOVE AND GRASSY MOUNTAIN), INC., SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CAMERON-COLE, LLC	ASSET PURCHASE AGREEMENT	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CARGILL, INCORPORATED	MASTER SERVICES AGREEMENT	09/28/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	CARLYLE MANAGEMENT	CONFIDENTIALITY AGREEMENT	12/2/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CAROL MOMENT	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	9/12/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CAROLYN LEWIS	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	11/15/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	CASPER GROUP, LLC	HR SERVICE	12/25/2002
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	CEM CORPORATION	PLAN II MAINTENANCE AGREEMENT	8/21/2002
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	CEM SERVICE	MAINTENANCE AGREEMENT	9/12/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CENDIAN CORPORATION	MASTER AGREEMENT	8/7/2002
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	CENTRA SOFTWARE, INC.	WEB-BASED TRAINING	8/10/2000
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CHASE MANHATTAN BANK	CHASE ACCOUNT 0022421523	
LAIDLAW ENVIRONMENTAL SERVICES OF ILLINOIS, INC., N/K/A SAFETY-KLEEN (PECATONICA), INC.	SAFETY-KLEEN SYSTEMS, INC.	CHICAGO TITLE AGENCY OF ROCKFORD, INC.	TITLE INSURANCE POLICY 6125 N. PECATONICA ROAD PECATONICA, IL 61063 14 201 106 004252	3/12/1998
APTUS, INC. N/K/A SAFETY-KLEEN (ARAGONITE), INC.	SAFETY-KLEEN SYSTEMS, INC.	CHICAGO TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY 21750 CEDAR AVENUE LAKEVILLE, MN 55044 FILE # C2449676	3/31/1995

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
APTUS, INC. N/K/A SAFETY-KLEEN (ARAGONITE), INC.	SAFETY-KLEEN SYSTEMS, INC.	CHICAGO TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY WARES FERRY ROAD MONTGOMERY, ALABAMA 17 0014 106 00000139	3/31/1995
LIDLAW ENVIRONMENTAL SERVICES OF SOUTH CAROLINA, INC. N/K/A SAFETY-KLEEN (PINWOOD), INC.	SAFETY-KLEEN SYSTEMS, INC.	CHICAGO TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY SPARKLEBERRY LANDING ROAD TAX MAP 110-00-01-013 & 008 COMMITMENT # 951591/SEK	7/3/1995
MUNICIPAL SERVICES CORPORATION N/K/A SAFETY-KLEEN (SAWYER), INC.	SAFETY-KLEEN SYSTEMS, INC.	CHICAGO TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY 12400 247TH AVENUE SOUTH SAWYER, ND 58751 35 0009 60 000200	11/12/1992
SCA CHEMICAL SERVICES, INC., N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CHICAGO TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY ROBERTSON COUNTY, TENNESSEE 43-014-01-00637	12/27/1983
SHIPPEN CORP. N/K/A PETROCON, INC.	N/A	CHICAGO TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY UNION STREET MODENA, PA 19358 C36754	7/14/1988
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CHIP DUFFIE	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	9/17/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	CHIP DUFFIE	LETTER AGREEMENT/SEVERANCE & RETENTION	8/1/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CHRIS DAVENPORT	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	10/7/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CHRIS NYGAARD	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	11/13/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CHRISTOPHER HAMMOND	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	10/7/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	CHUBB INS. CO. OF CANADA	INSURANCE BOILER & MACHINERY 76406358	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	CHUBB INSURANCE CO. OF CANADA	INSURANCE BOILER & MACHINERY 76406358	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	CHUBB INSURANCE CO. OF CANADA	INSURANCE BOILER & MACHINERY 7640-63-58	9/1/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CHURCH & DWIGHT CO., INC.	AMENDED AND RESTATED PARTNERSHIP AGREEMENT	1/1/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CINDY BRUCE	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	9/23/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	CITIBANK, N.A.	CONFIDENTIALITY AGREEMENT	12/23/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	CLARENDON AMERICA INSURANCE CO.	INSURANCE EXCESS D&O LIABILITY - SIDE A MAG 24 700342 10000	1/8/2002
SAFETY-KLEEN (BUTTONWILLOW), INC.	SAFETY-KLEEN SYSTEMS, INC.	CLAYTON ENVIRONMENTAL	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN SERVICES, INC. TOGETHER WITH ITS OPERATING SUBSIDIARIES	SAFETY-KLEEN SYSTEMS, INC.	CLEAN HARBORS ENVIRONMENTAL SERVICES, INC. TOGETHER WITH ALL OF ITS OPERATING SUBSIDIARIES	MASTER WASTE DISPOSAL AGREEMENT	09/10/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CLEAN HARBORS, INC.	ACQUISITION AGREEMENT	02/22/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CLEAN HARBORS, INC.	FIRST AMENDMENT TO THE ACQUISITION AGREEMENT	03/8/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CLEAN HARBORS, INC.	SECOND AMENDMENT TO THE ACQUISITION AGREEMENT	04/30/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CLEAN HARBORS, INC.	THIRD AMENDMENT TO THE ACQUISITION AGREEMENT	10/6/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CLEAN HARBORS, INC.	TRANSITION SERVICES AGREEMENT	09/10/2002
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	CLEANING SYSTEMS INTERNATIONAL, INC.	MAINTENANCE AGREEMENT	9/17/2002
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	COATS, MATT	PERSONAL SERVICES	11/6/2002
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	COLUMBIA CASUALTY COMPANY	INSURANCE POLICY INSURING DEBTORS RDX 4169838	8/30/1979
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	COLUMBIA CASUALTY COMPANY	INSURANCE POLICY INSURING DEBTORS RDX 4170082	8/30/1980
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	COMDATA NETWORK, INC. D/B/A COMDATA CORPORATION	COMCHECK/MASTERCARD FLEET CARD AGREEMENT	11/10/2000
SAFETY-KLEEN, INC.	SAFETY-KLEEN SYSTEMS, INC.	COMFORT SYSTEMS USA (FLORIDA), INC.	PLANNED MAINTENANCE AGREEMENT	10/17/2001

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	COMMERCIAL UNION INS. CO.	INSURANCE OCEAN CARGO CZJC20099	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	COMMERCIAL UNION INS. CO.	INSURANCE OCEAN CARGO CWC-400537	5/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	COMMERCIAL UNION INS. CO.	INSURANCE WARFINGERS CWJH-40082	5/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	COMMERCIAL UNION INS. CO.	INSURANCE WARFINGERS CZJH21125	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	COMMONWEALTH INS. CO.	INSURANCE PROPERTY US4014	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	COMMONWEALTH INS. CO.	INSURANCE PROPERTY US4013	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	COMMONWEALTH INS. CO.	INSURANCE PROPERTY CLP11364	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	COMMONWEALTH INS. CO.	INSURANCE PROPERTY US3297	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	COMMONWEALTH INS. CO.	INSURANCE PROPERTY US 2832	9/1/2000
GSX HYDROTECH SYSTEMS, INC., A TENNESSEE CORPORATION ("GSX")	SAFETY-KLEEN SYSTEMS, INC.	COMMONWEALTH LAND TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY CHATTANOOGA HAMILTON COUNTY, TN 817-665973	11/6/1987
NORTH EAST SOLVENTS RECLAMATION CORPORATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS, INC.	COMMONWEALTH LAND TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY 221 SUTTON STREE NORTH ANDOVER, MA 01845 107-601831	9/13/1989
SCA CHEMICAL SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	COMMONWEALTH LAND TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY 208 WATLINGTON INDUSTRIAL DRIVE REIDSVILLE, NC 27320 107-126169	2/13/1986
PPM N/K/A SAFETY-KLEEN (PPM), INC.	SAFETY-KLEEN SYSTEMS, INC.	COMMONWEALTH OF PENNSYLVANIA	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN (TG), INC.	SAFETY-KLEEN SYSTEMS, INC.	COMMONWEALTH OF PENNSYLVANIA	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS, INC.	COMMONWEALTH OF PENNSYLVANIA	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	COMPAQ COMPUTER CORPORATION	SERVICE AGREEMENT 90027149P	6/1/2002
ROLLINS ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	CONCORD RESOURCES GROUP, INC.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE STOCK PURCHASE AGREEMENT	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	CONGRESS FINANCIAL CORPORATION	CONFIDENTIALITY AGREEMENT	1/14/2003
ROLLINS ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	CONSOLIDATED RAIL CORP.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE AGREEMENT	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CONSOLIDATED SERVICES	RECORDS STORAGE CONTRACT	7/24/2000
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL CASUALTY COMPANY	INSURANCE POLICY INSURING DEBTORS CCP 005-31-26-10	1/1/1981
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL CASUALTY COMPANY	INSURANCE POLICY INSURING DEBTORS CCP 005-31-26-10	1/1/1980
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL CASUALTY COMPANY	INSURANCE POLICY INSURING DEBTORS RDX 1779727	1/1/1979
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL CASUALTY COMPANY	INSURANCE POLICY INSURING DEBTORS RDX 1770229	1/26/1978
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL CASUALTY COMPANY	INSURANCE POLICY INSURING DEBTORS RDX 1779733	1/1/1979
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRX 1592229	8/30/1984
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRL 3635842	6/1/1983
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRX 1591513	8/30/1981
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRL 3635842	6/1/1985
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRL 3635842	6/1/1984

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRL 3635842	6/1/1981
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRX 3192904	8/30/1980
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRX 2153320	8/30/1979
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRL 3635842	6/1/1982
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRX 1592261	8/30/1985
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRL 3635842	6/1/1979
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRX 1592040	8/30/1983
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRL 3635842	6/1/1980
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	CONTINENTAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SRX 1591768	8/30/1982
ROLLINS ENVIRONMENTAL SERVICES (N.J.) INC. N/K/A SAFETY-KLEEN (BRIDGEPORT), INC.	SAFETY-KLEEN SYSTEMS, INC.	CONTINENTAL TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY U.S. HIGHWAY 322 ,TOWNSHIP OF LOGAN GLOUCESTER COUNTY, NJ 338196HO	3/31/1988
ROLLINS ENVIRONMENTAL SERVICES (N.J.) INC. N/K/A SAFETY-KLEEN (BRIDGEPORT), INC.	SAFETY-KLEEN SYSTEMS, INC.	CONTINENTAL TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY U.S. HIGHWAY 322 ,TOWNSHIP OF LOGAN GLOUCESTER COUNTY, NJ 338196HO	4/6/1988
ROLLINS ENVIRONMENTAL SERVICES (N.J.) INC. N/K/A SAFETY-KLEEN (BRIDGEPORT), INC.	SAFETY-KLEEN SYSTEMS, INC.	CONTINENTAL TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY US HIGHWAY 322 TOWNSHIP OF LOGAN STATE OF NEW JERSEY 336491HO	11/25/1987
ROLLINS ENVIRONMENTAL SERVICES (N.J.) INC. N/K/A SAFETY-KLEEN (BRIDGEPORT), INC.	SAFETY-KLEEN SYSTEMS, INC.	CONTINENTAL TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY US HIGHWAY 322 TOWNSHIP OF LOGAN STATE OF NEW JERSEY 338196HO	4/6/1988
ROLLINS ENVIRONMENTAL SERVICES (N.J.) INC. N/K/A SAFETY-KLEEN (BRIDGEPORT), INC.	SAFETY-KLEEN SYSTEMS, INC.	CONTINENTAL TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY US HIGHWAY 322 TOWNSHIP OF LOGAN STATE OF NEW JERSEY 338196HO	3/31/1988
ROLLINS ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	CONTINENTAL TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY U.S. HIGHWAY 322 ,TOWNSHIP OF LOGAN GLOUCESTER COUNTY, NJ 336491HO	11/24/1987

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
ROLLINS ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	CONTINENTAL TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY U.S HIGHWAY 322 TOWNSHIP OF LOGAN STATE OF NEW JERSEY 336491HO	11/24/1987
ROLLINS-PURLE OF NEW JERSEY, INC. N/K/A SAFETY-KLEEN (BRIDGEPORT), INC.	SAFETY-KLEEN SYSTEMS, INC.	CONTINENTAL TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY US ROUTE 322 & RACCOON CREEK LOGAN, NJ 08014 443215	6/4/1976
ROLLINS ENVIRONMENTAL SERVICES (N.J.) INC. N/K/A SAFETY-KLEEN (BRIDGEPORT), INC.	SAFETY-KLEEN SYSTEMS, INC.	CONTINENTAL TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY U.S. HIGHWAY 322 ,TOWNSHIP OF LOGAN GLOUCHESTER COUNTY, NJ 336491HO	11/25/1987
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	COVERALL OF MODESTO D/B/A COVERALL NORTH AMERICA	COVERALL'S CLEANING CONTRACT	4/12/2001
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	CREATIVE SOURCING, INC.	HR SERVICE	12/3/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	CREDIT SUISSE FIRST BOSTON	CONFIDENTIALITY AGREEMENT	12/20/2002
SAFETY KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CROMPTON MANUFACTURING COMPANY, INC.	MASTER WASTE MANAGEMENT SERVICES AGREEMENT NUMBER 10001036	11/09/01
SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS, INC.	CRYSTALONICS	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN (BIG BEAR BLVD, COLA, MO)	SAFETY-KLEEN SYSTEMS, INC.	CULLIGAN BOTTLED WATER OF COLUMBIA	TWELVE MONTH RENTAL AGREEMENT	4/4/2002
GSX CHEMICAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	CUMBERLAND GROUP, INC.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE CONFIDENTIAL INFORMATION AGREEMENT	
GSX HYDROTECH SYSTEMS, INC. N/K/A SAFETY-KLEEN (CHATTANOOGA), INC., ET AL.	SAFETY-KLEEN SYSTEMS, INC.	CUMBERLAND GROUP, INC., HYDROTECH SYSTEMS, INC., AND CUMBERLAND INDUSTRIAL SERVICES, INC.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE INDEMNIFICATION AGREEMENT	
GSX HYDROTECH SYSTEMS, INC. N/K/A SAFETY-KLEEN (CHATTANOOGA), INC	SAFETY-KLEEN SYSTEMS, INC.	CUMBERLAND GROUP, INC.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE CONSULTING AGREEMENT	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DANIEL CALLAGHAN	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	1/6/2003
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DANNY GRAHAM	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	9/23/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CLARKSVILLE	SAFETY-KLEEN SYSTEMS, INC.	DATASTREAM SYSTEMS, INC.	AGREEMENT	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DAVE ANTLEY	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	9/20/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	DAVE SHEFFIELD	LETTER AGREEMENT/SEVERANCE & RETENTION	10/7/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DAVE SPARROW	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	10/8/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	DAVE SPRINKLE	LETTER AGREEMENT	9/30/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DAVID SPRINKLE	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	9/30/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DAVIS, MALM & D'AGOSTINE, P.C.	LETTER AGREEMENT	12/19/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DAWN POOLE	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	12/10/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DAWN POTTER	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	10/28/2002
SAFETY-KLEEN (GS), INC.	SAFETY-KLEEN SYSTEMS, INC.	DEFENSE REUTILIZATION & MARKETING SERVICE - INTERNATIONAL	MIDDLE EAST WASTE CONTRACTS; SAUDI ARABIA	2/20/2000
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	DELAWARE VALLEY PACKAGING GROUP	PREVENTIVE MAINTENANCE SERVICE AGREEMENT FOR INFRAPAK STRETCH WRAPPING SYSTEM	9/9/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	DELOITTE & TOUCHE	AGREEMENT FOR AUDITING SERVICES	8/26/2002
SAFETY KLEEN INCORPORATED, REEDLEY RECYCLE CENTER	SAFETY-KLEEN SYSTEMS, INC.	DEPARTMENT OF TOXIC SUBSTANCES CONTROL	AGREEMENT 02-T2445	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	DEUTSCHE BANK SECURITIES, INC.	CONFIDENTIALITY AGREEMENT	12/23/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DIANA MYERS	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	1/31/2003

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DIANE CAPENER	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	1/17/2003
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	DICE	AGREEMENT FOR SUBSCRIPTION SERVICE	12/6/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DON MOSELEY	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	10/25/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	DON'S PEST CONTROL	AGREEMENT	11/13/2001
SAFETY KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DOW REICHHOLD SPECIALTY LATEX LLC	MASTER SERVICES AGREEMENT NO. 00134348	1/14/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	DUN & BRADSTREET, INC.	AGREEMENT FOR PROFESSIONAL SERVICES	5/31/2002
SAFETY-KLEEN (ALTAIR), INC.	SAFETY-KLEEN SYSTEMS, INC.	DURRETT DEMOLITION	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	EARLY, CHRIS	PERSONAL SERVICES	8/20/2002
EAST CARBON DEVELOPMENT FINANCIAL PARTNERS	SAFETY-KLEEN SYSTEMS, INC.	EAST CARBON DEVELOPMENT CORPORATION	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE ASSET PURCHASE AGREEMENT	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ECOLOGICAL SYSTEMS, INC.	DISPOSER AGREEMENT	7/31/2000
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ECONOMIC ANALYSIS GROUP, LTD.	AGREEMENT FOR SOFTWARE LICENSE	4/12/2002
SAFETY-KLEEN (SAN JOSE), INC.	SAFETY-KLEEN SYSTEMS, INC.	ECT	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	EDDINS ELECTRIC CO., INC.	AGREEMENT FOR TELECOMMUNICATION CONSULTING SERVICES	6/17/2002
SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS, INC.	EDWART S BUCHANAN, CHARLES E. SCHUAB, JR. AND JOEL LEWIN, TRUSTEES OF 300 CANAL STREET TRUST	NOTE DUE FOR IMPROVEMENT TO BRIDGE AT PROPERTY	5/8/1998
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ELECTRONIC DATA SYSTEMS CORPORATION	NONDISCLOSURE AGREEMENT	3/18/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ELECTRONIC DATA SYSTEMS CORPORATION AND EDS INFORMATION SERVICES L.L.C.	AGREEMENT FOR INFORMATION TECHNOLOGY SERVICES	4/26/2002
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	EMPLOYERS MUTUAL CASUALTY COMPANY	INSURANCE POLICY INSURING DEBTORS MMO 70506	11/10/1978
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	EMPLOYERS MUTUAL CASUALTY COMPANY	INSURANCE POLICY INSURING DEBTORS MMO 70506	1/1/1979
SCA CHEMICAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ENGLISH TITLE COMPANY (CHICAGO TITLE INSURANCE COMPANY)	TITLE INSURANCE POLICY 2815 OLD GREENBRIER PIKE GREENBRIER, TN 37073 G1747	8/26/1993
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	ENSLIN, DAVE	RECRUITER	12/19/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	ENVIRON INTERNATIONAL CORPORATION	AGREEMENT TO PROVIDE ENVIRONMENTAL CONSULTING SERVICES	10/27/2000
SAFETY-KLEEN (PPM), INC.	SAFETY-KLEEN SYSTEMS, INC.	ENVIRONMENTAL WASTE TECH	ACCOUNTS RECEIVABLE	
GSX TANK MANAGEMENT, INC. N/K/A SAFETY-KLEEN (FS), INC. GSX CHEMICAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ENVIROPACT, INC.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE AGREEMENT	
GSX CHEMICAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ENVIROPACT, INC.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE STOCK PURCHASE AGREEMENT	
SAFETY-KLEEN (CALIFORNIA), INC.	SAFETY-KLEEN SYSTEMS, INC.	ENVIROSOURCE, INC.	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ERIC ZIMMER	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	10/8/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	ESSEX INSURANCE CO.	INSURANCE PROPERTY MSP8694	9/1/2002
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	EVANSTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS EX 11495	8/30/1984
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	EVANSTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS EX 11518	11/4/1984

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINWOOD), INC., SAFETY KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	EVANSTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS EX11522	1/1/1985
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	EXPERIO SOLUTIONS CORPORATION	AGREEMENT FOR SERVICES RELATED TO PROCESS IMPROVEMENT PROJECTS	9/24/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	FEDERAL INSURANCE CO	INSURANCE BOILER & MACHINERY 76417536	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	FEDERAL INSURANCE CO.	INSURANCE BOILER & MACHINERY 7641-75-36 DTO	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	FEDERAL INSURANCE CO.	INSURANCE BOILER & MACHINERY 7641-75-36	9/1/2001
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FEDERAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 7935-83-28	8/30/1984
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FEDERAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 7933-26-60	4/11/1978
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FEDERAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS (78)7932-95-85	8/30/1977
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FEDERAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 7932-95-85	8/30/1976
HESCO N/K/A SAFETY-KLEEN (CROWLEY), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIDELITY & CASUALTY COMPANY OF NEW YORK	INSURANCE POLICY INSURING DEBTORS L2872505	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	FINDETT CORPORATION	MASTER SERVICES AGREEMENT	03/27/2002
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIREMAN'S FUND INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS MXX 4585096	5/25/1982
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIREMAN'S FUND INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS MXX 3265572	5/25/1979
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIREMAN'S FUND INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XLX 11618303	1/1/1984
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIREMAN'S FUND INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XLX 1363699	1/26/1978

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIREMAN'S FUND INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XLX 1364997	1/26/1979
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIREMAN'S FUND INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS MXX 66200939	5/25/1981
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIREMAN'S FUND INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XLX1734327	1/1/1985
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIREMAN'S FUND INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 217MXX 61702184	10/1/1984
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIREMAN'S FUND INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS MXX 3265572	5/25/1980
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIREMAN'S FUND INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XLX 1685319	8/30/1984
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIREMAN'S FUND INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 217MXX 61702184	10/1/1983
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIREMAN'S FUND INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS MXX 3265572	5/25/1978
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIREMAN'S FUND INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 217MXX 61702184	10/1/1982
UNITED STATES POLLUTION CONTROL, INC. N/K/A SAFETY-KLEEN (LONE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	FIRST AMERICAN TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY BOX ELDER COUNTY, UT 14778-15	11/1/1993
UNITED STATES POLLUTION CONTROL, INC. N/K/A SAFETY-KLEEN (LONE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	FIRST AMERICAN TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY ELDER COUNTY, UT 13587-15	6/13/1991
UNITED STATES POLLUTION CONTROL, INC. N/K/A SAFETY-KLEEN (LONE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	FIRST AMERICAN TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY RICH COUNTY, UT 2,597-4	12/10/1993
APTUS ENVIRONMENTAL SERVICES (APTUS, INC.) N/K/A SAFETY-KLEEN (ARAGONITE), INC.	SAFETY-KLEEN SYSTEMS, INC.	FIRST AMERICAN TITLE INSURANCE COMPANY ASSOCIATED TITLE COMPANY	TITLE INSURANCE POLICY 11600 NORTH APTUS ROAD ARAGONITE, UT 84029 T-89-1922	3/17/1989
TIPTON ENVIRONMENTAL TECHNOLOGY, INC. N/K/A SAFETY-KLEEN (TIPTON), INC.	SAFETY-KLEEN SYSTEMS, INC.	FIRST AMERICAN TITLE INSURANCE COMPANY OF THE MID-WEST	TITLE INSURANCE POLICY HIGHWAY 50 TIPTON, MO 60581 OP 150878	1/12/1989
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIRST STATE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 927334	11/10/1978

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIRST STATE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS	1/1/1985
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIRST STATE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS EU936395	1/1/1984
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIRST STATE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 980370	8/30/1983
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIRST STATE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 912761	8/30/1982
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIRST STATE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 922238	11/1/1978
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	FIRST STATE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 927334	1/1/1979
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	FIRST TRUST CORPORATION	US 401K TRUSTEE	01/23/2003
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	FITZHENRY JANITORIAL SERVICES	CLEANING SERVICES	6/7/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	FLEET FINANCIAL	CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT	11/18/2002
SAFETY-KLEEN (PECATONICA), INC.	SAFETY-KLEEN SYSTEMS, INC.	FLO-MATIC CORPORATION	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS, INC.	FLORIDA DEPARTMENT OF REVENUE	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	FOOTHILL CAPITAL CORPORATION	CONFIDENTIALITY AGREEMENT	1/9/2003
SAFETY-KLEEN (WT), (CHATTANOOGA), (PINWOOD), (TS), (PPM)	SAFETY-KLEEN SYSTEMS, INC.	FOUR SEASONS	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	FRONTIER EL DORADO REFINING COMPANY	MISCELLANEOUS WORK AGREEMENT	02/05/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	FULCRUM INS. CO.	INSURANCE PROPERTY 223096-2000	9/1/2000

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	FUNK SOFTWARE, INC.	AGREEMENT FOR SOFTWARE SUPPORT 1-8VB6	10/2/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	GABRIEL PERFORMANCE PRODUCTS, LLC	AGREEMENT NO. 20135937	9/26/2001
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	GARRATT-CALLAHAN COMPANY	SERVICE AGREEMENT	12/1/2000
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	GARTNER GROUP, INC.	AGREEMENT FOR RESEARCH PRODUCTS AND SERVICES	7/1/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	GE INFORMATION SERVICES, INC. ACTING THROUGH ITS G.E. GLOBAL EXCHANGE SERVICES BUSINESS	AGREEMENT FOR DATA EXCHANGE SERVICES 18863-781	6/27/2002
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	GEMSTONE RECRUITING, INC.	HR SERVICE	11/20/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GENERAL SECURITY (SCOR RE)	INSURANCE PROPERTY 25F3900002502	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GENERAL SECURITY (SCOR RE)	INSURANCE PROPERTY 25F3900002502	9/1/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	GEOFF CLARK	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	9/25/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GERLING	INSURANCE POLICY INSURING DEBTORS DL324800	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GERLING	INSURANCE UMBRELLA LIABILITY DL324802	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GERLING	INSURANCE UMBRELLA LIABILITY DL324801	9/1/2001
SAFETY-KLEEN (MASON, MI)	SAFETY-KLEEN SYSTEMS, INC.	GRANGER CONTAINER AND GRAINGER RECYCLING	SERVICE AGREEMENT	9/23/2002
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	GRANITE STATE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 6485-7062	8/30/1985
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	GRANITE STATE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 6178-0742	8/30/1978

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINEWOOD), INC., SAFETY KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	GRANITE STATE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 6485-7079	1/1/1985
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	GRANT THORNTON LLP	AGREEMENT FOR ACCOUNTING, FINANCE AND ADMINISTRATIVE SERVICES	9/25/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GREENWICH INS. CO.	INSURANCE POLLUTION LEGAL LIAB. PLC 0005544	9/1/2000
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GREENWICH INSURANCE CO.	INSURANCE POLLUTION LEGAL LIAB. PEC0007099	10/15/2000
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GREENWICH INSURANCE CO.	INSURANCE POLLUTION LEGAL LIAB. PEC000554401	9/1/2001
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GREENWICH INSURANCE CO.	INSURANCE POLLUTION LEGAL LIAB. PEC0007099	10/15/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GREENWICH INSURANCE CO.	INSURANCE CONSULTANTS ENVIRON. PEC0009894	9/1/2001
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GREENWICH INSURANCE COMPANY	INSURANCE POLLUTION LEGAL LIAB. PEC000554401	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GREENWICH INSURANCE COMPANY	INSURANCE CLOSURE/POST CLOS. PEC0009526	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GREENWICH INSURANCE COMPANY	INSURANCE CLOSURE/POST CLOS. PEC000952601	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GREENWICH INSURANCE COMPANY	INSURANCE CONSULTANTS ENVIRON. PEC000989401	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GREENWICH INSURANCE COMPANY	INSURANCE POLLUTION LEGAL LIAB. PEC000709901	9/1/2002
SAFETY-KLEEN (BUTTONWILLOW), INC.	SAFETY-KLEEN SYSTEMS, INC.	GREKA ENERGY	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	GROH, DAVID	PERSONAL SERVICES	9/3/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GRUPO NACIONAL PROVINCIAL	INSURANCE AUTO LIABILITY 9219038, 9219040, 9219042, 9219043, 9219046	9/1/2002

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GRUPO NACIONAL PROVINCIAL	INSURANCE AUTO LIABILITY 7619415	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GRUPO NACIONAL PROVINCIAL	INSURANCE MEXICAN PACKAGE 938273	9/1/2002
SAFETY-KLEEN (PLAQUEMINE), INC./SAFETY-KLEEN (ENCOTEC), INC./SAFETY-KLEEN LONE & GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	GTX	ACCOUNTS RECEIVABLE	
LAIDLAW ENVIRONMENTAL SERVICES N/K/A SAFETY-KLEEN CORP. INC.	SAFETY-KLEEN SYSTEMS, INC.	GUARANTY TITLE AND ESCROW COMPANY	TITLE INSURANCE POLICY 1640 ANTIOCH PIKE ANTIOCH, TN 6096/1256	8/11/1993
LAIDLAW ENVIRONMENTAL SERVICES, (WT), INC. N/K/A SAFETY-KLEEN (WT), INC.	SAFETY-KLEEN SYSTEMS, INC.	GUARANTY TITLE AND ESCROW COMPANY	TITLE INSURANCE POLICY 1640 ANTIOCH PIKE ANTIOCH, TN 9325/1012	none listed
SAFETY-KLEEN (FS), INC.	SAFETY-KLEEN SYSTEMS, INC.	GUIDE	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GULF	INSURANCE CRIME POLICY GA0722741	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GULF INSURANCE COMPANY	INSURANCE D & O LIABILITY GA 0350090	4/3/2002
SAFETY-KLEEN LTD.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GULF INSURANCE COMPANY	INSURANCE D & O LIABILITY GA 0350090	4/3/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	GULF INSURANCE GROUP	INSURANCE PROPERTY GA 0496999 PFF	9/1/2000
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HARBOR INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS HI 179641	8/30/1984
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HARBOR INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 127038	8/30/1979
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	HARTFORD	INSURANCE PROPERTY GX0001284	9/1/2002
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HARTFORD CASUALTY INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS FXS 100015	1/1/1984
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HARTFORD CASUALTY INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS FXS 100015	1/1/1984

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	HARTFORD FIRE INS. CO.	INSURANCE PROPERTY GX 000094	9/1/2000
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HARTFORD FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 10CLRC30114E	1/1/1984
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HARTFORD FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 08CJC0090	5/25/1983
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HARTFORD FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 10CLRC30101	1/1/1983
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HARTFORD FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 08CXJ3499	5/25/1984
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	HASSELBACH & COMPANY	HR SERVICE	12/8/2002
SAFETY-KLEEN (BUTTONWILLOW), INC.	SAFETY-KLEEN SYSTEMS, INC.	HAZPAK, INC.	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	HEARTLAND DISPOSAL SERVICES	SERVICE AGREEMENT 16274	4/20/2001
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	HERTZ CORPORATION, THE	CORPORATE ACCOUNT AGREEMENT	10/1/2002
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HIGHLANDS INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS SR 20433	10/31/1977
SAFETY-KLEEN (PECATONICA), INC.	SAFETY-KLEEN SYSTEMS, INC.	HMHTTC RESPONSE	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HOME INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS HEC 9690026	1/1/1979
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HOME INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS HEC 9631212	1/1/1978
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HOME INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS HEC 9631211	10/31/1977
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HOME INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS HXL 1574594	8/30/1984

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HOME INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS HEC 9690227	1/1/1979
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HOME INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS HEC 9631212	10/31/1977
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HOME INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS HEC 9690225	1/1/1979
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HOME INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS HEC 9690225	10/1/1978
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HOME INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS HEC 9631211	1/1/1978
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	HOPE GROUP, THE	PREVENTIVE MAINTENANCE AGREEMENT	2/27/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	HOUSTON ENERGY SERVICES COMPANY, LLC	FIRM GAS SALES AGREEMENT	3/28/2002
SAFETY-KLEEN (NE), INC./SAFETY-KLEEN CHEMICAL SERVICES	SAFETY-KLEEN SYSTEMS, INC.	HOYT CONSTRUCTION	ACCOUNTS RECEIVABLE	
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HUDSON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS HL 01826	2/10/1984
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HUDSON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS HN 01196	8/30/1983
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	HUDSON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS HN 00145	8/30/1982
UNITED STATES POLLUTION CONTROL, INC. N/K/A SAFETY-KLEEN (LONE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	HUGHES ENVIRONMENTAL SYSTEMS-FEDERATED TECHNOLOGIES MISSISSIPPI, INC.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE LIMITED GUARANTY AGREEMENT	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	I2 TECHNOLOGIES US, INC.	NONDISCLOSURE AGREEMENT NDA5357	6/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	ILLINOIS NATIONAL INS. CO.	INSURANCE WORKERS COMP. 4895152	9/1/2002
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ILLINOIS UNION INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS ICU 020329	2/10/1982

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ILLINOIS UNION INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS ICU 020561	2/10/1983
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	ILL-MO PRODUCTS COMPANY	PRODUCT SALE AGREEMENT	4/5/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000997501	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC001092301	11/17/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009537	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC001058101	11/17/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0010583	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000953701	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0010584	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC001058401	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0010585	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC001058501	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0010792	12/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000953601	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0010923	7/31/2001

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009531	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0010924	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC001092401	11/17/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0010793	12/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009528	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009520	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000952001	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009521	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000952101	11/17/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009522	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000952201	11/17/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009523	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000952301	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009524	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009532	7/31/2001

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009525	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009536	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000952701	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000952801	11/17/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009530	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000953001	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000953101	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000953201	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009534	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000953401	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009535	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000953501	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000952401	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009512	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000707301	11/17/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000659401	11/17/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000659301	11/17/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000658201	11/17/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000707801	11/17/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000707901	11/17/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000951901	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000951101	11/17/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000707001	11/17/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009513	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009514	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000951401	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009515	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000951501	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009517	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000951701	7/31/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009518	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009527	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC000951801	7/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009519	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009511	7/31/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOSURE PEC0007079	10/15/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOSURE PEC0007078	10/15/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOSURE PEC0007077	10/15/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOSURE PEC0007076	10/15/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOSURE PEC0006594	10/15/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOSURE PEC0006593	10/15/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOSURE PEC0006582	10/15/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOSURE PEC0007073	10/15/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOSURE PEC0007070	10/15/2000
SAFETY-KLEEN LTD.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INDIAN HARBOR INS. CO.	INSURANCE CLOSURE/POST CLOS. PEC0009975	7/31/2001

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN (TS), INC	SAFETY-KLEEN SYSTEMS, INC.	INDUSTRIAL CONTAINER RECYCLING, INC.	ACCOUNTS RECEIVABLE	
THERMAL OXIDATION CORPORATION N/K/A SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS, INC.	INDUSTRIAL VALLEY TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY SPARTANBURG COUNTY, SC 1-89953	1/15/1986
THERMAL OXIDATION CORPORATION N/K/A SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS, INC.	INDUSTRIAL VALLEY TITLE INSURANCE COMPANY, ON MORTGAGE FROM ABCO INDUSTRIES TO SPARTANBURG COUNTY, SC	TITLE INSURANCE POLICY SPARTANBURG COUNTY, SC 64818	1/15/1986
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	INNOVATIVE STAFFING	HR SERVICE	9/25/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INS. CO. STATE OF PA	INSURANCE WORKERS COMP. WC1663520	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INS. CO. STATE OF PA	INSURANCE WORKERS COMP. WC1663582	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INS. CO. STATE OF PA	INSURANCE WORKERS COMP. WC1663546	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INS. CO. STATE OF PA	INSURANCE WORKERS COMP. WC1663540	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INS. CO. STATE OF PA	INSURANCE WORKERS COMP. WC 406-65-79	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE CO. STATE OF PENN	INSURANCE WORKERS COMP. 4895151	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE CO. STATE OF PENN	INSURANCE WORKERS COMP. 4895150	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE CO. STATE OF PENN	INSURANCE WORKERS COMP. 4895154	9/3/2002
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF NORTH AMERICA	INSURANCE POLICY INSURING DEBTORS GLPGO 066183-1	7/11/1980
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF NORTH AMERICA	INSURANCE POLICY INSURING DEBTORS XCP 14372	8/30/1979
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF NORTH AMERICA	INSURANCE POLICY INSURING DEBTORS SRL 5728	1/17/1969

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF NORTH AMERICA	INSURANCE POLICY INSURING DEBTORS SMT 10405	4/1/1971
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF NORTH AMERICA	INSURANCE POLICY INSURING DEBTORS SMT 10405	4/1/1972
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF NORTH AMERICA	INSURANCE POLICY INSURING DEBTORS GLP 827037	7/11/1979
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF NORTH AMERICA	INSURANCE POLICY INSURING DEBTORS GLPGO 214801-8	7/11/1981
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF NORTH AMERICA	INSURANCE POLICY INSURING DEBTORS GLPGO 332718-8	7/11/1982
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF NORTH AMERICA	INSURANCE POLICY INSURING DEBTORS XLP 157246	12/31/1984
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF NORTH AMERICA	INSURANCE POLICY INSURING DEBTORS XLP 157246	12/31/1984
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF NORTH AMERICA	INSURANCE POLICY INSURING DEBTORS CFGGO313277-8	1/1/1985
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF NORTH AMERICA	INSURANCE POLICY INSURING DEBTORS SRL 5728	1/17/1970
SAFETY-KLEEN (ALTAIR), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF NORTH AMERICA	INSURANCE POLICY INSURING DEBTORS XCP 156738	10/1/1984
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA	INSURANCE POLICY INSURING DEBTORS 4177-8308	8/30/1977
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA	INSURANCE POLICY INSURING DEBTORS 4175-6489	7/15/1975
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	INTERACT COMMERCE CORPORATION	AGREEMENT FOR SOFTWARE LICENSE	7/8/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	INTERACT COMMERCE CORPORATION	AGREEMENT FOR SOFTWARE MAINTENANCE AND TECHNICAL SUPPORT	7/8/2002

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
SAFETY-KLEEN CORP. F/K/A (ROLLINS ENVIRONMENTAL SERVICES, INC. & SUBSIDIARIES)	SAFETY-KLEEN SYSTEMS, INC.	INTERNAL REVENUE SERVICE	FORM 1120X - AMENDED RETURN FEIN# 51-0228924	
SAFETY-KLEEN CORP. F/K/A (ROLLINS ENVIRONMENTAL SERVICES, INC. & SUBSIDIARIES)	SAFETY-KLEEN SYSTEMS, INC.	INTERNAL REVENUE SERVICE	FORM 1120X - AMENDED RETURN FEIN# 51-0228924	
SAFETY-KLEEN CORP. F/K/A (ROLLINS ENVIRONMENTAL SERVICES, INC. & SUBSIDIARIES)	SAFETY-KLEEN SYSTEMS, INC.	INTERNAL REVENUE SERVICE	FORM 1120X - AMENDED RETURN FEIN# 51-0228924	
SAFETY-KLEEN CORP. F/K/A (ROLLINS ENVIRONMENTAL SERVICES, INC. & SUBSIDIARIES)	SAFETY-KLEEN SYSTEMS, INC.	INTERNAL REVENUE SERVICE	FORM 1120X - AMENDED RETURN FEIN# 51-0228924	
SAFETY-KLEEN CORP. F/K/A (ROLLINS ENVIRONMENTAL SERVICES, INC. & SUBSIDIARIES)	SAFETY-KLEEN SYSTEMS, INC.	INTERNAL REVENUE SERVICE	IRS APPEALS SETTLEMENT - APPROVED BY JOINT COMMITTEE - ON 01/31/01 FEIN# 51-0228924	
SAFETY-KLEEN CORP. F/K/A (ROLLINS ENVIRONMENTAL SERVICES, INC. & SUBSIDIARIES)	SAFETY-KLEEN SYSTEMS, INC.	INTERNAL REVENUE SERVICE	IRS APPEALS SETTLEMENT - APPROVED BY JOINT COMMITTEE - ON 01/31/01 FEIN# 51-0228924	
SAFETY-KLEEN CORP. F/K/A (ROLLINS ENVIRONMENTAL SERVICES, INC. & SUBSIDIARIES)	SAFETY-KLEEN SYSTEMS, INC.	INTERNAL REVENUE SERVICE	IRS APPEALS SETTLEMENT - APPROVED BY JOINT COMMITTEE - ON 01/31/01 FEIN# 51-0228924	
SAFETY-KLEEN CORP. F/K/A (ROLLINS ENVIRONMENTAL SERVICES, INC. & SUBSIDIARIES)	SAFETY-KLEEN SYSTEMS, INC.	INTERNAL REVENUE SERVICE	IRS APPEALS SETTLEMENT - APPROVED BY JOINT COMMITTEE - ON 01/31/01 FEIN# 51-0228924	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	INTERNATIONAL BUSINESS MACHINES CORPORATION	AGREEMENT FOR OPERATIONAL SUPPORT SERVICES ACKGHG12291	11/20/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	INTERNATIONAL BUSINESS MACHINES	AGREEMENT FOR SOFTWARE LICENSING AND SUPPORT 8025	3/1/2002
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINEWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INTERNATIONAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5220406683	11/29/1984
SAFETY-KLEEN (SAN JOSE), INC.	SAFETY-KLEEN SYSTEMS, INC.	INTERNATIONAL MICROELECTRO	ACCOUNTS RECEIVABLE	
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INTERNATIONAL SURPLUS LINES INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XSI 8912	8/30/1984
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INTERNATIONAL SURPLUS LINES INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XSI 8608	8/30/1983
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INTERNATIONAL SURPLUS LINES INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XSI 8372	8/30/1982

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INTERNATIONAL SURPLUS LINES INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XSI-3966	8/30/1977
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INTERNATIONAL SURPLUS LINES INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XSI-2270	7/15/1975
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INTERNATIONAL SURPLUS LINES INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XSI-2067	7/15/1974
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INTERNATIONAL SURPLUS LINES INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XSI-2651	8/30/1976
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INTERNATIONAL SURPLUS LINES INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XSI-1741	7/15/1973
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	INTERNATIONAL SURPLUS LINES INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XSI-1320	7/15/1972
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ISP MANAGEMENT CO., INC.	WASTE DISPOSAL SERVICES AGREEMENT	02/20/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	JA&A SERVICES, LLC N/K/A AP SERVICES, LLC	LETTER AGREEMENT	10/3/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	JAMES K LEHMAN	EMPLOYMENT AGREEMENT	11/4/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	JANI-KING OF ORLANDO, INC.	MAINTENANCE AGREEMENT	6/22/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	JAN-PRO CLEANING SYSTEMS OF CHARLOTTE	CLEANING AGREEMENT	11/25/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	JERRY COLLINS	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	1/3/2003
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	JIM DEE	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	12/26/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	JOHN BOMHOFF	NONDISCLOSURE AGREEMENT	9/24/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	JON SHELL	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	1/8/2003

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	JPMORGAN CHASE, C/O DAVID JONES	ESCROWED FUNDS (CD# 001-9611883-19)	
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	JRI INDUSTRIES LLC	STRATEGIC ALLIANCE CONTRACT	10/15/2001
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	KATHERINE DANIELS	LETTER AGREEMENT/SEVERANCE & RETENTION	12/20/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	KATHY VAN DEVEER	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	1/16/2003
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	KEANE, INC.	AGREEMENT FOR COMPUTER CONSULTING AND PROGRAMMING SERVICES	9/1/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	KELLY MCANULTY	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	9/25/2002
SAFETY-KLEEN CHEMICAL SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	KENNETH C. & CARRIE M CROUCH CO-TRUSTEES DIZZY BRIDGE REALTY TRUST	MORTGAGE ON PROPERTY	9/22/1994
SAFETY-KLEEN INC.	SAFETY-KLEEN SYSTEMS, INC.	KIMMEL & ASSOCIATES	HR SERVICE	10/22/2002
SAFETY KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	KINDER MORGAN ENERGY PARTNERS, LP ACTING AS AGENT FOR KINDER MORGAN	AGREEMENT FOR PROFESSIONAL ENVIRONMENTAL SERVICES NUMBER 02-CI-27-101- LQT	8/28/2002
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	KINKADE, SALLY	RECRUITING SERVICES	7/11/2002
SAFETY-KLEEN (PECATONICA)	SAFETY-KLEEN SYSTEMS, INC.	KLEESPIE TANK	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	L-3 COMMUNICATIONS	WASTE MANAGEMENT TRANSPORTATION AND DISPOSAL CORPORATE AGREEMENT NO. L- 3LORAL MPC010 NATIONAL AGREEMENT (NOT FULLY EXECUTED)	4/1/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	L3 COMMUNICATIONS CORPORATION	NATIONAL AGREEMENT	4/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	LARRY W.SINGLETON	EMPLOYMENT AGREEMENT	7/17/2000
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	LATITUDE COMMUNICATIONS, INC.	AGREEMENT FOR TELECOMMUNICATION SERVICES	12/18/2001

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
LIDLAW ENVIRONMENTAL SERVICES (NORTH EAST), INC. N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS, INC.	LAWYERS' TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY 221 SUTTON STREET NORTH ANDOVER, MA 01845 113-00-851376	8/25/1993
SCA CHEMICAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	LAWYERS' TITLE INSURANCE COMPANY OF NORTH CAROLINA	TITLE INSURANCE POLICY 2815 OLD GREENBRIER PIKE GREENBRIER, TN 37073	8/19/1983
ROLLINS CHEMPAK, INC. N/K/A SAFETY-KLEEN (ENCOTEC), INC.	SAFETY-KLEEN SYSTEMS, INC.	LAWYERS' TITLE INSURANCE CORPORATION	TITLE INSURANCE POLICY 633-112TH STREET ARLINGTON, TEXAS 9105484-11 PA	9/10/1991
ROLLINS CHEMPAK, INC. N/K/A SAFETY-KLEEN (ENCOTEC), INC.	SAFETY-KLEEN SYSTEMS, INC.	LAWYERS' TITLE INSURANCE CORPORATION	TITLE INSURANCE POLICY 633-112TH STREET ARLINGTON, TEXAS 9000366538	9/10/1991
SCA CHEMICAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	LAWYERS' TITLE INSURANCE CORPORATION	TITLE INSURANCE POLICY REIDSVILLE TOWNSHIP ROCKINGHAM COUNTY, NC 85-81-214184	9/7/1983
LIDLAW ENVIRONMENTAL SERVICES, (TS), INC. N/K/A SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS, INC.	LAWYERS' TITLE INSURANCE CORPORATION OF WINSTON SALEM, NATIONAL HEADQUARTERS	TITLE INSURANCE POLICY 208 WATLINGTON INDUSTRIAL DRIVE GREENSBORO, NORTH CAROLINA 113-00-556869-0	2/10/1992
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	LAYTON, DONNA	PERSONAL SERVICES	9/30/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	LEIGH MORROW	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	12/10/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INS. CO.	INSURANCE PROPERTY 8525900	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INS. CO.	INSURANCE PROPERTY 8524962	9/1/2000
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5524840	8/30/1983
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5514079	8/30/1979
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5512414	8/30/1978
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5522018	8/30/1981

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE AUTO LIABILITY SEAL4763365	9/1/2002
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5512812	1/1/1979
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5522017	8/30/1981
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 8890836	9/1/1999
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 8890836	9/1/1998
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINEWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5526268	1/1/1984
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5524841	8/30/1983
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5522093	8/30/1982
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5522092	8/30/1982
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE PROPERTY 8751498	9/1/2002
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5514144	8/30/1980
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5514139	8/30/1980
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LEXINGTON INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5000352	5/4/1978
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LIBERTY INTERNATIONAL	INSURANCE PROPERTY 4N053244002	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LIBERTY INTERNATIONAL	INSURANCE PUNITIVE DAMAGES 073670-030-PD	9/1/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LIBERTY INTERNATIONAL	INSURANCE UMBRELLA LIABILITY LQ1-B71-073670-030	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LIBERTY INTERNATIONAL	INSURANCE UMBRELLA LIABILITY LQ1-B71-073670-020	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LIBERTY INTERNATIONAL INS. CO.	INSURANCE EXCESS PUNITIVE DAM 001778-001-PD	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LIBERTY INTERNATIONAL INS. CO.	INSURANCE PUNITIVE DAMAGES 073670-020-PD	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LIBERTY MUTUAL INS. CO.	INSURANCE PROPERTY MMIB 71190045	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LIBERTY MUTUAL INS. CO.	INSURANCE UMBRELLA LIABILITY LQ1-B71-073670/010	9/1/2000
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LIBERTY MUTUAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS LG1612004135-026	1/1/1977
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LIBERTY MUTUAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS LG1612004135-026	1/1/1978
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LIBERTY MUTUAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS LG1612004135-029	1/1/1979
SAFETY-KLEEN (PINEWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LIBERTY MUTUAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS LG1612004135-026	1/1/1976
ENCOTEC, INC. N/K/A SAFETY-KLEEN (ENCOTEC), INC.	SAFETY-KLEEN SYSTEMS, INC.	LIBERTY TITLE COMPANY	TITLE INSURANCE POLICY 3965 RESEARCH PARK ANN ARBOR, MI COMMITMENT	
ENCOTEC, INC. N/K/A SAFETY-KLEEN (ENCOTEC), INC.	SAFETY-KLEEN SYSTEMS, INC.	LIBERTY TITLE COMPANY	TITLE INSURANCE POLICY 3985 RESEARCH PARK ANN ARBOR, MI OP236188	4/13/1989
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	LIEBERT GLOBAL SERVICES	AGREEMENT FOR UPS MAINTENANCE	6/21/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	LIN LONGSHORE	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	10/24/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	LIN LONGSHORE	AGREEMENT RE MOVE & TERM SHEET	9/30/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	LINSEY JOHNSON	CONSULTING AGREEMENT	10/2/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LLOYDS OF LONDON	INSURANCE EXCESS D & O LIAB. QB376801	5/23/2001
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS MC 6784	3/1/1976
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS L-2632, C-7588	8/30/1984
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS 614/NC8080	8/30/1979
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE D & O LIABILITY QB376501	5/23/2001
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS 614/NTB 064	8/30/1982
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS MW 22958	8/30/1978
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS MW 22793	3/1/1976
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS MC 6995	8/30/1976
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS MC 6996	8/30/1976
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS MC 6995	8/30/1977
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS MW 22958	8/30/1977
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS 614/NTB499;C7451	8/30/1983
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS MC 6995	8/30/1978

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS MÖ 11958	11/1/1978
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS 614 NTA035	8/30/1980
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LLOYD'S OF LONDON	INSURANCE POLICY INSURING DEBTORS C7225	8/30/1981
SAFETY-KLEEN, CORP.	SAFETY-KLEEN SYSTEMS, INC.	LOCAL LODGE NO. 330 DISTRICT 65 INTERNATIONAL ASSOCIATION OF MACHINIST AND AEROSPACE WORKERS	CONTRACT, KATHERINE STREET, BUFFALO, NY	10/8/2000
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	LOCH & ASSOCIATES	HR SERVICE	1/28/2003
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	LOCKHEED MARTIN CORPORATION	NATIONAL AGREEMENT □ WASTE MANAGEMENT TRANSPORTATION AND DISPOSAL NATIONAL AGREEMENT	04/01/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LONDON GUARANTEE	INSURANCE POLLUTION LEGAL LIAB. PEC0007101	10/15/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LONDON GUARANTEE INSURANCE CO.	INSURANCE CONSULTANTS ENVIRON. PCN000989501	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LONDON GUARANTEE INSURANCE CO.	INSURANCE CONSULTANTS ENVIRON. PCN000989501	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LONDON GUARANTEE INSURANCE COMPANY	INSURANCE POLLUTION LEGAL LIAB. PCN0007101	10/15/2000
SAFETY-KLEEN (BATON ROUGE), INC.	SAFETY-KLEEN SYSTEMS, INC.	LOUISIANA DEPARTMENT OF REVENUE	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN (ENCOTEC), INC.	SAFETY-KLEEN SYSTEMS, INC.	LOUISIANA DEPARTMENT OF REVENUE	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN (FS), INC.	SAFETY-KLEEN SYSTEMS, INC.	LOUISIANA DEPARTMENT OF REVENUE	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN (CHATTONOOGA), INC./SAFETY-KLEEN (WT), INC./SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS, INC.	LUBRICHEM	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LUMBERMANS (KEMPER)	INSURANCE UMBRELLA LIABILITY 9SR140590-01	9/1/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LUMBERMANS MUTUAL	INSURANCE UMBRELLA LIABILITY 9SR140590-00	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LUMBERMENS MUTUAL CASUALTY	INSURANCE PROPERTY 3KI 001 045-00	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	LUMBERMENS MUTUAL CASUALTY	INSURANCE PROPERTY 3KI 001 046-00	9/1/2001
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	LUMBERMENS MUTUAL CASUALTY COMPANY	INSURANCE POLICY INSURING DEBTORS 4SX004849	7/15/1974
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	LYNN BOYETTE	LETTER AGREEMENT/SEVERANCE & RETENTION	10/22/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	LYONDELL CHEMICAL COMPANY & EQUISTAR CHEMICALS, LP	ENVIRONMENTAL SERVICES AGREEMENT 10000044	01/22/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MAC EXECUTIVE RECRUITING (JEFF CHAPONICK)	CONSULTING AGREEMENT	8/26/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	MADLAND TOYOTA-LIFT, INC.	PLANNED MAINTENANCE AGREEMENT	10/31/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	MAG GLOBAL FINANCIAL PRODUCTS	INSURANCE D & O LIABILITY 24-MGU-03-A3177	1/8/2003
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS	MAIN & LADY (E&A), LLC	REAL ESTATE COLUMBIA, SC - NBSC 6 FLR 1122 LADY STREET, 6TH FLOOR COLUMBIA, SC 29201	5/24/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	MAINE EMPLOYERS MUTUAL	INSURANCE WORKERS COMP. 1810047220	7/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	MAINE EMPLOYERS MUTUAL	INSURANCE WORKERS COMP. 1810047220	7/1/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MALCOLM DUNN	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	12/10/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MARATHON ASHLAND PETROLEUM LLC	WASTE SERVICE & RECYCLING CONTRACT WS99RS1	07/01/2000
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MARK MINOR	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	10/14/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MARK SAN FRATELLO	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	9/27/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MARK SZARA	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	11/13/2002
SAFETY-KLEEN (MISSILE ROAD, WICHITA FALLS, KS)	SAFETY-KLEEN SYSTEMS, INC.	MAX VALUE, INC.	STORAGE AND MATERIAL HANDLING MASTER LEASE 72600-2026	8/1/2000
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	MAX VALUE, INC.	STORAGE AND MATERIAL HANDLING EQUIPMENT LEASE AGREEMENT 72600-1243	8/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	MCKINSEY & COMPANY	AGREEMENT FOR CONSULTING SERVICES	10/22/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MELLON BANK, N.A.	IMPREST BALANCE ACCOUNT AGREEMENT LETTER	9/5/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MELLON BANK, N.A.	NONDISCLOSURE AGREEMENT	3/29/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MELLON BANK, N.A., MELLON FINANCIAL SERVICES CORPORATION #1	MASTER SERVICES AGREEMENT	9/5/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MELLON BANK, N.A., MELLON FINANCIAL SERVICES CORPORATION #1, TORONTO DOMINION (TEXAS) INC., THE CIT GROUP/ BUSINESS CREDIT, INC.	BLOCKED ACCOUNT AGREEMENT	9/5/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	MEMIC	INSURANCE WORKERS COMP. 1810047220	7/1/2002
SAFETY-KLEEN (TG), INC.	SAFETY-KLEEN SYSTEMS, INC.	MICHIGAN DEPT OF TREASURY, REVENUE DIV.	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	MICRO FOCUS, INC.	AGREEMENT FOR IT SUPPORT SERVICES	1/13/2003
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	MICRO FOCUS, INC.	AGREEMENT FOR IT SUPPORT SERVICES	11/30/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	MID-ATLANTIC ENTRY SYSTEMS	PREVENTIVE MAINTENANCE & SERVICE - AGREEMENT	2/28/2001

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	MIDWEST WASTE	SERVICE AGREEMENT C-016395	11/29/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MIKE ALEXANDER	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	10/4/2002
TRICIL ENVIRONMENTAL SERVICES, INC., N/K/A SAFETY-KLEEN (WT), INC.	SAFETY-KLEEN SYSTEMS, INC.	MINNESOTA TITLE	TITLE INSURANCE POLICY 1640 ANTIOCH PIKE ANTIOCH TN 37013 AQ 106604	3/27/1992
SAFETY-KLEEN (TIPTON), INC.	SAFETY-KLEEN SYSTEMS, INC.	MISSOURI DEPARTMENT OF REVENUE	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	MODIS, INC.	CONSULTING SERVICES AGREEMENT	11/27/2000
NATIONAL ELECTRIC, INC. SURVIVOR BY MERGER OF APTUS N/K/A SAFETY-KLEEN (MINNEAPOLIS), INC.	SAFETY-KLEEN SYSTEMS, INC.	MONTGOMERY COUNTY ABSTRACT COMPANY	TITLE INSURANCE POLICY HWY. 169 N. INDUSTRIAL PARK RT. 3, BOX 65 COFFEYVILLE 67337 61686 ORIGINAL, 74968 AMENDED 75016	6 /25/74
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MOVE SOLUTIONS, INC.	SERVICE AGREEMENT NO. 5729	10/3/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MOVE SOLUTIONS, LTD.	MEMORANDUM OF UNDERSTANDING	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MSLI, GP	AGREEMENT FOR SOFTWARE LICENSE U1976104	1/1/2003
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MSLI, GP	AGREEMENT FOR SOFTWARE LICENSE 01E61409	1/1/2003
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	MSLI, GP	AGREEMENT FOR SOFTWARE LICENSE 5516104	1/1/2003
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	MSS*GROUP, INC.	AGREEMENT FOR TELECOMMUNICATIONS BILL PAYING SERVICES	7/25/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INS. CO.	INSURANCE CRIME POLICY 473-35-65	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INS. CO.	INSURANCE PRIMARY D & O LIAB. 856 10 64	4/3/1998
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INS. CO.	INSURANCE UMBRELLA LIABILITY BE8713603	9/1/2001

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INS. CO.	INSURANCE UMBRELLA LIABILITY BE 740 10 64	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INS. CO.	INSURANCE WORKERS COMP. 4895153	9/2/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INS. CO.	INSURANCE WORKERS COMP. WC 406-65-82	9/1/2000
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INS. CO.	INSURANCE CRIME POLICY 8740190	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INS.CO.	INSURANCE FIDUCIARY LIABILITY 473-35-73	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INS.CO.	INSURANCE FIDUCIARY LIABILITY 8740191	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INSURANCE CO.	INSURANCE UMBRELLA LIABILITY BE2131347	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION	INSURANCE PROPERTY ST 2606167	2/5/2001
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA	INSURANCE POLICY INSURING DEBTORS 1225383	11/10/1978
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA	INSURANCE POLICY INSURING DEBTORS BE9323273	9/1/1999
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA	INSURANCE POLICY INSURING DEBTORS 1225383	1/1/1979
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA	INSURANCE POLICY INSURING DEBTORS RMGL6122027	9/1/1998
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA	INSURANCE POLICY INSURING DEBTORS BE9323273	9/1/1998
SAFETY-KLEEN (GS), INC., SAFETY-KLEEN (PINWOOD), INC., SAFETY-KLEEN (TS), INC., SAFETY-KLEEN (BUTTONWILLOW), INC. AND SAFETY-KLEEN (ROEBUCK), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA	INSURANCE POLICY INSURING DEBTORS 9609031	1/1/1985

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA	INSURANCE POLICY INSURING DEBTORS 1225383	1/1/1979
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	NATIONSBANK	NATIONSBANK EFT (3751206037) AND CONCENTRATION ACCOUNTS (3750844212)	
SAFETY-KLEEN SERVICES, INC.		NETWORK ASSOCIATES, INC.	AGREEMENT FOR VIRUS PROTECTION SOFTWARE	11/30/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	NETWORK SOLUTIONS, INC.	AGREEMENT FOR DOMAIN NAME REGISTRATION 41723518	8/21/2001
SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS, INC.	NEW JERSEY, STATE OF	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN (TG), INC.	SAFETY-KLEEN SYSTEMS, INC.	NEW YORK DEPT. OF TAXATION & FINANCE	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN (DELAWARE), INC.	SAFETY-KLEEN SYSTEMS, INC.	NEW YORK DEPT. OF TAXATION & FINANCE	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS, INC.	NEW YORK DEPT. OF TAXATION & FINANCE	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN (TG), INC.	SAFETY-KLEEN SYSTEMS, INC.	NEW YORK DEPT. OF TAXATION & FINANCE	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN (ALTAIR), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	NEWARK INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS NLA 151003	7/1/1983
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	NEXTEL WEST CORP.	AGREEMENT FOR WIRELESS SERVICES	9/25/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	NEXTIRAONE, LLC AND NEXTIRAONE SOLUTIONS, LLC	AGREEMENT FOR TELECOMMUNICATION SERVICES	9/14/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NORMANDY REINS. CO. LTD.	INSURANCE PUNITIVE DAMAGES NOR 1-10000-00	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NORMANDY REINS. CO. LTD.	INSURANCE PUNITIVE DAMAGES NOR 1-10000-00	9/1/2000
SAFETY-KLEEN (BUTTONWILLOW), INC.	SAFETY-KLEEN SYSTEMS, INC.	NORTH AMERICAN DIRT SOLUTIONS	ACCOUNTS RECEIVABLE	

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NORTH AMERICAN SPECIALTY INS.	INSURANCE EXCESS D & O LIAB. BNX0000048-00	5/23/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	NORTH AMERICAN SPECIALTY INS. CO.	INSURANCE D & O LIABILITY BNX0002018-01	5/23/2001
SAFETY-KLEEN HOLDINGS, INC.	SAFETY-KLEEN SYSTEMS, INC.	NORTH CAROLINA DEPARTMENT OF REVENUE	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	NORTHBROOK INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 63-008-897	8/30/1982
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	NORTHERN INDIANA PUBLIC SERVICE COMPANY	MASTER RATE 330 SERVICE AGREEMENT #03-02	2/1/2003
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	NUTMEG INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS BXS 100413	8/30/1983
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	NUTMEG INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS BXS 100413	8/30/1982
SAFETY-KLEEN (ENCOTEC), INC.	SAFETY-KLEEN SYSTEMS, INC.	OHIO DEPARTMENT OF TAXATION	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
APTUS, INC. N/K/A SAFETY-KLEEN (ARAGONITE), INC.	SAFETY-KLEEN SYSTEMS, INC.	OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY 21750 CEDAR AVENUE LAKEVILLE, MN 55044	2/4/1999
SAFETY-KLEEN (PLAQUEMINE), INC./SAFETY-KLEEN (WT), INC./SAFETY-KLEEN (WHITE CAASTLE), INC./SAFETY-KLEEN (COALFAX), INC./SAFETY-KLEEN (FS), INC.	SAFETY-KLEEN SYSTEMS, INC.	OMEGA WASTE MGMT	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN (DEER PARK), INC./SAFETY-KLEEN (PINWOOD), INC.	SAFETY-KLEEN SYSTEMS, INC.	OMEGASYS/OMEGA ENVIRO CON	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	ONEBEACON	INSURANCE OCEAN CARGO C5JC20099	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	ONEBEACON	INSURANCE WARFINGERS C5JH21125	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	ORACLE SUPPORT SERVICES	AGREEMENT FOR DATABASE LICENSE & SUPPORT	3/13/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	ORKIN EXTERMINATING COMPANY, INC.	COMMERCIAL SERVICES AGREEMENT 5287241	8/12/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	OUTSTART, INC.	AGREEMENT FOR SOFTWARE LICENSE AND SUPPORT	1/30/2003
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	OWNED REAL PROPERTY	REAL ESTATE 568 SOUTH 51 STREET PITTSBURGH, KS 66762 CRAWFORD COUNTY (APPROX. 1.34 ACRES)	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	OWNED REAL PROPERTY	REAL ESTATE 8800 SW 8TH STREET OKLAHOMA CITY, OK 73128 OKLAHOMA COUNTY (APPROX. 1.39 ACRES)	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	OWNED REAL PROPERTY	REAL ESTATE 128 AND 130-A FRONTAGE ROAD LEXINGTON, SC 29073 LEXINGTON COUNTY	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	OWNED REAL PROPERTY	REAL ESTATE 164 FRONTAGE ROAD LEXINGTON, SC 29073 LEXINGTON COUNTY (APPROX. 38 ACRES TOTAL)	
SAFETY-KLEEN (GS), INC. A TENNESSEE CORPORATION, F/K/A LAIDLAW ENVIRONMENTAL SERVICES (GS), INC.	SAFETY-KLEEN SYSTEMS, INC.	OWNED REAL PROPERTY	REAL ESTATE 3536 FITE ROAD MILINGTON, TN 38053 SHELBY COUNTY (APPROX. 10 ACRES)	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	OWNED REAL PROPERTY	REAL ESTATE 12208 COUNTY ROAD 31 SLATEN, TX 79364	
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PACIFIC EMPLOYERS INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS XCC014542	8/30/1984
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	PACIFIC INS. CO. LTD.	INSURANCE PROPERTY ZG 0016960	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	PACIFIC INS. CO. LTD.	INSURANCE PROPERTY ZG 0016960	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	PACIFIC LTD	INSURANCE PROPERTY ZG0022895	9/1/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PACKAGING CORPORATION OF AMERICA	MASTER SERVICES AGREEMENT	12/15/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PAM FABER	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	12/20/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PARKWAY PROPERTIES LP	COLUMBIA, SC-9TH FLOOR 1301 GERVAIS STREET COLUMBIA, SC 29201	1/4/2001

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PARKWAY PROPERTIES LP	COLUMBIA, SC-STE. B-300,522, 805, 705 1301 GERVAIS STREET COLUMBIA, SC 29201	1/4/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PARKWAY PROPERTIES LP	REAL ESTATE COLUMBIA, SC-STORAGE, 300A 1301 GERVAIS STREET COLUMBIA, SC 29201	9/18/2001
SAFETY-KLEEN (CALIFORNIA), INC.	SAFETY-KLEEN SYSTEMS, INC.	PARRISH COMPANY	ACCOUNTS RECEIVABLE	
ROLLINS ENVIRONMENTAL SERVICES (TX) INC. N/K/A SAFETY-KLEEN (DEER PARK), INC.	SAFETY-KLEEN SYSTEMS, INC.	PARTNERS TITLE COMPANY (CHICAGO TITLE INSURANCE COMPANY)	TITLE INSURANCE POLICY 2027 BATTLEGROUND ROAD DEER PARK, TX 44 0265 50 002341	10/11/1989
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PAUL TREPANIER	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	10/2/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	PERKIN ELMER INSTRUMENTS	MAINTENANCE AGREEMENT QUOTATION 40117991	9/9/2002
SAFETY-KLEEN CORP./SAFETY-KLEEN ENVIROSYSTEMS	SAFETY-KLEEN SYSTEMS, INC.	PERKIN ELMER INSTRUMENTS	MAINTENANCE AGREEMENT QUOTATION 40111859	5/21/2002
SAFETY-KLEEN CORP./SAFETY-KLEEN ENVIROSYSTEMS	SAFETY-KLEEN SYSTEMS, INC.	PERKINELMER INSTRUMENTS	MAINTENANCE AGREEMENT QUOTATION 40111859	7/1/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PHILLIPS TECHNOLOGY CONSULTING	AGREEMENT FOR CONSULTING SERVICES 8080002	1/21/2003
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	PIEDMONT HVAC, INC.	AGREEMENT FOR HVAC MAINTENANCE	3/6/2001
SCA CHEMICAL SERVICES COMPANY N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PIONEER NATIONAL TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY 3527 WHISKEY BOTTOM RD. LAUREL, MARYLAND 20274 21-0547-2810	9/1/1983
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	PIONEER PEST CONTROL	PEST CONTROL SERVICE AGREEMENT	3/21/2001
SAFETY-KLEEN (ALTAIR), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PLANET INDEMNITY COMPANY	INSURANCE POLICY INSURING DEBTORS NGA 0105084-00	10/1/1992
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	PRESCOTT LEGAL SEARCH, INC.	RECRUITMENT	10/28/2002
SAFETY KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	EXXONMOBIL GLOBAL SERVICES COMPANY	WASTE HANDLING AGREEMENT PRINCIPAL DOCUMENT NO. C55510	11/01/2001

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	PRODUCERS GAS SALES, INC.	NATURAL GAS SALES AGREEMENT	12/31/2001
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS X-147-78	4/1/1978
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS X-147-76	4/1/1976
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS U-1051	7/15/1975
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS X-147-75	4/1/1975
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS U-1012	7/15/1974
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS X-147-74	4/1/1974
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS X-147-73	4/1/1973
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS U-1013	7/15/1974
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS U-1103	8/30/1976
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS U-1104	8/30/1976
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS U-117	7/15/1973
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS U-1155	8/30/1977
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS U-1156	8/30/1977
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS X-147-77	4/1/1977

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS U-1050	7/15/1975
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS U-107	7/15/1972
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PROTECTIVE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS U-1155	8/30/1977
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PURITAN INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS ML 651560	1/1/1979
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PURITAN INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS ML 651560	1/1/1979
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	PURITAN INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS ML 651560	1/1/1978
LIDLAW ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	R&D FABRICATING & MANUFACTURING, INC.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE ASSET PURCHASE AGREEMENT	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	R&R INTERNATIONAL INC. DBA NEXXTWORKS	AGREEMENT FOR TELECOMMUNICATION SERVICES	1/1/2002
GSX TANK MANAGEMENT, INC. N/K/A SAFETY-KLEEN (FS), INC.	SAFETY-KLEEN SYSTEMS, INC.	R.O. DAWKINS	INDEMNIFICATION AGREEMENT	
GSX TANK MANAGEMENT, INC. N/K/A SAFETY-KLEEN (FS), INC.	SAFETY-KLEEN SYSTEMS, INC.	R.O. DAWKINS	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE STOCK PURCHASE AGREEMENT	
GSX TANK MANAGEMENT, INC. N/K/A SAFETY-KLEEN (FS), INC.	SAFETY-KLEEN SYSTEMS, INC.	R.O. DAWKINS	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE INDEMNIFICATION AGREEMENT	
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	RALPH IACONO	KEY MANAGER SEVERANCE AGREEMENT	3/5/2002
FIW, INCORPORATED N/K/A SAFETY-KLEEN (PECATONICA), INC.	SAFETY-KLEEN SYSTEMS, INC.	RANDALL & PAMELA OLSON	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE CONTINUING GUARANTEE	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	RANSOM SULLIVAN	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	12/9/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN (TS) INC.	SAFETY-KLEEN SYSTEMS, INC.	RAYTHEON SYSTEMS	MASTER SERVICES AGREEMENT 20139637	02/04/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	REDWOOD SOFTWARE, INC.	AGREEMENT FOR SOFTWARE LICENSE & SUPPORT	11/21/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	REGULUS INTEGRATED SOLUTIONS LLC	AGREEMENT FOR PRINT AND MAIL SERVICES	5/21/2002
HYDROCARBON RECYCLERS, INC. N/K/A SAFETY-KLEEN (CHATTANOOGA), INC.	SAFETY-KLEEN SYSTEMS, INC.	REID SUPPLY CO.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE STOCK PURCHASE AGREEMENT	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	RESEARCH IN MOTION LIMITED	AGREEMENT FOR SOFTWARE MAINTENANCE AND E-MAIL SERVICE	8/31/2001
SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS, INC.	RESOURCE CONTROLS	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	RESULTE UNIVERSAL	HR SERVICE	12/3/2002
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	RESUN LEASING	OFFICE TRAILER LEASE 505	9/23/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	RICH HALL	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	11/6/2002
UNITED STATES POLLUTION CONTROL, INC. N/K/A SAFETY-KLEEN (LONE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	RICH LAND TITLE COMPANY	TITLE INSURANCE POLICY SALT LAKE BASE AND MERIDIAN, UT COMMITMENT #RT-4171	6/29/1992
SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS, INC.	RIPE, INC.	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	RITE-TEMP ASSOCIATES, INC.	PREVENTIVE MAINTENANCE SERVICE AGREEMENT R10228R	
SAFETY KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	ROCKWELL AUTOMATION	SERVICE AGREEMENT NUMBER 10000046	10/5/2000
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	RODNEY MARTIN	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	10/14/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	RONALD A. RITTENMEYER	EMPLOYMENT AGREEMENT	8/8/2001

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	RONALD A. RITTENMEYER	COMPANY INDEMNIFICATION AGREEMENT	8/8/2001
SAFETY-KLEEN (LONE & GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	ROUNDY POLE TREATING FACILITY	ACCOUNTS RECEIVABLE	
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ROYAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS ED 102963	8/30/1984
SAFETY-KLEEN (ALTAIR), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ROYAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS PLU 625049	7/1/1983
SAFETY-KLEEN (ALTAIR), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ROYAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS PLU 625049	1/1/1982
SAFETY-KLEEN (ALTAIR), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ROYAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS PLU 583843	7/1/1980
SAFETY-KLEEN (ALTAIR), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	ROYAL INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 5831985	7/1/1979
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	RWD TECHNOLOGIES, INC.	AGREEMENT FOR WARRANTY & INDEMNITY	5/31/2002
ROLLINS ENVIRONMENTAL SERVICES (LA) INC. N/K/A SAFETY-KLEEN (BATON ROUGE), INC.	SAFETY-KLEEN SYSTEMS, INC.	SAFECO TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY	3/1/1988
SK EUROPE, INC., SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC., AS GUARANTOR	SAFETY-KLEEN SYSTEMS, INC.	SAFETY-KLEEN EUROPE LIMITED	CONTRIBUTION AGREEMENT	
SK EUROPE, INC., SAFETY-KLEEN CORP. N/K/A SAFETY-KLEEN SYSTEMS, INC., AS GUARANTOR	SAFETY-KLEEN SYSTEMS, INC.	SAFETY-KLEEN EUROPE LIMITED	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE CONTRIBUTION AGREEMENT	
SK EUROPE, INC. AND SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	SAFETY-KLEEN EUROPE LIMITED	AGREEMENT FOR THE SALE AND PURCHASE OF SHARES AND LOAN STOCK HELD BY SK EUROPE, INC. IN SAFETY-KLEEN EUROPE LIMITED	
SK EUROPE, INC. AND SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	SAFETY-KLEEN EUROPE LIMITED	DEED OF RELEASE	
SAFETY-KLEEN (SAN JOSE), INC.	SAFETY-KLEEN SYSTEMS, INC.	SAFE-WAY CHEMICAL	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	SALESCO	ACCOUNTS RECEIVABLE	

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN (ARAGONITE). INC./SAFETY-KLEEN (DEER PARK). INC	SAFETY-KLEEN SYSTEMS, INC.	SAMEX ENVIRONMENTAL SERVICES, INC.	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN SERVICES, INC	SAFETY-KLEEN SYSTEMS, INC.	SAP AMERICA, INC.	AGREEMENT FOR SOFTWARE LICENSE	5/15/2002
SAFETY-KLEEN SERVICES, INC	SAFETY-KLEEN SYSTEMS, INC.	SCHNEIDER LOGISTICS, INC	MUTUAL NONDISCLOSURE AGREEMENT	7/15/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	SEABOARD CONTAINER CLEANING, LLC	DISPOSER AGREEMENT	5/23/2001
SAFETY-KLEEN SERVICES, INC	SAFETY-KLEEN SYSTEMS, INC.	SEAN BENSON	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	12/2/2002
SAFETY-KLEEN (SAN JOSE). INC.	SAFETY-KLEEN SYSTEMS, INC.	SEAWAY SEMICONDUCTOR, INC	ACCOUNTS RECEIVABLE	
UNITED STATES POLLUTION CONTROL, INC., N/K/A SAFETY-KLEEN (LONE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	SECURITY TITLE AND ABSTRACT COMPANY	TITLE INSURANCE POLICY TOWNSHIP 10 SOUTH, RANGE 6, EAST, SLB&M COUNTY OF UTAH, UT 63306-3	9/21/1992
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	SEGUROS COMERCIAL AMERICA	INSURANCE MEXICAN PACKAGE QX113941	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	SEGUROS COMERCIAL AMERICA	INSURANCE AUTO LIABILITY WX110497	3/26/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	SEGUROS COMERCIAL AMERICA	INSURANCE AUTO LIABILITY 75251858	9/1/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	SEGUROS COMERCIAL AMERICA	INSURANCE AUTO LIABILITY 75313463	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	SEGUROS COMERCIAL AMERICA	INSURANCE AUTO LIABILITY WX110497	3/26/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	SEGUROS COMERCIAL AMERICA	INSURANCE MEXICAN PACKAGE QX114523	9/1/2001
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	SELECT SERVICES, INC.	PRIORITY RESPONSE AGREEMENT	9/16/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	SEMINOLE ENERGY SERVICES, LLC	NATURAL GAS SALES AGREEMENT	11/21/2002

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	SEVEN CONTINENTS INS. LTD	INSURANCE PUNITIVE DAMAGES PD00115	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	SEVEN CONTINENTS INSURANCE CO	INSURANCE PUNITIVE DAMAGES PD00230	9/1/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	SEVERN TRENT LABORATORIES, INC.	LABORATORY SERVICES AGREEMENT	6/19/2001
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	SHAWN LAVERY DEJAMES	LETTER AGREEMENT/SEVERANCE & RETENTION	12/20/2002
SAFETY KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	SHELL EXPLORATION AND PROD. CO.	OUTLINE AGREEMENT NO. 4600006354 (AND ACCOMPANYING PURCHASE ORDERS)	08/23/01
SAFETY-KLEEN SERVICES	SAFETY-KLEEN SYSTEMS, INC.	SHERWOOD MANAGEMENT CONSULTANTS	CONTRACTOR	1/13/2003
SAFETY-KLEEN (LOS ANGELES), SAFETY-KLEEN (CALIFORNIA), SAFETY-KLEEN (NE)	SAFETY-KLEEN SYSTEMS, INC.	SHIPLEY	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	SIMPLEX GRINNELL	INSPECTION OF FIRE PROTECTION EQUIPMENT AGREEMENT	8/5/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	SKYTEL CORP.	AGREEMENT FOR WIRELESS SERVICES	11/6/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	SNELLING SEARCH	HR SERVICE	11/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	SOUTHWEST SEARCH, LLC	HR SERVICE	9/26/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	SPRINT SPECTRUM, L.P.	AGREEMENT FOR WIRELESS SERVICES	12/18/2001
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	SPRINT SPECTRUM, L.P.	NONDISCLOSURE AGREEMENT	9/18/2001
TRICIL ENVIRONMENTAL RESPONSE, INC. N/K/A SAFETY-KLEEN (ALTAIR), INC.	SAFETY-KLEEN SYSTEMS, INC.	SPRINT WASTE DISPOSAL SHAREHOLDERS (SELLERS)	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE AMENDMENT TO THE ASSET PURCHASE AGREEMENT	
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	SSAB HARDTECH, INC.	CONFIDENTIALITY AGREEMENT	6/18/2002

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
SOLVENT SERVICE CO., INC. N/K/A SAFETY-KLEEN (SAN JOSE), INC.	SAFETY-KLEEN SYSTEMS, INC.	SSI ACQUISITION CORP. ARTHOR G. MAIONCHI	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE AGREEMENT AND PLAN OF MERGER	
TRICIL ENVIRONMENTAL RESPONSE, INC. N/K/A SAFETY-KLEEN (ALTAIR), INC.	SAFETY-KLEEN SYSTEMS, INC.	STANDARD ENVIRONMENTAL SERVICES SHAREHOLDERS	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE ASSET PURCHASE AGREEMENT	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	STAPLES BUSINESS ADVANTAGE, A DIVISION OF STAPLES CONTRACT & COMMERCIAL, INC.	CORPORATE PURCHASING AGREEMENT	8/7/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	STARR EXCESS	INSURANCE POLICY INSURING DEBTORS 200866	9/1/1999
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	STARR EXCESS	INSURANCE UMBRELLA LIABILITY 6394307	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	STARR EXCESS INTERNATIONAL	INSURANCE UMBRELLA LIABILITY 6340240	9/1/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	STARR EXCESS LIABILITY CO.	INSURANCE EXCESS D & O LIAB. 5553658	4/3/1999
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	STARR EXCESS LIABILITY INSURANCE INTERNATIONAL, LTD.	INSURANCE PUNITIVE DAMAGES 5376384	9/1/2002
SAFETY-KLEEN (TG), INC.	SAFETY-KLEEN SYSTEMS, INC.	STATE OF GEORGIA	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN (LONE & GRASSY MTN), INC.	SAFETY-KLEEN SYSTEMS, INC.	STATE OF GEORGIA	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	STEADFAST INSURANCE CO.	INSURANCE CONSULTANTS ENVIRON. PEC3783117-00	9/1/2000
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	STEPHANIE KIMBLE	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	11/25/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	STEVE GRIMSHAW	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	9/10/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	STEVE GRIMSHAW	LETTER AGREEMENT	9/30/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
ROLLINS ENVIRONMENTAL SERVICES (TX) INC. N/K/A SAFETY-KLEEN (DEER PARK), INC.	SAFETY-KLEEN SYSTEMS, INC.	STEWART TITLE COMPANY	TITLE INSURANCE POLICY 2027 BATTLEGROUND ROAD DEER PARK, TX COMMITMENT #:97061708	7/25/1997
LIDLAW ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	STEWART TITLE GUARANTY COMPANY	TITLE INSURANCE POLICY 2027 BATTLEGROUND ROAD DEER PARK, TX (603.602 ACRES OF LAND (FOUR TRACTS) IN LIBERTY COUNTY, TX) O-5841-124971	9/8/1997
ROLLINS ENVIRONMENTAL SERVICES (TX) INC. N/K/A SAFETY-KLEEN (DEER PARK), INC.	SAFETY-KLEEN SYSTEMS, INC.	STEWART TITLE GUARANTY COMPANY	TITLE INSURANCE POLICY 2027 BATTLEGROUND ROAD DEER PARK, TX COMMITMENT #:97061708	6/5/1997
TECHNICAL ENVIRONMENTAL SYSTEMS, INC. N/K/A SAFETY-KLEEN (LA PORTE), INC.	SAFETY-KLEEN SYSTEMS, INC.	STEWART TITLE GUARANTY COMPANY	TITLE INSURANCE POLICY TRACT OF LAND IN LA PORTE, TX 77571 GF# 91054316-12	6/6/1991
TECHNICAL ENVIRONMENTAL SYSTEMS, INC. N/K/A SAFETY-KLEEN (LA PORTE), INC.	SAFETY-KLEEN SYSTEMS, INC.	STEWART TITLE GUARANTY COMPANY	TITLE INSURANCE POLICY 500 BATTLEGROUND ROAD LA PORTE TX, HARRIS COUNTY TX (6.53345 ACRES) COMMITMENT/GF#91054316-12	6/6/1992
TECHNICAL ENVIRONMENTAL SYSTEMS, INC. N/K/A SAFETY-KLEEN (LA PORTE), INC.	SAFETY-KLEEN SYSTEMS, INC.	STEWART TITLE GUARANTY COMPANY	TITLE INSURANCE POLICY 2027 BATTLEGROUND ROAD DEER PARK, TX 77536 91054316-12	6/6/1991
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	STRATEGIC RECRUITING PARTNERS	HR SERVICE	11/27/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	SUMMIT ENERGY SERVICES, INC.	OUTSOURCED ELECTRIC AND NATURAL GAS PROCUREMENT AND MANAGEMENT AGREEMENT	11/13/2001
ROLLINS ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	SUNDOWN ENVIRONMENTAL TREATMENT SYSTEMS, INC.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE ACQUISITION AGREEMENT	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	SUSAN WALTERS	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	1/29/2003
LIDLAW ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	TARVER ABSTRACT COMPANY (STEWART TITLE GUARANTY COMPANY)	TITLE INSURANCE POLICY 2027 BATTLEGROUND ROAD DEER PARK, TX O-5841-124971	9/8/1997
SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS, INC.	TDY INDUSTRIES, INC. (TELEDYNE-BROWN ENGINEERING)	MASTER SERVICES AGREEMENT	03/06/2002
SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS, INC.	TENNESSEE DEPARTMENT OF REVENUE	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN (WT), INC.	SAFETY-KLEEN SYSTEMS, INC.	TENNESSEE DEPARTMENT OF REVENUE	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	THE DESCARTES SYSTEMS GROUP, INC.	AGREEMENT FOR SOFTWARE LICENSE	5/21/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	THE JANIS GROUP, INC. AND ITS DIVISION HR21	AGREEMENT FOR PROFESSIONAL SERVICES	4/9/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	THE RECEIVABLE MANAGEMENT SERVICES CORPORATION	INTERIM SERVICES AGREEMENT	9/30/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	THE RECEIVABLE MANAGEMENT SERVICES CORPORATION	NONDISCLOSURE AGREEMENT	6/1/2002
ROLLINS ENVIRONMENTAL SERVICES (LA) INC. N/K/A SAFETY-KLEEN (BATON ROUGE), INC.	SAFETY-KLEEN SYSTEMS, INC.	THE SECURITY TITLE GUARANTEE CORPORATION OF BALTIMORE	TITLE INSURANCE POLICY PARISH OF EAST BATON ROUGE, BATON ROUGE, LA (113.007 ACRES) LA OST.O 503	2/20/1985
ROLLINS ENVIRONMENTAL SERVICES (LA) INC. N/K/A SAFETY-KLEEN (BATON ROUGE), INC.	SAFETY-KLEEN SYSTEMS, INC.	THE SECURITY TITLE GUARANTEE CORPORATION OF BALTIMORE, OLD SOUTH TITLE CORPORATION	TITLE INSURANCE POLICY PARISH OF EAST BATON ROUGE, LA B 115102	2/13/1991
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	THE THOMAS GROUP	HR SERVICE	8/1/2002
SAFETY-KLEEN CORP. F/K/A ROLLINS ENVIRONMENTAL SERVICES, INC.F/K/A ROLLINS-PURLE, INC.	SAFETY-KLEEN SYSTEMS, INC.	THE TITLE INSURANCE CORPORATION OF PENNSYLVANIA	TITLE INSURANCE POLICY PARISH OF EAST BATON ROUGE VARIOUS TRACTS OF CHEATHAM PROPERTY 871957	7/1/1976
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	THERMO ELECTRON SPECTROSCOPY	MAINTENANCE AGREEMENT 11243-2	6/20/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	THOMAS EDWARDS GROUP	HR SERVICE	9/25/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	THOMAS W. ARNST	EMPLOYMENT AGREEMENT	10/4/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	THOMAS W. ARNST	COMPANY INDEMNIFICATION AGREEMENT	10/4/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	THORN NETWORK, INC.	HR SERVICE	11/7/2002
B.D.T., INC. N/K/A SAFETY-KLEEN (BDT), INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE GUARANTEE COMPANY	TITLE INSURANCE POLICY 4255 RESEARCH PARKWAY CLARENCE, NY 86-18437	12/10/1986

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
B.D.T., INC. N/K/A SAFETY-KLEEN (BDT), INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE GUARANTEE COMPANY	TITLE INSURANCE POLICY CLARENCE ERIE COUNTY, UT T50-92-06650	8/3/1994
APTUS, INC. N/K/A SAFETY-KLEEN (ARAGONITE), INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE INSURANCE CO.	TITLE INSURANCE POLICY 11600 NORTH APTUS ROAD ARAGONITE, UT 84029 40 6050 60 000539	3/20/1995
GSX SERVICES OF CALIFORNIA, INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE INSURANCE CO. OF CALIFORNIA	TITLE INSURANCE POLICY 221 E D STREET WILMINGTON LOS ANGELES COUNTY, CA 8562091	6/22/1989
USPCI N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY COUNTY OF TOOELE, UT 1066357	10/14/1992
ROLLINS ENVIRONMENTAL SERVICES (DE), INC. N/K/A SAFETY-KLEEN (ENCOTEC), INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE INSURANCE COMPANY B & D TITLE OF TOOELE	TITLE INSURANCE POLICY COUNTY OF TOOELE, UT ORDER # B-6669	3/20/1995
UNITED STATES POLLUTION CONTROL, INC. N/K/A SAFETY-KLEEN (LONE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE INSURANCE COMPANY B & D TITLE OF TOOELE	TITLE INSURANCE POLICY SALT LAKE BASE AND MERIDIAN, UT 45 6050 05 000002	6/26/1992
UNITED STATES POLLUTION CONTROL, INC. N/K/A SAFETY-KLEEN (LONE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE INSURANCE COMPANY B & D TITLE OF TOOELE	TITLE INSURANCE POLICY SALT LAKE BASE AND MERIDIAN, UT 45 6050 05 000003	6/26/1992
UNITED STATES POLLUTION CONTROL, INC. N/K/A SAFETY-KLEEN (LONE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE INSURANCE COMPANY B & D TITLE OF TOOELE	TITLE INSURANCE POLICY SALT LAKE BASE AND MERIDIAN, UT 45 6050 05 000004	7/1/1992
GSX SERVICES (IMPERIAL VALLEY), INC. N/K/A SAFETY-KLEEN (WESTMORLAND), INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE INSURANCE COMPANY OF CALIFORNIA	TITLE INSURANCE POLICY 5295 SOUTH GARVEY ROAD WESTMORELAND, CA 108959	6/22/1989
GSX SERVICES (PETROLEUM WASTE), INC. N/K/A SAFETY-KLEEN (BUTTONWILLOW), INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE INSURANCE COMPANY OF CALIFORNIA	TITLE INSURANCE POLICY KERN COUNTY, CA D610696	6/22/1989
GSX SERVICES OF CALIFORNIA, INC. N/K/A SAFETY-KLEEN (CALIFORNIA), INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE INSURANCE COMPANY OF CALIFORNIA	TITLE INSURANCE POLICY KERN COUNTY, CA D610695	6/22/1989
GSX SERVICES OF CALIFORNIA, INC. N/K/A SAFETY-KLEEN (CALIFORNIA), INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE INSURANCE COMPANY OF CALIFORNIA	TITLE INSURANCE POLICY J405020645	6/22/1989
NORTH EAST SOLVENTS RECLAMATION CORPORATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE INSURANCE COMPANY OF CALIFORNIA	TITLE INSURANCE POLICY 300 CANAL STREET LAWRENCE, MA 05 078770	6/28/1990
ROLLINS ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	TICOR TITLE INSURANCE COMPANY OF CALIFORNIA	TITLE INSURANCE POLICY 5766 ALBA STREET LOS ANGELES CA 8352961	12/1/1988

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	TIG INSURANCE COMPANY	INSURANCE PROPERTY XPT 39238908	9/1/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	TIG SPECIALTY INS. CO.	INSURANCE PROPERTY XPT 387 97 113	9/1/2000
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	TIM KOCH	LETTER AGREEMENT/SEVERANCE & RETENTION	10/22/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	TIM RIEHL	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	10/24/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	TIME WARNER TELECOM OF TEXAS, L.P.	AGREEMENT FOR LOCAL EXCHANGE SERVICE	9/27/2002
SAFETY-KLEEN (TS), INC/SAFETY-KLEEN (PINWOOD), INC.	SAFETY-KLEEN SYSTEMS, INC.	TIN PRODUCTS	ACCOUNTS RECEIVABLE	
TRICIL ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN (WT), INC.	SAFETY-KLEEN SYSTEMS, INC.	TITLE INSURANCE COMPANY OF MINNESOTA (MINNESOTA TITLE)	TITLE INSURANCE POLICY 1640 ANTIOCH PIKE ANTIOCH, TN A41111-1977-1	3/20/1992
TRICIL ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN (WT), INC.	SAFETY-KLEEN SYSTEMS, INC.	TITLE INSURANCE COMPANY OF MINNESOTA (MINNESOTA TITLE)	TITLE INSURANCE POLICY 1640 ANTIOCH PIKE ANTIOCH, TN AQ 106604	3/27/1992
TRICIL ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN (WT), INC.	SAFETY-KLEEN SYSTEMS, INC.	TITLE INSURANCE COMPANY OF MINNESOTA (MINNESOTA TITLE)	TITLE INSURANCE POLICY 1640 ANTIOCH PIKE ANTIOCH, TN 37013 AQ 106604	3/27/1992
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	TMP INTERACTIVE INC. D/B/A MONSTER	WEB-BASED JOB ADVERTISING SERVICES	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	TODD TERRELL	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	11/12/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	TOM CAMPBELL	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	1/15/2003
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	TOM CATLEDGE	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	9/15/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	TONI HINSON	EMPLOYEE RELOCATION ASSISTANCE RELOCATION REIMBURSEMENT CONSENT FORM	11/12/2002

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	TOTAL INFORMATION SERVICES, INC., D/B/A DAC SERVICES	CONSUMER REPORTING SERVICE AGREEMENT	7/1/2000
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	TOTAL INFORMATION SERVICES, INC., D/B/A DAC SERVICES	CONSUMER REPORTING SERVICE AGREEMENT	7/7/2000
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	TOWERS PERRIN	ACTUARIAL SERVICES	10/22/2002
HIGHWAY 36 DEVELOPMENT COMPANY N/K/A SAFETY-KLEEN (DEER TRAIL), INC.	SAFETY-KLEEN SYSTEMS, INC.	TRANSAMERICA TITLE INSURANCE COMPANY	TITLE INSURANCE POLICY 108555 EAST HWY 36 DEER TRAIL, CO 80105 144-152813	7/21/1994
SAFETY-KLEEN (PPM), INC.	SAFETY-KLEEN SYSTEMS, INC.	TRANSFORMER DISPOSAL	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN (PPM), INC.	SAFETY-KLEEN SYSTEMS, INC.	TRANSFORMER SERVICES	ACCOUNTS RECEIVABLE	
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	TRAVELERS CASUALTY AND SURETY COMPANY	INSURANCE POLICY INSURING DEBTORS 38XN26WCA	1/1/1979
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	TRAVELERS CASUALTY AND SURETY COMPANY	INSURANCE POLICY INSURING DEBTORS 27XS836WCA	7/15/1973
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	TRAVELERS CASUALTY AND SURETY COMPANY	INSURANCE POLICY INSURING DEBTORS 27XS836WCA	7/15/1974
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	TRAVELERS CASUALTY AND SURETY COMPANY	INSURANCE POLICY INSURING DEBTORS 27XN145WCA	8/30/1978
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	TRAVELERS CASUALTY AND SURETY COMPANY	INSURANCE POLICY INSURING DEBTORS 38XN25WCA	1/1/1979
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	TRAVELERS CASUALTY AND SURETY COMPANY	INSURANCE POLICY INSURING DEBTORS 27XS836WCA	7/15/1972
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	TRAVELERS CASUALTY AND SURETY COMPANY	INSURANCE POLICY INSURING DEBTORS 27XS1509WCA	7/15/1975
RES N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	TRAVELERS CASUALTY AND SURETY COMPANY	INSURANCE POLICY INSURING DEBTORS 27XN148WCA	11/1/1978
SAFETY-KLEEN (PINWOOD), INC. AND SAFETY-KLEEN (TS), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	TRAVELERS CASUALTY AND SURETY COMPANY	INSURANCE POLICY INSURING DEBTORS 38XN25WCA	11/10/1978

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	TRI-STATE WATER TREATMENT, INC.	RENTAL AGREEMENT	10/5/2000
UNITED STATES POLLUTION CONTROL, INC., N/K/A SAFETY-KLEEN (LONE AND GRASSY MOUNTAIN), INC.	SAFETY-KLEEN SYSTEMS, INC.	TRW TITLE INSURANCE COMPANY TERRA TITLE COMPANY	TITLE INSURANCE POLICY SALT LAKE BASE AND MERIDIAN, UT 0 US 161-101126	9/25/1992
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	TWIN CITY FIRE INS. CO.	INSURANCE D & O LIABILITY NDA 0208871	4/3/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	TWIN CITY FIRE INS. CO.	INSURANCE D & O LIABILITY NDA0208871	4/3/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	TXU ENERGY RETAIL COMPANY LP	MASTER NATURAL GAS SALES CONTRACT M702	6/1/2002
SAFETY-KLEEN, INC. (GALLATIN, TN)	SAFETY-KLEEN SYSTEMS, INC.	TYLER MOUNTAIN WATER COMPANY, INC./ ANITA SPRING WATER COMPANY, INC.	RENTAL AGREEMENT	
ALCHEM-TRON, INCORPORATED, AN OHIO CORPORATION N/K/A GSX SERVICES OF OHIO, INC.	SAFETY-KLEEN SYSTEMS, INC.	U S TITLE AGENCY, INC.	TITLE INSURANCE POLICY 2516 TRAIN AVENUE CLEVELAND, OH NO. 131868	11/16/1987
SAFETY-KLEEN (NE), INC./SAFETY-KLEEN CHEMICAL SERVICES	SAFETY-KLEEN SYSTEMS, INC.	UNICO, INC.	ACCOUNTS RECEIVABLE	
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNIGARD SECURITY INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS GL 33-1008	9/18/1978
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNIGARD SECURITY INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS CL 07-2121	9/18/1975
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNIGARD SECURITY INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS BC 01-2091	9/18/1978
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNIGARD SECURITY INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS BC 01-2091	9/18/1977
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNIGARD SECURITY INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS BC 01-2091	9/18/1975
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNIGARD SECURITY INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS CL 07-2121	9/18/1977
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNIGARD SECURITY INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS BC 01-2091	9/18/1976

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
OI-OPC N/K/A SAFETY-KLEEN (LOS ANGELES), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNIGARD SECURITY INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS CL 07-2121	9/18/1976
SAFETY-KLEEN CORPORATION	SAFETY-KLEEN SYSTEMS, INC.	UNITED AIR LINES, INC.	SERVICE AGREEMENT NO. 85568	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	UNITED RECYCLING INDUSTRIES, INC.	AGREEMENT FOR COMPUTER RECYCLING	12/11/2001
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNITED STATES FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS DCL737656	5/7/1975
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNITED STATES FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 523-367728-2	5/25/1984
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNITED STATES FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 523-270487-7	5/25/1983
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNITED STATES FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 523-235166-3	5/25/1982
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNITED STATES FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 523-117324-8	5/25/1981
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNITED STATES FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 523-063453-5	5/7/1980
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNITED STATES FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 520-352424-9	5/7/1978
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNITED STATES FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS DCL737656	5/7/1976
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNITED STATES FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS 523-007918-1	5/7/1979
NORTHEAST SOLVENTS RECLAMATION N/K/A SAFETY-KLEEN (NE), INC.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	UNITED STATES FIRE INSURANCE COMPANY	INSURANCE POLICY INSURING DEBTORS DCL737656	5/7/1977
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	UNITED STATES POST OFFICE	P.O. BOX 12349	
SAFETY-KLEEN (SAN JOSE), INC.	SAFETY-KLEEN SYSTEMS, INC.	UNIVERSITY OF CALIFORNIA	ACCOUNTS RECEIVABLE	

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	US BANCORP EQUIPMENT FINANCE, INC.	LETTER NONDISCLOSURE AGREEMENT	11/21/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	W.E. CARLSON CORPORATION	CONTRACT FOR DOCK EQUIPMENT	6/21/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	WACHOVIA BANK	WACHOVIA LOCKBOX	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	WALLS & ASSOCIATES CONSULTING, LLC	CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT	5/13/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	WARREN TEEPLE	CONSULTING AGREEMENT	11/27/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	WASTE MANAGEMENT	SERVICE AGREEMENT 23748	6/10/2002
SAFETY-KLEEN CO.	SAFETY-KLEEN SYSTEMS, INC.	WASTE MANAGEMENT OF OKLAHOMA, A WASTE MANAGEMENT COMPANY	SERVICE AGREEMENT--NON HAZARDOUS WASTES WM1158517	9/25/2002
SAFETY-KLEEN	SAFETY-KLEEN SYSTEMS, INC.	WASTE MANAGEMENT SERVICES	NON HAZARDOUS WASTES SERVICE AGREEMENT WM312714	4/15/2002
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	WELLS FARGO MERCHANT SERVICES, L.L.C.	MUTUAL CONFIDENTIALITY AGREEMENT	8/16/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	WELLSPRING CAPITAL	CONFIDENTIALITY AGREEMENT	November 2002
SAFETY-KLEEN (ALTAIR), INC.	SAFETY-KLEEN SYSTEMS, INC.	WEST VIRGINIA STATE TAX DIVISION	TAX REFUNDS OR CLAIM FOR TAX REFUNDS PLUS ANY APPLICABLE INTEREST	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	WESTCHESTER FIRE INS. CO.	INSURANCE UMBRELLA LIABILITY HXA-647701	9/1/2000
SAFETY KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	WESTERN OILFIELDS SUPPLY COMPANY D/B/A RAIN-FOR-RENT	NATIONAL PRICING AGREEMENT	12/1/2000
ROLLINS ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	WESTINGHOUSE ELECTRIC CORP.	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE NON-COMPETITION AND CONFIDENTIALITY AGREEMENT	

Debtor	Reorganized Debtor to Which Asset Is to Vest	Non-Debtor Contract Party	Asset Description	Date of Contract
ROLLINS ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	WESTINGHOUSE ELECTRIC CORPORATION OFFICE OF THE CHAIRMAN	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE STOCK PURCHASE AGREEMENT	
ROLLINS ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	WESTINGHOUSE ELECTRIC CORPORATION OFFICE OF THE CHAIRMAN	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE DEBENTURE PURCHASE AGREEMENT	
ROLLINS ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN CORP., AND APTUS, INC. N/K/A SAFETY-KLEEN (ARAGONITE), INC.	SAFETY-KLEEN SYSTEMS, INC.	WESTINGHOUSE ELECTRIC CORPORATION OFFICE OF THE CHAIRMAN	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE ASSIGNMENT OF SOFTWARE LICENSE AGREEMENT	
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC.	WILLIAM M. MERCER LIMITED	CANADIAN PENSION ACTUARIAL SERVICES	7/1/2001
LIDLAW ENVIRONMENTAL SERVICES, INC. N/K/A SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	WILSON GREATBATCH, LTD., EAST HILL FOUNDATION	ANY RIGHT OR BENEFIT THE NAMED DEBTOR HAS WITH RESPECT TO ANY INDEMNIFICATION, CONFIDENTIALITY OR NON-COMPETE PROVISIONS OR RELEASES IN CONNECTION WITH THE SHARE PURCHASE AGREEMENT	
SAFETY-KLEEN SERVICES, INC.	SAFETY-KLEEN SYSTEMS, INC.	WINZIP COMPUTING, INC.	AGREEMENT FOR SOFTWARE LICENSES	2/19/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	XL CAPITAL, LTD	INSURANCE POLICY INSURING DEBTORS TBD	9/1/1998
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS AND ITS SUBSIDIARIES AND AFFILIATES	XL CAPITAL, LTD	INSURANCE POLICY INSURING DEBTORS XLUMB00731	9/1/1999
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	XL INSURANCE LTD.	INSURANCE D & O LIABILITY XLD O 01802	4/3/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	XL INSURANCE LTD.	INSURANCE D & O LIABILITY XLD O 01802	4/3/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	XL SPECIALTY	INSURANCE NON-OWNED AIRCRAFT PXLN 380 0021	3/29/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	XL SPECIALTY INS. CO.	INSURANCE NON-OWNED AIRCRAFT PXLN 380 0021	3/29/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	XL SPECIALTY INS. CO.	INSURANCE NON-OWNED AIRCRAFT PXLN 380 0021	3/29/2001
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	XL SPECIALTY INSURANCE CO.	INSURANCE D & O LIABILITY ELU82973-03	1/8/2003

<b>Debtor</b>	<b>Reorganized Debtor to Which Asset Is to Vest</b>	<b>Non-Debtor Contract Party</b>	<b>Asset Description</b>	<b>Date of Contract</b>
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	XL SPECIALTY INSURANCE CO.	INSURANCE PRIMARY D & O LIAB. - SIDE A ELU 82973-02	1/8/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	ZURICH AMERICAN INSURANCE CO.	INSURANCE D & O LIABILITY DOC388468800	4/3/2002
SAFETY-KLEEN LTD.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	ZURICH AMERICAN INSURANCE CO.	INSURANCE D & O LIABILITY DOC388468800	4/3/2002
SAFETY-KLEEN CORP.	SAFETY-KLEEN SYSTEMS, INC. AND ITS SUBSIDIARIES AND AFFILIATES	ZURICH INSURANCE COMPANY	INSURANCE CONSULTANTS ENVIRON. PEC 8429569-00	9/1/2000

On the Effective Date, (i) any prepetition or postpetition non-competition, non-disclosure, and/or non-solicitation agreement (each, a "Non-Compete Agreement"), (ii) any prepetition or postpetition severance, retention and/or release agreement (each, a "Severance Agreement") and (iii) any postpetition relocation or move assistance agreement (each, a "Relocation Agreement"), whether standing alone or integrated into any other agreement or contract, entered into and between a present or former employee (the "Employee") of the Debtors and a Dissolving Debtor, which Non-Compete Agreement, Severance Agreement or Relocation Agreement is still in effect as of the Effective Date, shall vest in SK Systems. To the extent that the Non-Compete Agreement, Severance Agreement or Relocation Agreement is vested in SK Systems, all the covenants, provisions, and terms of such agreement will be enforceable by SK Systems against the Employee. Moreover, to the extent that (i) a Non-Compete Agreement was entered into pre-petition and (ii) the Employee successfully asserts that such Non-Compete Agreement is an executory contract pursuant to 11 U.S.C. §365, the Debtors request that (a) such Non-Compete Agreement be deemed to be assumed by the Debtors and, where applicable, be assigned to SK Systems and (b) no Cure be deemed to exist as to the Non-Compete Agreement.

Any postpetition purchase order (each, a "Purchase Order") entered into and between a vendor and a Dissolving Debtor, which Purchase Order is still in effect as of the Effective Date, shall also vest in SK Systems.

To the extent that any of the insurance policies listed on Schedule J are deemed to be executory contracts pursuant to 11 U.S.C. § 365, the Debtors request that (a) each such insurance policy be deemed to be assumed by the applicable Debtor and assigned to the applicable Reorganized Debtor and (b) no Cure be deemed to exist as to each such insurance policy.

EXHIBIT K

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES

SCHEDULE OF NON-RELEASED PERSONS

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SCHEDULE OF NON-RELEASED PERSONS

**TO BE FILED ON OR BEFORE  
THE EXHIBIT FILING DATE**

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EXHIBIT L

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES

SCHEDULE OF PARTICIPATING STATES

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SCHEDULE OF PARTICIPATING STATES

Arizona  
Arkansas  
Georgia  
Illinois  
Kentucky  
Maryland  
Massachusetts  
Minnesota  
Nevada  
Ohio  
South Dakota  
Tennessee  
Utah  
Vermont  
Virginia  
Wisconsin

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EXHIBIT M

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES

SCHEDULE OF RESPONDENT DEBTORS

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SCHEDULE OF RESPONDENT DEBTORS

Safety-Kleen Corp.  
Safety-Kleen Services, Inc.  
Safety-Kleen Systems, Inc.  
Safety-Kleen (Aragonite), Inc.  
Safety-Kleen (BDT), Inc.  
Safety-Kleen (Bartow), Inc.  
Safety-Kleen (Baton Rouge), Inc.  
Safety-Kleen (Bridgeport), Inc.  
Safety-Kleen (California), Inc.  
Safety-Kleen (Chattanooga), Inc.  
Safety-Kleen (Colfax), Inc.  
Safety-Kleen (Crowley), Inc.  
Safety-Kleen (Deer Park), Inc.  
Safety-Kleen (Deer Trail), Inc.  
Safety-Kleen (GS), Inc.  
Safety-Kleen (LaPorte), Inc.  
Safety-Kleen (Lone and Grassy (Mountain)), Inc.  
Safety-Kleen (NE), Inc.  
Safety-Kleen (PPM), Inc.  
Safety-Kleen (Pecatonica), Inc.  
Safety-Kleen (Pinewood), Inc.  
Safety-Kleen (Plaquemine), Inc.  
Safety-Kleen (Roebuck), Inc.  
Safety-Kleen (TS), Inc.  
Safety-Kleen (Tulsa), Inc.  
Safety-Kleen (WT), Inc.  
Safety-Kleen (White Castle), Inc.  
GSX Chemical Services of Ohio, Inc.

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EXHIBIT N

TO

FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES

SCHEDULE OF PARALLEL CONSENT AGREEMENTS

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SCHEDULE OF PARALLEL CONSENT AGREEMENTS

<b>AGREEMENT</b>	<b>SAFETY-KLEEN PARTY TO AGREEMENT</b>	<b>DATE OF AGREEMENT</b>
Agreement with the Colorado Department of Public Health and Environment, Hazardous Materials and Waste Management Division	Safety-Kleen (Deer Trail), Inc.	11/9/00
Consent Agreement with Kansas Department of Health and Environment	Safety-Kleen Corp.; Safety-Kleen Services, Inc.; Safety-Kleen (Aragonite), Inc. and Safety-Kleen Systems, Inc.	1/12/01
Consent Agreement with the South Carolina Department of Health and Environmental Control	Safety-Kleen Corp.; Safety-Kleen Services, Inc.; Safety-Kleen Systems, Inc. (Lexington); Safety-Kleen Systems, Inc. (Greer); Holnam, Inc./Safety-Kleen Systems, Inc. (Holly Hill) and Safety-Kleen (Roebuck), Inc.	7/9/01
Agreement with the Missouri Department of Natural Resources	Safety-Kleen Services, Inc. and Safety-Kleen (PPM), Inc.	7/23/01
Settlement Agreement with the Texas Natural Resource Conservation Commission	Safety-Kleen Corp.; Safety-Kleen Services, Inc.; Safety-Kleen Systems, Inc.; Safety-Kleen (Deer Park), Inc.; Safety-Kleen (La Porte), Inc. and Safety-Kleen (San Antonio), Inc.	8/1/01
Settlement Agreement with the Louisiana Department of Environmental Quality	Safety-Kleen (Colfax), Inc.; Safety-Kleen Systems, Inc.; Safety-Kleen (Plaquemine), Inc.; Safety-Kleen (White Castle), Inc.; Safety-Kleen Corp., f/k/a Laidlaw Environmental Services, Inc.; Safety-Kleen (Baton Rouge), Inc.; Safety-Kleen (Crowley), Inc., f/k/a Laidlaw Environmental Services (Recovery), Inc., f/k/a GSX Recovery Systems, Inc., f/k/a HESCO Corporation	Subject to final execution and Bankruptcy Court approval

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EXHIBIT O  
TO  
FIRST AMENDED JOINT PLAN  
OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES  
FORM OF STOCKHOLDERS' AGREEMENTS

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FORM OF STOCKHOLDERS' AGREEMENTS

**TO BE FILED ON OR BEFORE  
THE EXHIBIT FILING DATE**

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**APPENDIX B**

**TO**

**DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED  
JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

**CORPORATE STRUCTURE OF SAFETY-KLEEN CORP.  
AND ITS SUBSIDIARY DEBTORS, AS OF JUNE 9, 2000**

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**APPENDIX C**

**TO**

**DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED  
JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

**ESTIMATED AMOUNT OF ALLOWED SUB-CLASS 7 CLAIMS**

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### Estimated Amount of Allowed Sub-Class 7 Claims

List of Class 7 Sub-Classes	Estimated Amount of Subsidiary General Unsecured Claims*
Class 7.01: Safety-Kleen (Encotec), Inc. General Unsecured Claims	\$2,550,357
Class 7.02: Safety-Kleen Systems, Inc. Claims	\$97,330,167
Class 7.03: Ecogard Inc. General Unsecured Claims	\$1,026,455
Class 7.04: SK Europe, Inc. General Unsecured Claims	\$0
Class 7.05: Dirt Magnet, Inc. General Unsecured Claims	\$0
Class 7.06: The Midway Gas and Oil Co. General Unsecured Claims	\$0
Class 7.07: Elgint Corp. General Unsecured Claims	\$307,063
Class 7.08: Safety-Kleen Envirosystems Company General Unsecured Claims	\$109,725
Class 7.09: Safety-Kleen Envirosystems Company of Puerto Rico General Unsecured Claims	\$2,081,096
Class 7.10: Petrocon, Inc. General Unsecured Claims	\$155
Class 7.11: Phillips Acquisition Corp. General Unsecured Claims	\$0
Class 7.12: SK Real Estate Inc. General Unsecured Claims	\$0
Class 7.13: Safety-Kleen International, Inc. General Unsecured Claims	\$0
Class 7.14: Safety-Kleen Oil Recovery Co. General Unsecured Claims	\$11,729,244
Class 7.15: Safety-Kleen Oil Services, Inc. General Unsecured Claims	13,048,920
Class 7.16: The Solvents Recovery Service of New Jersey, Inc. General Unsecured Claims	\$1,540,693
Class 7.17: Safety-Kleen Services, Inc. General Unsecured Claims	\$45,885,537
Class 7.18: Safety-Kleen (Consulting), Inc. General Unsecured Claims	\$88,323
Class 7.19: Safety-Kleen (Lone and Grassy Mountain), Inc. General Unsecured Claims	\$9,960,965
Class 7.20: Safety-Kleen (Tulsa), Inc. General Unsecured Claims	\$262,952
Class 7.21: Safety-Kleen (San Antonio), Inc. General Unsecured Claims	\$6,855
Class 7.22: Safety-Kleen (Wichita), Inc. General Unsecured Claims	\$94,708
Class 7.23: Safety-Kleen (Delaware), Inc. General Unsecured Claims	\$1,323,818

\* The estimated amount of Allowed Subsidiary General Unsecured Claims set forth herein exclude, solely for presentation purposes, (i) the deficiency claims of the U.S. Lenders against each subsidiary and (ii) the guarantee Claims of the holders of the Class 6 9¼% Senior Subordinated Notes.

Class 7.24: SK Services (East), L.C. General Unsecured Claims	\$20,455,863
Class 7.25: SK Services, L.C. General Unsecured Claims	\$12,497,707
Class 7.26: Safety-Kleen (Rosemount), Inc. General Unsecured Claims	\$449,015
Class 7.27: Safety-Kleen (Sawyer), Inc. General Unsecured Claims	\$189,567
Class 7.28: Safety-Kleen (PPM), Inc. General Unsecured Claims	\$5,465,356
Class 7.29: Ninth Street Properties, Inc. General Unsecured Claims	\$0
Class 7.30: Safety-Kleen (San Jose), Inc. General Unsecured Claims	\$1,479,734
Class 7.31: Chemclear, Inc. of Los Angeles General Unsecured Claims	\$0
Class 7.32: USPCI, Inc. of Georgia General Unsecured Claims	\$10,528
Class 7.33: Safety-Kleen Holdings, Inc. General Unsecured Claims	\$0
Class 7.34: Safety-Kleen (Westmorland), Inc. General Unsecured Claims	\$442,881
Class 7.35: Safety-Kleen (Buttonwillow), Inc. General Unsecured Claims	\$5,059,084
Class 7.36: Safety-Kleen (NE), Inc. General Unsecured Claims	\$433,295
Class 7.37: Safety-Kleen (Crowley), Inc. General Unsecured Claims	\$524,285
Class 7.38: Safety-Kleen (Laporte), Inc. General Unsecured Claims	\$1,578,100
Class 7.39: Safety-Kleen (TG), Inc. General Unsecured Claims	\$320,581
Class 7.40: Safety-Kleen (Roebuck), Inc. General Unsecured Claims	\$3,342,637
Class 7.41: Safety-Kleen (TS), Inc. General Unsecured Claims	\$2,590,076
Class 7.42: Safety-Kleen (Colfax), Inc. General Unsecured Claims	\$198,940
Class 7.43: GSX Chemical Services of Ohio, Inc. General Unsecured Claims	\$26,400
Class 7.44: LEMC, Inc. General Unsecured Claims	\$1,134,496
Class 7.45: Safety-Kleen Chemical Services, Inc. General Unsecured Claims	\$1,509,517
Class 7.46 Safety-Kleen (Altair), Inc. General Unsecured Claims	\$362,244
Class 7.47: Safety-Kleen (FS), Inc. General Unsecured Claims	\$5,582,175
Class 7.48: Safety-Kleen (BDT), Inc. General Unsecured Claims	\$481,602
Class 7.49: Safety-Kleen (GS), Inc. General Unsecured Claims	\$1,914,642
Class 7.50: Safety-Kleen (Clive), Inc. General Unsecured Claims	\$12,269,790
Class 7.51: Safety-Kleen (WT), Inc. General Unsecured Claims	\$1,157,972
Class 7.52: Safety-Kleen Osco Holdings, Inc. General Unsecured Claims	\$4,761
Class 7.53: Safety-Kleen (Nashville), Inc. General Unsecured Claims	\$5,523,402
Class 7.54: Safety-Kleen (Bartow), Inc. General Unsecured Claims	\$908,646
Class 7.55: Safety-Kleen (California), Inc. General Unsecured Claims	\$1,035,720

Class 7.56: Safety-Kleen (Chattanooga), Inc. General Unsecured Claims	\$2,272,622
Class 7.57: Safety-Kleen (Pecatonica), Inc. General Unsecured Claims	\$229,660
Class 7.58: Safety-Kleen (Pinewood), Inc. General Unsecured Claims	\$1,210,936
Class 7.59: Safety-Kleen (White Castle), Inc. General Unsecured Claims	\$537,878
Class 7.60: Safety-Kleen (Puerto Rico), Inc. General Unsecured Claims	\$437,413
Class 7.61: Safety-Kleen (Bridgeport), Inc. General Unsecured Claims	\$3,679,016
Class 7.62: Safety-Kleen (Deer Park), Inc. General Unsecured Claims	\$5,687,062
Class 7.63: Safety-Kleen (Baton Rouge), Inc. General Unsecured Claims	\$876,961
Class 7.64: Safety-Kleen (Plaquemine), Inc. General Unsecured Claims	\$139,156
Class 7.65: Safety-Kleen (Custom Transport), Inc. General Unsecured Claims	\$0
Class 7.66: Safety-Kleen (Los Angeles), Inc. General Unsecured Claims	\$6,729,566
Class 7.67: Safety-Kleen (Tipton), Inc. General Unsecured Claims	\$4,480
Class 7.68: Safety-Kleen (Gloucester), Inc. General Unsecured Claims	\$19,137
Class 7.69: Safety-Kleen (Deer Trail), Inc. General Unsecured Claims	\$229,269
Class 7.70: Safety-Kleen (Mt. Pleasant), Inc. General Unsecured Claims	\$10,858
Class 7.71: Safety-Kleen (Minneapolis), Inc. General Unsecured Claims	\$0
Class 7.72: Safety-Kleen (Aragonite), Inc. General Unsecured Claims	\$5,944,696
Class 7.73: Safety-Kleen (Sussex), Inc. General Unsecured Claims	\$0

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**APPENDIX D**

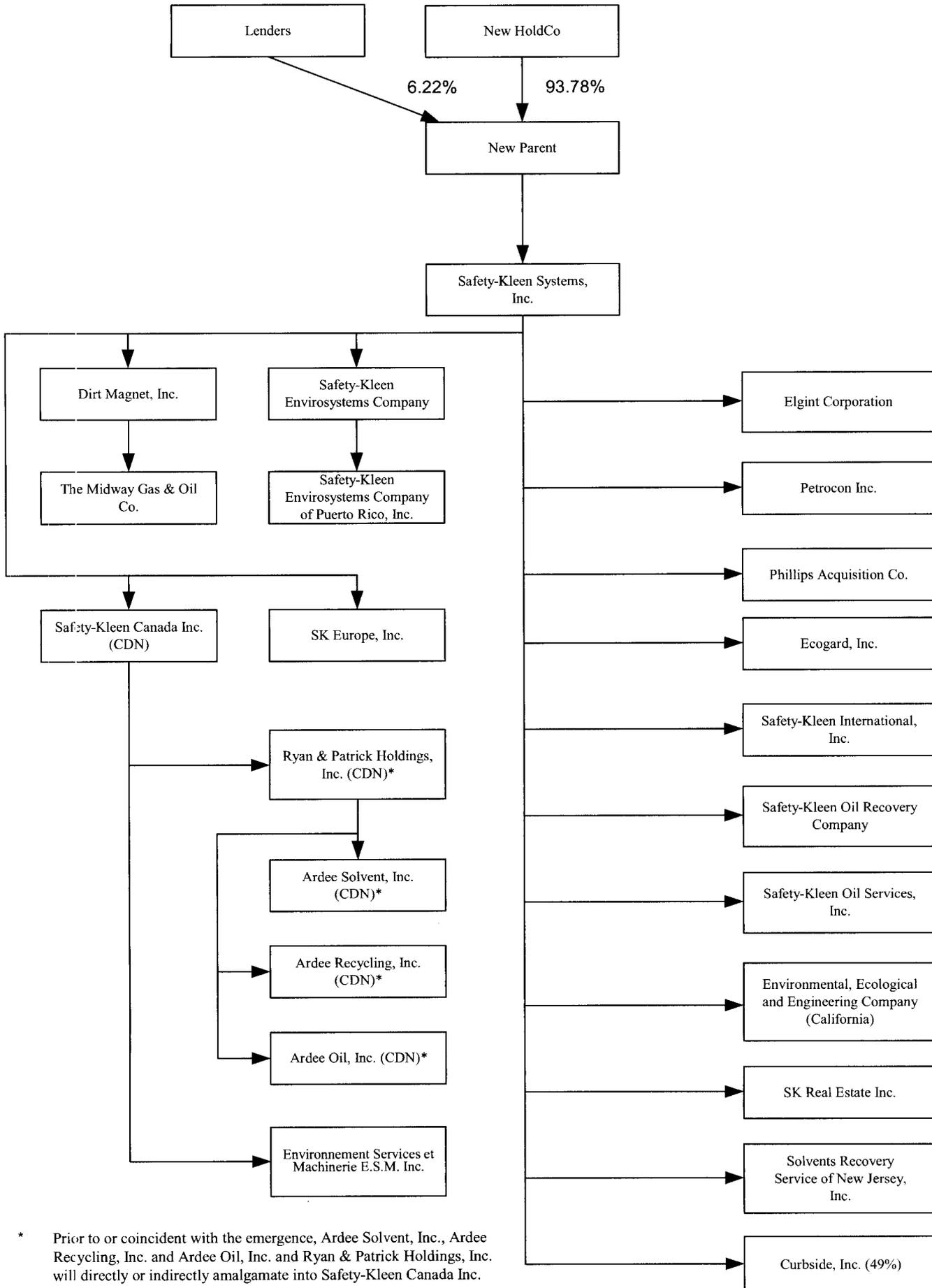
**TO**

**DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED  
JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

**REORGANIZED DEBTORS' CORPORATE STRUCTURE**

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### Reorganized Debtors' Corporate Structure



\* Prior to or coincident with the emergence, Ardee Solvent, Inc., Ardee Recycling, Inc. and Ardee Oil, Inc. and Ryan & Patrick Holdings, Inc. will directly or indirectly amalgamate into Safety-Kleen Canada Inc.

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**APPENDIX E-1**

**TO**

**DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED  
JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

**SAFETY-KLEEN CORP., ET AL.'S 10-K FOR THE FISCAL YEAR ENDED AUGUST 31, 2001**

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UNITED STATES  
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 August 31, 2001

Commission File Number 1-8368

**SAFETY-KLEEN CORP.**

(Exact name of registrant as specified in its charter)

Delaware	51-0228924
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1301 Gervais Street, Columbia, South Carolina 29201  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (803) 933-4200

**Securities Registered pursuant to Section 12(b) of the Act: None**

**Securities registered pursuant to Section 12(g) of the Act:**

Title of each class  
Common Stock Par Value \$1.00  
Rights to Purchase Common Stock

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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 II of this Form 10-K or any amendment to this form 10-K.

The aggregate market value of the Common Stock held by non-affiliates of the registrant was \$17,133,211 as of November 6, 2001.

The number of shares of the issuer's Common Stock outstanding was 100,783,596 as of November 6, 2001.

**TABLE OF CONTENTS**

<b><u>Item</u></b>		<b><u>Page</u></b>
<b>PART I</b>		
1.	Business.....	3
2.	Properties.....	17
3.	Legal Proceedings.....	19
4.	Submission of Matters to a Vote of Security Holders.....	31
<b>PART II</b>		
5.	Market for Registrant's Common Equity and Related Stockholder Matters.....	32
9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.....	32
<b>PART III</b>		
10.	Directors and Executive Officers of the Registrant.....	33
11.	Executive Compensation.....	37
12.	Security Ownership of Certain Beneficial Owners and Management.....	42
13.	Certain Relationships and Related Transactions.....	43
<b>PART IV</b>		
14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K.....	45

Safety-Kleen Corp. (the "Registrant" or "Safety -Kleen") and its subsidiaries (collectively referred to as the "Company") have omitted certain information responsive to Items 6, 7, 7A, 8 and 14 and portions of other Items which elicit financial information. As described in greater detail in Part I, Item 1 "Business – Factors Affecting Future Results – Uncertainties Relating to the Company's Internal Controls," the Company, with the assistance of Jefferson Wells International and Arthur Andersen LLP, is working to correct material deficiencies in the Company's internal controls. Despite the progress made by the Company in correcting the deficiencies, the Company was not able to prepare and obtain an audit of its financial statements for the fiscal year ended August 31, 2001 within the time limitations imposed by federal securities laws and regulations. At such time as the financial statements for the fiscal year ended August 31, 2001 have been prepared and audited, the Company will amend this Form 10-K, file the audited financial statements required by Form 10-K and provide the information which has been omitted in this filing. The Company anticipates making that filing as soon as practicable.

## **PART I**

### **ITEM 1. BUSINESS**

#### **GENERAL**

The Company provides a range of services designed to collect, transport, process, recycle or dispose of hazardous and non-hazardous industrial and commercial waste streams. The Company provides these services in 50 states, seven Canadian provinces, Puerto Rico, Mexico and Saudi Arabia from approximately 370 collection, processing and other locations.

Safety-Kleen was incorporated in Delaware in 1978. Its principal executive office is located at 1301 Gervais Street, Suite 300, Columbia, South Carolina 29201 and its telephone number is (803) 933-4200.

#### **RECENT DEVELOPMENTS**

##### **Investigation of Financial Results**

On March 6, 2000, the Company announced that it had initiated an internal investigation of its previously reported financial results and certain of its accounting policies and practices. The investigation followed receipt by the Company's Board of Directors of information alleging possible accounting irregularities that may have affected the previously reported financial results of the Company after fiscal year 1998. The internal investigation was subsequently expanded to include fiscal years 1998 and 1997. The Board of Directors appointed a special committee, consisting of four directors who were then independent outside directors of the Company, to conduct the internal investigation (the "Special Committee (Investigation)"). The Special Committee (Investigation) was later expanded to five directors, with the addition of one additional independent outside director. The Special Committee (Investigation) engaged the law firm of Shaw Pittman, and Shaw Pittman engaged the accounting firm of Arthur Andersen LLP, to assist with the comprehensive investigation of these matters. As a result of the preliminary findings of the investigation and the results of the audit conducted by Arthur Andersen LLP, the Company restated its previously reported financial results for 1999, 1998 and 1997 in Form 10-K/A filed on July 9, 2001.

On March 5, 2000, the Board placed the following three officers, one of whom was a director, on administrative leave: Kenneth W. Winger, the Company's President, Chief Executive Officer, and a Director; Michael J. Bragagnolo, Executive Vice President and Chief Operating Officer; and Paul R. Humphreys, Senior Vice President of Finance and Chief Financial Officer. The Company accepted the resignations of Messrs. Winger, Bragagnolo, and Humphreys, as officers, in mid-May 2000 and of Mr. Winger, as a director, on June 9, 2000, and subsequently terminated the employment of these individuals in July 2000. From March 6, 2000 through May 22, 2000, David E. Thomas, Jr. and Grover C. Wrenn, both members of the Board of Directors, were appointed by the Board of Directors to co-manage the Company on an interim basis. Thereafter the Board formally elected Mr. Thomas as Chairman of the Board on May 4, 2000 and Chief Executive Officer on May 22, 2000. Mr. Wrenn was also elected as President and Chief Operating Officer on May 22, 2000.

On September 13, 2001, the Board of Directors dissolved the Special Committee (Investigation) and established the Special Committee (Conflicts of Interest in Litigation). The Special Committee (Conflicts of Interest in Litigation) is authorized to, among other things, manage all litigation by or against the Company in connection with which there may be conflicts of interest between the Company and any Board Members. The Special Committee (Conflicts of Interest in Litigation) is comprised of Ronald A. Rittenmeyer, Kenneth K. Chalmers, Peter E. Lengyel and David W. Wallace, each of whom was appointed to the Board subsequent to March 6, 2000.

On March 8, 2000, PricewaterhouseCoopers LLP, the Company's then independent accountants, withdrew its audit reports covering the Company's financial statements for fiscal years 1999, 1998 and 1997. On August 1, 2000, the Company dismissed PricewaterhouseCoopers LLP as its independent accountants and engaged Arthur Andersen LLP as successor independent accountants.

As discussed in greater detail in Part I, Item 3 (Legal Proceedings), in connection with the events giving rise to the investigation of the Company's financial results, various class actions were filed by and on behalf of shareholders and bondholders of the Company naming as defendants, among others, the Company, Laidlaw Inc. ("Laidlaw"), and PricewaterhouseCoopers LLP, as well as current and former officers and directors of the Company and Laidlaw. As discussed below, due to the Company's Chapter 11 Bankruptcy filing on June 9, 2000, most

litigation against the Company is subject to an automatic stay. As further discussed below, after the Company filed its Chapter 11 bankruptcy petition, amended consolidated class action complaints were filed in which the Company was not named as a defendant. In addition, Safety-Kleen has received subpoenas relating to investigations by the Securities and Exchange Commission and the United States Attorney for the Southern District of New York.

### **Bankruptcy Proceedings**

As discussed more fully in Part I, Item 3 (Legal Proceedings), on June 9, 2000, Safety-Kleen Corp. and 73 of its wholly owned domestic subsidiaries (collectively, the "Debtors") filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The Debtors remain in possession of their properties and assets and management of the Company continues to operate the business of the Debtors as a debtor-in-possession. As a debtor-in-possession, the Company is authorized to continue to operate its businesses, but may not engage in transactions outside the ordinary course of business without the approval, after notice and an opportunity for a hearing, of the Bankruptcy Court. Pursuant to the automatic stay provisions of the Bankruptcy Code, all actions to collect pre-petition indebtedness of the Debtors, as well as most other pending litigation against the Debtors are currently stayed. In addition, as debtor-in-possession, the Debtors have the right, subject to the approval of the Bankruptcy Court and certain other conditions, to assume or reject any pre-petition executory contracts or unexpired leases.

The Bankruptcy Court has approved payment of certain pre-petition liabilities, such as employee wages and benefits, and settlement of certain trade payable claims. In addition, the Bankruptcy Court has allowed for the retention of legal and financial professionals to advise in the bankruptcy proceedings. In June 2000, the Bankruptcy Court approved the Company's request for an initial \$40 million in debtor-in-possession financing. In July 2000, the Bankruptcy Court approved the Company's request for a total of \$100 million in debtor-in-possession financing. As of October 28, 2001, the Company had issued three letters of credit aggregating approximately \$65 million and had no cash borrowings pursuant to this financing.

The Company presently intends to reorganize the Company's business and restructure the Company's liabilities through a plan or plans of reorganization to be filed with the Bankruptcy Court. The Company has retained Lazard Freres & Co. LLC, an investment bank, as corporate restructuring advisor to assist it in planning and implementing a reorganization. In connection with the development of a plan or plans of reorganization alternatives, the Company will evaluate any and all proposals to maximize the value of the Debtors. As part of this reorganization effort, the Company has prepared a marketing book for the sale of the Chemical Services Division which has been distributed to interested parties.

Currently, it is not possible to predict with certainty the length of time the Company will operate under the protection of Chapter 11, the outcome of the Chapter 11 proceedings in general, or the effect of the proceedings on the business of the Company or on the interests of the various creditors and security holders. Under the priority scheme established by the Bankruptcy Code, certain post-petition liabilities and pre-petition liabilities need to be satisfied before shareholders can receive any distribution. The ultimate recovery to shareholders, if any, will not be determined until confirmation of a plan or plans of reorganization. There can be no assurance as to what value, if any, will be ascribed to Safety-Kleen's common stock ("Common Stock") in the bankruptcy proceedings.

At the time the Debtors filed the Chapter 11 cases, the Company was in default on certain of its senior debt. The Company (i) had not made interest payments on the \$60 million Promissory Note dated May 15, 1997, from the Company to Westinghouse Electric Corporation and thereafter assigned by Westinghouse Electric Corporation to Toronto Dominion (Texas) Inc. (the "\$60 million Promissory Note"); (ii) had not made interest payments on its \$325 million 9 1/4 percent Senior Subordinated Notes due 2008; (iii) had not made interest payments on its \$225 million 9 1/4 percent Senior Notes due 2009; and (iv) had not made principal and interest payments under its Amended and Restated Credit Agreement dated as of April 3, 1998, among Safety-Kleen Services, Inc. (formerly known as LES, Inc.), Safety-Kleen Services (Canada) Ltd. (formerly known as Laidlaw Environmental Services (Canada) Ltd.), the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank N.A. (the "Credit Facility"). In addition to the aforementioned defaults, filing of the petition for reorganization resulted in a default of certain covenants under the above described Credit Facility and the \$60 million Promissory Note and the Indenture of Trust dated as of July 1, 1997, between Tooele County, Utah and U.S. Bank; the Indenture of Trust dated as of July 1, 1997, between California Pollution Control Financing Authority and U.S. Bank; the Indenture of Trust dated as of August 1, 1995, between Tooele County, Utah and West One Bank; the Indenture dated as of May 1, 1993, between Industrial Development Board of the Metropolitan Government of Nashville and Davidson County (Tennessee) and NationsBank of Tennessee, N.A.; the Indenture dated as of May 17, 1999 between the Company and Cole Taylor Bank as successor trustee to the Bank of Nova Scotia Trust Company; and the Indenture dated May 29, 1998 between LES, Inc., the Company, sub-guarantors and Norwest Bank Minnesota, N.A. as successor to the Bank of Nova Scotia Trust Company of New York, as Trustee.

### **Changes in Management Team**

On September 5, 2001, the Bankruptcy Court entered an order approving employment and indemnification agreements with Ronald A. Rittenmeyer, in accordance with which he became Chairman of the Board, Chief Executive Officer and President of Safety-Kleen. Mr. Rittenmeyer had been appointed to the Board of Directors of Safety-Kleen in April 2001. Also on September 5, 2001, the Bankruptcy Court

approved termination and consulting agreements with David E. Thomas, Jr. and Grover C. Wrenn; the Company terminated their executive positions; and they were appointed non-executive Vice Chairmen of the Board of Directors.

On October 17, 2001, Roy D. Bullinger who had served as the President of the Branch Sales and Service Division since May 2000, ceased to be employed by the Company. David M. Sprinkle, who had served as the President of the Chemical Services Division of the Company since May 2000, was elected Chief Operating Officer of Safety-Kleen on November 27, 2001.

On August 17, 2000, Larry W. Singleton, previously unaffiliated with the Company, was elected Senior Vice President and Chief Financial Officer, and on November 27, 2001, was elected Executive Vice President and Chief Financial Officer. On October 18, 2001, the Bankruptcy Court entered an order approving employment and indemnification agreements with Thomas W. Arnst. Mr. Arnst was thereafter elected Executive Vice President and Chief Administrative Officer by the Board of Directors on November 27, 2001.

On November 16, 2001, Henry Taylor, Senior Vice President, General Counsel and Secretary of the Board of Directors, ceased to be employed by the Company. On November 27, 2001, James K. Lehman was elected to the position of Senior Vice President, General Counsel and Secretary of Safety-Kleen.

### **Financial Assurance Matters**

Under the Resource Conservation and Recovery Act ("RCRA"), the Toxic Substances Control Act ("TSCA"), and analogous state statutes, owners and operators of certain waste management facilities are subject to financial assurance requirements to ensure performance of their closure, post-closure and corrective action obligations. The Company is subject to these financial assurance requirements. Applicable regulations allow owners and operators to provide financial assurance through a surety bond from an approved surety. Under federal regulations and in virtually all states, to qualify as an approved surety for the purposes of providing this type of financial assurance, a surety company must be listed on Circular 570, which is maintained and distributed publicly by the United States Department of the Treasury. In compliance with the law, the Company procured surety bonds issued by Frontier Insurance Company ("Frontier") as financial assurance at numerous locations. Of the total amount of financial assurance required of the Company under the environmental statutes, which approximated \$500 million as of May 31, 2000, slightly more than 50 percent of such requirements were satisfied through assurances provided by Frontier in the form of surety bonds.

On June 6, 2000, the U.S. Treasury issued notification that Frontier no longer qualified as an acceptable surety on Federal bonds and had been removed from Circular 570 on May 31, 2000. Accordingly, as of May 31, 2000, the Company no longer had compliant financial assurance for many of its facilities. Under applicable regulations, the Company was required to obtain compliant financial assurance within sixty days, and in some states, more quickly. The Frontier surety bonds at the Company's facilities, remain in place (except where replaced with compliant coverage) and effective and the Company continues to pay the premiums on the bonds.

Immediately following the June 6, 2000 announcement that Frontier no longer qualified as an approved surety, the Company notified the Environmental Protection Agency (the "EPA") that its lack of certified financial statements for fiscal years 1999, 1998 and 1997 and certain alleged accounting irregularities would cause the Company difficulty in attempting to obtain compliant financial assurance for its facilities previously covered by the Frontier bonds. The Company and the EPA also contacted states in which the non-compliant facilities were located and apprised such states of these facts.

The Company and the EPA, acting on behalf of many, but not all affected states, then engaged in negotiations resulting in the entry of a Consent Agreement and Final Order ("CAFO"), which the Bankruptcy Court approved on October 17, 2000. The main component of the CAFO is a compliance schedule (since modified) for the Company to obtain compliant financial assurance for the facilities covered by the Frontier bonds. The CAFO also imposed a penalty on Safety-Kleen Services, Inc. The penalty has grown to approximately \$1.6 million as delays have ensued in the replacement of Frontier, and additional states have joined the CAFO (see discussion below). Some states have imposed financial assurance penalties in addition to this amount. The Company believes such asserted penalties will total approximately \$600,000 through November 30, 2001. Under the CAFO, the Company was required to obtain compliant financial assurance as expeditiously as possible, with the original deadline set at December 15, 2000. The EPA reserved discretion to extend the deadline and did so on several occasions. The current deadlines are January 31, 2002 for active facilities and March 31, 2002 for the remaining facilities.

The Company and the EPA contacted states in which affected facilities were located and apprised these states of the terms of the CAFO. Several of these states referred the affected facilities' non-compliance to the EPA for enforcement and joined in the CAFO. Certain other states (referred to in the CAFO as the "Parallel Action States") have entered parallel agreements with the Company. Other states have entered or have indicated an interest to enter agreements with affected facilities with terms similar to the CAFO.

On August 7, 2001, the Company obtained the collateral necessary to enable it to replace Frontier surety bonds at approximately 114 facilities. The replacement at these facilities will occur upon state acceptance of the replacement coverage. Several states have approved the replacement insurance policies, which Indian Harbor Insurance Company has issued, and in those states the Company now has financial assurance coverage that complies with applicable law. The Company expects the remaining affected states and the EPA to approve the Indian Harbor policies in the near future. On or about November 5, 2001, the Company provided the collateral necessary to enable it to replace Frontier surety bonds at additional facilities, pursuant to Bankruptcy Court approval obtained on November 5, 2001.

As of November 20, 2001, the Company was in a position to provide replacement financial assurance coverage at all but two active facilities and approximately 18 inactive facilities.

Most, but not all, states that have retained primary jurisdiction on this issue and which have facilities where Frontier has not yet been replaced have indicated that they will accept the January 31 and March 31, 2002 deadlines described above. However, the Company has not concluded agreements with all such states. The Company may seek further extensions of time from the EPA and the states, but the CAFO does not obligate the EPA and the states to grant such further extensions. Under the CAFO, the EPA reserves the right, in consultation with an affected state, to determine in its discretion and in accordance with applicable law, to modify these requirements. There can be no assurance that the Company will be able to complete its replacement of Frontier on a schedule acceptable to the EPA and the states. If it does not, the two remaining active facilities for which the Company has not yet arranged Frontier's replacement will have to close and the Company may be subject to additional penalties. In addition, the Company could be assessed additional penalties in certain states for the delays in replacing Frontier. Moreover, the EPA has barred the two active facilities just described from receiving certain wastes.

The Company understands that, on August 27, 2001, Frontier entered a rehabilitation proceeding that the New York Superintendent of Insurance will administer pursuant to New York law. The Company further understands that in such a proceeding, the Superintendent takes possession of the property of Frontier and conducts its business. The Company has been informed that these rehabilitation proceedings are unlikely to affect the validity of the remaining Frontier bonds at its facilities.

Pursuant to the terms of the CAFO, the Company has agreed to a schedule by which the EPA and Participating States (as defined below) may monitor the Company's efforts to obtain compliant financial assurance. (A "Participating State" is a state with authority to enforce financial assurance requirements, but which referred that authority to the EPA for purposes of the CAFO.) This schedule includes required periodic reports to the EPA and Participating States. The schedule also required the Company to provide audited restated financial statements for fiscal years 1997-1999 and the audited statements for fiscal year 2000 by certain deadlines. The Company did not meet the deadlines by the original due dates but subsequently provided the required information to the EPA and Participating States. Accordingly, the EPA and certain states may impose additional penalties on the Company.

Under the CAFO, until such time as the affected facilities have obtained compliant financial assurance, the Company and its affected facilities must not seek to withdraw an existing irrevocable letter of credit from Toronto Dominion Bank, which is subject to compromise, in the amount of \$28.5 million for the benefit of Frontier and shall take all steps necessary to keep current the existing Frontier surety bonds.

In the CAFO, the Company waived certain arguments they otherwise could have asserted under the Bankruptcy Code with respect to their financial assurance and certain other obligations under environmental laws. The Company's lenders and the unsecured creditors committee have reserved their right to assert certain of such arguments.

The State of South Carolina has indicated that it will not be a Participating State or a Parallel Action State for facilities owned or operated by Safety-Kleen (Pinewood), Inc.

#### **Major Shareholder**

As of August 31, 2001, Laidlaw beneficially owned 43.5% of the Company's outstanding Common Stock. See also "Effect of Laidlaw's Financial Situation on the Company" below and the "Laidlaw Inc. Relationships" discussion in Item 13 of Part III.

### **BUSINESS OPERATIONS**

In providing industrial waste services, the Company has two divisions which operate primarily in the United States and Canada: (a) Chemical Services and (b) Branch Sales and Service. Chemical Services provides various services to industrial and commercial customers and governmental entities. These services include hazardous and non-hazardous waste collection, treatment, recycling, disposal and destruction of hazardous and non-hazardous waste at Company owned and operated facilities. Branch Sales and Service includes parts cleaner services and other specialized services to automotive repair, commercial and manufacturing customers.

#### **CHEMICAL SERVICES DIVISION**

The Chemical Services Division operates approximately 100 primary and satellite locations from which it provides waste management services in North America. Operationally the Division is divided into three geographic regions (Eastern United States, Western Region and Eastern Canada), government services, sales and operations administration, and closed facilities.

The services offered consist primarily of the collection, treatment and disposal of a wide variety of hazardous or non-hazardous liquid and solid wastes, in drum, tanker or roll-off containers from customer locations. Depending upon the type of customer, the Company may make frequent pickups of large quantities or may pick up only one or a few 55-gallon drums on a periodic basis. The Division's network of 20 service centers primarily focus on the collection of waste streams from smaller generators. Larger customers typically ship directly to the end disposal sites with full truckloads of material. Depending upon the content, the material collected at the service centers may be recycled into

usable solvent, processed into a waste-derived fuel for use in the cement manufacturing industry, or disposed of through processes such as incineration, landfill or wastewater treatment.

The Company provides final treatment and disposal services designed to manage hazardous and non-hazardous wastes, which cannot be otherwise economically recycled or reused. Incineration, landfill and wastewater treatment facilities provide such solutions for the majority of these industrial waste streams. Additionally, the Division provides a complement of other services and technologies for more specialized or economical handling of certain waste streams. These services include consulting and industrial services, polychlorinated bi-phenyls ("PCBs") management, and transportation services.

## **Collection, Treatment and Disposal Services**

### **Incineration**

The Company offers a wide range of technological capabilities and locations to customers through its network of six operational incineration facilities. Incineration is the preferred method for the treatment of organic hazardous waste, because it effectively destroys the contaminants at temperatures in excess of 2,000 degrees Fahrenheit. High temperature incineration effectively eliminates organic wastes such as herbicides, halogenated solvents, pesticides, and pharmaceutical and refinery wastes, regardless of whether they are gases, liquids, sludges or solids. Federal and state incineration regulations require a destruction and removal efficiency of 99.99% for most organic wastes and 99.9999% for PCBs and dioxin.

In the United States, the Company operates two solids and liquids-capable incineration facilities with a combined estimated annual capacity of 135,000 tons; one lower volume specialty incineration facility; and one RCRA subpart X facility permitted to burn explosives. The Company also operates two hazardous waste liquid injection incinerators in Canada.

The Company's incineration facilities in Deer Park, Texas and Aragonite, Utah are designed to process liquid organic wastes, sludges, solids, soil and debris. The Deer Park facility has two kilns and a rotary reactor. Additionally, the Deer Park facility has an on-site landfill for the disposal of ash and other waste material produced as a result of the incineration process. The Deer Park landfill is built and permitted to RCRA hazardous waste standards.

The Company has initiated closure activities at its Coffeyville, Kansas and the Bridgeport, New Jersey facilities due to under-utilization. Regulatory agencies were given notification of the Company's intent to close the facilities. The Company stopped incineration activities at Coffeyville on October 28, 2000, at Bridgeport on April 30, 2001 and is proceeding with the closure process. These closures removed approximately 83,000 tons of annual capacity from the market.

Incineration facilities in Mercier, Quebec and Sarnia, Ontario are liquid injection incinerators, designed primarily for the destruction of liquid organic waste. The Mercier facility also has a system to blend and destroy pumpable sludges. Typical waste streams include wastewater with low levels of organics and other higher concentration organic liquid wastes not amenable to conventional physical or chemical waste treatment.

All the Company's United States incineration facilities have received Part B permits under RCRA. Part B permits are generally issued for periods of five or ten years, after which the permit must be reviewed by state or federal regulators or both before the permit can be renewed for additional terms. Management is not aware of any issues at any of the Company's operating incineration facilities that would preclude the renewal of any of its Part B permits.

### **Landfills**

The Company operates nine (excluding its landfill in Pinewood, South Carolina) commercial landfills located throughout the United States and Canada, of which seven are designed and permitted for the disposal of hazardous wastes. Two landfills are operated for non-hazardous industrial waste disposal and, to a lesser extent, municipal solid waste. The Company also owns and operates a non-commercial landfill, which only accepts waste from an on-site incinerator. As discussed in greater detail in Part I, Item 3 (Legal Proceedings) an additional Company landfill located in Pinewood, South Carolina suspended waste disposal on September 25, 2000, pending action by the South Carolina Department of Health and Environmental Control and/or court decision allowing continued waste disposal.

Five of the Company's commercial landfills are located in the United States, and two are located in Canada. As of August 31, 2001, the useful economic lives (for accounting purposes) of these landfills include approximately 19.0 million cubic yards of remaining capacity. This estimate of the useful economic lives of these landfills includes permitted airspace and unpermitted airspace that management believes to be probable of being permitted based on its analysis of various factors. In addition to the capacity included in the useful economic lives of these landfills, there are approximately 32.8 million cubic yards of additional unpermitted airspace capacity included in the footprints of these landfills that may ultimately be permitted. There can be no assurance that this unpermitted additional capacity will be permitted.

In the United States, the Company's hazardous waste landfills have been issued a hazardous waste operating permit under the authority of Subtitle C of RCRA (a "Part B Permit"). The EPA's permitting process for RCRA Subtitle C landfills is very rigorous. Before a permit can be issued, the applicant must provide detailed waste analysis, spill prevention and control counter-measure plans, detailed design specifications (which include liner design, leak detection systems and rainwater removal systems), groundwater monitoring, employee training and geologic and hydro geologic investigations. Furthermore, the applicant must post financial assurance instruments for landfill cell and site closure and post-closure care. All six of the Company's hazardous waste landfills operating in the United States have received Part B Permits and, except for two operating landfills, as described above under "Recent Developments - Financial Assurance", all meet or exceed Subtitle C requirements. These permits are generally issued for periods of five or ten years, after which state or federal regulators or both must review the permit before the permit can be renewed for additional terms. Except as discussed in, Part I, Item 3 (Legal Proceedings) with respect to the Company's landfill located in Pinewood, South Carolina, and with respect to financial assurance matters discussed above under "Recent Developments - Financial Assurance Matters" and Part I, Item 3 (Legal Proceedings), management is not aware of any issues at any of the Company's United States sites that would preclude the renewal of its Part B landfill permits. During fiscal year 2001, approximately 658,000 cubic yards of hazardous wastes were disposed of in all the Company's landfills combined.

In Canada, the Company's hazardous waste landfills have been issued a hazardous waste operating permit under the authority of applicable provincial and federal authorities. The Company is in the preliminary stages of the renewal process for its operating permit at the Lambton, Ontario landfill, which will include a request for additional disposal capacity. Management is not aware of any issues at any of the Company's Canadian landfill sites that would preclude the renewal of their landfill operating permits. For a discussion of legal proceedings involving the Company's Lambton landfill see Part I, Item 3 (Legal Proceedings).

In addition to its hazardous waste landfill sites, the Company operates two non-hazardous industrial landfills with 633,000 cubic yards of remaining permitted capacity. These two facilities are located in the United States and have been issued operating permits under the authority of Subtitle D of RCRA. Prior to issuance of a permit, the Company's non-hazardous industrial landfills must demonstrate to the permitting agency, and subsequently employ, operational programs protective of the integrity of the landfill, human health and the surrounding environment. The Company's non-hazardous landfill facilities are permitted to accept commercial industrial waste, including wastes from foundries, demolition and construction, machine shops, automobile manufacturing, printing, metal fabrications and recycling. During fiscal year 2001, approximately 116,000 cubic yards of non-hazardous wastes were disposed of in these landfills.

#### **Wastewater Treatment**

The Company offers a range of wastewater treatment technologies and customer services. Wastewater treatment is provided by five facilities and consists primarily of three types of services: hazardous wastewater treatment, sludge de-watering or drying and non-hazardous wastewater treatment. These services include the reduction, treatment and disposal of both hazardous and non-hazardous wastewater, sludges and solids for both bulk and drummed waste. The Company removes hazardous components from hazardous industrial liquids through various chemical and physical treatment technologies, rendering them non-hazardous. Specialized techniques reduce residues by recycling or reusing spent products. Batch treatment technologies also enable the Company to handle hard-to-treat wastewater streams. Non-hazardous waste streams are biologically treated via land application. Solids and liquids are combined to allow naturally occurring bacteria in soil to biodegrade non-hazardous waste streams. Aqueous hazardous waste streams are treated and disposed at a deep injection well located in Plaquemine, Louisiana.

The Company has initiated closure of a sixth wastewater treatment facility in Hilliard, Ohio and stopped accepting waste from customers on or about February 16, 2001. Waste inventories were processed and the facility decommissioning plan was completed in August 2001.

#### **Service Centers**

Service centers collect, temporarily store and/or consolidate compatible waste streams for more efficient transportation to final recycling, treatment or disposal destinations. A majority of the Company's service centers in the United States have Part B permits under RCRA that, among other things, allow the Company to store waste for up to one year for bulking or transfer purposes. The service centers send more waste materials to the Company's treatment and disposal facilities than any other single customer.

All of the Division's service centers provide Lab Pack Services. The primary focus of Lab Pack Services is the collection and proper management of miscellaneous, and often unidentified, chemicals stored in small containers. Because the list of Lab Pack chemicals removed from a particular site can be extensive and vary widely in characteristics and quantities, the knowledge and abilities of Company field chemists are often required.

Most of the Division's service centers provide In-Plant Services. In-Plant Services encompass a variety of services provided by Company personnel at the customer's location. In-Plant Services are customized to the specific needs of the customer. With In-Plant Services, the Company most often prepares paperwork, packages waste for shipment and manages transportation and disposal of the waste material.

### **Additional Services Offered**

The Division provides a variety of Consulting and Industrial Services, which utilize specialized equipment and personnel. These services are typically customized for the customer's specific project or requirements, such as excavation, tank cleaning and demolition.

The Division provides PCB Management Services. PCB-contaminated oils are decontaminated and metals from PCB-contaminated electrical equipment are reclaimed. The Company accomplishes this recycling and reclamation through a dechlorination process operated from six facilities in Kansas, Pennsylvania, Ohio, Georgia, and Missouri.

The Company's Transportation Services facilitate the movement of materials among its network of service centers and its treatment and disposal facilities. Transportation may be accomplished by truck, rail, barge or a combination of modes, with Company-owned assets or in conjunction with third-party transporters. Specially designed containment systems, vehicles and other equipment permitted for hazardous and industrial waste transport, together with drivers trained in transportation skills and waste handling procedures, provide for the movement of customer waste streams.

### **BRANCH SALES AND SERVICE DIVISION**

The Branch Sales and Service Division provides services in the United States, Canada and Puerto Rico primarily through a network of approximately 173 branches supported by 12 accumulation centers, eight solvent recycling plants, seven distribution facilities, three fuel blending facilities, 23 oil terminals, two oil re-refining plants and 44 other miscellaneous and satellite locations. The Division's primary processing options are various recycling processes; oil re-refining; and waste-derived fuels blending for reuse as fuel in cement kilns. Operationally, the Division is divided into Branch Operations, Oil Operations, Recycle/Reclaim, Logistics/Supply Chain, and Administration/Other. The Division provides services to customers in the vehicle repair, manufacturing, photo-processing, medical and dry cleaning markets.

The largest service component of the Division is its Parts Cleaner Service. Other service offerings are: Paint Refinishing, Imaging, Dry Cleaner, Vacuum Truck, Integrated Customer Compliance, Industrial Waste Collection, Used Oil Collection, Oil Re-Refining, Automotive Recovery and various additional services. These additional offerings utilize the same facility network and many of the same customer relationships as have been developed for the traditional Parts Cleaner Service.

#### **Parts Cleaner Services**

Parts Cleaner Services are provided to automobile repair stations, car and truck dealers, small engine repair shops, fleet maintenance shops and other automotive, retail repair and industrial customers. Parts Cleaner Services' representatives install parts cleaner equipment and solvent at customer locations. Service representatives then make service calls at regular intervals to clean and maintain equipment and remove and replace the dirty solvent with clean solvent. The majority of dirty solvent is recycled for reuse. The Company offers several models of parts cleaners to customers as part of the Parts Cleaner Service. The Company also provides service to customers who own their own parts cleaner equipment. As an alternative to solvent-based systems, the Company also offers a line of water-based cleaning systems.

#### **Paint Refinishing Services**

Paint Refinishing Services are supplied to new and used car dealers, auto body repair and paint shops and fiberglass product manufacturers. Similar to the Parts Cleaner business, Company representatives place a machine and solvent with each customer, maintain the machine and regularly remove the contaminated solvent and replace it with clean solvent. The Company either recycles the contaminated solvent into clean solvent for reuse or blends it into waste-derived fuel used by cement kilns or incinerators. Waste paint and paint booth filters are also collected from these customers and blended for use as fuel at cement kilns or incinerators. Company representatives also provide clean buffing pads and remove used pads during regularly scheduled service calls. The used pads are washed, dried, inspected and returned to the Company's distribution system.

#### **Imaging Services**

Imaging Services provide processing and silver recovery services to health care, printing, photo processing and other businesses and industries. This would include all businesses that utilize image capture, processing, storage, output, or delivery of images. Imaging Services recover the silver contained in the spent photochemical solutions it collects from customers. These solutions are then further treated and processed until they can be discharged as wastewater into publicly owned treatment works in compliance with applicable laws and regulations. Silver is also recovered from photographic film by outside processors.

#### **Industrial Waste Collection Services**

Industrial Waste Collection Services consist primarily of the collection of a wide variety of hazardous or non-hazardous, liquid and solid wastes, from industrial customers' locations. Depending upon the content, the material collected by the Company may be recycled into

usable solvent, processed into a waste-derived fuel for use in the cement manufacturing industry, or disposed of through incineration, landfill or wastewater treatment methods.

### **Used Oil Collection and Re-Refining Services**

The Division also provides Used Oil Collection and Re-Refining Services. The Company collects used lubricating oils from automobile and truck dealers, automotive garages, oil change outlets, service stations, industrial plants and other businesses. The used oil is then transferred to a re-refining plant where most of the product is re-refined into high-quality base oil, which is manufactured into a variety of finished high quality lubrication products. The Company derives revenue both from fees it charges customers to haul away used oil, oily water, and glycol, and from the sale of products it produces by processing the used oil. The Company may also pay for higher quality used oil where competitive or market conditions warrant or occasionally, when necessary to efficiently utilize its oil re-refinery facilities. The Company's extensive branch network enables it to collect waste oil in sufficient volume to support oil re-refining operations, which produce lubricating oil that can be sold at significantly higher prices than industrial fuels. The Company operates oil re-refining plants in Breslau, Ontario and East Chicago, Indiana. The plants in Breslau and East Chicago have combined annual re-refining capacities of approximately 135 million gallons of used oil per year. Used oil collected in excess of the capacity of the Company's re-refining facilities is either processed into industrial waste-derived fuels or sold unprocessed for direct use as a waste-derived fuel in certain industrial applications.

### **Dry Cleaner Services**

Dry Cleaner Services collect and recycle contaminated dry cleaning wastes consisting of used filter cartridges and sludge containing perchloroethylene or mineral spirits. Whenever possible, chemicals are recycled and recovered for reuse.

### **Vacuum Truck Services**

Vacuum Truck Services use specialized vacuum trucks to remove residual oily water and sludge from underground oil/water separators found at many automotive repair shops as well as other residual fluids found at small industrial locations. Collected oil is re-refined or reused as a waste-derived fuel source.

### **Automotive Recovery Services**

Automotive Recovery Services include the collection of used oil filters, gasoline filters, gasoline, brake fluid, fluorescent bulbs, and other waste materials generated in the automotive market. In addition, Automotive Recovery Services include the sale and disposal of absorbent products in the automotive market. The majority of these products are fully recycled through internal or external processing facilities.

### **Additional Services Offered**

The Division, through its approximately 76% owned subsidiary, 3E Company Environmental, Ecological and Engineering ("3E"), provides Integrated Customer Compliance Services to its customers. Service offerings in this area include Material Safety Data Sheets ("MSDS") Fax on Demand, an electronic MSDS management program; Department of Transportation Shipping Paper Services, which provides appropriate shipping papers for hazardous waste shipments; regulatory training; spill and poison control hotlines and on-site facility assessments. Integrated Customer Compliance offers single services and bundled full service programs in accordance with customer requests. The Company has entered into negotiations to sell its interest in 3E to a third-party buyer.

The Division also provides solvent and other chemical tolling services (where a customer's material is recycled and then returned to the customer) from three of its recycling plant locations. The pharmaceutical industry is a primary customer for these services.

### **Exclusive Distribution Agreement with SystemOne® Technologies, Inc.**

A subsidiary of Safety-Kleen has signed an agreement to serve as the exclusive distributor of the innovative line of parts cleaning equipment manufactured by SystemOne® Technologies, Inc. ("SystemOne®"). The Branch Sales and Service locations across North America began marketing SystemOne®'s products in early 2001. The Bankruptcy Court approved the multi-year agreement on December 15, 2000.

SystemOne® designs and manufactures a full range of parts cleaning equipment for use in automotive and industrial markets. These products feature self-contained solvent recycling technologies that provide customers with a fresh supply of clean solvent on demand. The SystemOne® product line includes various-sized models, manual and automated, with applications within both automotive and industrial markets.

## **COMPETITIVE CONDITIONS**

The hazardous and industrial waste management industry, in which the Company competes, is highly competitive. The sources of competition vary by locality and by type of service rendered, with competition coming from the other major waste services companies and hundreds of privately owned firms which offer waste services. The Company also competes with municipalities and larger plants, which

provide "on site" waste services for their own waste materials. In addition, the Company competes with many firms engaged in the transportation, brokerage and disposal of hazardous wastes through recycling, waste-derived fuels programs, thermal treatment or landfilling. The principal methods of competition for all the Company's services are price, quality, reliability of service rendered and technical proficiency in handling industrial and hazardous wastes properly.

In the United States, the original generators of hazardous waste remain liable under federal and state environmental laws for improper disposal of such wastes. Even if waste generators employ companies that have proper permits and licenses, knowledgeable customers are interested in the reputation and financial strength of the companies they use for management of their hazardous wastes. The Company believes that its technical proficiency and reputation are important considerations to its customers in selecting and continuing to utilize the Company's services, but that its current bankruptcy proceedings may adversely affect some of its customers' perceptions of its financial strength.

### **Chemical Services**

Competitors operate large-scale commercial hazardous waste incinerators at eight locations throughout North America. Other companies have applied for or received permits to construct and operate hazardous waste incinerators. Competition is also encountered from certain cement kilns, which use hazardous waste-derived fuel as a supplemental fuel source. Generator-owned thermal treatment operations and mobile thermal treatment units also compete with the Company's fixed-location facilities.

There are 14 commercial hazardous waste landfills in the United States that are not operated by the Company. Of those 14, ten are operated by Waste Management Inc., Envirosource, Inc. and American Ecology Corp. and are spread throughout the United States. Significant competition exists for waste volumes generated by remedial cleanups and other project-based events.

### **Branch Sales and Service**

The Branch Sales and Service Division of the Company is the market leader in the United States in its Parts Cleaner, Paint Refinishing and Dry Cleaner Services. In these services, the Company competes with local or smaller regional companies.

The Company is the market leader in North America in its Used Oil Collection and Oil Re-Refining Services. The price at which the Company sells its re-refined lube oil is primarily dictated by a market dominated by large multinational oil companies and has been positively correlated to crude oil prices over the long-term. However, the selling price of re-refined lube oil is also affected by lube oil refinery capacity changes in North America, which do not necessarily bear a relationship to the movement of crude oil price changes.

## **CUSTOMERS**

The Company conducts business with approximately 400,000 customer business locations. These customers represent diverse industries, including automotive repair, dry cleaning, photo imaging, automobile manufacturing and distribution, chemical and petrochemical manufacturing, computer and micro-processor manufacturing and primary metals, paper, furniture, aerospace and pharmaceutical manufacturing. No one customer currently accounts for more than 5% of the Company's consolidated revenues. The Company's customers are located throughout the United States, Canada, Puerto Rico, Mexico and Saudi Arabia.

The hazardous and industrial waste management business is cyclical to the extent that it is dependent upon a stream of waste from cyclical industries. If those cyclical industries slow significantly, the business that the Company receives from those industries is likely to slow.

## **SEASONALITY**

Adverse winter weather moderately affects some of the Company's operations, primarily in the Chemical Services Division, particularly during the second fiscal quarter. The main reason for this effect is reduced volumes of waste being received at the Company's facilities and higher operating costs associated with operating in sub-freezing weather and high levels of snowfall. The Branch Sales and Service Division is affected by fewer business days in the Company's second fiscal quarter due to holidays.

## **REGULATION**

### **Hazardous and Solid Waste Requirements**

The Company's services include the collection, transportation, storage, processing, recycling and disposal of commercial, institutional and industrial hazardous and non-hazardous materials. Substantially all these materials are regulated in the United States as "solid wastes" under RCRA. In addition to being regulated as solid wastes, many of these materials are further regulated as "hazardous wastes." Accordingly, the Company is subject to federal, state and local regulations governing hazardous and solid wastes. RCRA established a national program for the management of solid and hazardous waste; and criteria for determining which substances were classified as "hazardous wastes", operating

requirements for storage, treatment and disposal of hazardous wastes, and imposed technical standards for facilities used to store, treat or dispose of such wastes. The Hazardous and Solid Waste Amendments ("HSWA") of 1984 amended RCRA by adding a number of provisions not included in the original rule and sought to correct certain perceived loopholes and omissions. HSWA expanded the scope of RCRA by including businesses which generate smaller quantities of waste materials (so-called "small quantity generators"), expanded the substances classified as hazardous wastes by RCRA and prohibited direct disposal of those wastes in landfills (thereby, in effect, requiring that the wastes be recycled, treated or destroyed prior to land disposal).

The Company also operates a network of collection, treatment and field services (remediation) activities throughout North America that are regulated under provisions of the TSCA. TSCA established a national program for the management of substances classified as PCB which include waste PCBs as well as RCRA wastes contaminated with PCBs. The rules set minimum design and operating requirements for storage, treatment and disposal of PCB wastes. Since their initial publication, the rules have been modified to enhance the management standards for TSCA-regulated operations including the decommissioning of PCB transformers and articles; detoxification of transformer oils; incineration of PCB liquids and solids; landfill disposal of PCB solids; and remediation of PCB contamination at customer sites.

Hazardous and solid waste regulations impose technical and operating requirements which must be met by facilities used to store, treat and dispose of these wastes. Operators of hazardous waste storage, disposal and treatment facilities, such as Safety-Kleen, must obtain a RCRA permit from federal or authorized state governmental authorities to operate those facilities. States may also require a solid waste permit. The Company has approximately 159 RCRA-permitted facilities.

Except as described above under "Chemical Services Division," and "Recent Developments - Financial Assurance Matters," the Company believes that each permit will be renewed at the end of its existing term. At the present time, the Company does not intend to pursue RCRA permits for facilities which do not currently have a RCRA permit and the Company will limit the activities of those facilities to activities that are not regulated by RCRA.

The EPA has promulgated regulations that govern the management of used oils. Although used oil is not classified as a hazardous waste under federal law, certain states do regulate used oil as hazardous. The Company built and operates its used oil facilities to standards similar to those required for hazardous waste facilities.

Materials collected by the Company may be recycled for reuse, processed into waste-derived fuel to be burned in kilns, used in the production of cement, or incinerated in the Company's incinerators. Much of the waste-derived fuel is supplied to cement kilns with which the Company has exclusive supply contracts with respect to such fuel. Cement kilns are subject to regulations that govern the burning of hazardous wastes in boilers and industrial furnaces ("Boiler and Industrial Furnace Regulations" or "BIF regulations"). Since 1980, under the authority of RCRA, the EPA has required incinerators to comply with provisions that are similar to those in the BIF regulations. The Company believes that all the kilns with which the Company has exclusive supply contracts and all the Company's incinerators comply, in all material respects, with the applicable regulation requirements. Hazardous waste combustion regulations enacted in September 1999 will replace existing boiler and industrial furnace regulations and commercial incinerator regulations (see discussion under "Clean Air Act and Other State Laws Regarding Air Emissions").

#### **Clean Air Act and Other State Laws Regarding Air Emissions**

The Clean Air Act was passed by Congress to control the emissions of pollutants into the air and requires permits to be obtained for certain sources of air toxic emissions or criteria pollutants, such as carbon monoxide. In 1990, Congress amended the Clean Air Act to require further reductions of air pollutants with specific targets for non-attainment areas in order to meet certain ambient air quality standards. These amendments also require the EPA to promulgate regulations which (i) control emissions of 189 hazardous air pollutants; (ii) create uniform operating permits for major industrial facilities similar to RCRA operating permits; (iii) mandate the phase-out of ozone depleting chemicals; and (iv) provide for enhanced enforcement. The Company believes each of its operating facilities in the United States complies in all material respects with the applicable requirements.

The Clean Air Act required regulations, which resulted in the reduction of volatile organic compound ("VOC") emissions and emissions of nitrogen oxides ("NO<sub>x</sub>") in order to meet certain ozone attainment standards under the Clean Air Act. Additional emission reductions at the Company's incineration facilities, solvent recycling centers and branches could be required as the Company completes its air permitting program under the Clean Air Act.

On September 30, 1999, the EPA issued the final rules under the Clean Air Act for hazardous waste combustion facilities. These rules established new technology-based (Maximum Achievable Control Technology or "MACT") emission limits and operational controls on all new and existing incinerators, cement kilns and light-weight aggregate kilns that burn hazardous waste-derived fuel. These rules supersede the existing RCRA Subpart "O" and BIF regulations that have been in place since the late 1980s and early 1990s respectively. The deadline for existing facilities to achieve compliance with the emission limits was established as September 30, 2002, unless a one-year extension is obtained from the EPA.

Since promulgation of the rule, a number of parties, representing different interests of both industrial sources and of the environmental community, sought judicial review of the rule. On July 24, 2001, the U.S. Court of Appeals (D.C. Circuit) granted the Sierra Club's petition

for review and vacated the challenged portions of the rule. On October 19, 2001, the EPA, together with all other petitioners that challenged the rule, filed a joint motion asking the Court to allow the EPA time to develop interim standards. These interim standards would be effective until the EPA writes final requirements. Under the motion, the EPA would also be required to publish the interim emission standards by February 14, 2002; extend the compliance date with the interim standards to September 30, 2003; and finalize several compliance and implementation amendments to the rule that were proposed on July 3, 2001. The EPA would also be required to finalize standards by June 14, 2005.

The Company continues to review emission control alternatives at the Company's incinerators in the United States as well as to evaluate control systems and other aspects of facility operations that are impacted by the MACT rules. The majority of the implementation review is being conducted at the operating facilities with the help of the Company's engineering group. While each incinerator currently meets one or more of the emission standards, additional emission abatement devices will likely be required at all the Company's incinerators to ensure compliance with the anticipated standards.

The Company conducted equipment evaluation tests at the Bridgeport, New Jersey; Aragonite, Utah; and Deer Park, Texas incinerators during the second quarter of fiscal year 2001 in order to gather information needed to make final system decisions and enable equipment to be properly sized. The tests at the Aragonite facility were designed to determine whether the incinerator could meet the dioxin and mercury emission standards using powdered activated carbon. The facility is awaiting the results of the tests. Tests were curtailed at the Bridgeport facility upon a decision to cease operations at this site. The Deer Park Facility has requested bids on new emission control equipment. Since the Deer Park, Texas Incineration Facility is operating in a Severe Ozone Non-Attainment Area, additional air pollution control equipment will have to be installed to control emissions of NO<sub>x</sub>, an ozone pre-cursor.

In late 2000, Texas Natural Resource Conservation Commission ("TNRCC") enacted new Clean Air Act Regulations dealing with the monitoring and control of emissions of NO<sub>x</sub> and VOCs. These new regulations are required because of a recent revision in the designation of the Houston Metropolitan Area from a serious ozone non-attainment area to a severe ozone non-attainment area. This new designation will require the Company's Deer Park, Texas incineration facility to further reduce emissions of NO<sub>x</sub>. NO<sub>x</sub> emissions contribute to the formation of ground-level ozone, which can be harmful to human health and the environment. The Company intends to implement necessary modifications to the Deer Park facility's air pollution control system to accommodate the incineration MACT standards and new NO<sub>x</sub> emission reduction requirements. The Company intends to request a one-year extension to the MACT compliance deadlines (projected to be September 30, 2003) to effect facility modifications to achieve compliance with the MACT and NO<sub>x</sub> emissions control regulations by May/June 2004.

On April 19, 2001, the San Joaquin Valley Unified Air Pollution Control District ("SJVUAPCD") amended rule 4 662, which will effectively ban the use of solvents with VOC contents higher than 50 mg/l by October 19, 2002. This rule affects the territories covered by the Safety-Kleen Fresno and Salida Branches which have been actively promoting and selling aqueous products in order to retain market share. The exemptions allowing the use of VOC-based solvents are limited to units with less than a 2-gallon capacity or exemptions for specific applications. The specific applications that qualify for the exemption are very limited and include electrical components; high precision optics; electronic applications; aerospace and military applications for the cleaning of solar cells, and space vehicle components.

In recent revisions to the ozone attainment plan for the Bay Area, the Bay Area Air Quality Management District ("BAAQMD") has committed to adopting a rule similar to that adopted by the SJVUAPCD. The BAAQMD covers a five-county area surrounding the San Francisco Bay. The rulemaking process is scheduled for the year 2002, and the anticipated effective date of the rule is sometime in 2003. It is expected that other air districts, such as Sacramento Metro, will adopt similar rules.

### **Clean Water Act**

The Clean Water Act regulates the discharge of pollutants into surface waters and sewers from a variety of sources, including disposal sites and treatment facilities. The Company is required to obtain discharge permits and conduct sampling and monitoring programs. The Company believes each of its operating facilities complies in all material respects with the applicable requirements.

In December 2000, the EPA issued new wastewater discharge standards for Centralized Wastewater Treatment ("CWT") facilities. CWT facilities receive and treat a wide variety of hazardous and non-hazardous wastewaters from off-site companies and discharge the treated water directly to waterways or to municipal sewer systems. The new rule sets stringent limits for the discharge of metals, organic compounds and oil. A number of the Company facilities are affected by the new rule and must be in compliance with the discharge standards by December 2003. Several of the affected facilities already are in compliance with the CWT discharge standards.

### **CERCLA and Related Requirements**

The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act ("CERCLA"), creates a fund of monies ("Superfund") which can be used by the EPA and state governments to clean up hazardous waste sites pending recovery of those costs from defined categories of "potentially responsible parties" ("PRPs"). Most EPA cleanup efforts are at sites listed or proposed for listing on the National Priorities List ("NPL"). Various states have also enacted statutes that contain provisions substantially similar to CERCLA.

Generators and transporters of hazardous substances, as well as past and present owners and operators of sites where there has been a release of hazardous substances, may be strictly, jointly and severally liable for the clean-up costs resulting from releases and threatened releases of CERCLA-regulated "hazardous substances." Under CERCLA, these responsible parties can be ordered to perform a clean-up, can be sued for costs associated with private party or public agency clean-up, or can voluntarily settle with the government concerning their liability for clean-up costs.

The Company audits facilities to which it ships materials in an attempt to minimize its potential Superfund liability at these sites. For a discussion regarding the Company's current involvement as a PRP at CERCLA sites, see Part I, Item 3 ("Legal Proceedings").

## **ENVIRONMENTAL LIABILITIES AND CAPITAL EXPENDITURES**

A portion of the Company's capital expenditures are related to compliance with environmental laws and regulations. The Company employs a strategic capital cost planning and expenditure modeling process to determine short and long-term capital spending needs for compliance with local, state, federal and provincial rules and regulations. Each year the model is revised to reflect new developments in the environmental regulatory arena (e.g. new Clean Air Act regulations affecting hazardous waste incineration facilities, or facility specific compliance assurance spending needs).

In addition to these capital expenditures, the Company may incur costs in connection with closure activities at certain of its sites. When the Company discontinues using or changes the use of a hazardous waste management unit, formal closure procedures must be followed and such procedures must be approved by federal or state environmental authorities. In some cases, costs are incurred to complete remedial clean-up work at the site. In addition, at certain of the Company's other operating sites, remedial clean-up work is required as part of the RCRA Corrective Action Program or other state and federal programs.

With respect to various operating facilities, the Company is required to provide financial assurance with respect to certain statutorily required closure and post-closure obligations. The Company provides most of the required financial assurance through a combination of performance bonds and insurance policies as allowed by the applicable regulatory authorities. As discussed above under "Recent Developments - Financial Assurance Matters," as of August 31, 2001, and continuing through the date hereof, the Company no longer has compliant financial assurance for two of its active and approximately 18 of its inactive facilities and is using its best efforts to obtain compliant financial assurance as expeditiously as possible.

## **EMPLOYEES**

As of November 16, 2001, the Company had 9,216 employees. Approximately 4.9% of the Company's employees are represented by various collective bargaining groups. Management believes that its relations with its employees are good.

## **FACTORS AFFECTING FUTURE OPERATING RESULTS**

The provisions of the Private Securities Litigation Reform Act of 1995 (the "Act") provide companies with a "safe harbor" when making forward-looking statements. This "safe harbor" encourages companies to provide prospective information about their companies without fear of litigation. The Company wishes to take advantage of the "safe harbor" provisions of the Act and is including this section in its Annual Report on Form 10-K in order to do so. Statements that are not historical facts, including statements about management's expectations for fiscal year 2002 and beyond, are forward-looking statements and involve various risks and uncertainties. Factors that could cause the Company's actual results to differ materially from management's projections, forecasts, estimates and expectations include, but are not limited to, the following:

### **Uncertainties Relating to the Company's Internal Controls**

Management has identified numerous critical issues which may require resolution prior to the Company's emergence from its reorganization proceedings. In addition to these efforts, the Company has identified material deficiencies in many of its financial systems, processes and related internal controls and commenced efforts to correct these conditions. During October 2000, Arthur Andersen LLP reported to the Audit Committee of the Board of Directors that the Company had material weaknesses in its internal controls and that these conditions would be considered in determining the nature, timing and extent of their audit tests for fiscal years 1997 through 2000. During September 2001, Arthur Andersen LLP reported to the Audit Committee that the identified material weaknesses continued to exist and would again be considered in determining the nature, timing and extent of their audit tests for fiscal year 2001.

The Company continues the process of correcting these conditions by filling key financial accounting and reporting positions in the organization, adding information technology controls and improving its financial systems and processes. The Company intends to continue to utilize substantial internal and external resources to supplement these initiatives until it is satisfied that its internal controls no longer contain material weaknesses. The Company cannot estimate, at this time, how long it will take to completely develop and establish an adequate internal control environment.

The Company contracted with outside accountants, including accountants from Arthur Andersen LLP, who provided significant hours of work to assist the Company's corporate and field accounting personnel with the analysis and financial reporting support necessary to prepare the Company's consolidated financial statements for fiscal year 2000 and the first three quarters of fiscal 2001. The Company has been taking steps to develop a comprehensive program that, over time, will establish a satisfactory system of internal controls and a timely and reliable financial reporting process. As part of this program, a comprehensive review has begun of the process-flow and related controls surrounding all major transaction cycles starting with the transaction's origination at both field and corporate locations. The Company identified and implemented accounting policies that conform to generally accepted accounting principles for use in its financial reporting. In addition, the program contemplates the development and implementation of the required internal policies and processes regarding all major general ledger accounts and related internal controls. The Company has engaged Jefferson Wells International to assist the Company's internal auditors and to provide assistance in developing and implementing process improvement recommendations. Arthur Andersen LLP also continues to assist the Company in its efforts to correct the identified internal control deficiencies. An evaluation of the Company's system needs, including among other things those related to its general ledger and financial reporting, is in progress. Despite the progress made by the Company in correcting the deficiencies, the Company was not able to prepare and obtain an audit of its financial statements for the fiscal year ended August 31, 2001 within the time limitations imposed by federal securities laws and regulations. At such time as the financial statements for the fiscal year ended August 31, 2001 have been prepared and audited, the Company will amend this Form 10-K, file the audited financial statements required by Form 10-K and provide the information which has been omitted in this filing. The Company anticipates making that filing as soon as practicable.

As previously reported, the Company will continue to utilize substantial internal and supplemental external resources until it is satisfied that its internal controls no longer contain material weaknesses and it is capable of preparing timely and reliable financial reporting. Accordingly, the Company will continue to incur significant costs and effort to close its books at each interim and annual period.

#### **Uncertainties Relating to Bankruptcy Proceedings**

The Company's future results are dependent upon successfully confirming and implementing a plan or plans of reorganization. The Company has not yet submitted such a plan or plans to the Bankruptcy Court for approval and cannot make any assurance that it will be able to submit and obtain confirmation of any such plan or plans in a timely manner. Failure to confirm a plan or plans in a timely manner could adversely affect the Company's operating results, as the Company's ability to obtain financing to fund its operations and its relations with its customers may be harmed by protracted bankruptcy proceedings. Moreover, even following confirmation, consummation and implementation of a plan or plans of reorganization, the Company's operating results may be harmed by the possible reluctance of prospective lenders and customers to do business with a company that recently emerged from bankruptcy proceedings.

Currently, it is not possible to predict with certainty the length of time the Company will operate under the protection of Chapter 11, the outcome of the Chapter 11 proceedings in general, or the effect of the proceedings on the business of the Company or on the interests of the various creditors and security holders. Under the priority scheme established by the Bankruptcy Code, certain post-petition liabilities and pre-petition liabilities need to be satisfied before shareholders can receive any distribution. The ultimate recovery to shareholders, if any, will not be determined until confirmation of a plan or plans of reorganization. There can be no assurance as to what value, if any, will be ascribed to the Common Stock of Safety-Kleen in the bankruptcy proceedings.

In connection with the development of alternative plans of reorganization, the Company will evaluate any and all proposals to maximize the value of the Debtors. In connection with a recent amendment to the DIP (as defined below), the Company has prepared a Chemical Services Division marketing book. This book has been distributed to interested parties. No assurance can be given as to the outcome of such marketing effort nor any proceeds which could be realized from the sale of the Chemical Services Division or its assets or the timing of any such sale.

#### **Effect of Laidlaw's Chapter 11 Filings on the Company**

On June 28, 2001, Laidlaw and five of its subsidiary holding companies – Laidlaw Investments Ltd., Laidlaw International Finance Corporation, Laidlaw One, Inc., Laidlaw Transportation, Inc. and Laidlaw USA, Inc. (collectively, the "Laidlaw Group") filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Western District of New York. On the same day, Laidlaw and Laidlaw Investments Ltd. filed cases under the Canada Companies' Creditors Arrangement Act ("CCAA") in the Ontario Superior Court of Justice in Toronto, Ontario. As a result of the Laidlaw Group's filings, claims and causes of action on the Company may have against the Laidlaw Group may be subject to compromise in the Laidlaw Group's Chapter 11 proceedings or CCAA proceedings.

#### **Leverage**

The Company is currently in default under its senior debt obligations, which are substantial. During the pendency of its bankruptcy proceedings, the Company may only obtain additional debt financing with the approval of the Bankruptcy Court, and has already obtained authorization for \$100 million of such debt financing. To date there have been no cash borrowings against this Amended and Restated \$100 million Debtor-In-Possession Credit Agreement among Safety-Kleen Services, Inc., the several lenders from time to time parties thereto,

Toronto Dominion (Texas), Inc., as General Administrative Agent and Underwriter, and The CIT Group/Business Credit, Inc., as Collateral Agent and Underwriter, initially dated as of June 11, 2000 and amended and restated as of July 19, 2000, as amended (the "DIP"). The DIP provides for a \$95 million sublimit on letters of credit which is stratified into \$35 million available for auto liability, general liability and worker's compensation insurance for fiscal year 2002; \$15 million for performance bonding; \$30 million for financial assurance; and \$15 million for additional financial assurance with respect to certain facilities. As of October 28, 2001, three letters of credit aggregating approximately \$65 million have been issued under the DIP. In accordance with the borrowing base computation, as described in the DIP, the total remaining availability under the DIP as of October 28, 2001 is approximately \$24 million and is available for either letters of credit or cash borrowings. Unless extended, the DIP will mature on the earlier of January 31, 2002, or the effective date of a plan or plans of reorganization. The Company is currently negotiating an extension of the DIP maturity date and an increase in the borrowing capacity under the DIP. There can be no assurance that the Company will be successful in extending and increasing the DIP, or otherwise securing financing sufficient to meet its requirements. Without such an extension and increase, the Company may not have sufficient financing to meet its needs.

Depending on the resolution of its bankruptcy proceedings and the plan or plans of reorganization that eventually may be confirmed, the Company could emerge from bankruptcy highly leveraged with substantial debt service obligations. Thus, the Company is particularly susceptible to adverse changes in its industry, the economy and the financial markets. In addition, the Company's ability to obtain additional debt financing may be limited by restrictive covenants under the terms of credit agreements and any other debt instruments. Those limits on financing may limit the Company's ability to service its debt obligations through additional debt financing if cash flow from operations is insufficient to service such obligations.

### **Environmental Regulation and Legal Proceedings**

The Company's operations are subject to certain federal, state, territorial, provincial and local requirements which regulate health, safety, environment, zoning and land-use. Operating and other permits are generally required for incinerators, landfills, transfer and storage facilities, certain collection vehicles, storage tanks and other facilities owned or operated by the Company, and these permits are subject to revocation, modification and renewal. The Company believes that its facilities meet federal, state and local requirements in all material respects, subject to the impact of the events discussed above under "Financial Assurance Matters", and that the facilities have all the required operating and other permits. It may be necessary, however, to expend considerable time, effort and money to keep existing or acquired facilities in compliance with applicable requirements, including new regulations; to maintain existing permits and approvals; and to obtain the permits and approvals necessary to increase their capacity. Applicable requirements are enforceable by injunctions and fines or penalties, including criminal penalties. These regulations are administered by the EPA and various other federal, state and local environmental and health and safety agencies and authorities, including the Occupational Safety and Health Administration of the United States Department of Labor and by similar agencies in Canada and Mexico.

As discussed in "Regulation - Clean Air Act," the Company's United States-based hazardous waste incinerators must be in compliance with the EPA's MACT interim standards by September 30, 2003. In addition, that portion of the Branch Sales and Service Division's Parts Cleaner Service, which utilizes mineral spirits solvent, could be adversely affected by volatile organic hydrocarbon emission restrictions by local and/or state air pollution control agencies, including restrictions already imposed by agencies in certain ozone non-attainment areas in Houston, Texas and certain portions of California.

CERCLA imposes liability for the cost of cleanup of sites from which there is a release or threatened release of a hazardous substance into the environment on generators and transporters as well as current and former owners and operators of such sites. Given the substantial costs involved in a CERCLA cleanup and the difficulty of obtaining insurance for environmental impairment liability, such liability could have a material impact on the Company's business, financial condition and future prospects.

As discussed more fully in Part I, Item 1 ("Financial Assurance Matters"), the Company is required to provide financial assurance with respect to certain statutorily required closure, post-closure and corrective action obligations at its facilities. Financial assurance may take the form of insurance policies and surety bonds, among other things. Most Company facilities have financial assurance that complies with law; some facilities do not. The Company has entered a consent agreement and final order with EPA (on behalf of some, but not all, affected states) and separate agreements with certain states respecting a schedule for obtaining compliant financial assurance at its facilities with noncompliant financial assurance. Most regulators have agreed to deadlines of January 31, 2002 for active facilities and March 31, 2002 for the remaining facilities. The Company may not be able to meet these deadlines. If it does not, active facilities without compliant financial assurance (there are two such facilities) will have to close and may be subject to further penalties. Inactive facilities that do not meet these deadlines may be subject to further penalties. Closure and penalties could adversely affect the Company's business.

In addition to the costs of complying with environmental regulations, hazardous waste treatment companies generally are involved in legal proceedings as well as environmental proceedings in the ordinary course of business, as discussed more fully in Part I, Item 3 ("Legal Proceedings"). Alleged failure by the Company to comply with laws and regulations may lead to the imposition of fines or the denial, revocation or delay of the renewal of permits and licenses by governmental entities. In addition, such governmental entities, as well as surrounding landowners, may claim that the Company is liable for environmental damages. Citizens groups have become increasingly active in challenging the grant or renewal of permits and licenses for hazardous waste facilities and responding to such challenges has further increased the costs associated with establishing new facilities or expanding current facilities. A significant judgment against the Company,

the loss of a significant permit or license or the imposition of a significant fine could have a material adverse effect on the Company's business and future prospects.

### **Competitive Environment**

The Company operates in highly competitive environments with substantial capacity in some of the markets it serves. In addition, the hazardous waste industry is changing as a result of consolidation. The future success of the Company will be affected by such changes, the nature of which cannot be forecast with certainty. There can be no assurance that such developments will not create additional competitive pressures on the Company's business.

### **International Operations**

The Company has business operations in the United States, Canada, Puerto Rico, Mexico and Saudi Arabia. Certain risks are inherent in international operations, including the risks of differing regulation, currency fluctuations and differing tax treatment. The Company is subject to United States, Canadian, Puerto Rican and Mexican based environmental and other regulations. Also, the relative value of the United States Dollar, the Canadian Dollar and the Mexican Peso could change. The impact of future exchange rate fluctuations on the results of operations cannot be accurately predicted. The Company is subject to United States, Canadian, Mexican and Puerto Rican tax laws and regulations. The application of United States, Canadian, Puerto Rican and Mexican tax laws and regulations to Company and to intercompany relationships is subject to audit and review by independent national tax authorities. In addition, business practices or laws in Canada, Puerto Rico, Mexico and/or Saudi Arabia may impose costs, restrictions or requirements on such activities that differ in significant respects from the United States business environment.

### **Cyclical and Seasonal Nature of Business**

The hazardous waste business is cyclical to the extent that it is dependent upon a stream of waste from cyclical industries. If those cyclical industries slow significantly, the business that the Company receives from those industries is likely to slow. Adverse winter weather moderately affects some of the Company's operations, primarily in the Chemical Services Division, particularly during the second fiscal quarter. The main reason for this effect is reduced volumes of waste being received at the Company's facilities and higher operating costs associated with operating in sub-freezing weather and high levels of snowfall. The Branch Sales and Service Division is affected by fewer business days in the Company's second fiscal quarter due to holidays.

### **Disposal and Other Supply Arrangements**

The Company has a contract, which expires in 2005, with three cement kiln facilities. The contract provides the Company with an outlet for a significant portion of its hazardous waste-derived fuel and provides the other party with a fuel source to operate its cement kiln facilities.

The Company owns an interest in The ArmaKleen Company, a joint venture with Church and Dwight. ArmaKleen is the sole source for certain cleaning chemicals and related chemistry used primarily in the Company's Parts Cleaner Service business and also sold directly to customers as an industrial cleaner.

The Company purchases certain of its oil additive supplies from a relatively few providers. The supplies are used in the Company's refining operations in the formulation of its various lubrication products.

While the Company believes it has satisfactory relationships with each of these vendors, a loss of any of these relationships could have a material adverse effect on the future results of operations.

## **ITEM 2. PROPERTIES**

The following descriptions are as of August 31, 2001, except as noted. The Company owns or leases property in 45 states, seven Canadian provinces, Puerto Rico, Mexico and Saudi Arabia. The Company's properties which are utilized are sufficient and suitable to the Company's needs.

### **Chemical Services**

The Company owns ten hazardous and non-hazardous waste commercial landfills in the United States and Canada. Nine of these facilities are currently accepting waste. The Company also owns and operates a non-commercial landfill, which only accepts waste from an on-site incinerator.

The Company owns and operates in the United States, two solid and liquid-capable incineration facilities with a combined estimated annual capacity of 185,000 tons, one lower volume specialty incineration facility and one RCRA subpart X facility permitted to burn explosives. The Company also operates two hazardous waste liquid injection incinerators in Canada. The Company has initiated closure activities at its Coffeyville, Kansas and Bridgeport, New Jersey facilities due to under-utilization. Regulatory agencies were given notification of the

Company's intent to close the facilities. The Company stopped incineration activities at Coffeyville on October 28, 2001, at Bridgeport on April 30, 2001 and is proceeding with the closure process. These closures removed approximately 83,000 tons of annual capacity from the market.

The Company owns four (including Hilliard, Ohio) and leases one wastewater treatment facilities in the United States and Canada with a combined annual treatment capacity of more than 334 million gallons. The Company completed closure of its Hilliard, Ohio wastewater treatment facility in accordance with its closure plan in August 2001. Certification of closure has been provided to the Ohio Environmental Protection Agency.

The Company owns 14 and leases six service centers across the United States and Canada. These locations accumulate shipments of waste. As truckload quantities are collected, they are transported from these locations to the treatment, disposal or recycling plants. These service centers also include drum processing and stabilization service centers.

The Company owns three and leases (including Burton, Michigan) two locations that operate waste transfer stations and transportation centers in the United States and Canada. In fiscal year 2001, the Company sold its Martinez, California center and closed its Burton, Michigan center.

The Company provides waste management consulting services for governmental entities from approximately 17 office locations in the United States, Canada, Puerto Rico, and Saudi Arabia, of which 16 are leased.

The Company has 10 additional locations for treatment and disposal services in the United States and Canada, of which approximately half are leased. These operations include battery disposal, PCB disposal and deep well injection.

The Company operates approximately 30 satellite locations across the United States and Canada, of which approximately half are owned. These satellite locations support one or more of its landfills, incinerators, wastewater treatment, service centers, consulting, administrative, or other treatment and disposal facilities.

The Company owns or leases approximately 10 properties, which are closed or vacant. Most of these properties were previously used by the Company and require environmental remediation. Some of these properties may either be sold or used in future operations.

#### **Branch Sales and Service**

The Company operates 12 accumulation centers in the United States and Canada. Of these, three are leased.

The Company owns three and leases four distribution centers in the United States and Canada, averaging approximately 45,000 square feet each.

The Company owns two waste-derived fuel-blending facilities, both located on leased land, and has an exclusive supply arrangement for its waste-derived fuel with a third facility. These three facilities have combined storage capacity of approximately 2.2 million gallons.

The Company owns two oil re-refining plants with a combined annual re-refining capacity of approximately 135 million gallons. These plants are located in Breslau, Ontario and East Chicago, Indiana.

The Company owns 13 and leases ten properties, which provide oil recovery and collection services in the United States and Canada.

The Company owns eight solvent recycling plants in the United States, and Puerto Rico. The Company also owns a fuels blending recycle center in Kentucky and leases one in Quebec, Canada. In total, these ten plants have an annual recycling capacity of 60 million gallons of parts cleaner solvents and 32 million gallons of halogenated, fluorinated and flammable solvents. The total storage capacity of these plants is approximately 9.2 million gallons of bulk storage and 2.2 million gallons in drums.

The Company owns a 29,500 square foot warehouse in Elgin, Illinois.

The Company owns a 72,500 square foot technical center located in Elk Grove Village, Illinois.

The Company owns a 106,000 square foot plant in New Berlin, Wisconsin where parts cleaner machines are assembled and buffing pads are manufactured.

The Company owns or leases approximately 34 additional locations, which provide specialty services, such as silver recovery, imaging, tank farm, and maintenance, administrative offices, satellite locations, and other miscellaneous functions.

The sales and service representatives for the Branch Sales and Service Division operate out of approximately 173 branch locations. Of these, approximately half are leased. Twelve of the Company's branches share locations with accumulation centers, while the vast majority of the remaining branches each have separate locations. A typical branch is approximately 8,000 square feet.

The Company owns a 269,000 square foot administrative office building located in Elgin, Illinois. The building was the former corporate headquarters of Safety-Kleen Systems, Inc., a subsidiary of Safety-Kleen. The Company intends to sell this property.

The Company owns approximately 20 and leases 28 additional facilities, which are closed or vacant. Most of these locations were branch facilities, and the Company is conducting environmental remediation activities. Some of these properties may either be sold or used in future operations.

#### **Other**

The Company leases a combined 126,000 square feet of office space in three locations in Columbia, South Carolina for its corporate and division headquarters.

### **ITEM 3. LEGAL PROCEEDINGS**

#### **Chapter 11 Filing**

The Debtors each filed a voluntary petition for reorganization under the Bankruptcy Code on June 9, 2000. The petitions were filed in the United States Bankruptcy Court for the District of Delaware Case No. 00-2303 (PJW). Management of the Company continues to operate the business of the Debtors as a debtor-in-possession under Sections 1107 and 1108 of the Bankruptcy Code as described in Item 1 of Part I. In this proceeding, the Debtors intend to propose and seek confirmation of a plan or plans of reorganization. Unless modified by the order of the Bankruptcy Court, pursuant to the automatic stay provision of Section 362 of the Bankruptcy Code, most pending pre-petition litigation against the Debtors is currently stayed.

On November 7, 2000, Laidlaw, on behalf of itself and its direct and indirect subsidiaries, filed a proof of claim in the unliquidated amount of not less than \$6.5 billion against the Debtors in the Chapter 11 cases. The claims Laidlaw asserted against the Debtors fall into the following general categories: 1) claims for indemnification; 2) contribution and reimbursement in connection with certain litigation matters; 3) claims against the Debtors for fraudulent misrepresentation, fraud, securities law violations, and related causes of action; 4) insurance claims; 5) guaranty claims; 6) environmental contribution claims; 7) tax reimbursement claims; and 8) additional miscellaneous claims. On April 19, 2001, the Debtors, on behalf of itself and its direct and indirect subsidiaries, filed with the Bankruptcy Court an objection to Laidlaw's proof of claim.

As of August 31, 2001, proofs of claim in the approximate amount of \$174 billion have been filed against the Debtors by among others, secured creditors, unsecured creditors and equity security holders. The Debtors believe that the face amount of these claims which are in excess of approximately \$2.5 billion in accrued liabilities recorded in the Consolidated Financial Statements as of May 31, 2001 as "Liabilities subject to compromise" are duplicative or without merit and will not have a material effect on the Consolidated Financial Statements. The Debtors have filed several omnibus objections in the Bankruptcy Court to seek disallowance or recharacterization of these claims. As of August 31, 2001, the Debtors had identified approximately \$170.8 billion of claims that the Debtors believed were duplicative or without merit. The Company continues to review the proofs of claim filed and to identify those claims to which an appropriate objection should be filed.

#### **Actions Against Laidlaw Inc.**

Each member of the Laidlaw Group filed a voluntary petition for reorganization under the Bankruptcy Code on June 28, 2001. The petitions were filed in the United States Bankruptcy Court for the Western District of New York, Case Nos. 01-14099 K through 01-14104 K. On October 16, 2001, the Company and the Official Committee of Unsecured Creditors filed a proof of claim in the unliquidated amount of not less than \$4.6 billion, subject to statutory trebling, plus punitive damages, interest, and costs, against the Laidlaw Group in the above-referenced Chapter 11 cases. The claims against the Laidlaw Group fall into the following general categories: 1) claims for fraud, racketeering, breach of fiduciary duty, and other related misconduct; 2) preference and fraudulent transfer claims; 3) breach of contract, misrepresentation, and other related misconduct; 4) guaranty claims; and 5) indemnification, contribution, and reimbursement claims. The Laidlaw Group has not yet filed an objection to the proof of claim filed by the Company. The Company intends to vigorously pursue this claim. Similarly, certain directors of Safety-Kleen filed a proof of claim against Laidlaw. To the extent these directors are successful in obtaining payments that otherwise would have gone to the Company, their interests could be deemed materially adverse to the interests of the Company.

On April 19, 2001, the Company filed an action against Laidlaw and its affiliates, Laidlaw Transportation, Inc. and Laidlaw International Finance Corporation (collectively the "Laidlaw Defendants"), in the United States Bankruptcy Court for the District of Delaware, Adv. Pro. No. 01-01086 (PJW). This action seeks to recover a transfer of over \$200 million made in August 1999 (the "Transfer") to or for the benefit of the Laidlaw Defendants, holders of 43.5% of the Company's common stock. The Company asserts that the Transfer is recoverable either

as a preference payment to the extent the Transfer retired pre-existing debt, or as a fraudulent transfer to the extent the Transfer redeemed equity or was made with intent to hinder, delay or defraud creditors. In the action, the Company seeks to recover the Transfer, plus interest and costs occurring from the first date of demand, from the Laidlaw Defendants. As a result of the Laidlaw Group's Chapter 11 filing in the Western District of New York, all actions in the adversary proceeding are currently stayed.

See also the "Laidlaw Inc. Relationships" discussion in Item 13 of Part III.

#### **Matters Related to Investigation of Financial Results**

On March 6, 2000, the Company announced that it had initiated an internal investigation of its previously reported financial results and certain of its accounting policies and practices. The investigation followed receipt by the Company's Board of Directors of information alleging possible accounting irregularities that may have affected the previously reported financial results of the Company after fiscal year 1998. The internal investigation was subsequently expanded to include fiscal years 1998 and 1997. The Board of Directors appointed the Special Committee (Investigation), consisting of four directors who were then independent outside directors of the Company, to conduct the internal investigation. The Special Committee (Investigation) was later expanded to five directors, with the addition of one additional independent outside director. The Special Committee (Investigation) engaged the law firm of Shaw Pittman, and Shaw Pittman engaged the accounting firm of Arthur Andersen LLP, to assist with the comprehensive investigation of these matters. As a result of the preliminary findings of the investigation and the results of the audit conducted by Arthur Andersen, LLP, the Company restated its previously reported financial results for 1999, 1998 and 1997 in Form 10-K/A filed on July 9, 2001.

On March 5, 2000, the Board placed the following three officers, one of whom was a director, on administrative leave: Kenneth W. Winger, the Company's President, Chief Executive Officer, and a Director; Michael J. Bragagnolo, Executive Vice President and Chief Operating Officer; and Paul R. Humphreys, Senior Vice President of Finance and Chief Financial Officer. The Company accepted the resignations of Messrs. Winger, Bragagnolo, and Humphreys, as officers, in mid-May 2000 and of Mr. Winger, as a director, on June 9, 2000, and subsequently terminated the employment of these individuals in July 2000. From March 6, 2000 through May 22, 2000, David E. Thomas, Jr. and Grover C. Wrenn, both members of the Board of Directors, were appointed by the Board of Directors to co-manage the Company on an interim basis. Thereafter the Board formally elected Mr. Thomas as Chairman of the Board on May 4, 2000 and Chief Executive Officer on May 22, 2000. Mr. Wrenn was also elected as President and Chief Operating Officer on May 22, 2000.

On September 13, 2001, the Board of Directors dissolved the Special Committee (Investigation) and established the Special Committee (Conflicts of Interest in Litigation). The Special Committee (Conflicts of Interest in Litigation) is authorized to, among other things, manage all litigation by or against the Company in connection with which there may be conflicts of interest between the Company and any Board Members. The Special Committee (Conflicts of Interest in Litigation) is comprised of Ronald A. Rittenmeyer, Kenneth K. Chalmers, Peter E. Lengyel and David W. Wallace, each of whom was appointed to the Board subsequent to March 6, 2000.

Beginning March 7, 2000, various Company shareholders filed actions in the United States District Court for the District of South Carolina, Columbia Division (the "South Carolina District Court"), on behalf of various alleged classes of Company shareholders (the "Shareholder Class Actions"), asserting federal securities fraud claims against the Company, Messrs. Winger, Humphreys and Bragagnolo (who are referred to herein collectively as the "Individual Defendants") and in two cases James R. Bullock, former Chairman of the Board of the Company. In August 2000, all of the Shareholder Class Actions were consolidated into two actions that are discussed in detail below. Due to the fact that the Company filed a Chapter 11 bankruptcy petition under the Bankruptcy Code on June 9, 2000, all litigation against the Company is subject to an automatic stay.

On August 3, 2000, the South Carolina District Court approved an Order consolidating 19 of the Shareholder Class Actions and any other actions alleging claims on behalf of investors who acquired shares of the Company's common stock in the time period November 13, 1997, through March 6, 2000, into one action, *In Re Safety-Kleen Corp. Securities Litigation*, Civil Action No. 3:00-CV-736-17 (the "Securities Consolidated Action"). Each of the Shareholder Class Actions consolidated into the Securities Consolidated Action was dismissed without prejudice. A Consolidated Amended Complaint was filed in the South Carolina District Court on September 18, 2000. The Securities Consolidated Action was brought on behalf of all persons, except defendants, who (i) purchased the common stock of Laidlaw Environmental Services, Inc. ("LESI") between July 9, 1997, and July 1, 1998, (ii) purchased the common stock of Safety-Kleen between July 1, 1998, and March 6, 2000, or (iii) exchanged shares of Safety-Kleen common stock for shares of the common stock of LESI in the merger of LESI and Safety-Kleen. In addition to naming the Individual Defendants and Mr. Bullock, the Amended Complaint also named John R. Grainger, Leslie W. Haworth, John W. Rollins, Jr., David E. Thomas, Jr., Henry B. Tippie, James L. Wareham, Grover C. Wrenn and Henry H. Taylor, (all of whom are present or former officers or members of the Board of Directors of the Company and/or Laidlaw), PricewaterhouseCoopers LLP and Laidlaw as defendants to the Securities Consolidated Action. By Order dated May 10, 2001, Henry H. Taylor was dismissed without prejudice as a defendant. The Consolidated Amended Complaint alleges that the defendants disseminated materially false and misleading information and failed to disclose material facts with respect to the Company's financial condition and business prospects, thereby causing the market price of Company securities to be artificially inflated during the relevant class periods and that the class members acquired Company securities during the class periods at artificially inflated prices and were damaged thereby. The Consolidated Amended Complaint asserts various violations of federal securities laws including violations of Sections 10(b), 14(a) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and Sections 11, 12(a)(2) and 15 of the Securities Act of 1933. The Securities Consolidated Action seeks to recover damages in an unspecified amount that the class members allegedly sustained by purchasing shares of

the Company's common stock at artificially inflated prices, as well as related relief. On January 8, 2001, the South Carolina District Court issued an Order amending the caption of the Securities Consolidated Action to *In Re Safety-Kleen Corporation Stockholders Litigation*. Defendants filed motions to dismiss, which were denied by the South Carolina District Court by order dated May 15, 2001. Discovery in this case is now underway.

On August 11, 2000, the South Carolina District Court approved an Order consolidating the remaining two Shareholder Class Actions involving shareholders who were former shareholders of Rollins Environmental Services, Inc. ("Rollins") into one action, *In Re Safety-Kleen Corp. Security Litigation*, Civil Action No. 3:00 1343-17 (the "Rollins Consolidated Action"). The two Shareholder Class Actions consolidated into the Rollins Consolidated Action were dismissed without prejudice. On October 2, 2000, a Consolidated Amended Class Action Complaint for Violations of Federal Securities Laws in the Security Consolidated Action was filed in South Carolina District Court. The Rollins Consolidated Action is brought on behalf of all persons, except defendants, their affiliates and certain related parties, who were former shareholders of Rollins and who received or should have received the Proxy Statement (the "Proxy Statement") issued to share holders of Rollins to notify them of the special meeting that had been convened to vote on the reverse acquisition of Laidlaw Chem-Waste, Inc. by Rollins to form LESI. The Consolidated Amended Complaint named the Individual Defendants, Mr. Bullock, the Estate of John W. Rollins, Sr., John W. Rollins, Jr. and Laidlaw as defendants in the Rollins Consolidated Action. The Consolidated Amended Complaint principally alleges that the defendants disseminated materially false and misleading information and failed to disclose material facts with respect to the Company's financial condition and business prospects in connection with the Proxy Statement and, as a result, the class members were denied an opportunity to make an informed voting decision at the special meeting for approval of the reverse acquisition. The Rollins Consolidated Action asserts various violations of federal securities laws including violations of Sections 14(a) and 20 of the Securities Exchange Act of 1934 and Rule 14a-9 promulgated thereunder. The Rollins Consolidated Action seeks to recover damages in an unspecified amount that the class members allegedly sustained as a result of the reverse acquisition and the voting in connection therewith, as well as related relief. On January 8, 2001, the South Carolina District Court issued an Order amending the caption of the Rollins Consolidated Action to *In Re Safety-Kleen Rollins Shareholders Litigation*. On June 8, 2001, the Court granted the Motion to Dismiss filed by defendants John W. Rollins, Jr. and the Estate of John W. Rollins, Sr. On June 12, 2001, plaintiffs filed a Motion for Leave to File a Second Consolidated Amended Complaint. The Second Consolidated Amended Complaint named the Individual Defendants, Laidlaw, Inc., John W. Rollins, Jr. and the Estate of John W. Rollins Sr. The only claim asserted against John W. Rollins, Jr. and the Estate of John W. Rollins, Sr. was one for common law negligent misrepresentation. Subsequently, and with the permission of the Court, plaintiffs filed a Third Consolidated Amended Complaint asserting the same claims against John W. Rollins, Jr. and the Estate of John W. Rollins, Sr. as were asserted in the Second Consolidated Amended Complaint, but adding certain allegations regarding the July 2001 restatement by the Company and dropping Laidlaw as a party-defendant due to Laidlaw's filing of a Chapter 11 bankruptcy petition. An Answer to the Third Amended Consolidated Complaint was filed on September 21, 2001 on behalf of John W. Rollins, Jr. and the Estate of John W. Rollins, Sr. Discovery is now underway in this action.

In addition to the above, two shareholder derivative lawsuits were filed in the Delaware Court of Chancery for New Castle County on behalf of the Company, against certain of its directors and former directors (the "Delaware Derivative Actions"): (1) Civil Action No. 17923-NC on March 24, 2000, pending under the caption *Peter Frank vs. Kenneth W. Winger, John W. Rollins, James R. Bullock, David E. Thomas, Jr., Leslie W. Haworth, Henry B. Tippie, James L. Wareham, John W. Rollins, Jr., Robert W. Luba and Grover C. Wren (sic), and Safety-Kleen Corp. (Nominal Defendant)* and (2) Civil Action No. 1974-NC on March 30, 2000, pending under the caption *Harbor Finance Partners, derivatively on behalf of Safety-Kleen Corp., against James R. Bullock, John W. Rollins, Sr., David E. Thomas, Jr., Kenneth W. Winger, Leslie W. Haworth, Henry B. Tippie, James L. Wareham, John W. Rollins, Jr., Robert W. Luba, Peter N.T. Widdrington and Grover C. Wren, Defendants and Safety-Kleen Corp. (Nominal Defendant)*. The Delaware Derivative Actions assert, among other things, that the defendants breached their fiduciary obligations to the Company and its shareholders by failing to adequately supervise the Company and to monitor its internal financial administrative policies, procedures and controls over an extended period of time, thereby exposing the Company to class action lawsuits and the loss of goodwill in the investment community, resulting in damages to the Company and its shareholders. These claims seek to recover damages on behalf of the Company against the director defendants in an unspecified amount as well as related relief. A Notice of Automatic Stay was filed in the *Frank* case by attorneys for the Company on or about June 28, 2000. There has been no further action in the Delaware Derivative Actions cases.

On April 13, 2000, a class action captioned *Muzinich & Co., Inc., individually and on behalf of all others similarly situated, v. Safety-Kleen Corp., Kenneth W. Winger, Michael J. Bragagnolo, Paul R. Humphreys, and Laidlaw Inc.*, Civil Action No. 3:00-1145-17 (the "Muzinich Class Action"), was filed in the South Carolina District Court. An Amended Class Action Complaint for violations of the federal securities laws was filed on August 25, 2000 pursuant to an August 3, 2000 Order of the South Carolina District Court Judge. The Company was not named as a defendant in the Amended Class Action Complaint. The Muzinich Class Action was filed on behalf of a class comprising all persons who purchased 9.25% Senior Subordinated Notes due 2008 of the Company during the period from October 23, 1998, through June 9, 2000.

On July 18, 2000, a class action captioned *American High-Income Trust and State Street Research Income Trust suing on behalf of themselves and all others similarly situated v. Kenneth W. Winger, Laidlaw Inc., PricewaterhouseCoopers, LLP, TD Securities (USA) Inc., NationsBanc Montgomery Securities, Raymond James & Associates, Inc., Arthur Andersen LLP, James R. Bullock, Paul R. Humphreys, John W. Rollins, Sr., John W. Rollins, Jr., Leslie W. Haworth, Robert W. Luba, David E. Thomas, Jr., Henry B. Tippie, James L. Wareham, Grover C. Wren, Michael J. Bragagnolo and Henry H. Taylor*, Civil Action No. 00-661 (the "American High-Income Trust Class Action"), was filed in the United States District Court for the District of Delaware. The American High-Income Trust Class Action was filed on behalf of

all investors who purchased or acquired certain bonds issued by the Company in initial offerings or on the secondary market from April 17, 1998, through March 6, 2000. On December 1, 2000, the Judicial Panel on Multidistrict Litigation transferred the American High-Income Trust Class Action to the South Carolina District Court for coordinated or consolidated pretrial proceedings with the actions already pending in the South Carolina District Court. On January 8, 2001, the South Carolina District Court approved an Order consolidating the American High-Income Trust Class Action and the Muzinich Class Action into one action, *In Re Safety-Kleen Corp. Bondholders Litigation*, Consolidated Case No. 3-00-1145 17 (the "Bondholders Consolidated Action"). A Consolidated Class Action Complaint was filed in the South Carolina District Court on January 23, 2001. Arthur Andersen LLP and Henry H. Taylor were not named as defendants in the Consolidated Class Action Complaint. The Bondholders Consolidated Action was brought on behalf of all persons who purchased or acquired certain bonds issued by the Company, or its predecessor LESI, in initial offerings or on the secondary market from April 17, 1998, through March 9, 2000. The Bondholders Consolidated Action alleges that the Company disseminated materially false and misleading financial statements and that the class members purchased the bonds in reliance upon such financial statements. The Bondholders Consolidated Action asserts, among other things, various violations of federal securities laws including violations of Sections 11(a), 12(a)(2) and 15 of the Securities Act of 1933, Sections 10(b), 18 and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934. The Bondholders Consolidated Action seeks to recover damages in an unspecified amount that the class members allegedly sustained, as well as related relief. Motions to Dismiss the claims were filed on or about March 9, 2001. By Order dated September 12, 2001, the Court dismissed with prejudice as to all the defendants the claims under Sections 11(a), 12(a)(2), 15 of the Securities Act of 1933 and the Section 18 claim under the Securities Exchange Act of 1934. The Court has not yet ruled as to the Section 10(b) and 20(a) claims.

In addition, two class actions have been filed against Laidlaw and certain of its directors on behalf of purchasers of shares of the common stock of Laidlaw and purchasers of bonds of Laidlaw during the period October 15, 1997, through and including March 13, 2000. A shareholder class action captioned *Meltzer v. John R. Grainger, James R. Bullock, Leslie W. Haworth and Laidlaw Inc.*, Civil Action No. 3:00-CV-2518-17, was filed with the South Carolina District Court on August 14, 2000. A bondholder class action captioned *David I. L. Sunstein v. John R. Grainger, James R. Bullock, Leslie W. Haworth and Laidlaw Inc.*, Civil Action No. 3:00-CV-855, was filed with the South Carolina District Court on March 17, 2000. The plaintiffs in both actions allege, among other things, that the defendants made false and misleading statements and violated certain federal securities laws. The plaintiffs in both actions seek to recover damages in an unspecified amount that the applicable class members allegedly sustained, as well as related relief. Messrs. Grainger, Bullock and Haworth have demanded to be indemnified by the Company in these actions.

On September 23, 2000, a class action captioned *John Hancock Life Insurance Company, New York Life Insurance Company, Aid Association For Lutherans, American General Annuity Insurance Company and The Variable Annuity Life Insurance Company, On Behalf of Themselves and All Others Similarly Situated, v. John R. Grainger, James R. Bullock, Ivan R. Cairns, Leslie W. Haworth, Peter N.T. Widdrington, Wayne R. Bishop, William P. Cooper, Jack P. Edwards, William A. Farlinger, Donald M. Green, Martha O. Hesse, Gordon R. Ritchie, Stella M. Thompson, Laidlaw Inc., PricewaterhouseCoopers, LLP, Goldman, Sachs & Co., Bear, Stearns & Co., Inc., Salomon Smith Barney, Merrill Lynch & Co., Robertson Stephens & Co., Banc One Corp., CIBC Oppenheimer, Banc of America Securities, LLC and TD Securities (USA), Inc.*, Civil Action No. 7233, was filed in the United States District Court for the Southern District of New York on behalf of all persons, except the defendants and certain related parties, who purchased the bonds of Laidlaw during the period September 24, 1997 through and including May 12, 2000. The plaintiffs allege, among other things, that the defendants made false and misleading statements and violated certain federal securities laws. The plaintiffs seek to recover damages in an unspecified amount that the applicable class members allegedly sustained, as well as related relief. Mr. Grainger and Mr. Haworth have demanded to be indemnified by the Company in this action.

On December 12, 2000, a class action captioned *Westdeutsche Landesbank Girozentrale, New York Branch, On Behalf Of Itself And All Others Similarly Situated, v. John R. Grainger, James R. Bullock, Ivan R. Cairns, Leslie W. Haworth, Peter N.T. Widdrington, Wayne R. Bishop, William P. Cooper, Jack P. Edwards, William A. Farlinger, Donald M. Green, Martha O. Hesse, Gordon R. Ritchie, Stella M. Thompson, Laidlaw Inc., PricewaterhouseCoopers LLP, Goldman, Sachs & Co., Merrill Lynch & Co., Banc One Corp., CIBC Oppenheimer, Banc Of America Securities, LLC and TD Securities (USA), Inc.*, Civil Action No. 9486, was filed in the United States District Court for the Southern District of New York on behalf of all persons, except the defendants and certain related parties, who purchased call options or sold put options or other similar securities exercisable for the bonds of Laidlaw during the period September 24, 1997, through and including May 12, 2000. The plaintiffs allege, among other things, that the defendants made false and misleading statements and violated certain federal securities laws. The plaintiffs seek to recover damages in an unspecified amount that the applicable class members allegedly sustained as well as related relief. Mr. Grainger has demanded to be indemnified by the Company in this action.

On March 5, 2001, a case captioned *Eaton Vance Distributors, Inc., T. Rowe Price Associates, Inc., Delaware Investment Advisors, John Hancock Funds, Inc., and Putnam Investments, Inc., v. Kenneth W. Winger, Laidlaw Inc. John R. Grainger, James R. Bullock, Paul R. Humphreys, John Rollins, Sr., John W. Rollins, Jr., Leslie W. Haworth, David E. Thomas, Jr., Henry B. Tippie, James L. Wareham, Grover C. Wrenn, Michael J. Bragagnolo and Henry H. Taylor*, Case No. 01AS01376, was filed in the Superior Court of the State of California, County of Sacramento. The plaintiffs purchased or acquired certain bonds issued by the California Pollution Control Financing Authority on July 1, 1997, secured by an indenture agreement with LESI and its successor Safety-Kleen, in their initial offering on July 1, 1997, and retained through March 6, 2000. The bonds were entitled Pollution Control Refunding Revenue Bonds due July 1, 2007. The plaintiffs allege, among other things, that the defendants made written or oral communications containing material false statements or omissions and violated certain state securities laws and common law. The plaintiffs seek to recover compensatory damages in the amount of approximately \$21.7 million and punitive damages in the amount of approximately \$65.2 million, as well as related relief. Although the Company is not a

party to this action, certain of the individual defendants, who are present or former officers or directors of the Company, may make demands to be indemnified by the Company in connection with the action. A Motion to Quash service of the summons for lack of personal jurisdiction, on behalf of David E. Thomas, John W. Rollins, Jr., the Estate of John W. Rollins, Sr., James L. Wareham, Grover C. Wrenn, and Henry B. Tippie was filed on August 27, 2001. On behalf of Mr. Taylor, a Motion to Quash service of the summons was filed on September 4, 2001. At a hearing held on October 26, 2001, the Court granted the Motions to Quash the summons for lack of personal jurisdiction as to all the defendants. It is as yet unknown whether plaintiffs will seek to re-file this action in a different jurisdiction.

On or about July 1, 2001, a case captioned *MFS Series Trust III, Merrill Lynch High Yield Municipal Bond Fund, Inc., Merrill Lynch Municipal Bond Fund, The National Portfolio, Merrill Lynch Municipal Strategy Fund, Eaton Vance Distributors, Inc., T. Rowe Price Associates, Inc., John Hancock Funds, Inc., and Putnam Investments, Inc. v. Kenneth W. Winger, John R. Grainger, James R. Bullock, Paul R. Humphreys, John W. Rollins, Sr., John W. Rollins, Jr., Leslie W. Haworth, David B. Thomas, Jr., Henry B. Tippie, James L. Wareham, Grover C. Wrenn, Michael J. Bragagnolo, and Henry H. Taylor*, CV 01-300722MI, was filed in the Third District Court, County of Tooele, State of Utah. The plaintiffs purchased or acquired certain bonds issued by Tooele County on July 1, 1997, secured by an indenture agreement with LESI, and its successor Safety-Kleen, in the initial offering on July 1, 1997, and retained through March 6, 2000. The bonds were entitled Pollution Control Refunding Revenue Bonds due July 1, 2007. The plaintiffs allege, among other things, that the defendants made written or oral communications containing material false statements or omissions and violated certain state securities laws and common law. Although the Company is not a party to this action, certain of the individual defendants, who are present or former officers or directors of the Company, may make demands to be indemnified by the Company in connection with the action. The defendants have not yet responded to the Complaint.

On October 4, 2001, the Company, along with Robert Luba, the Estate of John Rollins, Sr., John Rollins, Jr., David E. Thomas, Jr., Henry B. Tippie, James L. Wareham, and Grover C. Wrenn filed an action in the Circuit Court of South Carolina, Richland County, against PricewaterhouseCoopers LLP and PricewaterhouseCoopers LLP (Canada), Civil No. 3:01-4247-17 (the "PWC Action"). The PWC Action alleges, among other things, that the defendants were negligent and reckless in failing to comply with applicable industry and professional standards in their review and audit of the Company's financial statements and in the negligent and reckless failure to detect and/or report material misstatements in those financial statements. The Complaint alleges causes of action for breach of contract, breach of contract accompanied by a fraudulent act, professional negligence, negligent misrepresentation, violations of the South Carolina Unfair Trade Practices Act and a declaratory judgment for indemnification on behalf of the plaintiff directors. The Complaint seeks in excess of \$1.0 billion from the defendants. The defendants have removed this case to federal court and moved to dismiss. The Company intends to pursue this claim vigorously.

On November 13, 2001, the Company, along with Robert Luba, the Estate of John Rollins, Sr., John Rollins, Jr., David E. Thomas, Jr., Henry B. Tippie, James L. Wareham, and Grover C. Wrenn filed an action in the Circuit Court of South Carolina, Richland County, against National Union Fire Insurance Company of Pittsburgh, PA and American Home Assurance Company, Civil No. 01CP404813 (the "Insurance Action"). The Insurance Action alleges that the defendants wrongfully denied insurance coverage under certain directors and officers insurance policies for the various securities actions detailed above. The Complaint alleges causes of action for declaratory judgment and breach of contract. The Complaint seeks insurance coverage for plaintiffs' for costs associated with defending the securities actions and for any liability plaintiffs may ultimately incur. The Company intends to pursue this claim vigorously.

Shortly after the Company's March 6, 2000, announcement, Company representatives met with officials of the Securities and Exchange Commission (the "Commission") and advised the Commission of the alleged accounting irregularities and the Company's internal investigation with respect to the allegations. On March 10, 2000, the Company was advised that the Commission had initiated a formal investigation of the Company. Also on March 10, 2000, the Commission issued a subpoena to the Company requiring the production of certain financial and corporate documents relating to the preparation of Company financial statements, reports and audits for fiscal years 1998, 1999 and portions of fiscal years 1997 and 2000 and for various other documents pertaining to and ancillary to the alleged accounting irregularities. On May 24, 2000, the Commission issued a second subpoena to the Company requiring additional documents relating to the preparation of Company financial statements, reports and audits for fiscal years 1998, 1999 and portions of fiscal years 1997 and 2000. The Company has responded to the subpoenas.

On or about March 22, 2000, Safety-Kleen was served with a subpoena issued by a Grand Jury sitting in the United States District Court for the Southern District of New York seeking production of the same documents described in the Commission's original subpoena. The Company has responded to the subpoena.

The Company is cooperating with each of the investigations.

#### **Financial Assurance Issues**

Under RCRA, TSCA and analogous state statutes, owners and operators of certain waste management facilities are subject to financial assurance requirements to ensure performance of their closure, post-closure and corrective action obligations. The Company is subject to these financial assurance requirements. Applicable regulations allow owners and operators to provide financial assurance through a surety bond from an approved surety. Under federal regulations and in virtually all states, to qualify as an approved surety for the purposes of providing this type of financial assurance, a surety company must be listed on Circular 570, which is maintained and distributed publicly by

the United States Department of the Treasury. In compliance with the law, the Company procured surety bonds issued by Frontier as financial assurance at numerous locations. Of the total amount of financial assurance required of the Company under the environmental statutes, which approximated \$500 million as of May 31, 2000, slightly more than 50 percent of such requirements were satisfied through assurances provided by Frontier in the form of surety bonds.

On June 6, 2000, the U.S. Treasury issued notification that Frontier no longer qualified as an acceptable surety on Federal bonds and had been removed from Circular 570 on May 31, 2000. Accordingly, as of May 31, 2000, the Company no longer had compliant financial assurance for many of its facilities. Under applicable regulations, the Company was required to obtain compliant financial assurance within sixty days, and in some states, more quickly. The Frontier surety bonds at the Company's facilities, remain in place (except where replaced with compliant coverage) and effective and the Company continues to pay the premiums on the bonds.

Immediately following the June 6, 2000 announcement that Frontier no longer qualified as an approved surety, the Company notified the EPA that its lack of certified financial statements for fiscal years 1999, 1998 and 1997 and certain alleged accounting irregularities would cause the Company difficulty in attempting to obtain compliant financial assurance for its facilities previously covered by the Frontier bonds. The Company and the EPA also contacted states in which the non-compliant facilities were located and apprised such states of these facts.

The Company and the EPA, acting on behalf of many, but not all affected states, then engaged in negotiations resulting in the entry of a CAFO, which the Bankruptcy Court approved on October 17, 2000. The main component of the CAFO is a compliance schedule (since modified) for the Company to obtain compliant financial assurance for the facilities covered by the Frontier bonds. The CAFO also imposed a penalty on Safety-Kleen Services, Inc. The penalty has grown to approximately \$1.6 million as delays have ensued in the replacement of Frontier, and additional states have joined the CAFO (see discussion below). Some states have imposed financial assurance penalties in addition to this amount. The Company believes such asserted penalties will total approximately \$600,000 through November 30, 2001. Under the CAFO, the Company was required to obtain compliant financial assurance as expeditiously as possible, with the original deadline set at December 15, 2000. The EPA reserved discretion to extend the deadline and did so on several occasions. The current deadlines are January 31, 2002 for active facilities and March 31, 2002 for the remaining facilities.

The Company and the EPA contacted states in which affected facilities were located and apprised these states of the terms of the CAFO. Several of these states referred the affected facilities' non-compliance to the EPA for enforcement and joined in the CAFO. Certain other states (referred to in the CAFO as the "Parallel Action States") have entered parallel agreements with the Company. Other states have entered or have indicated an interest to enter agreements with affected facilities with terms similar to the CAFO.

On August 7, 2001, the Company obtained the collateral necessary to enable it to replace Frontier surety bonds at approximately 114 facilities. The replacement at these facilities will occur upon state acceptance of the replacement coverage. Several states have approved the replacement insurance policies, which Indian Harbor Insurance Company has issued, and in those states the Company now has financial assurance coverage that complies with applicable law. The Company expects the remaining affected states and the EPA to approve the Indian Harbor policies in the near future. On or about November 5, 2001, the Company provided the collateral necessary to enable it to replace Frontier surety bonds at additional facilities, pursuant to Bankruptcy Court approval obtained on November 5, 2001.

As of November 20, 2001, the Company was in a position to provide replacement financial assurance coverage at all but two active facilities and approximately 18 inactive facilities.

Most, but not all, states that have retained primary jurisdiction on this issue and which have facilities where Frontier has not yet been replaced have indicated that they will accept the January 31 and March 31, 2002 deadlines described above. However, the Company has not concluded agreements with all such states. The Company may seek further extensions of time from the EPA and the states, but the CAFO does not obligate the EPA and the states to grant such further extensions. Under the CAFO, the EPA reserves the right, in consultation with an affected state, to determine in its discretion and in accordance with applicable law, to modify these requirements. There can be no assurance that the Company will be able to complete its replacement of Frontier on a schedule acceptable to the EPA and the states. If it does not, the two remaining active facilities for which the Company has not yet arranged Frontier's replacement will have to close and the Company may be subject to additional penalties. In addition, the Company could be assessed additional penalties in certain states for the delays in replacing Frontier. Moreover, the EPA has barred the two active facilities just described from receiving certain wastes.

The Company understands that, on August 27, 2001, Frontier entered a rehabilitation proceeding that the New York Superintendent of Insurance will administer pursuant to New York law. The Company further understands that in such a proceeding, the Superintendent takes possession of the property of Frontier and conducts its business. The Company has been informed that these rehabilitation proceedings are unlikely to affect the validity of the remaining Frontier bonds at its facilities.

Pursuant to the terms of the CAFO, the Company has agreed to a schedule by which the EPA and Participating States may monitor the Company's efforts to obtain compliant financial assurance. This schedule includes required periodic reports to the EPA and Participating States. The schedule also required the Company to provide audited restated financial statements for fiscal years 1997-1999 and the audited statements for fiscal year 2000 by certain deadlines. The Company did not meet the deadlines by the original due dates but subsequently provided the required information to the EPA and Participating States. Accordingly, the EPA and certain states may impose additional penalties on the Company.

Under the CAFO, until such time as the affected facilities have obtained compliant financial assurance, the Company and its affected facilities must not seek to withdraw an existing irrevocable letter of credit, which is subject to compromise, in the amount of \$28.5 million from Toronto Dominion Bank for the benefit of Frontier and shall take all steps necessary to keep current the existing Frontier surety bonds.

In the CAFO, the Company waived certain arguments they otherwise could have asserted under the Bankruptcy Code with respect to their financial assurance and certain other obligations under environmental laws. The Company's lenders and the unsecured creditors committee have reserved their right to assert certain of such arguments.

The State of South Carolina has indicated that it will not be a Participating State or a Parallel Action State for facilities owned or operated by Safety-Kleen (Pinewood), Inc. (See discussion below)

### **Safety-Kleen (Pinewood), Inc.**

A subsidiary of Safety-Kleen, Safety-Kleen (Pinewood), Inc. ("Pinewood"), owns and operates a hazardous waste landfill near the Town of Pinewood in Sumter County, South Carolina. By an order dated May 19, 1994 ("the Pinewood Order"), the South Carolina Board of Health and Environmental Control approved the issuance by the Department of Health and Environmental Control ("DHEC") of a RCRA Part B permit (the "Pinewood Permit") for operation of the Pinewood facility. The Pinewood Permit included provisions governing financial assurance and capacity for the facility.

The Pinewood Order established Pinewood's total permitted capacity of hazardous and non-hazardous waste to be 2,250 acre feet, including the amount of hazardous waste disposed prior to the date of the Order.

South Carolina law requires that hazardous waste facilities provide evidence of financial assurance for potential environmental cleanup and restoration in form and amount to be determined by DHEC. The Pinewood Order required Pinewood to establish and maintain an Environmental Impairment Fund ("EIF") in the amount of \$133 million in 1994 dollars by July 1, 2004 as financial assurance for potential environmental cleanup and restoration of environmental impairment at the Pinewood facility. The total fund requirement amount is to be adjusted annually by the Implicit Price Deflator for the Gross National Product as published by the U.S. Department of Commerce. The EIF has two components: (1) the GSX Contribution Fund, which was to be funded by Pinewood in annual cash payments over a ten year period; and (2) the State Permitted Sites Fund, a legislatively created fund derived from fees on waste disposal at the Pinewood facility. Under the Pinewood Order, at the end of the 100-year post-closure care period, funding of the GSX Contribution Fund will be subject to evaluation by an independent arbitrator, who will determine what level of funding, if any, is still required. The Company is entitled to seek recovery of any excess amount so determined. Upon termination of the GSX Contribution Fund, any remaining trust assets would revert to Pinewood. In 1993 and 1994, Pinewood paid approximately \$15.5 million cash into the GSX Contribution Fund, which has grown to approximately \$20.6 million as of October 31, 2001.

In June 1995, the South Carolina legislature approved regulations (the "S.C. Regulations") governing financial assurance for environmental cleanup and restoration. The S.C. Regulations gave owner/operators of hazardous waste facilities the right to choose from among five options for providing financial assurance. The options included insurance, a payment bond, a letter of credit, a cash trust fund and a corporate guaranty, subject to a financial soundness test.

From June 1995, under authority of the S.C. Regulations, Pinewood submitted financial assurance for potential environmental cleanup and restoration by way of a corporate guaranty by Laidlaw or insurance. Pinewood also left in place the GSX Contribution Fund. On September 15, 1995, DHEC issued a declaratory ruling finding that the S.C. Regulations were applicable to the financial assurance requirements for Pinewood.

Pinewood appealed the Pinewood Order and the opposing parties appealed the Pinewood Order and the September 15, 1995, DHEC declaratory ruling and the appeals were consolidated in the South Carolina Circuit Court in the case captioned Laidlaw Environmental Services of South Carolina, Inc. et al., Petitioners vs. South Carolina Department of Health and Environmental Control and South Carolina Board of Health and Environmental Control, Respondents - Energy Research Foundation, et al., Intervenors, Docket Numbers C/A 94-CP-43-175, 94-CP-43-178, 94-CP-40-1412 and 94-CP-40-1859. The opposing parties included Citizens Asking for a Safe Environment, Energy Research Foundation, County of Sumter, Sierra Club, County of Clarendon, Senator Phil Leventis, the South Carolina Department of Natural Resources and the South Carolina Public Service Authority.

The South Carolina Court of Appeals issued a decision on April 4, 2000 (substituting for a January 17, 2000 ruling) ruling that (1) the S.C. Regulations were invalid due to insufficient public notice during the promulgation procedure and ordering Pinewood to immediately comply with the cash financial assurance requirements of the May 19, 1994 Order; and (2) both non-hazardous and hazardous waste count against Pinewood's capacity from the beginning of waste disposal, thereby reducing the remaining permitted capacity.

On June 13, 2000, the South Carolina Supreme Court denied Pinewood's petition for a writ of certiorari. On June 14, 2000, DHEC sent notice by letter to the Pinewood facility directing that Pinewood cease accepting waste for disposal in 30 days and submit a closure plan. DHEC based this directive on the decision of the Court of Appeals that all non-hazardous waste disposed at Pinewood should be counted

against Pinewood's hazardous waste capacity limit and DHEC's resulting conclusion that there is no remaining permitted capacity at Pinewood.

On June 22, 2000, DHEC notified Pinewood that the Court of Appeals' decision vacated the S.C. Regulations and, therefore, Pinewood has the sole responsibility to provide cash funding into the EIF in accordance with the Pinewood Order. The DHEC notice also directed Pinewood to provide information to DHEC within 15 days on how Pinewood would comply with the Order including payment into the GSX Contribution Fund. As of October 31, 2001, there was approximately \$20.6 million in the GSX Contribution Fund and approximately \$14.8 million in the State Permitted Sites Fund. In 2001 dollars, the total EIF funding requirement is approximately \$150.1 million. To comply with the financial assurance provisions of the Pinewood Order, Pinewood would have to contribute the following payments (in 2001 dollars) as follows (\$ in thousands), subject to the automatic stay provisions discussed below:

Amount due during fiscal year:	
2001	\$ 95,515
2002	14,450
2003	5,652
Total	<u>\$ 115,617</u>

Additionally, on June 9, 2000 (on the same day, but after, Pinewood filed its petition for bankruptcy protection in the Bankruptcy Court), DHEC issued an Emergency Order finding that Frontier (the issuer of the bonds used by Pinewood to provide for financial assurance for the costs of closure and post-closure, and third party liability) no longer met regulatory standards for bond issuers. Based on this finding, DHEC ordered Pinewood to cease accepting waste for disposal by August 28, 2000, unless it could provide acceptable alternative financial assurance by June 27, 2000.

On July 7, 2000, in the legal action captioned *In re: Safety-Kleen Corp., et al. Debtor, Chapter 11 Cases, Delaware Bankruptcy Court, Case Nos. 00-203 (PJW), Adversary Proceeding No. 00-698-Safety-Kleen (Pinewood), Inc. v. State of South Carolina, et al., District of South Carolina (MJP) Case No. 3:00-2243-10*, Pinewood commenced legal proceedings in the United States District Court for the District of Delaware challenging DHEC's June 9, 2000, Emergency Order and DHEC's June 14 and June 22, 2000 notice letters. Pinewood sought to stay and/or enjoin DHEC and the State of South Carolina from enforcement of these directives on the grounds that the actions of DHEC were invalid under various provisions of the United States Constitution, violated the automatic stay provision of the Bankruptcy Code and/or should be enjoined under the equitable powers of the Bankruptcy Court. As an alternative cause of action, Pinewood demanded that it be compensated for the taking of its property without just compensation under provisions of the Constitutions of the United States and the State of South Carolina.

On July 12, 2000, the Delaware U.S. District Court issued an Order transferring the case to the United States District Court for the District of South Carolina.

On August 25, 2000, the U.S. District Court for the District of South Carolina issued rulings that (1) denied South Carolina's motion to dismiss Pinewood's claims upon jurisdictional grounds and certified the issue for an immediate appeal to the United States Court of Appeals for the Fourth Circuit; (2) the June 9, 2000 Emergency Order was subject to the automatic stay provisions of Section 362 of the Bankruptcy Code; and (3) denied Pinewood's motion for a preliminary injunction with respect to the June 14, 2000 DHEC letter.

The State of South Carolina and Pinewood appealed the District Court's ruling to the United States Court of Appeals for the Fourth Circuit. No decision has been issued by the Court of Appeals.

On September 25, 2000, Pinewood filed a request with DHEC for a permit modification increasing landfill capacity. Pinewood also filed a request for temporary authorization from DHEC to continue waste disposal at the facility pending a DHEC decision on the requested permit modification.

At midnight on September 25, 2000, Pinewood suspended waste disposal in the landfill pending action by DHEC and/or court decision allowing continued waste disposal. On September 26, 2000, DHEC denied Pinewood's request for temporary authorization for continued waste disposal at its Pinewood landfill.

The Stock Purchase Agreement ("Stock Purchase Agreement") among Rollins Environmental Services, Inc. (now Safety-Kleen), Laidlaw, and Laidlaw Transportation, Inc. ("LTI") dated February 6, 1997, provides that Laidlaw shall maintain, solely at its expense, until the tenth anniversary of the closing date (May 15, 2007), such financial mechanism as may be permitted by the relevant environmental laws to provide the required financial assurance for potential environmental cleanup and restoration at the Pinewood facility. See also the "Laidlaw Inc. Relationships" discussion in Item 13 of Part III.

On September 14, 2001, Pinewood was served with a Notice of Violation and Enforcement Conference issued by DHEC, alleging four separate violations of the South Carolina Hazardous Waste Management Act at Pinewood's landfill. The violations allege that Pinewood, or its predecessors: (1) failed to submit certain leachate and liner compatibility information when Pinewood filed a permit application in January 1986; (2) failed to have an independent registered professional engineer sign closure certifications that were submitted to DHEC between

February 1996 and October 1998; (3) failed to furnish DHEC with complete and accurate information in an April 5, 2001 response to a DHEC request for information; and, (4) failed to prevent the seeping of leachate from above the primary clay liner of landfill Cell III B Extension into an adjacent, partially excavated, unlined future waste disposal cell. An enforcement conference was held November 14, 2001. At the conference, the Company provided information to DHEC for its consideration in deciding if DHEC will take any further action concerning these alleged violations. The Company believes the alleged violations are without substantial merit and intends to vigorously defend against the alleged violations.

On December 4, 2000, DHEC filed a proof of claim with respect to the EIF in the Debtors' Chapter 11 cases in the amount of approximately \$118.5 million (in 1994 dollars). The Company believes DHEC's claim to be a general unsecured claim subject to compromise in the bankruptcy case. DHEC asserts that its claim is entitled to administrative expense priority.

On November 1, 2001, DHEC filed a motion in the Bankruptcy Court for an allowance of an administrative expense claim in the amount of approximately \$111.5 million (in 1994 dollars). On November 8, 2001, the Debtors filed an objection to that motion asserting that no part of the claim is entitled to administrative status. On November 13, 2001, DHEC filed a reply to the Debtors' objection and a hearing is scheduled before the Bankruptcy Court.

### **Ville Mercier Facility**

On January 12, 1993, Safety-Kleen Services (Mercier) Ltd. (the "Mercier Subsidiary") filed a declaratory judgement action (Safety-Kleen Services (Mercier) Ltd. v. Attorney General of Quebec; Pierre Paradis, in his capacity as Minister of the Environment of Quebec; Ville Mercier; and LaSalle Oil Carriers, Inc.) in the Superior Court for the Province of Quebec, District of Montreal. The legal proceeding seeks a court determination of the liability associated with the contamination of former lagoons that were located on the Mercier Subsidiary's property. The Mercier Subsidiary asserts that it has no responsibility for the contamination on the site. The Minister of the Environment filed a Defense and Counterclaim in which it asserts that the Mercier Subsidiary is responsible for the contamination, should reimburse the Province of Quebec for past costs incurred in the amount of 17.4 million Canadian Dollars, and should be responsible for future remediation costs. The legal proceedings are in the discovery stage.

The contamination at the Mercier Subsidiary facility dates back to 1968, when an unrelated company owned the property. In 1968, the Quebec government issued two permits to the unrelated company to dump organic liquids into lagoons on the Mercier Subsidiary property. By 1972, groundwater contamination had been identified and the Quebec government provided an alternate water supply to the municipality of Ville Mercier. Also in 1972, the permit authorizing the dumping of liquids was terminated and a permit to operate an organic liquids incinerator on the property was issued. (The entity to which this permit was issued was indirectly acquired by the Company in 1989.) In 1973, the Quebec government contracted with the incinerator operator to incinerate the pumpable liquids in the lagoons. In 1980, the incinerator operator removed, solidified and disposed of the non-pumpable material from the lagoons in a secure cell and completed the closure of the lagoons at its own expense. In 1983, the Quebec government constructed and continues to operate a groundwater pumping and treatment facility near the lagoons.

The Company believes that the Mercier Subsidiary is not the party responsible for the lagoon and groundwater contamination and the Mercier Subsidiary has denied any responsibility for the decontamination and restoration of the site. In November 1992, the Minister of the Environment ordered the Mercier Subsidiary to take all necessary measures to excavate, eliminate or treat all of the contaminated soils and residues and to recover and treat all of the contaminated waters resulting from the aforementioned measures. The Mercier Subsidiary responded by letter, reiterating its position that it had no responsibility for the contamination associated with the discharges of wastes into the former Mercier lagoons between 1968 and 1972 and proposing to submit the question of responsibility to the Courts for determination as expeditiously as possible through the cooperation of the parties' respective attorneys, resulting in the filing of the pending action.

On or about February 9 and March 12, 1999, Ville Mercier and three neighboring municipalities filed separate legal proceedings against the Mercier Subsidiary and certain related companies together with certain former officers and directors, as well as against the Government of Quebec. (Ville Mercier v. Safety-Kleen Services (Mercier) Ltd., et. al.; Ville de Chateauguay v. Safety-Kleen Services (Mercier) Ltd., et. al.; Municipality of Ste-Martine v. Safety-Kleen Services (Mercier) Ltd., et. al.; and St. Paul de Chateauguay v. Safety-Kleen Services (Mercier) Ltd., et. al.) The lawsuits assert that the defendants are jointly and severally responsible for the contamination of groundwater in the region, which plaintiffs claim was caused by contamination from the former Ville Mercier lagoons, and which they claim caused each municipality to incur additional costs to supply drinking water for their citizens since the 1970's and early 1980's. The four municipalities claim a total of approximately 1.6 million Canadian Dollars as damages for additional costs to obtain drinking water supplies and seek an injunctive order to obligate the defendants to remediate the groundwater in the region. The Mercier Subsidiary will continue to assert that it has no responsibility for the ground water contamination in the region. The legal proceedings are in the discovery stage.

Pursuant to the Stock Purchase Agreement, Laidlaw and LTI agreed to indemnify and hold harmless the Company for any damages resulting from the remediation of contaminated soils and water arising from the former lagoon sites and the operation of the incinerator at Mercier, Quebec. The indemnification is only to the extent that the aggregate cash expenditure with respect to such damages exceeds in the aggregate (i) \$1.0 million during any year and (ii) since May 15, 1997 (May 15, 2003), an amount equal to the product of approximately \$1.0 million times the number of years that have elapsed since May 15, 1997; however, there shall be no indemnification for any cash expenditures

incurred more than six years after May 15, 1997. As of September 14, 2001, the Company has not incurred expenses for which it would be entitled to indemnification under the Stock Purchase Agreement. See also the "Laidlaw Inc. Relationships" discussion in Item 13 of Part III.

### **Marine Shale Processors**

Beginning in the mid-1980s and continuing until July 1996, one of the Company's former vendors, Marine Shale Processors, Inc., located in Amelia, Louisiana ("Marine Shale"), operated a kiln which incinerated waste producing a vitrified aggregate as a by-product. Marine Shale contended that its operation recycled waste into a useful product, i.e. vitrified aggregate, and therefore, was exempt from RCRA regulation and permitting requirements as a Hazardous Waste Incinerator. The EPA contended that Marine Shale was a "sham-recycler" subject to the regulation and permitting requirements as a Hazardous Waste Incinerator under RCRA, that its vitrified aggregate by-product is a hazardous waste, and that Marine Shale's continued operation without required permits was illegal. Litigation between the EPA and Marine Shale with respect to this issue began in 1990 and continued until July 1996 when Marine Shale was ordered to shut down its operations by United States Fifth Circuit Court of Appeals.

During the course of its operation, Marine Shale produced thousands of tons of aggregate, some of which was sold as fill material at various locations in the vicinity of Amelia, Louisiana, but most of which is stockpiled on the premises of the Marine Shale site. Moreover, as a result of past operations, soil and groundwater contamination may exist on the Marine Shale site.

In November 1996, an option to buy Marine Shale was obtained by GTX, Inc. ("GTX"), with the intent to operate the facility as a permitted Hazardous Waste Incinerator. Subsequently, Marine Shale, GTX and the EPA reached a settlement, including a required cleanup of the aggregate and the facility, and the Louisiana Department of Environmental Quality issued a draft permit to GTX for operation of the Marine Shale facility as a RCRA-permitted hazardous waste incinerator. Appeals were taken by opposition parties and in October 1999, a Louisiana State Court Judge ruled that the draft permit was improperly issued. GTX appealed this decision and in October 2000, the Appeals Court reversed the lower court and affirmed the permit issuance. The opposition parties filed applications for Supervisory Writs with the Louisiana Supreme Court, and these applications were denied in April 2001. There may be further legal challenges to the permit and GTX expects to spend more than \$60 million updating the facility in a year long project prior to commercial operation of the facility. Therefore, it is uncertain whether or when GTX will begin operation of the Marine Shale site.

The Company was one of the largest customers of Marine Shale. In the event Marine Shale does not operate, the potential exists for an action by the EPA requiring cleanup of the Marine Shale site and the stockpiled aggregate under CERCLA. In this event, the Company would be exposed to potential financial liability for remediation costs as a PRP.

The Stock Purchase Agreement provides that Laidlaw and LTI shall indemnify the Company for environmental liability arising with respect to the treatment of waste at the Marine Shale site. The indemnification is only to the extent that the aggregate cash expenditure with respect to such damages exceeds in the aggregate (i) \$1 million during any year; and (ii) since May 15, 1997, an amount equal to the product of \$1 million times the number of years that have elapsed since May 15, 1997; however, there shall be no indemnification for any cash expenditures by the Company incurred more than six years after May 15, 1997 (May 15, 2003). As of September 14, 2001, the Company has not incurred expenses for which it would be entitled to indemnification under the Stock Purchase Agreement. See also the "Laidlaw Inc. Relationships" discussion in Item 13 of Part III.

### **Lambton Hazardous Waste Landfill**

On September 3, 1999, the Company's Lambton hazardous waste landfill facility in Ontario, Canada, discovered an upwelling of water and natural gas in a disposal cell designated as Sub-cell 3. While in the course of trying to determine the source and cause of the upwelling, the Company informed the Ontario Ministry of Environment and Energy ("MOE") of the situation. On November 2, 1999, MOE issued a Field Order finding that the upward migration of water and methane gas onto the landfill cell floor necessitated that the Company not utilize the newly constructed Sub-cell 3 for waste disposal. On December 14, 1999, the MOE issued a second Field Order requiring that Sub-cell 4, another newly constructed cell, not be utilized for waste disposal after MOE officials observed what they believed to be significant gas evolution from the bottom of the cell. On December 21, 1999, independent technical experts and Company professionals presented to the MOE testimony and a report addressing MOE concerns. Following the hearing and testimony, the MOE issued a third Field Order on December 24, 1999, revoking the two previous orders and allowing the utilization of Sub-cell 4 for waste disposal under new conditions which included that (1) no waste in Sub-cell 4 was to be placed below an elevation of 182 meters above mean sea level and (2) with respect to Sub-cell 3 the Company, was to provide a report for the approval of the Director of the MOE which would provide the plan for identifying potential areas of gas and water venting, the proposed measures to remediate all areas identified and further steps to protect the integrity of the sub-cell. In accordance with the third Field Order, the Company submitted a report to the MOE in February 2000 outlining its plan for present and future site activities. The MOE issued an Order approving the remediation plan. In accordance with the approved plan, physical remediation began in spring 2001. The Order requires that the plan be fully implemented by the end of December 2001. As of November 26, 2001, the remediation plan is approximately 75% complete. The MOE has approved necessary changes to the plan and has extended the implementation deadline accordingly.

### **RayGar Environmental Systems International Litigation**

On August 7, 2000, RayGar Environmental Systems International, Inc. ("RayGar") filed its First Amended Complaint in the United States District for the Southern District of Mississippi, Hattiesburg Division, Civil Action No. 2:9CV376PG, against Laidlaw, Laidlaw Investments, Ltd., LTI, LESI (now Safety-Kleen), LES, Inc. (now known as Safety-Kleen Services, Inc.), Laidlaw Environmental Services (U.S.), Inc. (subsequently merged into Safety-Kleen Services, Inc.), Laidlaw OSCO Holdings, Inc. (now known as Safety-Kleen OSCO Holdings, Inc.), and Laidlaw International alleging a variety of federal antitrust violations and state law business torts. RayGar seeks damages it has allegedly sustained as a result of the defendants' actions in an amount of not less than \$450 million in actual compensatory damages and not less than \$950 million for punitive damages.

The dispute arises from an unsuccessful effort pursuant to an agreement between RayGar and a Safety-Kleen subsidiary, to obtain RCRA and related permits for the operation of a wastewater treatment facility in Pascagoula, Mississippi. This lawsuit is in the very early stages of discovery. Laidlaw, Laidlaw Investments, Ltd., LTI and Laidlaw International have filed a motion to dismiss the Complaint for lack of personal jurisdiction and for failure to state a claim upon which relief can be granted. The action has not proceeded against the Company due to the filing of the Chapter 11 bankruptcy petitions on June 9, 2000.

### **Federated Holdings, Inc. Litigation**

On November 6, 2000, Federated Holdings, Inc. ("FHI") filed a lawsuit against Laidlaw, Laidlaw Investments, Ltd., LTI, LESI (now Safety-Kleen), LES, Inc. (now known as Safety-Kleen Services, Inc.), Laidlaw OSCO Holdings, Inc. (now known as Safety-Kleen OSCO Holdings, Inc.), and Laidlaw International in the United States District Court for the Southern District of Mississippi, Hattiesburg Division, Civil Action No. 2:00CV286 alleging a variety of federal antitrust violations and state law business torts. FHI seeks damages it has allegedly sustained as a result of the defendants' actions in an amount of not less than \$200 million in actual compensatory damages and not less than \$250 million for punitive damages.

The dispute arises from an unsuccessful effort pursuant to an agreement between FHI and a Safety-Kleen subsidiary to obtain RCRA and related permits for the operation of a hazardous waste landfill in Noxubee County, Mississippi. This lawsuit is in the very early stages of discovery. Laidlaw, Laidlaw Investments, Ltd., LTI and Laidlaw International have filed a motion to dismiss the Complaint for lack of personal jurisdiction and for failure to state a claim upon which relief can be granted. The action has not proceeded against the Company due to the filing of the Chapter 11 bankruptcy petitions on June 9, 2000.

### **Hudson County Improvement Authority Litigation**

In July 1999, Hudson County Improvement Authority ("HCIA") filed suit in the Superior Court, Hudson County, New Jersey against SK Services (East), L.C. ("SK Services East") (an indirect wholly owned Safety-Kleen subsidiary), Safety-Kleen, American Home Assurance Company, and Hackensack Meadowlands Development Commission. An Amended Complaint was filed on August 18, 1999, in which HCIA sought damages and injunctive relief evicting SK Services East from a 175 acre site in Kearny, New Jersey owned by HCIA. SK Services East had been using the site pursuant to an Agreement and Lease dated as of February 2, 1997 for the processing and disposal of processed dredge material. HCIA alleged that certain conditions precedent to SK Services East's right to continue operations at the site had not occurred, that as a result the Agreement and Lease had automatically terminated, that SK Services East owed HCIA some \$11 million in back rent, and that SK Services East was obligated to finish the remediation of the site and its preparation for development as a commercial property. In January 2000, the Court granted HCIA summary judgment on its motion to declare the Agreement and Lease null and void as a result of the failure of certain conditions precedent. This ruling effectively terminated the relationship between SK Services East and HCIA leaving only the issue of the determination of the rights and responsibilities of the parties in the unwinding of the relationship. In May 2000, HCIA filed for summary judgment seeking an order declaring that SK Services East is obligated to complete all measures required under the remedial action work plan for the site. SK Services East filed a brief opposing the motion. In June 2000, HCIA withdrew its pending motion, with the Court's understanding that the motion could be re-filed if the automatic stay in connection with the Company's Chapter 11 bankruptcy proceeding is lifted. On July 11, 2001, the Bankruptcy Court entered an Order authorizing the Company's rejection of the executory contracts and the unexpired lease to which SK Services East and HCIA were parties. The Order does not limit, abridge, or otherwise effect HCIA's right to assert and seek remedies regarding its pre- and/or postpetition claims against the Company for damages and other relief. Also on July 11, 2001, the Bankruptcy Court granted HCIA's motion to modify the Bankruptcy Code's automatic stay, and entered an Order permitting the Superior Court of New Jersey, Hudson County, to make its final determination regarding SK Services East's contractual obligations under the Agreement and Lease. On October 3, 2001, the Superior Court ruled that SK Services East was not required to complete all measures under the remedial action work plan. The Superior Court ordered that SK Services East and HCIA meet with the New Jersey Department of Environmental Protection and reach an agreement on reasonable measures that SK Services East should take under the circumstances. If no agreement is reached the parties will submit the matter to the Court for decision.

### **ECDC Environmental, L.C. Claim**

Certain subsidiaries of Safety-Kleen entered into a long-term contract (the "4070 Contract") with General Motors Corporation ("GM") to manage certain GM waste products. One requirement of the 4070 Contract was to provide a dedicated cell for GM waste products at a landfill facility owned by ECDC Environmental, L.C. ("ECDC"), which was then a Safety-Kleen subsidiary. In November 1997, the

Company sold its interest in ECDC to an affiliate of Allied Waste Industries, Inc. Pursuant to the sale, ECDC, the Company, and certain Safety-Kleen subsidiaries entered the GM Waste Disposal Agreement (the "WDA") governing the obligations of the parties with respect to the continued management of GM waste in the dedicated cell at the ECDC landfill.

By letter dated May 15, 2000, the Company was notified of GM's intent to terminate the 4070 Contract for default, effective December 31, 2000. Under the WDA, default by the Company under the 4070 Contract would have obligated the Company to pay certain costs, rebates and damages to ECDC in accordance with the terms of the WDA.

As more thoroughly discussed in Part I, Item 3 (Legal Proceedings), "Chapter 11 Filing," the Company filed for protection under Chapter 11 of the Bankruptcy Code. In anticipation of the Company's rejection of the 4070 Contract pursuant to 11 U.S.C. §365, on October 30, 2000, ECDC filed a claim for not less than approximately \$11.0 million plus other and unspecified additional damages for Company's breach of the 4070 and WDA contracts. Subsequently, the Bankruptcy Court granted the motion by the Company, to reject both the 4070 Contract and the WDA, effective December 1, 2000.

### **Bryson Adams Litigation**

In 1996, a lawsuit was filed in the federal court in Baton Rouge, Louisiana, under the caption *Carleton Gene Rineheart et al. v. CIBA-GEIGY Corporation, et al.*, U.S. District Court for the Middle District of Louisiana, CA #96-517, Section B(2). In October 1999, a substantially similar lawsuit was filed in state court in Lafayette Parish, Louisiana, under the caption *Bryson Adams, et al. v. Environmental Purification Advancement Corporation, et al.*, Civil Action No. 994879, Fifteenth Judicial District Court, Parish of Lafayette, State of Louisiana. In December 2000, these two cases were consolidated with *Adams* designated as the lead case. In this consolidated litigation, plaintiffs are suing for alleged personal injury and/or property damage arising out of the operation of certain waste disposal facilities near Bayou Sorrel, Louisiana. The initial *Bryson Adams* lawsuit was filed on behalf of 320 plaintiffs against 191 defendants. Plaintiffs' counsel have advised the court that they represent 1,100 plaintiffs. The Company has recently been informed that the total number of plaintiffs now exceeds 2,500.

A Safety-Kleen subsidiary which owns and operates a hazardous waste deep injection well in Bayou Sorrel, Louisiana is named as a defendant. A different Safety-Kleen subsidiary is also named as a defendant for its alleged role as a generator and arranger for disposal or treatment of hazardous waste at certain of the disposal facilities which are named in the litigation. It is alleged that the Safety-Kleen subsidiary was the operator of the injection well in question from 1974 through the present. In addition to the claims asserted by the plaintiffs, there is the potential that the customers of the injection well, who are also defendants, may assert claims for indemnification against the Company. The action has not proceeded against the Company, other than paper discovery and a site inspection, due to the filing of the Chapter 11 Bankruptcy petition on June 9, 2000. The case is presently set for trial in November of 2003.

### **FUSRAP Waste Disposal at Safety-Kleen (Buttonwillow), Inc.**

Safety-Kleen (Buttonwillow), Inc., a subsidiary of Safety-Kleen, owns and operates a hazardous waste landfill in Kern County California (the "Buttonwillow Landfill"). The Buttonwillow Landfill accepted and disposed of construction debris that originated at a site in New York which was part of the federal Formerly Utilized Sites Remediation Program ("FUSRAP"). The construction debris was low-activity radioactive waste and was shipped to the Buttonwillow Landfill by the U.S. Army Corps of Engineers ("USACE"). FUSRAP was created in the mid-1970s in an attempt to manage various sites around the country contaminated with residual radioactivity from activities conducted by the Atomic Energy Commission and United States military during World War II. The California Department of Health Services ("DHS") has claimed that the Buttonwillow Landfill did not lawfully accept the waste. Both DHS and the Department of Toxic Substances Control ("DTSC") have filed claims in the Company's bankruptcy proceedings pre serving the right of the agencies to seek penalties and possibly compel removal of the material should an ongoing investigation reveal the subsidiary acted improperly. DHS claimed penalties in the amount of \$0.6 million and potential removal costs of \$15.5 million should DHS have to oversee and/or conduct the removal. The proof of claim filed by the DTSC was in the amount of \$15.0 million for potential penalties plus an unspecified amount for any costs the DTSC may incur should the subsidiary be forced to remove the waste. The subsidiary and the USACE contend the material was properly disposed of and will vigorously resist the imposition of any penalties or any efforts to require that waste be removed.

### **General**

The Company's hazardous and industrial waste services are continuously regulated by federal, state, provincial and local laws enacted to regulate the discharge of materials into the environment or primarily for the purpose of protecting the environment. This inherent regulation of the Company necessarily results in its frequently becoming a party to judicial or administrative proceedings involving all levels of governmental authorities and other interested parties. The issues that are involved generally relate to applications for permits and licenses by the Company and their conformity with legal requirements and alleged violations of existing permits and licenses. At November 9, 2001, subsidiaries of Safety-Kleen were involved in ten proceedings in which a governmental authority is a party relating primarily to activities at waste treatment, storage and disposal facilities where the Company believes sanctions involved in each instance may exceed \$100,000.

In the United States, CERCLA imposes financial liability on persons who are responsible for the release of hazardous substances into the environment. Present and past owners and operators of sites which release hazardous substances, as well as generators, disposal arrangers and transporters of the waste material, may be strictly, jointly and severally liable for remediation costs and natural resources damage. At

November 9, 2001, the Company had identified 60 active federal or state-run CERCLA sites where the Company is PRP. The Company periodically reviews its status with respect to each location and the extent of its alleged contribution to the volume of waste at the location, the available evidence connecting the Company to that location, and the financial soundness of other PRPs at the location.

#### **Products Liability Cases**

From time to time, the Company is named as a defendant in various lawsuits arising in the ordinary course of business, including proceedings wherein persons claim personal injury resulting from the use of the Company's parts cleaner equipment and/or cleaning products. A number of such legal proceedings are currently pending in various courts and jurisdictions throughout the United States. These proceedings typically involve allegations that the solvent used in the Company's parts cleaner equipment contains contaminants and/or that the Company's recycling process does not effectively remove the contaminants that become entrained in the solvent during its use. In addition, certain claimants assert that the Company failed to adequately warn the product user of potential risks. In the aggregate, the plaintiffs' claims are in excess of \$150 million. The Company maintains insurance which it believes will provide coverage for these claims over self-insured retentions and deductibles which, in the aggregate, the Company believes are less than \$10 million. The Company believes that these claims are not meritorious and intends to vigorously defend itself against any and all such claims.

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

None.

## PART II

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

The Company's Common Stock was traded on the New York Stock Exchange ("NYSE") under the ticker symbol SK until it was suspended from trading in June 2000. The Common Stock was thereafter delisted from the NYSE on July 28, 2000. As of June 15, 2000, the Common Stock began trading on the OTC Bulletin Board under the ticker symbol SKLNQ. The approximate number of record holders of Common Stock as of August 31, 2001 was 4,789. The following table shows the high and low bid prices for the Common Stock for each quarterly period within the two most recent fiscal years that the shares were traded on the OTC Bulletin Board and NYSE.

<b>Fiscal Year Ended August 31, 2001</b>	<b>High</b>	<b>Low</b>
Fourth Quarter	\$ 0.38	\$ 0.17
Third Quarter	0.60	0.35
Second Quarter	0.99	0.07
First Quarter	0.19	0.10
<b>Fiscal Year Ended August 31, 2000</b>		
Fourth Quarter	\$ 0.75	\$ 0.06
Third Quarter	5.06	0.56
Second Quarter	12.50	4.87
First Quarter	14.12	10.62

The Company has not paid dividends during the reported periods and does not intend to pay dividends in the foreseeable future.

### **ITEM 9. CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

See the Current Report on Form 8-K filed by the Company on August 8, 2000.

### PART III

#### **ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

##### **EXECUTIVE OFFICERS OF THE REGISTRANT**

The following sets forth certain information with respect to the executive officers of the Company:

<u>Name</u>	<u>Age</u>	<u>Position Held</u>
Ronald A. Rittenmeyer	54	Chairman of the Board, Chief Executive Officer and President
Larry W. Singleton	51	Executive Vice President and Chief Financial Officer
Thomas W. Arnst	39	Executive Vice President and Chief Administrative Officer
James K. Lehman	35	Senior Vice President, General Counsel and Secretary
David M. Sprinkle	48	Chief Operating Officer

Ronald A. Rittenmeyer became Chairman of the Board, Chief Executive Officer and President of the Company effective September 5, 2001. From February 14, 2000, through December 1, 2000, he was President and Chief Executive Officer and a member of the Board of AmeriServe Food Distribution, Inc. ("AmeriServe"), and subsequently he served as Plan Administrator of AFD Fund (the post-confirmation estate of AmeriServe). From September 1998 through February 2000, he was Chairman, President and Chief Executive Officer of RailTex, Inc. From March 1997 through August 1998, he was President and Chief Operating Officer of Ryder TRS, Inc. From January 1997 through March 1997, he was a Principal of Jay Alix and Associates, and from November 1995 through November 1996, he was President and Chief Operating Officer of Merisel. Mr. Rittenmeyer continues to serve as the Plan Administrator for AFD Fund. Mr. Rittenmeyer also serves as a trustee of Greenhill School in Dallas, Texas. Mr. Rittenmeyer became a member of the Human Resources and Compensation Committee on May 30, 2001. Mr. Rittenmeyer is Chairman of the Special Committee (Conflicts of Interest in Litigation) of the Board.

Larry W. Singleton, a CPA, was elected Executive Vice President and Chief Financial Officer of the Company on November 27, 2001. From August 17, 2000 to November 27, 2001 Mr. Singleton was Senior Vice President and Chief Financial Officer of the Company. Mr. Singleton is a restructuring advisor who has served in various management and consulting roles to numerous companies during the last 17 years. From February 2000 through January 2001, Mr. Singleton served as an investment committee member to Revitalizacni Agentura, a.s., a subsidiary of the Czech Republic's national bank, formed to assist the Czech government in restructuring numerous industrial companies. From May 1998 through October 2001, Mr. Singleton served as a consultant to minority shareholders of A. Duda & Sons, Inc., a privately owned diversified agribusiness and real estate company. In 1998 and 2000, Mr. Singleton served as an arbitrator in litigation involving contract disputes. From February 1999 to July 2000, Mr. Singleton served as the Executive Vice President of Gulf States Steel, Inc. of Alabama, a fully integrated steel mill where he assisted with Chapter 11 reorganization efforts, including arranging pre-filing debtor-in-possession financing and developing various business plans. During 1998, Mr. Singleton served as a member of the Board of Directors of Alliance Entertainment Corp., a wholesale distributor of pre-recorded music, where he joined the Board after Chapter 11 filing and assisted with reorganization efforts. From 1996 through 1998, Mr. Singleton served as Chief Executive Officer, President and Treasurer of New Energy Corporation of Indiana, an ethanol production facility where he assisted with the restructuring of the company without a bankruptcy filing. From 1995 through 1996, Mr. Singleton served as a consultant to Apollo Management, L.P., where he assisted in the financial evaluation and due diligence efforts in connection with the proposed acquisition of a European-based multinational security services company. During 1995, Mr. Singleton served as a consultant and acting Chief Financial Officer of Wellstream Company, L.P., a manufacturer of flexible pipe for the oil and gas industry where he assisted with the evaluation and ultimate sale of the company. From 1992 through 1995, Mr. Singleton served as a member of the Board of Directors, and previously, as Chief Financial Officer, of Alert Centre, Inc., a security services company where he assisted with Chapter 11 reorganization efforts.

Thomas W. Arnst was elected Executive Vice President and Chief Administrative Officer of the Company on November 27, 2001. From April 2000 to December 2000, Mr. Arnst served as Executive Vice President and Chief Administrative Officer of AmeriServe and subsequently with AFD Fund. From December 1998 to February 2000, Mr. Arnst was Senior Vice President, General Counsel and Secretary of RailTex, Inc. From October 1996 to December 1998, Mr. Arnst was Vice President, General Counsel and Secretary of Ryder TRS, Inc.

James K. Lehman was elected Senior Vice President, General Counsel and Secretary of the Company on November 27, 2001. For more than five years prior to this he practiced law with the law firm of Nelson Mullins Riley & Scarborough, L.L.P. in Columbia, South Carolina in the areas of business and commercial litigation, securities litigation, technology litigation, and professional liability. Prior to joining Nelson Mullins, Mr. Lehman was with the law firm of Davis, Polk & Wardwell.

David M. Sprinkle was elected Chief Operating Officer of the Company on November 27, 2001. He had served as President Chemical

Services Division of the Company since May 2000. Mr. Sprinkle has been employed by the Company or one of its subsidiaries for more than five years. Since August 1, 1995, prior to his promotion to President Chemical Services Division, he served in various capacities including, as Senior Vice President of Operations, Senior Vice President of the Eastern Division, Senior Vice President of the Southern Division and Senior Vice President of Sales and Services.

#### DIRECTORS OF THE REGISTRANT

##### CLASS I DIRECTORS – TERMS THAT WERE TO EXPIRE AT THE 2000 ANNUAL MEETING.

Name, Present Position(s) and Term With the Company	Age	Principal Occupation or Employment During the Last Five Years, Directorships of Public Companies
Henry B. Tippie Director of the Company since 1982	74	For more than five years, Mr. Tippie has been Chairman of the Board and President of Tippie Services, Inc. a management services company. From April 2000 until February 26, 2001, he was Chairman of the Board of Rollins Truck Leasing Corp. For more than five years prior, he was Chairman of the Executive Committee and Vice Chairman of the Board of Rollins Truck Leasing Corp. Mr. Tippie also is a director of Matlack Systems, Inc., RPC, Inc., Marine Products Corporation and Rollins Inc. and he is the Chairman of the Board of Dover Downs Entertainment, Inc. Mr. Tippie is the Chairman of the Audit Committee. Mr. Tippie was a member of Special Committee (Investigation) of the Board from March 2000 until it was dissolved on September 13, 2001.
James L. Wareham Director of the Company since June 1997	63	Mr. Wareham has been President of AK Steel Corporation, a steel manufacturing company, since March 1997. From 1993 until 1996, he was President of Wheeling-Pittsburgh Steel Corporation. Mr. Wareham is a member of the Audit Committee and the Human Resources and Compensation Committee.
David W. Wallace Director of the Company since March 2001	77	Mr. Wallace served as the Chairman of the Board and CEO of Lone Star Industries from January 1990 until November 1999. Currently, he is President and a Trustee of the Robert R. Young Foundation and a member of the Board of Governors of The New York Hospital. He is also a member of the Board of Greenwich Hospital. Mr. Wallace is a member of the Audit Committee, the Human Resources and Compensation Committee and the Special Committee (Conflicts of Interest in Litigation) of the Board.
Peter E. Lengyel Director of the Company since March 2001	61	Since 1998, Mr. Lengyel has been a private investor. For more than three years prior to that, he held Senior Executive positions at Bankers Trust Company, and Chase Manhattan Bank. Mr. Lengyel is a member of the Audit Committee and the Special Committee (Conflicts of Interest in Litigation) of the Board.

##### CLASS II DIRECTORS – TERMS TO EXPIRE AT THE 2001 ANNUAL MEETING.

Name, Present Position(s) and Term With the Company	Age	Principal Occupation or Employment During the Last Five Years, Directorships of Public Companies
John W. Rollins, Jr. Director of the Company since 1982	59	From January 2000 through February 26, 2001, Mr. Rollins served as President and Chief Executive Officer and a director of Rollins Truck Leasing Corp. Prior to January 2000, Mr. Rollins was President and Chief Operating Officer and a director of Rollins Truck Leasing Corp. for more than five years. From July 1999 to January 2000, Mr. Rollins served as CEO of Matlack Systems, Inc. Mr. Rollins has also served as Chairman of the Board of Matlack Systems, Inc. for more than five years. Mr. Rollins was Senior Vice Chairman of the Board of the Company from 1988 until May 15, 1997. Mr. Rollins also is a director of Dover Downs Entertainment, Inc. Mr. Rollins is a member of the Human Resources and Compensation Committee and served as its

Chairman from October 5, 1999 until May 30, 2001.

<p>Robert W. Luba Director of the Company since March 1999</p>	<p>59</p>	<p>Mr. Luba has been President of Luba Financial Inc. for more than five years. Mr. Luba is also a director of Luba Financial Inc., ATS Automation Tooling Systems, Inc., Franco-Nevada Mining Corporation, AIM Canada Group of Mutual Funds, Greenfield B.V., MDS Inc., Diabetogen Biosciences Inc., and Vincor International Inc. Until December 2000, Mr. Luba was a director of Working Ventures Canadian Fund Inc. Mr. Luba is a member of the Audit Committee and the Human Resources and Compensation Committee. Since May 30, 2001, Mr. Luba has been the Chairman of the Human Resources and Compensation Committee. Mr. Luba was a member of Special Committee (Investigation) of the Board until September 13, 2001 when the Committee was dissolved.</p>
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<p>Grover C. Wrenn Director of the Company since July 1997</p>	<p>59</p>	<p>Mr. Wrenn has served as a non-executive Vice Chairman of the Board since September 5, 2001. From May 22, 2000 until September 5, 2001, he served as President and Chief Operating Officer of Safety-Kleen. He had been acting as President and Chief Operating Officer since March 6, 2000. From March 4, 2000 to January 9, 2001, he served as Vice Chairman of the Board. Prior to that time, Mr. Wrenn was President and Chief Executive Officer of Accent Health, Inc., a health care information and media company, since June 1996; from April 1995 through December 1996, Mr. Wrenn was Chief Executive Officer of Strategic Diagnostics Inc. (listed on NASDAQ: SDIX) formerly EnSys Environmental Products, Inc.; and from 1991 through March 1995 he was President and Chief Executive Officer of Applied Bioscience International. Mr. Wrenn is a director of Strategic Diagnostics, Inc. and a Trustee of Eckerd College. Mr. Wrenn was the Vice Chairman of the Special Committee (Investigation) until September 13, 2001 when the Committee was dissolved.</p>
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CLASS III DIRECTORS - TERMS TO EXPIRE AT THE 2002 ANNUAL MEETING.

Name, Present Position(s) and Term With the Company	Age	Principal Occupation or Employment During the Last Five Years, Directorships of Public Companies
<p>David E. Thomas Director of the Company since June 1997</p>	<p>44</p>	<p>Mr. Thomas has served as a non-executive Vice Chairman of the Board since September 5, 2001. From May 4, 2000 through September 5, 2001, he served as Chairman of the Board, and from May 22, 2000 through September 5, 2001 he served as Chief Executive Officer of Safety-Kleen. Mr. Thomas had been acting as Chief Executive Officer since March 6, 2000. Prior to that time, Mr. Thomas was the Senior Managing Director and the Head of the Investment Banking Group of Raymond James &amp; Associates, Inc., an investment banking firm, since July 1996; from 1991 until July 1996, he was a Managing Director of Raymond James. Mr. Thomas also is a director of Reynolds, Smith and Hills, Inc., an engineering company. Mr. Thomas was the Chairman of the Special Committee (Investigation) since its formation in March 2000 until September 13, 2001 when the Committee was dissolved.</p>
<p>Kenneth K. Chalmers Director of the Company since May 4, 2000</p>	<p>72</p>	<p>Since 1994, Mr. Chalmers has been a business consultant and director of various organizations. He is a member of the Board of Directors of Learning Insights, Inc., a publisher of interactive multimedia training and reference products. Since March 2000, Mr. Chalmers has held the office of Director, Vice President, Treasurer and Secretary of Feelsure Healthcare, Inc. He is also an Advisor to Paradigm Capital Ltd., serves as a director of Catholic Health</p>

Partners and chairman of its Finance/Audit Committee, and is a Member of the Alumni Advisory Board of the Kellogg School of Management, Northwestern University. Mr. Chalmers served as a member of the Special Committee (Investigation) of the Board until September 13, 2001 when the Committee was dissolved. Mr. Chalmers is a member of the Special Committee (Conflicts of Interest in Litigation) of the Board.

Ronald A. Rittenmeyer  
Director of the Company since April 17, 2001

54 See "Executive Officers of the Registrant" above.

#### **Involvement in Certain Legal Proceedings**

The executive officers of Safety-Kleen are also generally officers of one or more of the subsidiaries of Safety-Kleen. Safety-Kleen and 73 of its subsidiaries simultaneously filed for protection under Chapter 11 of the Bankruptcy Code as more specifically described in Part I, Item 3 ("Legal Proceedings"). Messrs. Sprinkle, Thomas and Wrenn are or were, at the time of the bankruptcy filings, officers of at least one of these subsidiaries.

From February 1999 until July 2000, Mr. Singleton was employed as Executive Vice President of Gulf States Steel, Inc. of Alabama to assist in the restructuring of Gulf States, which filed for protection under Chapter 11 of the Bankruptcy Code after arranging for debtor-in-possession financing.

Matlack Systems, Inc. filed for protection under Chapter 11 of the Bankruptcy Code in March 2001. Mr. Rollins is now and was at the time of the filing, Chairman of the Board of Matlack Systems, Inc. Mr. Rollins served as Chief Executive Officer of Matlack Systems, Inc. from July 1999 to January 2000.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Pursuant to Section 16 of the Securities Exchange Act of 1934, directors and executive officers of Safety-Kleen and beneficial owners of 10% or more of the Common Stock are required to file reports with the Securities and Exchange Commission indicating their holdings of and transactions in the Common Stock. To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, all such persons have complied with all such filing requirements with respect to fiscal year ended August 31, 2001.

## ITEM 11. EXECUTIVE COMPENSATION

### COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

#### Compensation of Executive Officers

The following table sets forth the compensation paid to the Company's current and former Chief Executive Officer, each of its four other most highly compensated executive officers who were serving as executive officers on August 31, 2001 (the "Named Executive Officers"), for services rendered to the Company during fiscal years ended August 31, 2001, 2000 and 1999.

**Summary Compensation Table**

(a) Name and Principal Position	Annual Compensation			Long-term Compensation Awards	
	(b) FY	(c) Salary(\$)	(d) Bonus(\$)	(g) Securities Underlying Options (#)	(j) All Other Compensation\$(3)
Ronald A. Rittenmeyer Chairman of the Board, Chief Executive Officer and President (1)	2001	\$103,846	0	0	\$18,695
	2000	--	--	--	--
	1999	--	--	--	--
David E. Thomas, Jr. Former Chairman of the Board, Former Chief Executive Officer and Director (2)	2001	\$800,000	0	0	\$125,872
	2000	\$400,286	0	0	\$171,250
	1999	--	--	--	--
Grover C. Wrenn Former President and Chief Operating Officer and Director (2)	2001	\$650,000	0	0	\$118,979
	2000	\$365,671	\$50,000	0	\$197,735
	1999	--	--	--	--
Larry W. Singleton Executive Vice President and Chief Financial Officer (4)	2001	\$600,000	(5)	0	\$59,767
	2000	\$115,384	\$20,000	0	\$7,913
	1999	--	--	--	--
David M. Sprinkle Chief Operating Officer (6)	2001	\$270,000	(7)	0	\$19,183
	2000	\$248,115	\$100,000	0	\$19,455
	1999	--	--	--	--
Roy D. Bullinger Former President Branch Sales and Service Division (8)	2001	\$230,000	\$90,728	0	\$19,068
	2000	\$205,769	\$110,000	0	\$35,089
	1999	--	--	--	--

(1) Mr. Rittenmeyer became an employee of the Company effective August 8, 2001. Prior to becoming an employee, Mr. Rittenmeyer was a non-employee director of the Company and as such, qualified for non-employee director compensation. During fiscal year 2001, Mr. Rittenmeyer earned \$18,695 total cash compensation for service as a non-employee director. This amount is included in his All Other Compensation.

(2) Prior to becoming employees, Messrs. Thomas and Wrenn were non-employee directors of the Company and as such qualified for non-employee director compensation. During fiscal year 2000, Mr. Thomas earned \$63,370 total cash compensation for service as a non-employee director. This amount is included in his total other compensation. During fiscal year 2000, Mr. Wrenn earned \$87,000 total cash compensation for service as a non-employee director. This amount is included in his All Other Compensation. Messrs. Thomas and Wrenn's employment agreements provide that the effective date of their employment with the Company was March 6, 2000. Messrs. Thomas and Wrenn ceased to be executive officers of the Company on September 5, 2001.

(3) Amounts shown for 2001 consist of (i) Mr. Thomas: premiums on life and accidental death insurance policies of \$1,548, premiums on long term disability policies of \$540, living expenses of \$20,596, professional fees in the amount of \$8,867 which were incurred in fiscal year 2001 but will be paid in fiscal year 2002, transportation expenses in the amount of \$72,600, tax gross up in the amount of \$17,899, Company contributions to and other allocations under the Safety-Kleen Corp. 401(k) Savings Plan (the "401(k) Plan") of \$2,423 and club dues in the amount of \$1,400; (ii) Mr. Wrenn: premiums on life and accidental death insurance policies of \$1,548, premiums on long term disability policies of \$540, living expenses of \$20,845, transportation expenses in the amount of \$71,319, tax gross up in the amount of \$21,464, Company contributions to and other allocations under the 401(k) Plan of \$2,423, and club dues of \$840; (iii) Mr. Singleton: premiums on life and accidental death insurance policies of \$1,548, premiums on long term disability policies of \$540, living expenses of \$19,719, transportation expenses in the amount of \$27,628, and tax gross up in the amount of \$10,332; (iv) Mr. Sprinkle: premiums on life and accidental death insurance policies of \$1,466, premiums on long term disability policies of \$540, a \$9,000 automobile allowance, Company contributions to and other allocations under the 401(k) Plan of \$8,177; and (v) Mr. Bullinger: premiums on life and accidental death insurance policies of \$1,351, premiums on long term disability policies of \$540, a \$9,000 automobile allowance, and Company contributions to and other allocations under the 401(k) Plan of \$8,177.

Amounts shown for 2000 consist of (i) Mr. Thomas: premiums on life and accidental death insurance policies of \$775, living expenses of \$8,845, professional fees in the amount of \$2,760, transportation expenses in the amount of \$95,225 and club dues in the amount of \$275; (ii) Mr. Wrenn: premiums on life and accidental death insurance policies of \$759, living expenses of \$9,056, transportation expenses in the amount of \$100,100 and club dues in the amount of \$820; (iii) Mr. Singleton: premiums on life and accidental death insurance policies of \$195, premiums on long term disability policies of \$68, living expenses of \$3,456, and transportation expenses in the amount of \$4,194; (iv) Mr. Sprinkle: premiums on life and accidental death insurance policies of \$964, Company contributions to and other allocations under the 401(k) Plan of \$7,649, a \$9,000 automobile allowance, and club dues in the amount of \$1,842; and (v) Mr. Bullinger: premiums on life and accidental death insurance policies of \$793, Company contributions to and other allocations under the 401(k) Plan of \$7,745, a \$2,077 automobile allowance, relocation expenses of \$23,674 and club dues in the amount of \$800.

(4) Mr. Singleton did not become an employee of the Company until July 17, 2000.

(5) Pursuant to the Singleton Agreement, as hereafter defined, Mr. Singleton is eligible to receive a discretionary bonus as may be determined by the Board of Directors.

(6) Mr. Sprinkle held the position of President Chemical Sales and Service Division during fiscal years 2000 and 2001. He was elected to the position of Chief Operating Officer on November 27, 2001.

(7) Mr. Sprinkle is a participant in the 2001 Management Incentive Plan, and bonus earned in fiscal year 2001 pursuant to the Management Incentive Plan is not calculable as of November 21, 2001.

(8) Mr. Bullinger's employment with the Company ceased October 17, 2001. Pursuant to the Senior Executive Retention Plan, as hereafter discussed, Mr. Bullinger earned \$90,728 in the fiscal year 2001. This amount is included in his Annual Bonus Compensation.

**Aggregated Option Exercises in Last Fiscal Year and FY-End Option Values(1)**

(a) Name	(d) Number of Securities Underlying Unexercised Options at FY-End (#) Exercisable/Unexercisable	(e) Value of Unexercised In-the-Money Options at FY-End (\$) Exercisable/Unexercisable
Ronald A. Rittenmeyer	0/0	0/0
David E. Thomas	8,000/7,000	0/0
Grover C. Wrenn	8,000/7,000	0/0
Larry W. Singleton	0/0	0/0
David M. Sprinkle	27,000/18,000	0/0
Roy D. Bullinger	15,000/15,000	0/0

(1) There were no option grants in fiscal year 2001.

(2) The options listed in column (d) above represent options issued to Messrs. Thomas and Wrenn under the Director Stock Option Plan when they were non-employee directors of the Company.

## Defined Benefit Plans

Effective as of October 14, 1997, the Company adopted a Supplemental Executive Retirement Plan (the "SERP") for certain eligible employees. A SERP is an unfunded plan which provides for benefit payments in addition to those payable under a qualified retirement plan.

The following table shows the estimated annual benefits payable upon retirement at normal retirement date under the SERP.

**Supplemental Executive Retirement Plan Table**

Final Average Pay	Service Years				
	15	20	25	30	35
\$ 250,000	\$ 45,000	\$ 60,000	\$ 75,000	\$ 90,000	\$ 105,000
300,000	56,250	75,000	93,750	112,500	131,250
350,000	66,750	89,000	111,250	133,500	155,750
400,000	78,000	104,000	130,000	156,000	182,000
450,000	89,250	119,000	148,750	178,500	208,250
500,000	100,500	134,000	167,500	201,000	235,500
550,000	111,750	149,000	186,250	223,500	260,750
600,000	123,000	164,000	205,000	246,000	287,000
650,000	134,250	179,000	223,750	268,500	313,250
700,000	145,500	194,000	242,500	291,000	339,500
750,000	156,750	209,000	261,250	313,500	365,750
800,000	168,000	224,000	280,000	336,000	392,000
850,000	179,250	239,000	298,750	358,500	418,250
900,000	190,500	254,000	317,500	381,000	445,500
950,000	201,750	269,000	336,250	403,500	470,750
1,000,000	213,000	284,000	355,000	426,000	497,000

For certain Company executive officers, the compensation shown in the columns labeled "Salary" and "Bonus" of the Summary Compensation Table is covered by the SERP. As of August 31, 2001, Mr. Sprinkle had six years of credited service under the SERP and Mr. Bullinger had three years of credited service under the SERP. Benefits under the SERP are computed based on a straight-life annuity. The amounts in this table are subject to deduction for a portion of Social Security benefits.

## Employment Contracts, Employment Termination and Consulting Agreements and Change in Control Arrangements

The Company has entered into an Employment Agreement and Indemnification Agreement with Mr. Rittenmeyer. The Company has entered into an Employment Agreement with Mr. Singleton. The Company has entered into Employment Termination And Consulting Agreements with each of Messrs. Thomas and Wrenn which terminate employment agreements they had previously entered into with the Company.

The Employment Agreement with Mr. Rittenmeyer (the "Rittenmeyer Agreement") provides that for the term of the Rittenmeyer Agreement he shall serve as Chairman, Chief Executive Officer and President of the Company and, as Mr. Rittenmeyer may agree to from time to time, in appropriate positions in each subsidiary of Safety-Kleen, with the duties, functions, responsibilities and authority customarily associated with such positions, and shall report to the Board of Directors of the Company. During the term of the Rittenmeyer Agreement, Mr. Rittenmeyer shall receive a monthly salary of \$125,000. The Rittenmeyer Agreement also provides that Mr. Rittenmeyer shall be entitled to participate in all applicable fringe benefit and perquisite programs and savings and retirement plans, practices, policies and programs of the Company to the same extent such benefits were provided to the former Chairman and Chief Executive Officer of the Company, provided, however, Mr. Rittenmeyer shall not be entitled to participate in any general bonus or severance plans, practices, policies or programs of the Company. Additionally, the Rittenmeyer Agreement provides that the Company will reimburse Mr. Rittenmeyer for commuting expenses to/from and living expenses in Columbia, South Carolina plus tax "gross up" thereon if any taxes based on income are applicable. Mr. Rittenmeyer is also eligible to receive discretionary bonuses as may be determined by the Board of Directors.

Mr. Rittenmeyer will also be entitled to a Completion Fee of \$1,750,000 payable on the first to occur of: (i) the effective date of the confirmation of the Company's plan of reorganization, (ii) the Company's liquidation, (iii) conversion of the Company's proceeding to Chapter 7, (iv) Involuntary Termination (as defined in the Rittenmeyer Agreement) of Mr. Rittenmeyer's employment, or (v) all or substantially all of the Company's, including any debtor affiliate's, assets are sold or disposed of in one or more transactions. In addition, if these events listed do not occur prior to the completion of the Employment Period (as defined in the Rittenmeyer Agreement) and Mr. Rittenmeyer's employment was not terminated for Cause (as defined in the Rittenmeyer Agreement), Death or Disability (as defined in the Rittenmeyer Agreement), upon the first to occur of these events after the completion of the Employment Period, the Company shall pay Mr. Rittenmeyer a cash amount equal to the Completion Fee. If Mr. Rittenmeyer's employment is terminated for Cause or if he terminates his employment

during the Employment Period other than in an Involuntary Termination, the Company shall pay Mr. Rittenmeyer earned but unpaid compensation. If Mr. Rittenmeyer's employment is terminated by an Involuntary Termination, the Company shall pay him earned but unpaid compensation, including the Salary (as defined in the Rittenmeyer Agreement) that he would have earned for the remaining months of the Employment Period and the Completion Fee, and shall also provide Mr. Rittenmeyer welfare benefits during the same period. In accordance with the terms of the Rittenmeyer Agreement, the Company must maintain two clean, irrevocable standby letters of credit in the amount of \$1,750,000 and \$750,000, which Mr. Rittenmeyer may draw upon to satisfy, among other things, the Company's Completion Fee obligations and the Company's indemnification obligations respectively.

In addition to the Rittenmeyer Agreement, the Company has entered into an Indemnification Agreement (the "Rittenmeyer Indemnification Agreement"). The Company's obligations to Mr. Rittenmeyer, including the obligations of the Company under the Rittenmeyer Indemnification Agreement, shall be granted *pari passu* and *pro rata* treatment with the current DIP financing, and will be secured and perfected (without any further action) and will be granted superpriority claim status to the same extent and superpriority as the DIP lenders. If the DIP financing is increased above \$150 million, Mr. Rittenmeyer's *pari passu* and *pro rata* treatment shall remain at the same level as if no increase in the DIP financing above \$150 million had occurred.

The Employment Agreement with Mr. Singleton (the "Singleton Agreement") provides that for the term of the Singleton Agreement (July 17, 2000, through July 17, 2002) he shall serve as the Senior Vice President and Chief Financial Officer of the Company. During the term of the Singleton Agreement, Mr. Singleton shall receive an annual base salary of \$600,000. If Mr. Singleton is employed by the Company on the date a plan of reorganization for the Company is consummated in connection with any Chapter 11 bankruptcy or similar proceeding or on the date of the consummation of the sale of substantially all of the assets of the Company, then within fifteen days of such consummation or sale, the Company shall pay to Mr. Singleton a bonus of \$500,000. Mr. Singleton is also eligible to receive discretionary bonuses as may be determined by the Board of Directors. The Singleton Agreement also provides that Mr. Singleton shall be entitled to participate in all applicable fringe benefit and perquisite programs and savings and retirement plans (other than the SERP), practices, policies and programs of the Company to the same extent such benefits were provided to the Chief Financial Officer of the Company immediately prior to March 6, 2000. The Singleton Agreement also provides for indemnification, up to \$3,500 per month for living expenses, \$25,000 per year for taxation on transportation, and \$100,000 for relocation expenses. If the employment of Mr. Singleton is terminated by the Company other than for "Cause" (as defined in the Singleton Agreement), death or disability, or if Mr. Singleton terminates his employment for "Good Reason," (as defined in the Singleton Agreement), or if the Singleton Agreement is not renewed upon expiration of the term, the Company shall pay Mr. Singleton \$500,000 not later than thirty days following the date of termination.

The Company entered into an Employment Termination and Consulting Agreement with Mr. Thomas (the "Thomas Agreement") which terminated a previous employment agreement between Mr. Thomas and the Company (the "Original Thomas Agreement"). Pursuant to the Thomas Agreement, Mr. Thomas resigned from his positions as Chairman and CEO and left the Company's payroll. In accordance with the Thomas Agreement, Mr. Thomas will retain his position as a member of the Board and shall be named a non-executive Vice Chairman of the Board in order to assist the Company in connection with, among other things, (a) continued efforts to analyze and pursue any and all strategic monetization alternatives and (b) the ongoing government investigations. Additionally, Mr. Thomas will provide ongoing assistance as requested by the new Chief Executive Officer.

Pursuant to the Thomas Agreement, in consideration of a waiver of his rights to any severance benefits to which he might be entitled under the Original Thomas Agreement, Mr. Thomas received a lump-sum cash payment of \$750,000 in September 2001 and the Thomas Agreement further contemplates an additional lump-sum cash payment of \$750,000 within fifteen (15) days of the earlier to occur of: (a) the effective date of the Debtors' plan of reorganization or (b) the date of the consummation of the sale of all or substantially all of the Operating Assets (as defined in the Thomas Agreement) of the Company's Chemical Services Division. Mr. Thomas shall also be entitled to a per diem payment plus reasonable business expenses for consulting services as requested by the Chief Executive Officer.

The Company entered into an Employment Termination And Consulting Agreement with Mr. Wrenn (the "Wrenn Agreement") which terminated a previous employment agreement between Mr. Wrenn and the Company (the "Original Wrenn Agreement"). Pursuant to the Wrenn Agreement, Mr. Wrenn resigned his positions as President and Chief Operating Officer and left the Company's payroll. In accordance with the Wrenn Agreement, Mr. Wrenn will retain his position as a member of the Board and shall be named a non-executive Vice Chairman of the Board in order to continue to serve as a liaison with environmental regulators and to assist the Company and its efforts to resolve various environmental issues. Additionally, Mr. Wrenn will provide ongoing assistance as requested by the new Chief Executive Officer.

Pursuant to the Wrenn Agreement, in consideration of a waiver of his rights to any severance benefits to which he might be entitled under the Original Wrenn Agreement, Mr. Wrenn received a lump-sum cash payment of \$625,000 in September 2001 and the Wrenn Agreement further contemplates an additional lump-sum cash payment of \$625,000 within fifteen (15) days of the earlier to occur of: (a) the effective date of the Debtors' plan of reorganization or (b) the date of the consummation of the sale of all or substantially all of the Operating Assets (as defined in the Wrenn Agreement) of the Company's Chemical Services Division. Mr. Wrenn shall also be entitled to a per diem payment plus reasonable business expenses for consulting services as requested by the Chief Executive Officer.

Mr. Sprinkle has entered into a Senior Executive Change of Control Agreement with the Company. The Senior Executive Change of Control Agreement supersedes any prior agreement between the executive officer and the Company which provides benefits upon a change in control

of the Company and further provides that if the officer's employment is terminated as a result of a "Change in Control" (as defined in the Agreements), he will receive his then current annual base salary for three years plus a guaranteed bonus of 50% of salary. In addition, Mr. Sprinkle would receive three years continuation of disability, life and health insurance and other fringe benefits and perquisites in accordance with the most favorable plans applicable to peer executives of the Company. The agreement provides that Mr. Sprinkle shall be entitled to accrued benefits under the SERP or any such successor plan, irrespective of whether vested and without any reduction for early retirement, early payout and social security benefits and taking into account for benefit accrual purposes, Mr. Sprinkle's entire period of service with the Company and its affiliates. The agreement provides that for purposes of determining the pension entitlement under the SERP, Mr. Sprinkle would fully vest with three additional years. The agreement further provides that the Company will pay a lump-sum cash payment equal to the spread (fair market value over exercise price) of all outstanding options granted whether vested or not vested on the date of termination following a Change in Control.

#### **Severance Plan and Retention Plan**

The Senior Executive Severance Plan provides that if the applicable officer's employment with the Company is terminated by the Company without "Cause" or by the Senior Executive for "Good Reason" (as such terms are defined in the Plan) the officer shall be entitled to up to two years base salary, 30% of which will be paid to the officer upon termination, plus certain benefits in continuation during the severance period. If the officer remains unemployed after 7.2 months, the officer will return to normal payroll until such time as the officer is employed, subject to a maximum severance and benefit payment of the remaining 16.8 months. The officer will be entitled to outplacement benefits with a cap of \$25,000. Both Mr. Sprinkle and Mr. Bullinger had been eligible to participate in the Senior Executive Severance Plan. Mr. Bullinger ceased to be employed by the Company effective October 17, 2001. No other Named Executive Officers are eligible to participate in the Senior Executive Severance Plan.

The Senior Executive Retention Plan provides that if the applicable officer is actively employed by the Company from the date of September 8, 2000, through December 31, 2001 (the "Retention Period"), (except in the event of death, permanent disability, or a termination without "Cause" or by the officer for "Good Reason" [as such terms are defined in the Plan] where the officer or the officer's estate will receive a prorated portion of the full award based upon the number of days during the Retention Period that the officer was actively employed) then the officer will receive a retention award equal to 52.89% of the officer's annual base salary amount as of September 8, 2000. Messrs. Sprinkle and Bullinger (on a pro rated basis) are currently eligible to participate in the Senior Executive Retention Plan. No other Named Executive Officers are eligible to participate in the Senior Executive Retention Plan.

#### **Compensation of Directors**

During fiscal year 2001, each director who was not an employee of the Company was paid an annual retainer of \$20,000 (the "Annual Retainer"). Currently each director that is not an employee of the Company is to be paid an Annual Retainer of \$20,000 plus \$750 for each Board of Directors meeting attended plus expense reimbursement. A non-employee Chairman of the Board is paid an additional \$12,000 annually and non-employee Committee Chairmen, unless otherwise specified, are paid an additional \$4,000 annually. Non-employee directors were paid \$750 for each meeting that they attended of the Human Resources and Compensation Committee and the Audit Committee. Non-employee directors who were members of the Special Committee (Investigation) received \$1,000 for each Special Committee (Investigation) meeting that they attended. Non-employee directors who were not members of the Special Committee (Investigation) but who were invited to attend meetings of the Special Committee (Investigation) received \$750 for each meeting that they attended.

The Company also maintains a Directors Stock Option Plan. Under such Plan, options become exercisable at the rate of 20% per year, on or about one year after the date of grant, with all options becoming fully vested on or about five years after the date of grant. There were no grants of options under this Plan in fiscal year 2001.

As described under "Employment Contracts, Termination of Employment and Change of Control Arrangements," Messrs. Thomas and Wrenn will receive compensation for consulting services under Employment Termination and Consulting Agreements.

Directors who are also employees of the Company receive no separate compensation for serving as directors.

### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

#### **Committee Members**

During fiscal year ended August 31, 2001, the Human Resources and Compensation Committee held primary responsibility for determining executive compensation levels. Robert W. Luba, Chairman of the Committee; James L. Wareham; David W. Wallace; Ronald A. Rittenmeyer; and John W. Rollins, Jr. (Messrs. Wallace and Rittenmeyer began serving on this committee on May 30, 2001) are the members of the Human Resources and Compensation Committee. John W. Rollins, Jr. served as Chairman of this Committee until May 30, 2001. Certain matters relating to executive compensation are determined by the Board of Directors as a whole.

### Rollins Truck Leasing Corp.

Until February 26, 2001, Mr. Tippie was Chairman of the Board and Chairman of the Executive Committee of Rollins Truck Leasing Corp. and until February 26, 2001, Mr. Rollins was President and Chief Executive Officer of Rollins Truck Leasing Corp. During fiscal year 2001, the Company paid Rollins Truck Leasing Corp. approximately \$422,000 for truck rentals. Rollins Truck Leasing Corp. also purchases certain supplies from the Company. During fiscal year 2001 Rollins Truck Leasing Corp. paid approximately \$106,000 to the Company for these supplies. In addition, in September 1998, the Company guaranteed certain lease payments for vehicles leased by a subcontractor of the Company from Rollins Truck Leasing Corp. Pursuant to the provisions of the Bankruptcy Code, the Bankruptcy Court authorized the Company to reject its contract with the subcontractor in November 2001. Rollins Truck Leasing Corp. may possess a claim against the Company in its Chapter 11 proceedings based upon the Company's guarantee.

### AK Steel Corporation

Mr. Wareham is the President of AK Steel Corporation. During fiscal year 2001, the Company provided Parts Washer and other services to AK Steel Corporation, and received approximately \$198,000 in payments for such services.

### Matlack Systems, Inc.

Mr. Tippie is a director and shareholder of Matlack Systems, Inc. and Mr. Rollins, Jr. is Chairman of the Board and a shareholder of Matlack Systems, Inc. During fiscal year 2001, the Company paid Matlack Systems, Inc. approximately \$262,000 on account of transportation services. Matlack Systems, Inc. also purchased supplies and/or services from the Company. During fiscal year 2001, Matlack Systems, Inc. paid the Company approximately \$46,000.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### Beneficial Owners Of Five Percent Or More Of The Common Stock

The following table sets forth the only stockholder which, to the knowledge of management of the Company, was a beneficial owner of five percent or more of the outstanding shares of Common Stock as of November 6, 2001. The shareholdings of Laidlaw reported are based on information provided by the Company's transfer agent.

Name	Amount and Nature of Beneficial Ownership	Percent of Class
Laidlaw Inc. (1) 3221 North Service Road Burlington, Ontario CANADA L7R3Y8	43,846,287	43.5%

(1) All the shares of Common Stock shown as owned by Laidlaw are held of record by Laidlaw Finance (Barbados) Ltd. except for 31 shares which are held by Laidlaw Transportation, Ltd. and 2,000,000 shares held by American National Insurance.

### Stock Ownership Of The Company's Directors, Nominees And Executive Officers

Except as otherwise noted, the following table sets forth, as of October 31, 2001, the number of shares of Common Stock beneficially owned by (i) each of the Company's directors, (ii) the Named Executive Officers and (iii) all directors and executive officers of the Company as a group. Except as indicated below, each person identified in the following table has sole voting and investment power with respect to the shares shown. Shares shown may include options exercisable as of October 31, 2001 or within 60 days of such date.

Name	Amount and Nature of Ownership	Percent of Class Beneficially Owned
Kenneth K. Chalmers	--	*
Peter E. Lengyel	--	*
Robert W. Luba (1)	8,430	*
Ronald A. Rittenmeyer	--	*
John W. Rollins, Jr. (2), (3)	50,918	*
David E. Thomas, Jr. (2)	9,363	*
Henry B. Tippie (2), (4)	334,458	*
David W. Wallace	--	*

James L. Wareham (2)	9,613	*
Grover C. Wrenn (2)	13,113	*
Roy D. Bullinger (5)	17,500	*
Larry W. Singleton	--	*
David M. Sprinkle (6)	27,000	*
All directors and executive officers as a group (14 persons)(7)	482,527	*

\* Signifies less than 1%

- (1) Includes 3,000 shares issuable upon exercise of options pursuant to the Directors Stock Option Plan.
- (2) Includes 8,000 shares issuable upon exercise of options pursuant to the Directors Stock Option Plan.
- (3) Does not include 1,547 shares owned by Mr. Rollins' wife, as to which shares Mr. Rollins disclaims any beneficial ownership.
- (4) Does not include 195,644 shares held by Mr. Tippie as Co-Trustee, as to all of which he disclaims any beneficial ownership; includes 7,500 shares in which a wholly owned corporation over which he has sole voting power has a beneficial partnership interest of 75 shares and voting rights on 7,500 shares. Does not include 5,750 shares owned by Mr. Tippie's wife, as to which shares Mr. Tippie disclaims any beneficial ownership. Does not include 757,000 shares owned by the Estate of John W. Rollins, Sr. for which Mr. Tippie is the Executor, as to which shares Mr. Tippie disclaims any beneficial ownership.
- (5) Includes 15,000 shares issuable upon exercise of options pursuant to the 1997 Stock Option Plan.
- (6) Represents shares issuable upon exercise of options pursuant to the 1997 Stock Option Plan.
- (7) Includes 96,000 shares issuable upon exercise of options.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In addition to the transactions described below see also the transactions described in "Compensation Committee Interlocks and Insider Participation" in Item 11 of Part III.

#### Laidlaw Inc. Relationships

General. Laidlaw now beneficially owns 43.5% of the Common Stock. In the ordinary course of business, the Company and Laidlaw or its affiliates has entered, from time to time, into various business transactions and agreements. The following is a summary of the material agreements, arrangements and transactions between the Company and Laidlaw or its affiliates, which relate to fiscal year 2001.

Laidlaw Inc. Indemnities. Pursuant to the terms of the Stock Purchase Agreement, Laidlaw and LTI agreed to jointly and severally indemnify and hold harmless, subject to certain limitations, the Company and its affiliates from and against any and all Damages (as defined in the Stock Purchase Agreement) suffered by the Company resulting from or in respect of (i) various tax obligations and liabilities, (ii) pre-closing insurance claims, (iii) any breach or default in the performance by Laidlaw or LTI of (a) their covenants and agreements in the Stock Purchase Agreement to be performed on or after May 15, 1997 (the "Closing Date") or (b) any representation or warranty which survives the Closing Date (to the extent that damages therefrom exceed \$2 million) and (iv) any environmental liability or environmental claim arising as a result of any act or omission by Laidlaw or LTI, including any release, occurring prior to the Closing Date, but only to the extent such liability or claim (a) was known to Laidlaw or certain of its affiliates and not disclosed in writing to the Company or (b) relates to the Marine Shale or Mercier, Quebec facilities and exceeds (x) an aggregate of \$1 million in a particular year and (y) an aggregate since the Closing Date of \$1 million times the number of years elapsed since the Closing Date, but only to the extent of cash expenditures incurred within six years after the Closing Date.

On May 18, 2000, Laidlaw announced that its Board of Directors had declared an interest payment moratorium on all advances under the Laidlaw syndicated bank facility and on all outstanding public debt of Laidlaw and Laidlaw One, Inc. Certain debt holders included in the moratorium have commenced actions to attempt to recover amounts alleged to be owing to them and other debt holders subject to the moratorium may also commence similar actions. The Company cannot predict the impact, if any, this moratorium and any related circumstances will have on the Company's ability to collect upon Laidlaw's indemnification, guaranty and other contractual obligations to the Company.

On June 28, 2001, the Laidlaw Group filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Western District of New York. On the same day, Laidlaw and Laidlaw Investments Ltd. filed cases under

the Canada Companies' Creditors Arrangement Act ("CCAA") in the Ontario Superior Court of Justice in Toronto, Ontario. As a result of the Laidlaw Group's filings, claims and causes of action the Company may have against the Laidlaw Group may be subject to compromise in Laidlaw's Chapter 11 proceedings or CCAA proceedings.

Laidlaw Inc. Guaranties. Prior to the Closing Date, Laidlaw entered into on behalf of the Company certain guaranties, performance guaranties, bonds, performance bonds, suretyship arrangements, surety bonds, credits, letters of credit, reimbursement agreements and other undertakings, deposit commitments or arrangements by which Laidlaw may be primarily, secondarily, contingently or conditionally liable for or in respect of (or which create, constitute or evidence a lien or encumbrance on any of the assets or properties of Laidlaw which secure the payment or performance of) a present or future liability or obligation of the Company (each a "Laidlaw Guaranty" and collectively the "Laidlaw Guaranties"). Pursuant to the terms of the Stock Purchase Agreement, the Company agreed to use its best efforts to cause Laidlaw to be fully and finally released and discharged from all further liability or obligation in respect of all Laidlaw Guaranties within six months following the Closing Date.

Financial assurance is required for the cost of clean-up or environmental impairment restoration, if any should be incurred, following closure of the hazardous waste management facility operated by the Company in Pinewood, South Carolina. Prior to the Closing Date, Laidlaw provided its corporate guaranty to satisfy, in part, this financial assurance. Insurance coverage has been substituted for the Laidlaw corporate guaranty under the present financial assurance submittal.

## PART IV

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

(a) The following documents are filed as part of this report:

(3) Exhibits:

(3)(a) Restated Certificate of Incorporation of the Company dated May 13, 1997 and Amendment to Certificate of Incorporation dated May 15, 1997, Certificate of Correction Filed to Correct a Certain Error in the Restated and Amended Certificate of Incorporation of the Company dated October 15, 1997, Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated November 25, 1998, and Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated November 30, 1998, all filed as Exhibit (3)(a) to the Registrant's Form 10-Q for the three months ended February 28, 2001, and incorporated herein by reference.

(3)(b) Amended and Restated Bylaws of the Company, filed as Exhibit (3)(b) to the Registrant's Form 10-K for the year ended August 31, 2000, and incorporated herein by reference.

(4)(a) Indenture dated as of May 29, 1998 between LES, Inc. (a subsidiary of the Registrant), Registrant, subsidiary guarantors of the Registrant and The Bank of Nova Scotia Trust Company of New York, as trustee filed as Exhibit 4(b) to the Registrant's Form S-4 Registration Statement No. 333-57587 filed June 24, 1998 and incorporated herein by reference.

(4)(b) First Supplemental Indenture effective as of November 15, 1998 among Safety-Kleen Services, Inc. the Registrant, SK Europe, Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee filed as Exhibit (4)(f) to the Registrant's Form S-4 Registration Statement No. 333-82689 filed July 12, 1999 and incorporated herein by reference.

(4)(c) Second Supplemental Indenture effective as of May 7, 1999 among Safety-Kleen Services, Inc. the Company, SK Services, L.C., SK Services (East), L.C. and The Bank of Nova Scotia Trust Company of New York, as trustee filed as Exhibit (4)(d) to the Company's Form 10-K filed October 29, 1999 and incorporated herein by reference.

(4)(d) Indenture dated as of May 17, 1999 between the Company and the Bank of Nova Scotia Trust Company of New York, as trustee filed as Exhibit (4)(b) to the Registrant's Form S-4 Registration Statement No. 333-82689 filed July 12, 1999 and incorporated herein by reference.

(4)(e) Amended and Restated Credit Agreement among Laidlaw Chem-Waste, Inc., Laidlaw Environmental Services (Canada) Ltd., Toronto Dominion (Texas) Inc., The Toronto-Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A. and The First National Bank of Chicago and NationsBank, N.A. as Syndication Agent dated as of April 3, 1998, filed as Exhibit 4(f) to the Registrant's Form 10-Q for the three months ended February 28, 1999 and incorporated herein by reference.

(4)(f) Supplement to the Amended and Restated Credit Agreement among Laidlaw Chem-Waste, Inc., Laidlaw Environmental Services (Canada) Ltd., Toronto Dominion (Texas) Inc., The Toronto-Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A. and The First National Bank of Chicago and NationsBank, N.A. as Syndication Agent dated as of April 3, 1998, filed as Exhibit 4(e) to a subsidiary of the Registrant's Form S-4 Registration Statement No. 333-57587 filed June 24, 1998 and incorporated herein by reference.

(4)(g) Waiver and First Amendment to the Amended and Restated Credit Agreement dated as of May 15, 1998 among LES, Inc., Laidlaw Environmental Services (Canada) Ltd., the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank filed as Exhibit 4(f) to a subsidiary of the Registrant's Form S-4 Registration Statement No. 333-57587 filed June 24, 1998 and incorporated herein by reference.

(4)(h) Commitment to Increase Supplement to the Amended and Restated Credit Agreement dated as of June 3, 1998 among LES, Inc., Laidlaw Environmental Services (Canada) Ltd., the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank filed as Exhibit 4(g) to a subsidiary of the Registrant's Form S-4 Registration Statement No. 333-57587 filed June 24, 1998 and incorporated herein by reference.

(4)(i) Second Amendment to the Amended and Restated Credit Agreement dated as of November 20, 1998 among Safety-Kleen Services, Inc. (formerly known as LES, Inc.), Safety-Kleen Services (Canada) Ltd. (formerly known as Laidlaw Environmental Services (Canada) Ltd.), the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank N.A., filed as Exhibit (4)(j) to the Registrant's Form 10-Q for the three months ended February 28, 1999 and incorporated herein by reference.

(4)(j) Waiver and Third Amendment to the Amended and Restated Credit Agreement dated as of May 6, 1999 among Safety-Kleen Services, Inc. (formerly known as LES, Inc.), Safety-Kleen Services (Canada) Ltd. (formerly known as Laidlaw Environmental Services (Canada) Ltd.), the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank N.A. filed as Exhibit (4)(l) to the Registrant's Form S-4 Registration Statement No. 333-82689 filed July 12, 1999 and incorporated herein by reference.

(4)(k) Fourth Amendment dated as of March 13, 2000 to the Amended and Restated Credit Agreement dated as of May 6, 1999 among Safety-Kleen Services, Inc. (formerly known as LES, Inc.), Safety-Kleen Services (Canada) Ltd. (formerly known as Laidlaw Environmental Services (Canada) Ltd.), the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank N.A. filed as Exhibit (4)(l) to the Registrant's Form 10-Q for the three months ended May 31, 2000 and incorporated herein by reference.

(4)(l) Consent dated as of March 16, 2000 to the Amended and Restated Credit Agreement dated as of May 6, 1999 among Safety-Kleen Services, Inc. (formerly known as LES, Inc.), Safety-Kleen Services (Canada) Ltd. (formerly known as Laidlaw Environmental Services (Canada) Ltd.), the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank N.A. filed as Exhibit (4)(m) to the Registrant's Form 10-Q for the three months ended May 31, 2000 and incorporated herein by reference.

(4)(m) Amended and Restated \$100,000,000 Debtor In Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto Dominion (Texas), Inc., as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000 Amended and Restated as of July 19, 2000 Company filed as Exhibit (4)(m) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.

(4)(n) First Amendment, dated as of October 31, 2000, to the Amended and Restated \$100,000,000 Debtor In Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto Dominion (Texas), Inc., as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000 Amended and Restated as of July 19, 2000, filed as Exhibit (4)(n) to the Registrant's Form 10-Q for the three months ended November 30, 2000 and incorporated herein by reference.

(4)(o) Second Amendment and Waiver, dated as of February 28, 2001, to the Amended and Restated Debtor-in-Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto-Dominion (Texas), Inc. as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000, Amended and Restated as of July 19, 2000, filed as Exhibit (4)(o) to the Registrant's Form 10-K/A for the year ended August 31, 2000, filed on July 9, 2001 and incorporated herein by reference.

(4)(p) Third Amendment and Waiver, dated as of March 28, 2001, to the Amended and Restated Debtor-in-Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto-Dominion (Texas), Inc. as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000, Amended and Restated as of July 19, 2000, filed as Exhibit (4)(p) to the Registrant's Form 10-K/A for the year ended August 31, 2000, filed on July 9, 2001 and incorporated herein by reference.

(4)(q) Fourth Amendment and Waiver, dated as of April 30, 2001, to the Amended and Restated Debtor-in-Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto-Dominion (Texas), Inc. as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000, Amended and Restated as of July 19, 2000, filed as Exhibit (4)(q) to the Registrant's Form 10-K/A for the year ended August 31, 2000, filed on July 9, 2001 and incorporated herein by reference.

(4)(r) Fifth Amendment and Agreement, dated as of August 6, 2001, to the Amended and Restated Debtor-in-Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto-Dominion (Texas), Inc. as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000, Amended and Restated as of July 19, 2000, filed as exhibit (4)(r) to the Registrant's Form 10-Q/A for the quarter ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.

(4)(s) Sixth Waiver dated as of September 4, 2001, to the Amended and Restated Debtor-in-Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto-Dominion (Texas), Inc. as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000, Amended and Restated as of July 19, 2000 filed as Exhibit (4)(s) to the Registrant's Form 10-Q/A for the quarter ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.

(4)(t) Seventh Waiver dated as of October 16, 2001, to the Amended and Restated Debtor-in-Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto-Dominion (Texas), Inc. as General Administrative

Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000, Amended and Restated as of July 19, 2000.

(4)(u) Letter Agreement among Toronto Dominion (Texas), Inc., as administrative agent, the Company and Safety-Kleen Systems, Inc. dated December 12, 2000 relating to the Amended and Restated Marketing and Distribution Agreement by Safety-Kleen Systems, Inc. and System One Technologies Inc., filed as Exhibit (4)(o) to the Registrant's Form 10-Q for the three months ended February 28, 2001, and incorporated herein by reference.

(4)(v) Registration Rights Agreement dated May 15, 1997 between the Company, Laidlaw Transportation, Inc. and Laidlaw Inc. the form of which was filed as Exhibit B to Annex A to the Registrant's Definitive Proxy Statement on Form DEF 14A, filed on May 1, 1997 and incorporated herein by reference.

(4)(w) Indenture dated as of May 1, 1993 between the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County (Tennessee) and NationsBank of Tennessee, N.A., filed as Exhibit 4(f) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.

(4)(x) Indenture of Trust dated as of August 1, 1995 between Tooele County, Utah and West One Bank, Utah, now known as U.S. Bank, as Trustee, filed as Exhibit 4(h) to the Registrant's form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.

(4)(y) Indenture of Trust dated as of July 1, 1997 between Tooele County, Utah and U.S. Bank, a national banking association, as Trustee, filed as Exhibit 4(j) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.

(4)(z) Indenture of Trust dated as of July 1, 1997 between California Pollution Control Financing Authority and U.S. Bank, a national banking association, as Trustee, filed as Exhibit 4(k) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.

(4)(aa) Promissory Note dated May 15, 1997 for \$60,000,000 from the Company to Westinghouse Electric Corporation, filed as Exhibit 4(n) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.

(4)(bb) Letter dated May 7, 1999 from Toronto-Dominion (Texas) Inc. (as assignee of Westinghouse Electric Corporation) and agreed to by the Company and Laidlaw Inc. amending the terms of the Promissory Note dated May 15, 1997 (as referenced in Exhibit (4)(z)) filed as Exhibit (4)(u) to the Registrant's Form S-4 Registration Statement No. 333-82689 filed July 12, 1999 and incorporated herein by reference.

(4)(cc) Guaranty Agreement dated May 15, 1997 by Laidlaw Inc. to Westinghouse Electric Corporation guaranteeing Promissory Note dated May 15, 1997 (as referenced in Exhibit (4)(z)) from Company to Westinghouse Electric Corporation), filed as Exhibit 4(o) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.

(4)(dd) Rights Agreement dated as of October 15, 1999 between the Company and EquiServe Trust Company, N.A., as Rights Agent, filed as Exhibit (c)1 to the Company's Current Report on Form 8-K filed on October 15, 1999 and incorporated herein by reference.

(4)(ee) First Amendment to Rights Agreement, dated as of March 17, 2000, between the Company and EquiServe Trust Company, N.A. filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on March 17, 2000 and incorporated herein by reference.

(4)(ff) Letter Agreement, dated October 12, 1999, between the Company and Laidlaw Inc. filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed on March 17, 2000 and incorporated herein by reference.

(4)(gg) Other instruments defining the rights of holders of nonregistered debt of the Company have been omitted from this exhibit list because the amount of debt authorized under any such instrument does not exceed 10% of the total assets of the Company and its subsidiaries. The Company agrees to furnish a copy of any such instrument to the Commission upon request.

(10)(a) Agreement and Plan of Merger dated as of March 16, 1998 by and among Registrant, LES Acquisition, Inc., and Safety-Kleen Corp. included as Annex A of Safety-Kleen's Revised Amended Prospectus on Form 14D-9 filed as Exhibit 62 to Safety-Kleen's Amendment No. 28 to Schedule 14-9A on March 17, 1998 and incorporated herein by reference.

(10)(b) Stock Purchase Agreement between Westinghouse Electric Corporation (Seller) and Rollins Environmental Services, Inc. (Buyer) for National Electric, Inc. dated March 7, 1995 filed as Exhibit 2 to the Registrant's Current Report on Form 8-K filed on June 13, 1995 and incorporated herein by reference.

(10)(c) Second Amendment to Stock Purchase Agreement (as referenced in Exhibit (10)(b) above), dated May 15, 1997 among Westinghouse Electric Corporation, Rollins Environmental Services, Inc. and Laidlaw Inc., filed as Exhibit 4(m) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.

- (10)(d) Agreement for the sale and purchase of shares and loan stock held by SK Europe, Inc. in Safety-Kleen Europe Limited between Safety-Kleen Europe Limited and SK Europe, Inc. and the Company and The Electra Subscribers and Electra European Fund LP dated as of July 6, 2000 Company filed as Exhibit (10)(d) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(e) Rollins Environmental Services, Inc. 1982 Incentive Stock Option Plan filed with Amendment No. 1 to the Company's Registration Statement No. 2-84139 on Form S-1 dated June 24, 1983 and incorporated herein by reference.
- (10)(f) Rollins Environmental Services, Inc. 1993 Stock Option Plan filed as Exhibit (10)(e) to the Registrant's Current Form 10 -Q for the three months ended May 31, 2000 and incorporated herein by reference.
- (10)(g) The Company's 1997 Stock Option Plan, filed as Exhibit 4.4 to the Company's Registration Statement No. 333 -41859 on Form S-8 dated December 10, 1997 and incorporated herein by reference.
- (10)(h) First Amendment to Company's 1997 Stock Option Plan, filed as Exhibit (10)(g) to the Company's Form 10 -Q for the three months ended November 30, 1999 and incorporated herein by reference.
- (10)(i) The Company's Director's Stock Option Plan, filed as Exhibit 4.5 to the Company's Registration Statement No. 333-41859 on Form S-8 dated December 10, 1997 and incorporated herein by reference.
- (10)(j) First Amendment to Company's Director's Stock Option Plan filed as Exhibit (10)(i) to the Company's Form 10 -Q for the three months ended November 30, 1999 and incorporated herein by reference.
- (10)(k) Stock Purchase Agreement dated February 6, 1997 among the Company, Laidlaw Inc., and Laidlaw Transportation, Inc. filed as Exhibit A to Annex A to the Definitive Proxy Statement on Form DEF 14A filed on May 1, 1997 and incorporated herein by reference.
- (10)(l) Executive Bonus Plan for fiscal year 2000 filed as Appendix C to the Definitive Proxy Statement on Form DEF 14A filed on October 29, 1999 and incorporated herein by reference.
- (10)(m) The Company's U.S. Supplemental Executive Retirement Plan filed as Exhibit (10)(g) to the Company's Form 10 -Q for the three months ended November 30, 1997 and incorporated herein by reference.
- (10)(n) Employment Agreement by and between Company and Grover C. Wrenn, dated as of August 23, 2000 filed as Exhibit (10)(n) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(o) Employment Termination And Consulting Agreement dated as of August 15, 2001 between Safety-Kleen Corp. and Grover C. Wrenn filed as Exhibit (10)(o) to the Registrant's Form 10 -Q/A for the quarter ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.
- (10)(p) Employment Agreement by and between Company and David E. Thomas, Jr., dated as of August 23, 2000 filed as Exhibit (10)(o) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(q) Employment Termination And Consulting Agreement, dated as of August 15, 2001 between Safety-Kleen Corp. and David E. Thomas, Jr. filed as Exhibit (10)(q) to the Registrant's Form 10 -Q/A for the quarter ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.
- (10)(r) Employment Agreement by and between Company and Larry W. Singleton, dated as of July 17, 2000 filed as Exhibit (10)(p) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(s) Employment Agreement by and between Safety-Kleen Corp. and Ronald A. Rittenmeyer, dated as of August 8, 2001 filed as Exhibit (10)(s) to the Registrant's Form 10 -Q/A for the quarter ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.
- (10)(t) Company Indemnification Agreement delivered to Ronald A. Rittenmeyer by Safety-Kleen Corp., effective as of August 8, 2001 filed as Exhibit (10)(t) to the Registrant's Form 10 -Q/A for the quarter ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.
- (10)(u) Employment Agreement by and between Safety-Kleen Corp. and Thomas W. Arnst, dated as of October 4, 2001.
- (10)(v) Agreement among Safety-Kleen Corp., Safety-Kleen Services, Inc. and David M. Sprinkle dated October 17, 2001.

(10)(w) Form of Senior Executive Change of Control Agreement filed as Exhibit (10)(q) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.

(10)(x) Senior Executive Retention Plan filed as Exhibit (10)(r) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.

(10)(y) Senior Executive Severance Plan filed as Exhibit (10)(s) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.

(10)(z) Executive Retention Plan filed as Exhibit (10)(t) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.

(10)(aa) Executive Severance Plan filed as Exhibit (10)(u) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.

(10)(bb) Key Manager Retention Plan filed as Exhibit (10)(v) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.

(10)(cc) Key Manager Severance Plan filed as Exhibit (10)(w) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.

(10)(dd) Letter Agreement dated March 16, 2000 between Jay Alix & Associates and the Company filed as Exhibit (10)(x) to the Company's Form 10-Q for the three months ended May 31, 2000 and incorporated herein by reference.

(10)(ee) Second Amended and Restated Marketing and Distribution Agreement, dated as of March 8, 2001 by and between SystemOne Technologies Inc. and Safety-Kleen Systems, Inc., a subsidiary of the Registrant, filed as Exhibit 10.16 to SystemOne Technologies Inc. Form 10-KSB for the year ended December 31, 2000 and incorporated herein by reference.

(21) Subsidiaries of Registrant.

(24) Power of Attorney (on the signature pages hereof)

(99.1) Consent Agreement and Final Order by and between the United States Environmental Protection Agency and Safety-Kleen Corp. and certain of its United States subsidiaries and affiliates filed as Exhibit (99.1) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.

(99.2) Amended Consent Agreement and Final Order by and between the United States Environmental Protection Agency and Safety-Kleen Corp. and certain of its United States subsidiaries and affiliates as approved by the United States Bankruptcy Court on May 16, 2001, filed as Exhibit (99.2) to the Registrant's Form 10 -K/A for the year ended August 31, 2000, filed on July 9, 2001 and incorporated herein by reference.

(b) Reports on Form 8-K.

i. The Company filed a Current Report on Form 8-K on July 10, 2001, which contained Item 5 and Item 7 related to the Company announcing the issuance of fiscal year 2000 financial statements and restatement of fiscal years 1997 – 1999 financial results.

ii. The Company filed a Current Report on Form 8-K on August 13, 2001, which contained Item 5 related to the status of the insurance required to cover closure, post-closure and correction action insurance for the Company's facilities.

iii. The Company filed a Current Report on Form 8-K on August 15, 2001, which contained Item 5 related to the Company announcing the appointment of Ronald A. Rittenmeyer to the positions of Chairman, Chief Executive Officer and President of the Company.

**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.

DATE: November 27, 2001

SAFETY-KLEEN CORP.

-----  
(Registrant)

/s/ Ronald A. Rittenmeyer

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Ronald A. Rittenmeyer  
Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each individual whose signature appears below hereby constitutes and appoints Ronald A. Rittenmeyer and/or Larry W. Singleton and each of them, his or her true and lawful agent, proxy and attorney-in-fact, each acting alone, with full power and substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments to this Form 10-K together with all schedules and exhibits thereto, (ii) act on, sign and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, (iii) take any and all actions which may be necessary or appropriate in connection therewith, granting unto such agents, proxies and attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing necessary or appropriate to be done, as fully and for all intents and purposes as he or she might or could do in person, hereby approving, ratifying and confirming all that such agents, proxies and attorneys-in-fact, any of them or any of his or her or their substitutes may lawfully do or cause to be done by virtue thereof.

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
<u>/s/ Ronald A. Rittenmeyer</u> Ronald A. Rittenmeyer	Chairman of the Board, Chief Executive Officer, President and Director	November 27, 2001
<u>/s/ Larry W. Singleton</u> Larry W. Singleton	Executive Vice President and Chief Financial Officer (principal financial and accounting officer)	November 27, 2001
<u>/s/ Kenneth K. Chalmers</u> Kenneth K. Chalmers	Director	November 27, 2001

<u>/s/ Peter E. Lengyel</u> Peter E. Lengyel	Director	November 27, 2001
<u>/s/ Robert W. Luba</u> Robert W. Luba	Director	November 27, 2001
<u>/s/ John W. Rollins, Jr.</u> John W. Rollins, Jr.	Director	November 27, 2001
<u>/s/ David E. Thomas, Jr.</u> David E. Thomas, Jr.	Director	November 27, 2001
<u>/s/ Henry B. Tippie</u> Henry B. Tippie	Director	November 27, 2001
<u>/s/ David W. Wallace</u> David W. Wallace	Director	November 27, 2001
<u>/s/ James L. Wareham</u> James L. Wareham	Director	November 27, 2001
<u>/s/ Grover C. Wrenn</u> Grover C. Wrenn	Director	November 27, 2001

## EXHIBIT INDEX

- (3)(a) Restated Certificate of Incorporation of the Company dated May 13, 1997 and Amendment to Certificate of Incorporation dated May 15, 1997, Certificate of Correction Filed to Correct a Certain Error in the Restated and Amended Certificate of Incorporation of the Company dated October 15, 1997, Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated November 25, 1998, and Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated November 30, 1998, all filed as Exhibit (3)(a) to the Registrant's Form 10-Q for the three months ended February 28, 2001, and incorporated herein by reference.
- (3)(b) Amended and Restated Bylaws of the Company, filed as Exhibit (3)(b) to the Registrant's Form 10-K for the year ended August 31, 2000, and incorporated herein by reference.
- (4)(a) Indenture dated as of May 29, 1998 between LES, Inc. (a subsidiary of the Registrant), Registrant, subsidiary guarantors of the Registrant and The Bank of Nova Scotia Trust Company of New York, as trustee filed as Exhibit 4(b) to the Registrant's Form S-4 Registration Statement No. 333-57587 filed June 24, 1998 and incorporated herein by reference.
- (4)(b) First Supplemental Indenture effective as of November 15, 1998 among Safety-Kleen Services, Inc. the Registrant, SK Europe, Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee filed as Exhibit (4)(f) to the Registrant's Form S-4 Registration Statement No. 333-82689 filed July 12, 1999 and incorporated herein by reference.
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- (4)(d) Indenture dated as of May 17, 1999 between the Company and the Bank of Nova Scotia Trust Company of New York, as trustee filed as Exhibit (4)(b) to the Registrant's Form S-4 Registration Statement No. 333-82689 filed July 12, 1999 and incorporated herein by reference.
- (4)(e) Amended and Restated Credit Agreement among Laidlaw Chem-Waste, Inc., Laidlaw Environmental Services (Canada) Ltd., Toronto Dominion (Texas) Inc., The Toronto-Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A. and The First National Bank of Chicago and NationsBank, N.A. as Syndication Agent dated as of April 3, 1998, filed as Exhibit 4(f) to the Registrant's Form 10-Q for the three months ended February 28, 1999 and incorporated herein by reference.
- (4)(f) Supplement to the Amended and Restated Credit Agreement among Laidlaw Chem-Waste, Inc., Laidlaw Environmental Services (Canada) Ltd., Toronto Dominion (Texas) Inc., The Toronto-Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A. and The First National Bank of Chicago and NationsBank, N.A. as Syndication Agent dated as of April 3, 1998, filed as Exhibit 4(e) to a subsidiary of the Registrant's Form S-4 Registration Statement No. 333-57587 filed June 24, 1998 and incorporated herein by reference.
- (4)(g) Waiver and First Amendment to the Amended and Restated Credit Agreement dated as of May 15, 1998 among LES, Inc., Laidlaw Environmental Services (Canada) Ltd., the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank filed as Exhibit 4(f) to a subsidiary of the Registrant's Form S-4 Registration Statement No. 333-57587 filed June 24, 1998 and incorporated herein by reference.
- (4)(h) Commitment to Increase Supplement to the Amended and Restated Credit Agreement dated as of June 3, 1998 among LES, Inc., Laidlaw Environmental Services (Canada) Ltd., the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank filed as Exhibit 4(g) to a subsidiary of the Registrant's Form S-4 Registration Statement No. 333-57587 filed June 24, 1998 and incorporated herein by reference.
- (4)(i) Second Amendment to the Amended and Restated Credit Agreement dated as of November 20, 1998 among Safety-Kleen Services, Inc. (formerly known as LES, Inc.), Safety-Kleen Services (Canada) Ltd. (formerly known as Laidlaw Environmental Services (Canada) Ltd.), the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank N.A., filed as Exhibit (4)(j) to the Registrant's Form 10-Q for the three months ended February 28, 1999 and incorporated herein by reference.
- (4)(j) Waiver and Third Amendment to the Amended and Restated Credit Agreement dated as of May 6, 1999 among Safety-Kleen Services, Inc. (formerly known as LES, Inc.), Safety-Kleen Services (Canada) Ltd. (formerly known as Laidlaw Environmental Services (Canada) Ltd.), the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank N.A. filed as Exhibit

- (4)(l) to the Registrant's Form S-4 Registration Statement No. 333-82689 filed July 12, 1999 and incorporated herein by reference.
- (4)(k) Fourth Amendment dated as of March 13, 2000 to the Amended and Restated Credit Agreement dated as of May 6, 1999 among Safety-Kleen Services, Inc. (formerly known as LES, Inc.), Safety-Kleen Services (Canada) Ltd. (formerly known as Laidlaw Environmental Services (Canada) Ltd.), the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank N.A. filed as Exhibit (4)(l) to the Registrant's Form 10-Q for the three months ended May 31, 2000 and incorporated herein by reference.
- (4)(l) Consent dated as of March 16, 2000 to the Amended and Restated Credit Agreement dated as of May 6, 1999 among Safety-Kleen Services, Inc. (formerly known as LES, Inc.), Safety-Kleen Services (Canada) Ltd. (formerly known as Laidlaw Environmental Services (Canada) Ltd.), the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank N.A. filed as Exhibit (4)(m) to the Registrant's Form 10-Q for the three months ended May 31, 2000 and incorporated herein by reference.
- (4)(m) Amended and Restated \$100,000,000 Debtor In Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto Dominion (Texas), Inc., as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000 Amended and Restated as of July 19, 2000 Company filed as Exhibit (4)(m) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.
- (4)(n) First Amendment, dated as of October 31, 2000, to the Amended and Restated \$100,000,000 Debtor In Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto Dominion (Texas), Inc., as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000 Amended and Restated as of July 19, 2000, filed as Exhibit (4)(n) to the Registrant's Form 10-Q for the three months ended November 30, 2000 and incorporated herein by reference.
- (4)(o) Second Amendment and Waiver, dated as of February 28, 2001, to the Amended and Restated Debtor-in-Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto-Dominion (Texas), Inc. as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000, Amended and Restated as of July 19, 2000, filed as Exhibit (4)(o) to the Registrant's Form 10-K/A for the year ended August 31, 2000, filed on July 9, 2001 and incorporated herein by reference.
- (4)(p) Third Amendment and Waiver, dated as of March 28, 2001, to the Amended and Restated Debtor-in-Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto-Dominion (Texas), Inc. as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000, Amended and Restated as of July 19, 2000, filed as Exhibit (4)(p) to the Registrant's Form 10-K/A for the year ended August 31, 2000, filed on July 9, 2001 and incorporated herein by reference.
- (4)(q) Fourth Amendment and Waiver, dated as of April 30, 2001, to the Amended and Restated Debtor-in-Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto-Dominion (Texas), Inc. as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000, Amended and Restated as of July 19, 2000, filed as Exhibit (4)(q) to the Registrant's Form 10-K/A for the year ended August 31, 2000, filed on July 9, 2001 and incorporated herein by reference.
- (4)(r) Fifth Amendment and Agreement, dated as of August 6, 2001, to the Amended and Restated Debtor-in-Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto-Dominion (Texas), Inc. as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000, Amended and Restated as of July 19, 2000, filed as exhibit (4)(r) to the Registrant's Form 10-Q/A for the quarter ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.
- (4)(s) Sixth Waiver dated as of September 4, 2001, to the Amended and Restated Debtor-in-Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto-Dominion (Texas), Inc. as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially dated as of June 11, 2000, Amended and Restated as of July 19, 2000 filed as Exhibit (4)(s) to the Registrant's Form 10-Q/A for the quarter ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.
- (4)(t) Seventh Waiver dated as of October 16, 2001, to the Amended and Restated Debtor-in-Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto-Dominion (Texas), Inc. as General Administrative Agent and Underwriter and The CIT Group/Business Credit, Inc. as Collateral Agent and Underwriter Initially

dated as of June 11, 2000, Amended and Restated as of July 19, 2000.

- (4)(u) Letter Agreement among Toronto Dominion (Texas), Inc., as administrative agent, the Company and Safety-Kleen Systems, Inc. dated December 12, 2000 relating to the Amended and Restated Marketing and Distribution Agreement by Safety-Kleen Systems, Inc. and System One Technologies Inc., filed as Exhibit (4)(o) to the Registrant's Form 10 -Q for the three months ended February 28, 2001, and incorporated herein by reference.
- (4)(v) Registration Rights Agreement dated May 15, 1997 between the Company, Laidlaw Transportation, Inc. and Laidlaw Inc. the form of which was filed as Exhibit B to Annex A to the Registrant's Definitive Proxy Statement on Form DEF 14A, filed on May 1, 1997 and incorporated herein by reference.
- (4)(w) Indenture dated as of May 1, 1993 between the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County (Tennessee) and NationsBank of Tennessee, N.A., filed as Exhibit 4(f) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (4)(x) Indenture of Trust dated as of August 1, 1995 between Tooele County, Utah and West One Bank, Utah, now known as U.S. Bank, as Trustee, filed as Exhibit 4(h) to the Registrant's form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (4)(y) Indenture of Trust dated as of July 1, 1997 between Tooele County, Utah and U.S. Bank, a national banking association, as Trustee, filed as Exhibit 4(j) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (4)(z) Indenture of Trust dated as of July 1, 1997 between California Pollution Control Financing Authority and U.S. Bank, a national banking association, as Trustee, filed as Exhibit 4(k) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (4)(aa) Promissory Note dated May 15, 1997 for \$60,000,000 from the Company to Westinghouse Electric Corporation, filed as Exhibit 4(n) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (4)(bb) Letter dated May 7, 1999 from Toronto-Dominion (Texas) Inc. (as assignee of Westinghouse Electric Corporation) and agreed to by the Company and Laidlaw Inc. amending the terms of the Promissory Note dated May 15, 1997 (as referenced in Exhibit (4)(z)) filed as Exhibit (4)(u) to the Registrant's Form S -4 Registration Statement No. 333-82689 filed July 12, 1999 and incorporated herein by reference.
- (4)(cc) Guaranty Agreement dated May 15, 1997 by Laidlaw Inc. to Westinghouse Electric Corporation guaranteeing Promissory Note dated May 15, 1997 (as referenced in Exhibit (4)(z)) from Company to Westinghouse Electric Corporation), filed as Exhibit 4(o) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (4)(dd) Rights Agreement dated as of October 15, 1999 between the Company and EquiServe Trust Company, N.A., as Rights Agent, filed as Exhibit (c)1 to the Company's Current Report on Form 8 -K filed on October 15, 1999 and incorporated herein by reference.
- (4)(ee) First Amendment to Rights Agreement, dated as of March 17, 2000, between the Company and EquiServe Trust Company, N.A. filed as Exhibit 99.1 to the Company's Current Report on Form 8 -K filed on March 17, 2000 and incorporated herein by reference.
- (4)(ff) Letter Agreement, dated October 12, 1999, between the Company and Laidlaw Inc. filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed on March 17, 2000 and incorporated herein by reference.
- (4)(gg) Other instruments defining the rights of holders of nonregistered debt of the Company have been omitted from this exhibit list because the amount of debt authorized under any such instrument does not exceed 10% of the total assets of the Company and its subsidiaries. The Company agrees to furnish a copy of any such instrument to the Commission upon request.
- (10)(a) Agreement and Plan of Merger dated as of March 16, 1998 by and among Registrant, LES Acquisition, Inc., and Safety-Kleen Corp. included as Annex A of Safety-Kleen's Revised Amended Prospectus on Form 14D -9 filed as Exhibit 62 to Safety-Kleen's Amendment No. 28 to Schedule 14-9A on March 17, 1998 and incorporated herein by reference.
- (10)(b) Stock Purchase Agreement between Westinghouse Electric Corporation (Seller) and Rollins Environmental Services, Inc. (Buyer) for National Electric, Inc. dated March 7, 1995 filed as Exhibit 2 to the Registrant's Current Report on Form 8-K filed on June 13, 1995 and incorporated herein by reference.

- (10)(c) Second Amendment to Stock Purchase Agreement (as referenced in Exhibit (10)(b) above), dated May 15, 1997 among Westinghouse Electric Corporation, Rollins Environmental Services, Inc. and Laidlaw Inc., filed as Exhibit 4(m) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (10)(d) Agreement for the sale and purchase of shares and loan stock held by SK Europe, Inc. in Safety-Kleen Europe Limited between Safety-Kleen Europe Limited and SK Europe, Inc. and the Company and The Electra Subscribers and Electra European Fund LP dated as of July 6, 2000 Company filed as Exhibit (10)(d) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(e) Rollins Environmental Services, Inc. 1982 Incentive Stock Option Plan filed with Amendment No. 1 to the Company's Registration Statement No. 2-84139 on Form S-1 dated June 24, 1983 and incorporated herein by reference.
- (10)(f) Rollins Environmental Services, Inc. 1993 Stock Option Plan filed as Exhibit (10)(e) to the Registrant's Current Form 10 -Q for the three months ended May 31, 2000 and incorporated herein by reference.
- (10)(g) The Company's 1997 Stock Option Plan, filed as Exhibit 4.4 to the Company's Registration Statement No. 333 -41859 on Form S-8 dated December 10, 1997 and incorporated herein by reference.
- (10)(h) First Amendment to Company's 1997 Stock Option Plan, filed as Exhibit (10)(g) to the Company's Form 10 -Q for the three months ended November 30, 1999 and incorporated herein by reference.
- (10)(i) The Company's Director's Stock Option Plan, filed as Exhibit 4.5 to the Company's Registration Statement No. 333-41859 on Form S-8 dated December 10, 1997 and incorporated herein by reference.
- (10)(j) First Amendment to Company's Director's Stock Option Plan filed as Exhibit (10)(i) to the Company's Form 10 -Q for the three months ended November 30, 1999 and incorporated herein by reference.
- (10)(k) Stock Purchase Agreement dated February 6, 1997 among the Company, Laidlaw Inc., and Laidlaw Transportation, Inc. filed as Exhibit A to Annex A to the Definitive Proxy Statement on Form DEF 14A filed on May 1, 1997 and incorporated herein by reference.
- (10)(l) Executive Bonus Plan for fiscal year 2000 filed as Appendix C to the Definitive Proxy Statement on Form DEF 14A filed on October 29, 1999 and incorporated herein by reference.
- (10)(m) The Company's U.S. Supplemental Executive Retirement Plan filed as Exhibit 10(g) to the Company's Form 10 -Q for the three months ended November 30, 1997 and incorporated herein by reference.
- (10)(n) Employment Agreement by and between Company and Grover C. Wrenn, dated as of August 23, 2000 filed as Exhibit (10)(n) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(o) Employment Termination And Consulting Agreement dated as of August 15, 2001 between Safety-Kleen Corp. and Grover C. Wrenn filed as Exhibit (10)(o) to the Registrant's Form 10 -Q/A for the quarter ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.
- (10)(p) Employment Agreement by and between Company and David E. Thomas, Jr., dated as of August 23, 2000 filed as Exhibit (10)(o) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(q) Employment Termination And Consulting Agreement, dated as of August 15, 2001 between Safety-Kleen Corp. and David E. Thomas, Jr. filed as Exhibit (10)(q) to the Registrant's Form 10 -Q/A for the quarter ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.
- (10)(r) Employment Agreement by and between Company and Larry W. Singleton, dated as of July 17, 2000 filed as Exhibit (10)(p) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(s) Employment Agreement by and between Safety-Kleen Corp. and Ronald A. Rittenmeyer, dated as of August 8, 2001 filed as Exhibit (10)(s) to the Registrant's Form 10 -Q/A for the quarter ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.
- (10)(t) Company Indemnification Agreement delivered to Ronald A. Rittenmeyer by Safety-Kleen Corp., effective as of August 8, 2001 filed as Exhibit (10)(t) to the Registrant's Form 10 -Q/A for the quarter ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.

- (10)(u) Employment Agreement by and between Safety-Kleen Corp. and Thomas W. Arnst, dated as of October 4, 2001.
- (10)(v) Agreement among Safety-Kleen Corp., Safety-Kleen Services, Inc. and David M. Sprinkle dated October 17, 2001.
- (10)(w) Form of Senior Executive Change of Control Agreement filed as Exhibit (10)(q) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(x) Senior Executive Retention Plan filed as Exhibit (10)(r) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(y) Senior Executive Severance Plan filed as Exhibit (10)(s) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(z) Executive Retention Plan filed as Exhibit (10)(t) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(aa) Executive Severance Plan filed as Exhibit (10)(u) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(bb) Key Manager Retention Plan filed as Exhibit (10)(v) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(cc) Key Manager Severance Plan filed as Exhibit (10)(w) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(dd) Letter Agreement dated March 16, 2000 between Jay Alix & Associates and the Company filed as Exhibit (10)(x) to the Company's Form 10 -Q for the three months ended May 31, 2000 and incorporated herein by reference.
- (10)(ee) Second Amended and Restated Marketing and Distribution Agreement, dated as of March 8, 2001 by and between SystemOne Technologies Inc. and Safety-Kleen Systems, Inc., a subsidiary of the Registrant, filed as Exhibit 10.16 to SystemOne Technologies Inc. Form 10-KSB for the year ended December 31, 2000 and incorporated herein by reference.
- (21) Subsidiaries of Registrant.
- (24) Power of Attorney (on the signature pages hereof)
- (99.1) Consent Agreement and Final Order by and between the United States Environmental Protection Agency and Safety-Kleen Corp. and certain of its United States subsidiaries and affiliates filed as Exhibit (99.1) to the Registrant's Form 10 -K for the year ended August 31, 2000 and incorporated herein by reference.
- (99.2) Amended Consent Agreement and Final Order by and between the United States Environmental Protection Agency and Safety-Kleen Corp. and certain of its United States subsidiaries and affiliates as approved by the United States Bankruptcy Court on May 16, 2001, filed as Exhibit (99.2) to the Registrant's Form 10 -K/A for the year ended August 31, 2000, filed on July 9, 2001 and incorporated herein by reference.

**APPENDIX E-2**

**TO**

**DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED  
JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

**SAFETY-KLEEN CORP., ET AL.'S 10-K/A FOR THE FISCAL YEAR ENDED AUGUST 31, 2001**

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-K/A**

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

For the Fiscal Year Ended August 31, 2001

Commission File Number 1-8368

**SAFETY-KLEEN CORP.**

(Exact name of registrant as specified in its charter)

Delaware	51-0228924
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1301 Gervais Street, Columbia, South Carolina 29201  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (803) 933-4200

**Securities registered pursuant to Section 12(b) of the Act:**

None

**Securities registered pursuant to Section 12(g) of the Act:**

Title of each class  
Common Stock Par Value \$1.00  
Rights to Purchase Common Stock

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation SK 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. [  ]

The aggregate market value of the common stock held by non-affiliates of the registrant was \$35,274,259 as of March 11, 2002.

The number of shares of the issuer's common stock outstanding was 100,783,596 as of March 11, 2002.

**TABLE OF CONTENTS**

The following Items have been amended in their entirety:

<b><u>Item</u></b>	<b><u>Page</u></b>
<b>PART II</b>	
6. Selected Consolidated Financial Data.....	3
7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.....	4
7A. Quantitative and Qualitative Disclosures About Market Risk.....	28
8. Financial Statements and Supplemental Data.....	30

**PART IV**

14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.....	91
Signature.....	92

## PART II

### ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements and the Notes thereto, included elsewhere in this Annual Report (\$ in thousands, except per share amounts).

<u>Years Ended August 31,</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Revenues	\$1,514,583	\$1,586,273	\$1,624,038	\$1,172,731	\$ 641,945
Impairment and other charges	52,884	367,793	11,287	64,882	253,484
Operating (loss) income	(168,336)	(620,170)	6,876	(2,223)	(294,749)
Loss before reorganization items, income taxes, minority interest and extraordinary items	(174,930)	(759,073)	(185,272)	(123,535)	(341,220)
Reorganization items	(42,284)	(60,923)	--	--	--
Extraordinary items, net of tax	5,591	--	--	(18,783)	--
Net loss	(229,078)	(833,191)	(223,155)	(103,211)	(301,544)
Loss per share before extraordinary items – basic and diluted	(2.33)	(8.27)	(2.52)	(1.35)	(8.74)
Net loss per share – basic and diluted	(2.27)	(8.27)	(2.52)	(1.65)	(8.74)
Dividends per common share	--	--	--	--	--
Weighted average common stock outstanding – basic and diluted	100,784	100,725	88,537	62,322	34,508
Total assets	3,013,793	3,131,868	3,635,314	3,869,475	1,513,741
Long-term debt, including current portion	62,223	65,421	2,095,016	2,340,806	938,687
Liabilities subject to compromise	2,481,274	2,500,973	--	--	--

During fiscal 2001, the Company's Chemical Services Division ceased operations at two incinerators, a wastewater treatment facility and a transportation facility. As a result of these closures, the Company recorded a provision for early facility closures and post-closures of \$45 million. The Company also recorded net asset impairment charges of \$8 million due primarily to a wastewater treatment facility which lost several significant customers due to adverse business conditions and a reduction in the estimated fair value of the former headquarters of Old Safety-Kleen.

Extraordinary items consist of certain trade accounts payable claims that the Company, pursuant to Bankruptcy Court approval, settled during fiscal 2001. Under the terms of these settlements, the Company paid certain vendors less than the amount of pre-petition liabilities to the vendors as of the Chapter 11 filing date. The consolidated extraordinary gains from these settlements amounted to approximately \$6 million in fiscal 2001. No income tax provision or benefit with respect to these items was required.

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

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition of Safety-Kleen Corp. (the "Registrant" or "Safety-Kleen") (collectively referred to with its subsidiaries as the "Company"). The following discussion and analysis should be read in conjunction with the Company's Form 10-K for the period ended August 31, 2001, Form 10-Q for the quarter ended November 30, 2001, and the Company's audited Consolidated Financial Statements and related Notes thereto and other information included elsewhere herein.

On November 29, 2001, the Company filed its Form 10-K for the period ended August 31, 2001, which omitted certain information responsive to Items 6, 7, 7A, 8 and 14. As described in greater detail below "Factors That May Affect Future Results -- Uncertainties Relating to the Company's Internal Controls," the Company, with the assistance of Jefferson Wells International and Arthur Andersen LLP, is working to correct material deficiencies in the Company's internal controls. Despite the progress made by the Company in correcting the deficiencies, the Company was not able to prepare and obtain an audit of its Consolidated Financial Statements for the fiscal year ended August 31, 2001, within the time limitations imposed by federal securities laws and regulations. This amended Form 10-K provides financial and other previously omitted information.

### **BUSINESS, ORGANIZATION AND BANKRUPTCY**

Safety-Kleen was incorporated in Delaware in 1978 as Rollins Environmental Services, Inc. ("Rollins"), later changed its name to Laidlaw Environmental Services, Inc. ("LESI") and subsequently changed its name to Safety-Kleen Corp. Through its Chemical Services and Branch Sales and Service divisions, the Company provides a range of services designed to collect, transport, process, recycle or dispose of hazardous and non-hazardous industrial and commercial waste streams. The Company provides these services in 50 states, ten Canadian provinces, Puerto Rico, Mexico and Saudi Arabia from approximately 375 collection, processing and other locations.

In May 1998, LESI completed the acquisition of the former Safety-Kleen Corp. ("Old Safety-Kleen"). Management believes that the Company experienced substantial difficulties in the integration of the operations of Old Safety-Kleen with those of LESI following the acquisition of Old Safety-Kleen. The implementation of the Company's post-acquisition strategy to combine key elements of the more decentralized LESI business structure with that of the strongly centralized Old Safety-Kleen business, particularly in the United States, adversely affected post-acquisition operations and cash flows and ultimately impacted management's expectation of the long-term economic performance of the underlying businesses. Changing the existing regionalized LESI pricing structure to the more uniform national pricing structure of the Old Safety-Kleen business resulted in a reduction of the overall pricing realized by the Company. Converting several of LESI's service centers from profit centers with one manager to cost centers with two managers during fiscal 1999 and 2000 resulted in poor cost and pricing controls. Transferring the Old Safety-Kleen industrial waste collection business to a co-managed waste-collection business diluted pricing and negatively impacted customer service. Requiring the use of Company-owned waste disposal facilities, even when lower-cost, external options were available, resulted in higher overall operating costs.

In addition, management believes that the loss of key employees of the Old Safety-Kleen business due to post-acquisition strategies and the relocation of Old Safety-Kleen's corporate office from Elgin, Illinois to Columbia, South Carolina resulted in a significant loss of institutional knowledge concerning historical business practices of the Old Safety-Kleen business. Many of the internal accounting and operational information systems and processes that had historically been used to monitor and manage the costs and performance of the Old Safety-Kleen business were discontinued shortly after the acquisition and, to date, have not been satisfactorily replaced. In addition, significant difficulties in relocating and converting the Old Safety-Kleen's accounts receivable and cash application functions to the LESI headquarters in Columbia, South Carolina and, subsequently, converting to new accounts receivable software resulted in significant problems regarding customer billing, dispute resolution, cash application and, ultimately, cash realization. See "Factors That May Affect Future Results - Uncertainties Related To the Company's Internal Controls" below.

On June 9, 2000, Safety-Kleen and 73 of its domestic subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief (the "Chapter 11 Cases") under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The Chapter 11 Cases are being jointly administered, for procedural purposes only, before the Bankruptcy Court under Case No. 00-2303(PJW). Excluded from the filings were certain of Safety-Kleen's non-wholly-owned domestic subsidiaries and all Safety-Kleen's indirect foreign subsidiaries.

The Company has incurred and will continue to incur significant costs associated with the reorganization. The amount of these costs, which are being expensed as incurred, is expected to significantly affect future results until the Company emerges from its reorganization under the Chapter 11 proceedings.

Consummation of a plan or plans of reorganization is the principal objective of the Chapter 11 Cases. A plan of reorganization sets forth the means for satisfying claims against and interests in the Debtors, including the liabilities subject to compromise. Generally, pre-petition liabilities are subject to settlement under such a plan or plans of reorganization, which must be voted upon by creditors and equity holders and approved by the Bankruptcy Court. The Debtors have retained Lazard Freres & Co. LLC, an investment bank, as corporate restructuring advisor to assist them in formulating and negotiating a plan or plans of reorganization for the Debtors. Although the Debtors expect to file a reorganization plan or plans as soon as reasonably possible, there can be no assurance that a reorganization plan or plans will be proposed by the Debtors or confirmed by the Bankruptcy Court, or that any such plan or plans will be consummated.

As part of this reorganization effort, the Company prepared a marketing book for the sale of the Chemical Services Division which has been distributed to interested parties. On February 22, 2002, the Company entered into a definitive agreement with Clean Harbors, Inc. ("Clean Harbors") to sell its Chemical Services Division, excluding the Company's landfill in Pinewood, S.C. Pursuant to the terms of the agreement, Clean Harbors would purchase the Chemical Services Division's net assets from the Company for \$46 million in cash, subject to defined working capital adjustments, and the assumption of certain liabilities, which includes environmental liabilities valued at approximately \$265 million as of August 31, 2001. The book value of the net assets to be disposed, net of the liabilities to be assumed, at August 31, 2001 was in excess of \$300 million. On March 8, 2002, the Bankruptcy Court approved the bidding and auction procedures for the sale of the Company's Chemical Services Division. Pursuant to the bidding procedures, all qualified bidders interested in purchasing some or all of the Chemical Services Division must submit an alternative qualified bid on or before May 30, 2002. There can be no assurance that the Bankruptcy Court and/or the various regulatory agencies will approve the sale of the Chemical Services Division to Clean Harbors or an alternative purchaser, or that the Company will be able to complete the sale of the Chemical Services Division.

Currently, it is not possible to predict the length of time the Debtors will operate under the protection of Chapter 11, the outcome of the Chapter 11 proceedings in general, or the effect of the proceedings on the business of the Company or on the interests of the various creditors and security holders. Under the Bankruptcy Code, post-petition liabilities and pre-petition liabilities subject to compromise must be satisfied before shareholders can receive any distribution. The ultimate recovery to shareholders, if any, will not be determined until the end of the case when the fair value of the Debtors' assets is compared to the liabilities and claims against the Debtors. There can be no assurance as to what value, if any, will be ascribed to the common stock in the bankruptcy proceedings. The Company does not believe the shareholders will receive any distribution upon consummation of a plan or plans of reorganization.

The Company's Consolidated Financial Statements have been prepared on a going concern basis which contemplates continuity of operations, realization of assets, and payment of liabilities in the ordinary course of business and do not reflect adjustments that might result if the Debtors are unable to continue as a going concern. The Company's history of significant losses, stockholders' deficit and the Debtors' Chapter 11 Cases, as well as issues related to compliance with debt covenants and financial assurance requirements, raise substantial doubt about the Company's ability to continue as a going concern. Continuing as a going concern is dependent upon, among other things, the Debtors' formulation of a plan or plans of reorganization, the success of future business operations, and the generation of sufficient cash from operations and financing sources to meet the Company's obligations. The Consolidated Financial Statements do not reflect: (a) the realizable value of assets on a liquidation basis or their availability to satisfy liabilities; (b) aggregate pre-petition liability amounts that may be allowed for unrecorded claims or contingencies, or their status or priority; (c) the effect of any changes to the Debtors' capital structure or in the Debtors' business operations as the result of an approved plan or plans of reorganization; or (d) adjustments to the carrying value of assets (including goodwill and other intangibles) or liability amounts that may be necessary as the result of actions by the Bankruptcy Court.

The Company's Consolidated Financial Statements as of and for the fiscal years ended August 31, 2001 and 2000 have been presented in conformity with the AICPA's Statement of Position 90-7, "Financial Reporting By Entities In Reorganization Under the Bankruptcy Code" ("SCP 90-7"). The statement requires, among other things, a segregation of liabilities subject to compromise by the Bankruptcy Court as of the bankruptcy filing date and identification of all transactions and events that are directly associated with the reorganization of the Company.

#### **OTHER MATTERS**

On September 5, 2001, the Bankruptcy Court entered an order approving employment and indemnification agreements with Ronald A. Rittenmeyer, in accordance with which he became Chairman of the Board, Chief Executive Officer and President of Safety-Kleen. Mr. Rittenmeyer had been appointed to the Board of Directors of Safety-Kleen in April 2001. Also on September 5, 2001, the Bankruptcy Court approved termination and consulting agreements with David E. Thomas, Jr. and Grover C. Wrenn; the Company terminated their executive positions and they were appointed non-executive Vice Chairmen of the Board of Directors.

In addition to Mr. Rittenmeyer, three new independent outside directors have been named to the Board of Directors of Safety-Kleen since March 2000. Kenneth K. Chalmers was appointed in May 2000, and Peter E. Lengyel and David W. Wallace were each appointed in March 2001.

On August 17, 2000, Larry W. Singleton, previously unaffiliated with the Company, was elected Senior Vice President and Chief Financial Officer, and on November 27, 2001, was elected Executive Vice President and Chief Financial Officer by the Board of Directors.

On October 18, 2001, the Bankruptcy Court entered an order approving employment and indemnification agreements with Thomas W. Arnst. On November 27, 2001, Mr. Arnst was elected Executive Vice President and Chief Administrative Officer by the Board of Directors.

On November 27, 2001, David M. Sprinkle, who had served as the President of the Chemical Services Division of the Company since May 2000, was elected Chief Operating Officer of Safety-Kleen by the Board of Directors. On October 17, 2001, Roy D. Bullinger, who had served as the President of the Branch Sales and Service Division since May 2000, ceased to be employed by the Company.

On November 27, 2001, James K. Lehman was elected to the position of Senior Vice President, General Counsel and Secretary of Safety-Kleen. On November 16, 2001, Henry Taylor, who had served as Senior Vice President, General Counsel and Secretary of Safety-Kleen, ceased to be employed by the Company.

## **INVESTIGATION OF FINANCIAL RESULTS; RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS**

On March 6, 2000, the Company announced that it had initiated an internal investigation of its previously reported financial results and certain of its accounting policies and practices. This investigation followed receipt of information by Safety-Kleen's Board of Directors, on February 24, 2000, alleging possible accounting irregularities that may have affected the previously reported financial results of the Company. The Company conducted a comprehensive internal review of its accounting records for fiscal 1997 to 2000 and engaged Arthur Andersen LLP as its new independent public accountants to, among other things, conduct an audit of the Company's Consolidated Financial Statements for the same periods. In addition, the Company is the subject of ongoing investigations by the Securities and Exchange Commission and a grand jury sitting in the United States District Court for the Southern District of New York relating to the same matters. The Company has responded to subpoenas issued by the Securities and Exchange Commission and the grand jury and is cooperating with each of the investigations.

The Board appointed a special committee, consisting of four directors who were then independent outside directors of Safety-Kleen, to conduct the internal investigation (the "Special Committee (Investigation)"). The Special Committee (Investigation) was later expanded to five directors, with the addition of another independent outside director. As a result of the preliminary findings of the investigation and the results of the audit conducted by Arthur Andersen LLP, the Company restated its previously reported financial results for fiscal 1999, 1998 and 1997 in Form 10-K/A filed on July 9, 2001.

On September 13, 2001, the Board of Directors dissolved the Special Committee (Investigation) and established the Special Committee (Conflicts of Interest in Litigation). The Special Committee (Conflicts of Interest in Litigation) is authorized to manage all litigation involving the Company and any member of the Board of Directors. The new committee is comprised of Ronald A. Rittenmeyer, Kenneth K. Chalmers, Peter E. Lengyel and David W. Wallace, each of whom was appointed to the Board subsequent to March 6, 2000 and is not personally involved in such litigation (see Note 14 of Notes to Consolidated Financial Statements).

## RESULTS OF OPERATIONS

The Company is organized along the lines of its two primary business activities—Chemical Services and Branch Sales and Service. The services provided by the Chemical Services Division include the collection, treatment, and disposal of a wide variety of hazardous and non-hazardous waste. The Company disposes of waste primarily through its network of thermal destruction incinerators, landfills and wastewater treatment facilities, and in certain instances after accumulating and treating waste at Company-owned service centers. The Branch Sales and Service Division provides parts cleaner services and other services to automotive repair, commercial and manufacturing customers. These other services include, but are not limited to, hazardous and non-hazardous waste collection, treatment, recycling and disposal.

The Company eliminates material intersegment and intrasegment revenue in presenting consolidated financial results. The majority of intersegment revenue eliminations relate to the Chemical Services Division, which bills for the waste streams it receives from the Branch Sales and Service Division.

The Company currently classifies as “Corporate” in its segment reporting, the cost of certain Company-wide functions and services consisting primarily of legal, accounting, finance and information technology. In addition, this category includes the incremental cost of the Company’s efforts related to its internal accounting review for fiscal 1997 through 2000, the audits of these periods and the various investigations of its financial results. Certain intersegment eliminations are recorded in Corporate.

Set forth below are certain operating items expressed as a percentage of revenues:

	For The Years Ended August 31,		
	2001	2000	1999
Revenues	100.0%	100.0%	100.0%
Expenses:			
Operating	80.0	87.6	76.6
Depreciation and amortization	9.5	10.7	9.9
Selling, general and administrative	18.1	17.6	12.4
Impairment and other charges	3.5	23.2	0.7
	111.1	139.1	99.6
Operating (loss) income	(11.1)	(39.1)	0.4
Interest expense, net	(0.3)	(8.9)	(11.5)
Other (expense) income	(0.1)	0.1	(0.4)
Equity in earnings of associated companies	0.0	0.1	0.1
Loss before reorganization items, income taxes, minority interest and extraordinary items	(11.5)	(47.8)	(11.4)
Reorganization items	(2.8)	(3.8)	0.0
Loss before income taxes, minority interest and extraordinary items	(14.3)	(51.6)	(11.4)
Income tax expense	(1.2)	(0.8)	(2.4)
Loss before minority interest and extraordinary items	(15.5)	(52.4)	(13.8)
Minority interest	0.0	0.0	0.1
Loss before extraordinary items	(15.5)	(52.4)	(13.7)
Extraordinary items, net of tax (early extinguishment of debt)	0.4	0.0	0.0
Net loss	(15.1)%	(52.4)%	(13.7)%

## Closed Facilities

Closed facilities represent certain facilities that have ceased operations or been sold. Ceased operations at a facility indicates that the facility has stopped accepting and disposing of waste or has significantly reduced the amount of waste acceptance and disposal to levels that typically precede a facility closure. A facility closure indicates that a facility has ceased operations, completed the decontamination process and the appropriate regulatory agencies have certified the decontamination. Also included in closed facilities are certain business activities that the Company no longer performs.

The following is a summary of facilities in the Chemical Services Division which ceased operations or were sold ("closed facilities") in fiscal 2001 and 2000:

2001

<u>Line of Business</u>	<u>Location</u>	<u>Status</u>	<u>Fiscal Quarter</u>
Transportation	Burton, MI	Ceased operations	1 <sup>st</sup>
Incinerator	Coffeyville, KS	Ceased operations	1 <sup>st</sup>
Incinerator	Bridgeport, NJ	Ceased operations	2 <sup>nd</sup>
Wastewater Treatment	Hilliard, OH	Ceased operations	2 <sup>nd</sup>
Additional Services-(Consulting)	Boulder, CO	Sold	4 <sup>th</sup>

2000

<u>Line of Business</u>	<u>Location</u>	<u>Status</u>	<u>Fiscal Quarter</u>
Landfill	Pinewood, SC	Ceased operations	4 <sup>th</sup>
Landfill	Rosemount, MN	Sold	4 <sup>th</sup>
Additional Services – (Harbor Dredging)	Northeastern US	Ceased operations	4 <sup>th</sup>

Effective December 1, 2001, the Burton, Michigan facility was reopened as a transportation rail hub. The Pinewood, South Carolina facility stopped accepting waste in the first quarter of fiscal 2001. However, due to pending litigation against Pinewood, waste disposal was significantly reduced in the fourth quarter of fiscal 2000 and Pinewood was treated as if it had ceased operations in that quarter. The Pinewood landfill continued to operate as a transportation center until December 2001.

## Fiscal 2001 Operations

The Company's operating loss of \$168 million in fiscal 2001 includes the effect of several significant expenses resulting from a number of unusual events.

During fiscal 2001, the Chemical Services Division ceased operations at two incinerators, a wastewater treatment facility and a transportation facility. As a result of these closures, the Company recorded a provision for early facility closures and post-closures of approximately \$45 million. The Company also recorded net asset impairment charges of approximately \$8 million due primarily to a wastewater treatment facility which lost several significant customers due to adverse business conditions and a reduction in the estimated fair value of the former headquarters of Old Safety-Kleen.

The Company incurred approximately \$55 million in fiscal 2001 of auditing, non-audit assistance, consulting, legal and other professional fees associated primarily with (i) the investigation and restatement of its Consolidated Financial Statements for fiscal 1997 through 1999; (ii) the preparation of its Consolidated Financial Statements for fiscal 2000; (iii) a comprehensive review of all the Company's major fiscal 2001 general ledger accounts; (iv) the preparation of its unaudited Consolidated Financial Statements for the first nine months of fiscal 2001 and related Form 10-Q/A; (v) other finance and accounting services; and (vi) litigation and compliance matters and expenses related to the various investigations concerning the Company's previously reported financial results. These costs are classified as "Selling, general and administrative" expenses in the Company's consolidated statements of operations.

The Company expects (i) the legal costs described above to decrease when the aforementioned matters are resolved, and (ii) the cost of auditing and non-audit assistance to continue in fiscal 2002 and for an indefinite period thereafter, although at a somewhat lower level, since the restatement and audit for fiscal years 1997 through 1999 and audit for fiscal 2000 was completed by July 2001. The Company expects the auditing and non-audit costs to be further reduced when its internal controls and processes are satisfactorily improved. See "Factors That May Affect Future Results - Uncertainties Relating to the Company's Internal Controls" below.

## **Fiscal 2001 Compared to Fiscal 2000**

### **Revenues**

Consolidated revenues decreased 4.5% (\$71 million) to approximately \$1,515 million in fiscal 2001, compared to approximately \$1,586 million in fiscal 2000, with the following increase or decrease by business segment: Chemical Services decreased 15.3% (\$100 million); and Branch Sales and Service increased 2.1% (\$21 million). Intersegment revenue decreased by approximately \$8 million in fiscal 2001 compared to 2000.

Chemical Services combined external and intersegment revenues in fiscal 2001 were approximately \$555 million compared to approximately \$655 million in fiscal 2000. Approximately \$56 million of the decline was due primarily to closed, ceased or sold facilities (see "Results of Operation - Closed Facilities" paragraph above) which included closures at its Bridgeport, Coffeyville, Hilliard and Burton facilities (\$41 million) in fiscal 2001 and its Pinewood and Harbor Dredging operations (\$15 million) in fiscal 2000. Excluding closed facilities, Chemical Services fiscal 2001 revenues decreased \$44 million compared to fiscal 2000 due primarily to: (i) waste streams brokered by Chemical Services for Branch Sales and Service and reported as revenue by Chemical Services in fiscal 2000 (\$13 million) but disposed of directly by Branch Sales and Service in fiscal 2001; (ii) a 40% waste stream volume reduction at a Canadian landfill facility (\$20 million) due to, among other things, lower event business, price increases and management of remaining permitted capacity against the new permit process; and (iii) other Chemical Services facilities, primarily service centers, experienced \$11 million of net decreases. Included in the revenue items discussed above are intersegment revenues of approximately \$49 million and \$56 million for fiscal 2001 and 2000, respectively.

The Branch Sales and Service combined external and intersegment revenues in fiscal 2001, were approximately \$1,020 million compared to approximately \$999 million in fiscal 2000 due to revenue increases in the following lines of business: oil re-refining 12.6% (\$17 million), industrial waste collection services 4.9% (\$11 million), vacuum truck services 21.0% (\$10 million) and integrated customer compliance services 43.8% (\$6 million); which were somewhat offset by decreases in parts cleaner services 4.2% (\$14 million), oil collection services 9.2% (\$7 million) and \$2 million of other net decreases in the remaining lines of business.

The increase in oil re-refining revenue was due to a shift to a higher priced product mix and higher crude oil prices. Selling prices in oil re-refining products have a high correlation to the price of crude oil. The higher crude oil prices also negatively impact revenue in oil collection services as competition for oil increases during times of high oil prices. The increase in industrial waste collection services revenue is the result of changes in waste routing which accelerated processing and reduced waste on hand, as well as, refinements to estimates of disposal cycle times. The increase in vacuum truck services revenue was due to improved marketing and sales efforts in that market. The increase in customer compliance services was a result of the Company's on-line service offering and an increased sales focus in this area. The decline in revenue from parts cleaner services reflects a continuing trend that the Company believes results from sales to a relatively mature and slow growth solvent-based parts cleaner market. Branch Sales and Service intersegment revenue is generated primarily by waste streams from Chemical Services processed by Branch Sales and Service recycling centers. Included in the revenue items discussed above are intersegment revenues of approximately \$11 million and \$12 million for fiscal 2001 and 2000, respectively.

### **Operating expenses**

Consolidated operating expenses in fiscal 2001 were approximately \$1,212 million compared to \$1,389 million in fiscal 2000 with the following decrease by business segment: Chemical Services decreased 23.2% (\$134 million); Branch Sales and Service decreased 4.2% (\$35 million); Corporate decreased 53.6% (\$16 million); and intersegment expense decreased by approximately \$8 million.

Chemical Services combined external and intersegment operating expenses were approximately \$441 million (79.5% of revenues) in fiscal 2001 compared to \$575 million (87.7% of revenues) in fiscal 2000. The decrease in operating expenses is due primarily to closed facilities, ceased operations and other expense reductions related to revenue declines. Excluding closed facilities, fiscal 2001 operating expenses decreased \$59 million. Also excluding closed facilities, operating expenses as a percentage of revenues were 74.8% and 78.1% for fiscal 2001 and 2000, respectively.

Branch Sales and Service combined external and intersegment operating expenses were approximately \$817 million (80.2% of revenues) in fiscal 2001 compared to \$852 million (85.4% of revenues) in fiscal 2000. The relative improvement is due to the following: (i) fiscal 2000 included approximately \$25 million of unusually large charges for amounts related to its parts cleaner service machines and the effect of increasing its reserve for obsolete inventory while fiscal 2001 includes approximately \$7 million of such charges; (ii) disposal charges were down \$13 million partially due to a shift towards lower cost external options; (iii) environmental charges were down \$6 million due to charges for changes in estimates for environmental reserves in fiscal 2000; and (iv) other cost decreases of \$5 million. These improvements were somewhat offset by \$7 million of higher utility costs in fiscal 2001 due to natural gas price increases.

Corporate operating expenses were approximately \$14 million in fiscal 2001 compared to \$30 million in fiscal 2000. The decrease is due primarily to the loss on the final sale of the Company's European operations and the charge for certain uncollectible accounts which were included in fiscal 2000 operating expense and did not recur in fiscal 2001.

### Depreciation and amortization expense

Consolidated depreciation and amortization expense was approximately \$144 million and \$170 million in fiscal 2001 and 2000, respectively. The decrease of \$26 million was due primarily to the write-down of impaired assets in fiscal 2000 (see Note 17 of Notes to Consolidated Financial Statements).

### Selling, general and administrative expenses

Consolidated selling, general and administrative expenses of approximately \$274 million for 2001 were essentially unchanged compared to approximately \$279 million in fiscal 2000. However, fiscal 2001 includes an increase of \$48 million in professional fees relating to the investigation, restatement and audit of the fiscal 1997 through 1999 Consolidated Financial Statements and for the fiscal 2000 audit, as well as other items discussed in greater detail above. In fiscal 2001, the Company also recorded a charge of \$14 million for uncollectible accounts, while fiscal 2000 included a charge of \$74 million, a decrease of \$60 million. The charge in fiscal 2000 was higher principally due to business system and integration difficulties, which began in fiscal 1999 and continued throughout fiscal 2000. Improvements have been made in accounts receivable due to expanded collection efforts and certain system and process changes, including cash application procedures. The Company is continuing to develop and implement strategies for further improvements.

### Impairment and other charges

Impairment and other charges were approximately \$53 million in fiscal 2001. As described above, the Company decided to cease operations at several locations during 2001, which resulted in a provision for early facility closures and post-closures of \$45 million. The Company also recorded \$8 million of net impairment charges primarily related to a wastewater treatment facility and the former headquarters of Old Safety-Kleen. The fiscal 2000 impairment charges of approximately \$368 million (see Note 17 of Notes to Consolidated Financial Statements) were primarily related to the Debtors' Chapter 11 Cases in June 2000.

The components of fiscal 2001 impairment and other charges consist of the following (\$ in millions):

	<u>Chemical Services</u>	<u>Branch Sales and Service</u>	<u>Total</u>
Provision for early facility closure:			
Bridgeport incinerator	\$ 34	\$ --	\$ 34
Coffeyville incinerator	9	--	9
Hilliard wastewater treatment facility	1	--	1
Burton transportation facility	1	--	1
	<u>45</u>	<u>--</u>	<u>45</u>
Asset impairment and other charges	1	7	8
Total	<u>\$ 46</u>	<u>\$ 7</u>	<u>\$ 53</u>

The components of fiscal 2000 impairment and other charges consist of the following (\$ in millions):

	<u>Chemical Services</u>	<u>Branch Sales and Service</u>	<u>Total</u>
Service centers and landfills related to western operations	\$ 118	\$ --	\$ 118
Other landfills and incinerators	119	--	119
Harbor facility – closed	22	--	22
Pinewood landfill	16	--	16
Former headquarters of Old Safety-Kleen	--	19	19
Other facilities	74	--	74
Total	<u>\$ 349</u>	<u>\$ 19</u>	<u>\$ 368</u>

### Interest expense, net

Consolidated net interest expense was approximately \$5 million and \$142 million in fiscal 2001 and 2000, respectively. Fiscal 2001 interest expense principally represents the interest on the Canadian portion of the outstanding balance of the Company's Senior Credit Facility, (see Note 10 of Notes to Consolidated Financial Statements) for which the interest rate is based on the Canadian Prime or Canadian Bankers Acceptance, both being variable in nature. In accordance with SOP 90-7, contractual interest on the domestic pre-petition debt of \$245 million

in fiscal 2001 and \$61 million in fiscal 2000 has not been accrued for in the accompanying Consolidated Financial Statements since the date of the Chapter 11 Cases. No interest payments have been made on either Canadian or domestic debt in fiscal 2001.

**Other (expense) income**

Other expense in fiscal 2001 was approximately \$1 million compared to other income of approximately \$1 million in fiscal 2000.

**Derivative (losses) gains**

The Company incurred a decline of approximately \$1 million in the market value of a stock purchase warrant in fiscal 2001 compared to an approximate \$1 million gain on unrelated derivative contracts in fiscal 2000.

**Equity in earnings of associated companies**

On August 11, 2000, the Company completed the sale of its remaining 44% interest in its European operations. Accordingly, there was no earnings of associated companies in fiscal 2001 compared to approximately \$2 million in fiscal 2000.

**Reorganization items**

Consolidated reorganization items, as reported in the accompanying consolidated statements of operations, are comprised of income and expense items that were realized or incurred by the Debtors as a direct result of the Company's decision to reorganize under Chapter 11 (see Note 18 of Notes to Consolidated Financial Statements). Reorganization items were approximately \$42 million in fiscal 2001 compared to \$61 million in fiscal 2000. The change was due primarily to the write-off of \$42 million in deferred financing costs related to pre-petition debt in fiscal 2000 partially offset by an increase in professional services directly related to the Chapter 11 Cases and accrued employee retention plan costs as approved by the Bankruptcy Court in fiscal 2001.

**Income taxes**

At August 31, 2001, the Company had net operating loss carryforwards for U.S. federal income tax purposes of approximately \$1.2 billion expiring in the years 2006 through 2021. The Company cannot currently conclude that it will likely realize all the benefits of these loss carryforwards and an appropriate valuation allowance has been established. The income tax provision reflects state and foreign taxes payable of approximately \$15 million, plus other net deferred tax expenses of approximately \$3 million. Implementation of a plan or plans of reorganization will likely reduce the availability of some or all of these net operating loss carryforwards.

**Extraordinary items (early extinguishment of debt)**

The Company, pursuant to Bankruptcy Court approval, has settled certain pre-petition trade accounts payable claims during fiscal 2001. Under the terms of these settlements, the Company paid certain vendors less than the amount recorded in the Company's financial records as being owed to the vendors as of the date of the Chapter 11 Cases. The Company has reported the resulting gain from the early extinguishment of this debt as an extraordinary item. The consolidated gains from these settlements amounted to approximately \$6 million in fiscal 2001. No income tax provision or benefit with respect to these items is required.

## **Fiscal 2000 Compared to Fiscal 1999**

### **Revenues**

Consolidated revenues decreased \$38 million to approximately \$1,586 million in fiscal 2000 compared to \$1,624 million in fiscal 1999, with the following increase or decrease by business segment: Chemical Services decreased 9.2% (\$66 million); and Branch Sales and Service increased 4.5% (\$44 million). Intersegment revenue and other revenue increased \$16 million in fiscal 2000 compared to fiscal 1999.

Chemical Services combined external and intersegment revenues in fiscal 2000 were approximately \$655 million compared to \$721 million in fiscal 1999. This decline of approximately \$66 million was mainly attributable to the following: (i) approximately \$20 million less revenue in fiscal 2000 from the curtailment of the Division's harbor dredging operations; (ii) approximately \$20 million of lower landfill revenues, almost half of which is related to the Pinewood Facility which significantly reduced waste disposal while certain litigation is pending; (iii) approximately \$18 million less revenue in fiscal 2000 due to curtailments in the operation of seven other transportation and specialty facilities; and (iv) approximately \$8 million in other revenue reductions. Included in the revenue items above are intersegment revenues of \$56 million and \$50 million for fiscal 2000 and 1999, respectively.

Branch Sales and Service combined external and intersegment revenues in fiscal 2000 were approximately \$999 million compared to \$955 million in fiscal 1999. The Branch Sales and Service increase of approximately \$44 million was primarily comprised of an increase in the Division's North American operations of \$81 million partially offset by a decrease in its European operations of approximately \$40 million (on December 23, 1998, the Company announced the recapitalization of its European operations resulting in the sale of 56% of the Company's equity interest in those operation (See equity in earnings of associated company below)) and other net increases of \$3 million. The increase of \$81 million for the North American operations is primarily due to increases in the oil collection, re-refining and automobile recovery business which benefited from (i) approximately \$27 million of higher sales attributable to the acquisition of the First Recovery business on September 1, 1999 (the "First Recovery Acquisition"); (ii) approximately \$37 million of higher revenue at its used oil re-refineries, resulting primarily from higher prices attributable to an increase in crude oil commodity pricing and from an increase in sales volumes from the East Chicago, Indiana site, which was temporarily idled during approximately six weeks of fiscal 1999 while it corrected a remediation issue; and (iii) approximately \$17 million greater net revenue in certain other lines of business. Revenues from the parts cleaner services line of business declined, continuing a trend, which the Company believes results from sales to a relatively mature and slow growth solvent-based parts cleaner market. Revenues in other lines of business had relatively unchanged results. Included in the revenue items discussed above are intersegment revenues of \$12 million and \$1 million for fiscal 2000 and 1999, respectively.

### **Operating expenses**

Consolidated operating expenses were approximately \$1,389 million in fiscal 2000 compared to \$1,243 million in fiscal 1999 with the following increase by business segment: Chemical Services increased 4.4% (\$24 million); Branch Sales and Service increased 18.0% (\$129 million); and Corporate increased by 50.0% (\$10 million) and intersegment expense increased by approximately \$17 million.

Chemical Services combined external and intersegment operating expenses were approximately \$575 million (87.7% of revenues) in fiscal 2000, compared to \$551 million (76.4% of revenue) in fiscal 1999. Chemical Services operating expenses increased substantially as a percentage of revenue in fiscal 2000. This increase was largely due to (i) lower operating margins at the Pinewood Facility which accrued for all of its remaining site closure and post-closure cost targets in view of the assumption that there will probably not be significant additional waste disposal activity at the facility and (ii) lower margins at the harbor dredging operations as a result of declining revenues while many operating expenses continued.

Branch Sales and Service combined external and intersegment operating expenses were approximately \$852 million (85.4% of revenues) in fiscal 2000 compared to \$723 million (75.6% of revenues) in fiscal 1999 due to (i) approximately \$25 million of charges related to its parts cleaner service machines and the effect of increasing its reserve for obsolete inventory; (ii) approximately \$20 million of higher costs associated with the oil re-refinery business consistent with the higher commodity pricing and volumes discussed above; (iii) approximately \$20 million of higher costs due to the First Recovery Acquisition; (iv) other increases such as disposal costs resulting from the requirement to use internal waste disposal facilities during part of fiscal 2000, even when lower-cost external options were available; (v) higher fuel and maintenance costs due to the age of the transportation fleet and increased fuel prices; and (vi) higher labor and fringe benefit costs. These increases were reduced by approximately \$25 million related to the European operations, which were no longer consolidated in fiscal 2000.

Corporate operating expenses were approximately \$30 million in fiscal 2000 compared to \$20 million in fiscal 1999. These expenses consist primarily of taxes, (other than taxes on earnings), rental payments and other operating expenses.

### **Depreciation and amortization expense**

Consolidated depreciation and amortization expense increased in fiscal 2000 by approximately \$9 million to \$170 million compared to \$161 million in fiscal 1999. The increase was primarily due to a change in the estimated lives in fiscal 2000 of parts cleaner service machines at customers in the Branch Sales and Service Division.

### Selling, general and administrative expenses

Consolidated selling, general and administrative expenses were approximately \$279 million in fiscal 2000 compared to \$202 million in fiscal 1999. This increase of \$77 million resulted primarily from an increase in professional services fees and a \$61 million increase in the provision for uncollectible accounts during fiscal 2000.

### Impairment and other charges

The components of fiscal 2000 impairment and other charges consist of the following (\$ in millions):

	<u>Chemical Services</u>	<u>Branch Sales and Service</u>	<u>Total</u>
Service centers and landfills related to western operations	\$ 118	\$ --	\$ 118
Other landfills and incinerators	119	--	119
Harbor facility – closed	22	--	22
Pinewood landfill	16	--	16
Former headquarters of Old Safety Kleen	--	19	19
Other facilities	74	--	74
Total	<u>\$ 349</u>	<u>\$ 19</u>	<u>\$ 368</u>

The components of fiscal 1999 impairment and other charges consist of the following (\$ in millions):

	<u>Chemical Services</u>	<u>Branch Sales and Service</u>	<u>Total</u>
Write-down of non-landfill permits	\$ 9	\$ --	\$ 9
Property, plant and equipment	2	--	2
Total	<u>\$ 11</u>	<u>\$ --</u>	<u>\$ 11</u>

The amounts shown as related to western operations pertain to facilities that are located in the western area of the United States. Their markets have been adversely affected by competitive conditions, including an oversupply of available services, which have limited the Company's ability to increase prices to recover increased costs, including those related to new environmental regulations.

Included in other landfills and incinerators is an incinerator constructed to burn contaminated soils. Although significant revenue resulted from unusual events in fiscal 1999 and 2000, the general level of demand for these services has and is expected to continue to decline. In addition, new environmental regulations are projected to significantly increase capital expenditures and operating costs in the future. Also included in other landfills and incinerators is a landfill which has been the primary disposal site for the soil burned at the Company owned incinerator. The projected declines in volumes generated at the incinerator are projected to have an adverse effect on volumes at the landfill.

As discussed in Note 14 of Notes to Consolidated Financial Statements, the Safety-Kleen (Pinewood), Inc. facility ("the Pinewood Facility") has been the subject of lengthy, complex and protracted legal proceedings. The Company recorded an impairment charge related to the Pinewood Facility in fiscal 1997 as a result of the projected effects of adverse legal developments in that year. On the basis of the additional adverse outcomes of these proceedings, the Company has concluded that it would be imprudent to assume that this facility will be able to generate any significant future revenue. Accordingly, an additional charge has been recorded for the impairment of the remaining net book value of fixed assets at the Pinewood Facility. Appropriate reserves for closure and post-closure costs at the Pinewood Facility have been fully provided and included in operating costs.

### Interest expense, net

Consolidated interest expense was approximately \$142 million and \$186 million in fiscal 2000 and 1999, respectively. Interest expense decreased primarily because contractual interest expense of approximately \$61 million on pre-petition domestic funded debt attributable to the period from the date of the Debtors' Chapter 11 Cases to August 31, 2000, has not been accrued in the Consolidated Financial Statements in accordance with SOP 90-7. Prior to the date of the Debtors' Chapter 11 Cases, the additional borrowings incurred under the Senior Credit Facility needed to fund the Company's negative cash flow from operations through that date resulted in additional interest expense over fiscal 1999.

**Derivative gains (losses)**

The net market value of certain derivative contracts used for trading purposes increased \$1 million during fiscal 2000 compared to a decline of \$6 million during fiscal 1999. There were no outstanding derivative contracts as of August 31, 2000.

**Equity in earnings of associated companies**

On August 11, 2000, the Company completed the sale of its remaining 44% interest in its European operations. The Company received approximately \$34 million in cash and, subject to contingencies, approximately \$1 million in deferred payments. From these proceeds and the proceeds of the sale of the Company's Rosemount facility, approximately \$19 million was paid to the Company's pre-petition lenders of the Senior Credit Facilities as an adequate protection payment related to the security interest in both of these assets held by such lenders. These payments are classified as a reduction in the "Liabilities Subject to Compromise" associated with these lenders in the Consolidated Financial Statements at August 31, 2000.

Equity in earnings of associated companies during fiscal 2000 primarily reflects the Company's share of the results of operations attributable to the Company's 44% interest in its European operations from September 1, 1999 to August 11, 2000, the date of sale of the Company's remaining interest.

On December 23, 1998, the Company announced the recapitalization of its European operations resulting in the sale of 56% of the Company's equity interest in those operations. Equity in associated companies during fiscal 1999 reflect the Company's share attributable to the Company's remaining 44% interest in the results of its European operations.

**Reorganization items**

Consolidated reorganization items as reported in the accompanying consolidated statement of operations are comprised of income, expense and loss items that were realized or incurred by the Debtors as a direct result of the Company's decision to reorganize under Chapter 11 (see Note 18 of Notes to Consolidated Financial Statements). Reorganization items were as follows (\$ in millions):

Write-off of deferred financing costs related to pre-petition domestic borrowings	\$ 42
Professional fees directly related to the filings	15
Losses on early termination of qualifying hedge contracts	3
Other	1
	<u>\$ 61</u>

**Income taxes**

At August 31, 2000, the Company had net operating loss carryforwards for U.S. federal income tax purposes of approximately \$802 million expiring in the years 2006 through 2020. The Company cannot currently conclude that it will likely realize all the benefits of these loss carryforwards and an appropriate valuation allowance has been established. The income tax provision reflects state and foreign taxes payable of approximately \$5 million, plus other net deferred tax expenses of approximately \$8 million. Implementation of a plan or plans of reorganization will likely reduce the availability of some or all of these net operating loss carryforwards.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company considers critical accounting policies and estimates as matters that materially effect the Company's operating results and financial position, which require management's judgement and are inherently uncertain. The Company has determined that the following accounting policies and estimates are critical to the understanding of the Company's Consolidated Financial Statements:

### **Basis of Presentation**

The Company's Consolidated Financial Statements have been prepared on a going concern basis which contemplates continuity of operations, realization of assets, and payment of liabilities in the ordinary course of business and do not reflect adjustments that might result if the Debtors are unable to continue as a going concern. The Company's history of significant losses, deficit in stockholders' equity and the Debtors' Chapter 11 Cases, as well as issues related to compliance with debt covenants and financial assurance requirements raise substantial doubt about the Company's ability to continue as a going concern. Continuing as a going concern is dependent upon, among other things, the Debtors' formulation of a plan or plans of reorganization, the success of future business operations, and the generation of sufficient cash from operations and financing sources to meet the Company's obligations. The Consolidated Financial Statements do not reflect: (i) the realizable value of assets on a liquidation basis or their availability to satisfy liabilities; (ii) aggregate pre-petition liability amounts that may be allowed for unrecorded claims or contingencies, or their status or priority; (iii) the effect of any changes to the Debtors' capital structure or in the Debtors' business operations as the result of an approved plan or plans of reorganization; or (iv) adjustments to the carrying value of assets (including goodwill and other intangibles) or liability amounts that may be necessary as the result of actions by the Bankruptcy Court.

The Company's Consolidated Financial Statements as of and for the fiscal years ended August 31, 2001 and 2000 have been presented in conformity with SOP 90-7. This statement requires, among other things, a segregation of liabilities subject to compromise by the Bankruptcy Court as of the bankruptcy filing date and identification of all transactions and events that are directly associated with the reorganization of the Company. In recording liabilities subject to compromise, the Company must make certain estimates relating to the amounts it expects to eventually pay to settle certain liabilities. The actual amounts required to settle these claims could significantly differ from the amounts currently recorded.

### **Landfill Accounting and Environmental Liabilities**

The Company has material financial commitments for the costs associated with (i) the final closure and post-closure activities at its landfill facilities and (ii) remedial liabilities at sites that it owns or operates and at sites to which it has transported or disposed of waste, including 55 Superfund sites as of February 28, 2002. Estimates for the costs of these activities are developed by the Company's engineers, accountants and external consultants. These estimates are based on an evaluation of site specific facts and circumstances, including the Company's interpretation of current regulatory requirements and proposed regulatory changes, as well as its estimate of its participation level. These estimates are subject to change due to various circumstances including, but not limited to, (i) permit modifications; (ii) changes in legislation or regulations; (iii) technological changes; and (iv) results of environmental studies. The Company's extensive experience in the environmental services business, as well as its involvement with a large number of sites, provides a reasonable basis for estimating its aggregate liability. The Company believes that a significant change to the cost estimates used in determining its environmental liabilities could have a material impact on the Consolidated Financial Statements.

Landfill capacity, which is the basis for the amortization of site costs and for the accrual of final closure and post-closure obligations, represents total airspace that management believes is probable of ultimately being permitted based on established criteria. The Company applies a comprehensive set of criteria for evaluating the probability of obtaining a permit for future expansion airspace at existing sites, which provides management a sufficient basis to evaluate the likelihood of success of unpermitted expansions. Remaining landfill capacity divided by annual usage estimates is used to calculate estimated remaining site lives. Changes in estimates of remaining landfill site lives, as well as, inflation and discount rate assumptions used to record the landfill closure and post-closure liabilities, could also have a material impact on the Consolidated Financial Statements.

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 will require, upon adoption, that the Company recognize as a component of asset cost, the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. Under this statement, the liability is discounted and accretion expense is recognized using the credit-adjusted risk-free interest rate in effect when the liability was initially recognized. SFAS No. 143 is effective for Consolidated Financial Statements issued for fiscal years beginning after June 15, 2002. The Company will be required to adopt SFAS No. 143 at the earlier of its emergence from bankruptcy or September 1, 2002. The Company is currently in the process of evaluating the impact of SFAS No. 143; however, the adoption of this standard is expected to result in the recognition of additional assets and liabilities, and may result in a significant charge to operations in the period of adoption.

### **Asset Impairments Other than Goodwill**

The Company periodically evaluates whether events and circumstances have occurred that indicate that the remaining useful life of any of its tangible and intangible long-lived assets (other than goodwill) may warrant revision or that the remaining balance might not be recoverable.

When factors indicate that the tangible and intangible assets should be evaluated for possible impairment, the Company uses an estimate of the future undiscounted cash flows generated by the underlying assets to determine if an impairment is indicated. As required by SFAS No. 121, the asset balances used in this test include an allocation of any goodwill which was recorded in connection with their acquisition. If an impairment is indicated by this test, the Company adjusts the book value of the allocated goodwill, if any, and then the book value of the impaired long-lived assets to their estimated fair values and records a provision for impairment in the income statement. The Company believes that a significant change to the estimates of undiscounted cash flows could have a material adverse impact on the Consolidated Financial Statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" for the disposal of a segment of a business (as previously defined in that opinion). SFAS No. 144 is effective for Consolidated Financial Statements issued for fiscal years beginning after December 15, 2001. The Company will be required to adopt SFAS No. 144 at the earlier of its emergence from bankruptcy or September 1, 2002. In addition, the statement (i) changes the criteria for classifying an asset as held-for-sale; and (ii) broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing operating losses on such operations prior to their discontinuance. The Company is currently in the process of evaluating the potential impact that the adoption of SFAS No. 144 will have on its consolidated financial position and results of operations.

### **Business Combinations and Goodwill**

Goodwill resulting from business combinations accounted for as purchases is tested for impairment using undiscounted estimated future cash flows, excluding interest, when facts and circumstances indicate that an impairment may have occurred. The Company believes that the Chapter 11 Cases and the events that led up to it meet this criteria. As discussed above, a portion of goodwill may also be tested as part of an impairment test of related long-lived assets.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001. SFAS No. 141 also specifies criteria for intangible assets acquired in a business combination to be recognized and reported apart from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of the statement. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company is required to adopt the provisions of SFAS No. 141 immediately for new transactions and SFAS No. 142 at the earlier of its emergence from bankruptcy or September 1, 2002. Early adoption of SFAS No. 142 is permitted.

The Company's existing goodwill and intangible assets will continue to be amortized prior to the adoption of SFAS No. 142. Upon adoption of SFAS No. 142, the Company must evaluate its existing intangible assets and goodwill. The Company will be required to reassess the useful lives and residual values of all recorded intangible assets, and make any necessary amortization period adjustments by the end of the second fiscal quarter following adoption. Additionally, to the extent an intangible asset is identified as having an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142 by the end of the second fiscal quarter following adoption. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle.

As of September 1, 2002, the Company expects to have unamortized goodwill of approximately \$1.2 billion (\$96 million related to Chemical Services Division and \$1.1 billion related to the Branch Sales and Service Division), which will be subject to the transition provisions of SFAS No. 142. Amortization expense related to goodwill and other intangible assets was \$71 million, \$73 million and \$74 million for each of the three years ended August 31, 2001, 2000 and 1999, respectively. The Company believes it will likely incur a significant write-down in the value of its intangible assets at the earlier of its emergence from bankruptcy, as provided by SOP 90-7, or the adoption of SFAS No. 142.

### **Litigation Contingencies**

Legal proceedings covering a wide range of matters are pending or threatened in the United States and foreign jurisdictions against the Company and/or former and/or current officers, directors and employees. Various types of claims are raised in these proceedings, including shareholder class action and derivative lawsuits, product liability, environmental, antitrust, tax, and breach of contract. Management consults with legal counsel in estimating reserves and developing estimates of ranges of potential loss.

The Company has claims where management has assessed that an unfavorable outcome is probable. As of August 31, 2001, the aggregate estimated potential loss on these claims range from approximately \$19 million to approximately \$71 million and the Company has recorded reserves of approximately \$26 million, including \$19 million subject to compromise, representing its best estimate of losses to be incurred.

Additionally, the Company has substantial claims where management has assessed that an unfavorable outcome is probable or, at least, reasonably possible and which, if incurred, may have a material adverse effect on the Company's financial condition. The Company, however, has not recorded reserves related to these claims as management believes the potential loss is not currently estimable.

The actual outcomes from these claims could differ from these estimates. These estimates do not include the impact, if any, that the Debtors' bankruptcy proceedings may have on the treatment of these claims.

### **Revenue Recognition**

The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Consolidated Financial Statements." SAB No. 101 requires that four basic criteria must be met before revenue can be recognized: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services rendered; (iii) the fee is fixed and determinable; and (iv) collectibility is reasonably assured.

The Company recognizes revenue upon disposal for its waste collection and disposal activities, and over the applicable service intervals for its parts cleaner and related businesses. Consulting and oil collection services revenue is recognized when services are performed. Revenue from product sales is recognized upon delivery to the customers. Unearned revenue has been recorded for services billed but not earned in the accompanying consolidated balance sheets. Direct costs associated with the handling and transportation of waste prior to disposal and other variable direct costs associated with the Company's parts cleaner and related businesses are capitalized as a component of other current assets in the accompanying consolidated balance sheets and expensed when the related revenue is recognized. Deferral periods related to unearned revenue and the related direct costs typically range from one to six months. Although changes in the volume of activity would create changes in recognized revenues, the generally short time interval required to earn revenue decreases the impact of such variations.

### **Safety-Kleen (Pinewood), Inc.**

As further discussed in Note 14 of Notes to Consolidated Financial Statements, by an order from the South Carolina Department of Health and Environmental Control dated May 19, 1994, the Company was ordered to establish and maintain an environmental impairment fund ("EIF") in the amount of \$133 million in 1994 dollars (\$151 million in 2001 dollars) by July 1, 2004, as financial assurance for potential environmental clean up and potential restoration of environmental impairment at the Safety-Kleen (Pinewood), Inc. facility ("the Pinewood Facility"). The EIF has two components: (i) the GSX Contribution Fund, which was to be funded by Safety-Kleen (Pinewood), Inc. in annual cash payments over a ten year period; and (ii) the State Permitted Sites Fund, a legislatively created fund derived from fees on waste disposal at the Pinewood Facility. Under the Order, at the end of the 100-year post-closure care period, funding of the GSX Contribution Fund will be subject to evaluation by an independent arbitrator, who will determine what level of funding, if any, is still required. The Company is entitled to seek recovery of any excess amount so determined. Upon termination of the GSX Contribution Fund, any remaining trust assets would revert to Safety-Kleen (Pinewood), Inc. As of August 31, 2001, there was approximately \$20 million in the GSX Contribution Fund and approximately \$15 million in the State Permitted Sites Fund. Subject to the automatic stay provisions of the Debtors' Chapter 11 Cases, the Company would be required to fund, in 2001 dollars, approximately \$110 million and \$6 million to the GSX Contribution Fund in fiscal 2002 and 2003, respectively, to comply with financial assurance provisions of the Order.

The Company has recorded a restricted asset of \$20 million related to the GSX Contribution Fund. Additionally, the \$15 million in the State Permitted Sites Fund is not considered an asset of the Company. The obligation to contribute the remaining \$116 million to the GSX Contribution Fund has been treated as a commitment to restrict additional assets and no liability related to the obligation has been recorded in the Consolidated Financial Statements.

## LIQUIDITY AND CAPITAL RESOURCES

### Bankruptcy

The matters described under this caption "Liquidity and Capital Resources", to the extent that they relate to future events or expectations, may be significantly affected by the Chapter 11 proceedings. These proceedings will involve, or result in, (i) various restrictions on the Company's activities; (ii) limitations on financing; (iii) the need to obtain Bankruptcy Court approval for various matters; (iv) uncertainty as to relationships with vendors, suppliers, customers and others with whom the Company may conduct or seek to conduct business; and (v) uncertainty as to the sale of the Company's Chemical Services Division.

### Cash and Cash Equivalents

The Company's primary sources of liquidity are cash flows from operations, existing cash, proceeds from the sale of non-core assets and businesses and the Second DIP Facility (as hereinafter defined).

As of August 31, 2001, cash and cash equivalents at the Company's domestic and Canadian facilities was approximately \$75 million and \$41 million, respectively. As of January 31, 2002, cash and cash equivalents at the Company's domestic and Canadian facilities was approximately \$61 million and \$27 million, respectively. The Company's ability to utilize the cash at the Canadian facilities for domestic operating, capital expenditure, financial assurance and environmental liability requirements is limited as a result of the bankrupt status of the Debtors, the requirements of the Senior Credit Facility, and tax consequences.

As of March 3, 2002, no amounts had been drawn on the First DIP Facility (as hereinafter defined) and approximately \$75 million of letters of credit had been issued. In addition, the Company had approximately \$9 million of additional availability under the First DIP Facility as of that date. The Company is using its existing cash and cash from operations to meet its operating, capital expenditure, financial assurance and environmental liability requirements.

### Cash Flows from Operating Activities

The Company generated approximately \$100 million from operations during fiscal 2001 compared to cash used in operations of \$59 million in fiscal 2000. This increase is attributed primarily to (i) improvements in accounts receivable collections; (ii) the timing of payments on certain accrued liabilities such as professional fees, payroll and related costs, property taxes and other operating items; and (iii) continued suspension of interest payments on pre-petition and Canadian debt.

Consolidated net cash flow from operations subsequent to August 31, 2001 (i) will need to accommodate substantially increased costs to replace certain financial assurance programs; (ii) will need to fund the payment of the accrued liabilities noted above as they become due; (iii) could be affected by the potential loss of "event-based" business in the Chemical Services Division; and (iv) will need to fund the cash requirements for the deactivation and closure of certain facilities.

### Cash Flows from Investing Activities

The Company operates in an industry that requires a high level of capital investment. The Company's capital investment requirements primarily relate to (i) trucks and other vehicles; (ii) parts cleaner service machines placed at customer locations; (iii) computer related technology; (iv) equipment at waste collection and disposal facilities; and (v) construction and expansion of its landfill sites. Capital expenditures in fiscal 2001 totaled \$71 million. During fiscal 2001, the Company deferred certain non-essential capital expenditures and expects to continue to defer capital spending in fiscal 2002. However, in fiscal 2003 and beyond, the Company expects capital expenditure requirements to significantly increase over the spending levels of fiscal 2002, primarily due to a return to more normal operating requirements and the need to comply with new regulatory requirements for incinerators. In addition, the Company expects to upgrade certain of the Company's Branch Sales and Service transportation fleet and oil re-refining facilities in fiscal 2002 and beyond.

### Cash Flows from Financing Activities

The change in net cash flow from financing activities has decreased due to payments on the Company's industrial revenue bonds, the Debtors' Chapter 11 Cases and the Company's default on the Canadian debt. The Company has been able to meet current liquidity needs with cash provided by operating activities and letters of credit issued under the First DIP Facility. As of August 31, 2001, no amounts had been borrowed against the First DIP Facility and approximately \$48 million of letters of credit had been issued.

## Contractual Commitments and Commercial Obligations

As described more fully in Notes 10, 11 and 14 of the Notes to Consolidated Financial Statements and Item 7A, at August 31, 2001, the Company had certain cash obligations associated with contractual commitments and commercial obligations. Based on original contractual terms, these commitments and obligations are due as follows (\$ in millions):

### Contractual Commitments

	<u>Total</u>	<u>Less than 1 year</u>	<u>1 – 3 years</u>	<u>4 – 5 years</u>	<u>After 5 years</u>
<u>Subject to compromise:</u>					
Long-term debt (variable rate) <sup>1</sup>	\$ 1,538	\$ 1,538	\$ --	\$ --	\$ --
Long-term debt (fixed rate) <sup>1</sup>	634	634	--	--	--
Accrued interest	67	67	--	--	--
Derivative contracts	69	69	--	--	--
Environmental liabilities	11	2	8	1	--
Pinewood-EIF funding	116	110	6	--	--
Other	5	5	--	--	--
Subtotal contractual commitments subject to compromise	2,440	2,425	14	1	--
<u>Not subject to compromise:</u>					
Current portion of long-term debt (variable rate)	62	62	--	--	--
Environmental liabilities <sup>2</sup>	596	41	94	45	416
Operating leases	112	37	41	21	13
Unconditional purchase obligations	171	48	80	43	--
Other	33	19	14	--	--
Subtotal contractual commitments not subject to compromise	974	207	229	109	429
Total contractual cash obligations	<u>\$ 3,414</u>	<u>\$ 2,632</u>	<u>\$ 243</u>	<u>\$ 110</u>	<u>\$ 429</u>

### Other Commercial Commitments

	<u>Total</u>	<u>Less than 1 year</u>	<u>1 – 3 years</u>	<u>4 – 5 years</u>	<u>After 5 years</u>
First DIF Facility letters of credit	\$ 48	\$ 48	\$ --	\$ --	\$ --
Letters of credit <sup>3</sup>	92	92	--	--	--
Guarantees <sup>3</sup>	6	6	--	--	--
Total commercial commitments	<u>\$ 146</u>	<u>\$ 146</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

<sup>1</sup> All fixed and variable rate long-term debt subject to compromise are classified above as "Less than 1 year" due to default provisions. Amounts subject to compromise may be subject to future adjustments and settled at amounts substantially less than contract values. See Notes 10 and 11 of the Notes to Consolidated Financial Statements.

<sup>2</sup> Anticipated payments of environmental liabilities (based on current estimated costs) and anticipated timing of necessary regulatory approvals to commence work of closure, post-closure and remediation activities are presented on a consolidated basis. Certain environmental liabilities are discounted in the consolidated balance sheet primarily for certain of the Company's landfill related reserves. See Notes 3 and 9 of the Notes to Consolidated Financial Statements.

<sup>3</sup> Subject to compromise.

Contractual commitments and other commercial commitments included as subject to compromise may be settled in amounts and terms that differ from the above schedule. Settlements and maturities are dependent on a plan or plans of reorganization to be filed with the Bankruptcy Court (see "Factors That May Affect Future Results - Uncertainties Relating to Bankruptcy Proceedings"). Other commercial commitments are contingent obligations of the Company.

## EBITDA Analysis

Management evaluates the Company's performance using several factors, of which the primary financial measure is operating (loss) income before depreciation and amortization and impairment and other charges ("EBITDA") (see Note 25 of Notes to Consolidated Financial Statements). In addition, the Company uses Adjusted EBITDA, which is calculated by adding back to EBITDA certain other non-cash charges which management believes are similar to depreciation and amortization. This Adjusted EBITDA measure is used by the Company to plan for its environmental, capital expenditure and other requirements. Further adjustments are made for significant items that, in management's opinion, are unusual and affect the applicable period.

A summary of annual EBITDA reflecting management adjustments is as follows (in thousands):

	Year Ended August 31,		
	2001	2000	1999
Operating (loss) income	\$ (168,336)	\$ (620,170)	\$ 6,876
Add:			
Depreciation and amortization	143,710	169,902	161,314
Impairment and other charges	52,884	367,793	11,287
EBITDA	\$ 28,258	\$ (82,475)	\$ 179,477
Loss on disposal of equipment (non-cash)	2,910	43,813	27,921
Adjusted EBITDA	\$ 31,168	\$ (38,662)	\$ 207,398
Unusual items:			
Accounting, legal, consulting and other costs	55,342	7,400	--
Adjusted EBITDA after unusual items	\$ 86,510	\$ (31,262)	\$ 207,398

Capital expenditures were \$71 million, \$53 million and \$72 million in fiscal 2001, 2000 and 1999, respectively. Environmental spending totaled \$23 million in fiscal 2001. Due to the accounting issues surrounding the restatement of the Company's Consolidated Financial Statements in the fiscal 2000 10-K/A, the Company is unable to determine the environmental cash spending amounts for fiscal 2000 and 1999. In reaching this conclusion, the Company has considered (i) the significant volume of transactions involved; (ii) the risk that other environmental related cash expenditures could have been incurred but recorded in other accounts; and (iii) the lack of historical systems and controls which provided for the tracking and administering of all of the costs by one department.

In determining Adjusted EBITDA, the Company also normally adds back any non-cash provision for environmental liabilities. Due to the accounting issues surrounding the restatement of the Company's Consolidated Financial Statements in the fiscal 2000 10-K/A, the Company is unable to determine the provision for environmental liabilities (non-cash) amounts for fiscal 2000 and 1999. Accordingly, the amount for fiscal 2001 of \$35 million has not been reflected in the calculation of Adjusted EBITDA above.

## DIP Facility

On July 19, 2000, the Bankruptcy Court granted final approval of a one-year \$100 million Revolving Credit Agreement underwritten by Toronto Dominion (Texas), Inc. as general administrative agent and CIT Group/Business Credit, Inc. as collateral agent (the "First DIP Facility") with an aggregate sublimit for letters of credit of \$35 million. The actual amount available under the First DIP Facility was subject to a borrowing base computation. The First DIP Facility was amended on eleven occasions through March 15, 2002, which amendments have, among other things, extended the maturity date, increased the aggregate limit for letters of credit to \$95 million, increased the sublimits for letters of credit for certain uses and waived the Debtors' non-compliance with certain affirmative covenants under the First DIP Facility.

On March 20, 2002, the Bankruptcy Court approved a \$200 million Second Amended and Restated Debtor-in-Possession Credit Facility (the "Second DIP Facility"). The Second DIP Facility extends the maturity date of the First DIP Facility until the earlier of March 22, 2003, or the effective date of a plan or plans of reorganization. In addition, it reduces the aggregate amount of borrowings available from \$100 million to \$75 million, which continues to be subject to borrowing base limitations ("Tranche A"). The Second DIP Facility also creates a new tranche under the credit facility in the amount of \$125 million ("Tranche B"). Tranche B is available for cash borrowings and letters of credit, and has the same maturity date as Tranche A.

Proceeds from Tranche A or Tranche B may be used for general corporate purposes. Tranche A is available for letters of credit or cash borrowings, with a sub-limit of \$45 million available for environmental letters of credit. The letter of credit sub-limit under Tranche B is \$50

million, and there is a further sub-limit of \$40 million available for environmental letters of credit, including the replacement of certain existing cash collateral pledged to support financial assurance with respect to certain facilities.

Tranche A letters of credit are priced at 3% per annum (plus a fronting fee of 0.25% to the Agent) on the outstanding face amount of each letter of credit. In addition, the Debtors pay a commitment fee of 0.50% per annum on the unused amount of Tranche A, payable monthly in arrears. Tranche B letters of credit are priced at 12% per annum (plus a fronting fee of 0.25% to the Agent) on the outstanding face amount of each letter of credit, payable monthly in arrears. In addition, the Debtors pay a commitment fee of 2.5% on the unused amount of Tranche B letters of credit.

Interest charged for cash borrowings under Tranche A is the greater of Prime Rate plus 1% per annum and the Fed Funds Rate plus 0.5% per annum, or LIBOR plus 3% per annum, depending on the nature of the borrowings. Interest charged for cash borrowings under Tranche B is the greater of Prime Rate plus an applicable margin of 7.25%, or 12% per annum. Beginning September 1, 2002, the applicable margin on Tranche B cash borrowings increases monthly by 0.5% per annum. The Debtors are also required to pay as additional interest, paid in kind, a fee equal to 3% of the average daily outstanding Tranche B cash borrowings, compounded and accrued monthly, and fully payable upon the termination of the Second DIP Facility, provided that, if the termination does not occur prior to September 1, 2002, the amount of such fee increases each month by 1% per annum. The commitment fee on Tranche B is calculated at a rate equal to 4% per annum on the average daily unused cash portion of Tranche B, payable monthly in arrears. In addition, the Debtors are required to pay an extension fee on the Tranche B commitments, payable as follows, if the Second DIP Facility remains outstanding at such dates: 1.2% on September 1, 2002; 1.2% on December 1, 2002 and 1.2% on March 22, 2003.

On the closing date, March 22, 2002, the Debtors were required to establish a \$5 million interest escrow account. Tranche A and Tranche B fees and interest will be paid from this account. On the earlier of depletion of the escrowed funds or six months after the closing date of the Second DIP Facility, additional funds must be deposited in the escrow account in order to assure that \$5 million will be escrowed for this same purpose.

In the event of the sale of the Company's Chemical Services Division, the net proceeds, after reserves for certain selling expenses, interest and fees on the Second DIP facility, shall be applied to prepay the Tranche B loans and the availability under Tranche B will be reduced by \$17 million. Net proceeds of certain other asset sales, after reserves for certain selling expenses, interest and fees on the Second DIP facility, are to be used to repay Tranche A and then Tranche B.

The Second DIP Facility benefits from superpriority claim status as provided for under the Bankruptcy Code. Under the Bankruptcy Code, a superpriority claim is senior to unsecured pre-petition claims and all other administrative expenses incurred in a Chapter 11 case. As security, the Second DIP Facility lenders were granted certain priority, perfected liens on certain of the Debtors' assets. Pursuant to the final order approving the Second DIP Facility, such liens are not subordinate to or *pari passu* with any other lien or security interest (other than (a) liens for certain administrative expenses and (b) liens in favor of Safety-Kleen's Chief Executive Officer).

As of March 22, 2002, no cash borrowings have been made under the First DIP Facility (as amended, the Tranche A facility) and approximately \$75 million of letters of credit have been issued. As of March 22, 2002, no cash borrowings have been made under the Tranche B facility and no amounts have been issued for letters of credit. The Debtors are jointly and severally liable under the Second DIP Facility.

### **Financial Assurance Matters**

As described in greater detail in Note 14 of Notes to Consolidated Financial Statements, on August 7, 2001, the Company obtained the collateral necessary to enable it to replace Frontier Insurance Company ("Frontier") surety bonds at approximately 114 facilities, pursuant to Bankruptcy Court approval obtained on July 11, 2001. The replacement at these facilities will occur upon state acceptance of the replacement coverage. Several states have approved the replacement insurance policies, which Indian Harbor Insurance Company has issued, and in those states the Company now has financial assurance coverage that complies with applicable law. The Company expects the remaining affected states and the EPA to approve the Indian Harbor policies in the near future. On or about November 5, 2001 and December 31, 2001, the Company provided the collateral necessary to enable it to replace Frontier surety bonds at additional facilities, pursuant to Bankruptcy Court approval obtained on November 5, 2001.

As of January 1, 2002, the Company was in a position to provide replacement financial assurance coverage at all but approximately 18 inactive facilities (actual replacement is dependent upon acceptance by regulators of the replacement policies). There is no guarantee that the Company will be able to provide the required financial assurances at these inactive facilities.

The Company understands that, on August 27, 2001, Frontier entered a rehabilitation proceeding that the New York Superintendent of Insurance will administer pursuant to New York law. The Company further understands that in such a proceeding, the Superintendent takes possession of the property of Frontier and conducts its business. Because Frontier continues to provide substantial amounts of financial assurance coverage at various facilities that the Company owns and operates, the Company is investigating the extent to which, if at all, the New York rehabilitation proceeding will impact the rights of the Company or the states or the EPA with respect to these financial assurance surety bonds. The Company has not been notified of any change in the validity of such bonds.

The Company is currently subject to a Consent Agreement and Final Order with the EPA (and similar agreements in certain other states) requiring the replacement of Frontier at its facilities. The Company is in a position to replace Frontier at all its active facilities, subject to approval by state and/or federal regulators of the replacement policies. The current EPA deadline for the replacement of Frontier at inactive facilities in the Branch Sales and Service Division is March 31, 2002. The deadline for replacement of Frontier at inactive facilities in the Chemical Services Division is July 31, 2002. Most, but not all, states are likely to accept this July 31, 2002 deadline. There can be no assurance that the Company will be able to complete its replacement of Frontier on a schedule acceptable to the EPA and the states. If it does not, the Company could be assessed additional penalties.

#### **INFLATION AND COMMODITY PRICE RISKS**

During the periods presented herein, the Company's business has not been and is not expected to be significantly affected by inflation in the near future.

The Company operates a large fleet of vehicles in order to transport products and waste streams. The Company also purchases petroleum and petroleum waste products for processing in its oil re-refining operations. As a result, the Company is exposed to fluctuations in both revenues and expenses as a result of potential changes in the price of petroleum products. The Company believes that its oil business creates a partial hedge against the risk of increased fuel expense that might result from an increase in petroleum prices. While the Company does not use derivative contracts to hedge its petroleum price risk, it does enter into volume discount arrangements to purchase fuel for its fleet and natural gas for certain of its re-refineries.

## FACTORS THAT MAY AFFECT FUTURE RESULTS

The provisions of the Private Securities Litigation Reform Act of 1995 (the "Act") provide companies with a "safe harbor" when making forward-looking statements. This "safe harbor" encourages companies to provide prospective information about their companies without fear of litigation. The Company wishes to take advantage of the "safe harbor" provisions of the Act and is including this section in its Annual Report on Form 10-K/A in order to do so. Statements that are not historical facts, including statements about management's expectations in fiscal 2002 and beyond, are forward-looking statements and involve various risks and uncertainties. Factors that could cause the Company's actual results to differ materially from management's projections, forecasts, estimates and expectations include, but are not limited to, the following:

### **Business and Market Risks**

The hazardous and industrial waste management industry, in which the Company competes, is highly competitive. The sources of competition vary by locality and by type of service rendered, with competition coming from the other major waste services companies and hundreds of privately owned firms which offer waste services. The Company also competes with municipalities and larger plants, which provide "on site" waste services for their own waste materials. In addition, the Company competes with many firms engaged in the transportation, brokerage and disposal of hazardous wastes through recycling, waste-derived fuels programs, thermal treatment or landfilling. The principal methods of competition for all the Company's services are price, quality, reliability of service rendered and technical proficiency in handling industrial and hazardous wastes properly.

In the United States, the original generators of hazardous waste remain liable under federal and state environmental laws for improper disposal of such wastes. Even if waste generators employ companies that have proper permits and licenses, knowledgeable customers are interested in the reputation and financial strength of the companies they use for management of their hazardous wastes. The Company believes that its technical proficiency and reputation are important considerations to its customers in selecting and continuing to utilize the Company's services, but that its current bankruptcy proceedings may adversely affect some of its customers' perceptions of its financial strength.

### **Profit Improvement Initiatives**

The Company has embarked on several initiatives to improve profitability in the future. In fiscal 2002, the Company began to institute a new pricing structure, as well as a modified compensation structure to better reward exceptional performance. The Company continues to evaluate and implement other profit improvements such as improved route logistics and energy cost savings arrangements. The Company anticipates a significant cost savings from reductions in headcount. Since September 1, 2001, the Company has reduced its headcount by over 1,000 employees through planned reductions and normal attrition. In fiscal 2002, the Company intends to begin to upgrade its information technology systems through the implementation of an enterprise resource planning system and hand held electronic devices in the field operations. While the Company believes these initiatives will increase revenue, reduce costs and improve operating efficiencies, there can be no guarantee such results will be achieved. In addition, the new technology and system upgrades may initially cause problems that could adversely affect the Company's operations or financial systems until resolved.

The Company has retained a consulting firm to evaluate the Company's current operations and recommend business options for the Company following the Debtors' confirmation of a plan or plans of reorganization. The Company is uncertain as to each business option that may be recommended by the consulting firm and what steps, if any, the Company may take as a result of such recommendations.

### **Uncertainties Relating to the Company's Internal Controls**

Management has identified numerous critical issues which may require resolution prior to the Company's emergence from its reorganization proceedings. The Company has identified material deficiencies in many of its financial systems, processes and related internal controls and has commenced efforts to correct these conditions. During October 2000, Arthur Andersen LLP reported to the Audit Committee of the Board of Directors that the Company had material weaknesses in its internal controls and that these conditions would be considered in determining the nature, timing and extent of their audit tests for fiscal years 1997 through 2000. During September 2001, Arthur Andersen LLP reported to the Audit Committee that the identified material weaknesses continued to exist and would again be considered in determining the nature, timing and extent of their audit tests for fiscal year 2001.

The Company continues the process of correcting these conditions by filling key financial accounting and reporting positions in the organization, adding information technology controls and improving its financial systems and processes. The Company intends to continue to utilize substantial internal and external resources to supplement these initiatives until it is satisfied that its internal controls no longer contain material weaknesses. The Company cannot estimate, at this time, how long it will take to completely develop and establish an adequate internal control environment.

The Company contracted with outside accountants, including those from Arthur Andersen LLP, who provided significant hours of work to assist the Company's corporate and field accounting personnel with the analysis and financial reporting support necessary to prepare the Company's Consolidated Financial Statements for fiscal year 2000 and the quarterly and annual Consolidated Financial Statements for fiscal 2001. The Company has been taking steps to develop a comprehensive program that, over time, will establish a satisfactory system of internal

controls and a timely and reliable financial reporting process. As part of this program, a comprehensive review has begun of the process-flow and related controls surrounding all major transaction cycles starting with the transaction's origination at both field and corporate locations. The Company identified and implemented accounting policies that conform to generally accepted accounting principles for use in its financial reporting. In addition, the program contemplates the development and implementation of the required internal policies and processes regarding all major general ledger accounts and related internal controls. The Company has engaged Jefferson Wells International to assist the Company's internal auditors and to provide assistance in developing, evaluating, and implementing process improvement recommendations. Arthur Andersen LLP also continues to assist the Company in its efforts to correct the identified internal control deficiencies. An evaluation of the Company's system needs, including, among other things, those related to its general ledger and financial reporting, is in progress and in January 2002 the Company began negotiations with a third party consultant to assist with the design and implementation of new operational and financial information systems.

The Company will continue to utilize substantial internal and supplemental external resources until it is satisfied that its internal controls no longer contain material weaknesses and it is capable of preparing timely and reliable financial reporting. Accordingly, the Company will continue to incur significant costs and effort to close its books at each interim and annual period.

### **Uncertainties Relating to Bankruptcy Proceedings**

The Company believes that its revenue since the date of the Chapter 11 filings is being adversely impacted by the Chapter 11 Cases, particularly with respect to "event-based" business in the Chemical Services Division. The Company's future results are dependent upon the Company's successfully confirming and implementing a plan or plans of reorganization. The Company has not yet submitted a plan or plans of reorganization to the Bankruptcy Court for approval and cannot make any assurance that it will be able to obtain such approval in a timely manner. Failure to obtain this approval in a timely manner could adversely affect the Company's operating results, its ability to obtain financing to fund its operations and its relations with its customers. Furthermore, the Company cannot predict the ultimate amount of all settlement terms for the liabilities of the Company that will be subject to compromise under a plan or plans of reorganization.

As of August 31, 2001, proofs of claim in the approximate amount of \$174 billion have been filed against the Debtors by, among others, secured creditors, unsecured creditors and security holders. The Company is in the process of reviewing the proofs of claim and once this process is complete, will file appropriate objections to the claims in the Bankruptcy Court. As of August 31, 2001, the Company believes it has identified approximately \$171 billion of such claims that are duplicative or without merit. The Company believes that the amount of these claims that are in excess of the \$2.5 billion recorded as "Liabilities subject to compromise" in the accompanying Consolidated Financial Statements as of August 31, 2001 are: (i) duplicative or without merit; (ii) do not meet the criteria to be recorded as a liability under generally accepted accounting principles; and (iii) will not have a material effect on the Consolidated Financial Statements, but there can be no assurance that the Company is correct and these claims may have a material effect on the Consolidated Financial Statements.

Once a plan or plans of reorganization is approved and implemented, the Company's operating results may be adversely affected by the possible reluctance of prospective lenders and customers to do business with a company that recently emerged from bankruptcy proceedings.

On February 22, 2002, the Company entered into a definitive agreement with Clean Harbors, Inc. ("Clean Harbors") to sell its Chemical Services Division, excluding the Company's landfill in Pinewood, S.C. Pursuant to the terms of the agreement, Clean Harbors would purchase the Chemical Services Division's net assets from the Company for \$46 million in cash, subject to defined working capital adjustments, and the assumption of certain liabilities, which includes environmental liabilities valued at approximately \$265 million as of August 31, 2001. The book value of the net assets to be disposed, net of the liabilities to be assumed, at August 31, 2001 was in excess of \$300 million. On March 8, 2002, the Bankruptcy Court approved the bidding and auction procedures for the sale of the Company's Chemical Services Division. Pursuant to the bidding procedures, all qualified bidders interested in purchasing some or all of the Chemical Services Division must submit an alternative qualified bid on or before May 30, 2002. There can be no assurance that the Bankruptcy Court and/or the various regulatory agencies will approve the sale of the Chemical Services Division to Clean Harbors or an alternative purchaser, or that the Company will be able to complete the sale of the Chemical Services Division.

### **Effect of Laidlaw's Financial Situation on the Company**

On June 28, 2001, Laidlaw Inc. ("Laidlaw") and five of its subsidiary holding companies, Laidlaw Investments Ltd., Laidlaw International Finance Corporation, Laidlaw One, Inc., Laidlaw Transportation, Inc. and Laidlaw USA, Inc. (collectively, "Laidlaw Debtors") filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Western District of New York. On the same day, Laidlaw and Laidlaw Investments Ltd. filed cases against the Company under the Canada Companies' Creditors Arrangement Act (CCAA) in the Ontario Superior Court of Justice in Toronto, Ontario. In an effort to resolve these claims, the parties will participate in a mediation which is presently anticipated to be held in April 2002. As a result of the Laidlaw Debtors' filings, claims and causes of action the Company may have against the Laidlaw Debtors may be subject to compromise in Laidlaw Debtors' Chapter 11 or CCAA proceedings.

The Company is unable to predict the outcome or impact of these matters and there can be no assurance that they will not have a material adverse effect on the Company and its operations.

## **Leverage**

The Company is currently in default under its senior debt obligations, which are substantial. During the pendency of its bankruptcy proceedings, the Company may only obtain additional debt financing with the approval of the Bankruptcy Court, and has already obtained \$200 million in such debt financing through the Second DIP Facility discussed above. To date, there have been no cash borrowings against this \$200 million Second DIP Facility. As of March 3, 2002, letters of credit in the aggregate amount of approximately \$75 million had been issued under the First DIP Facility. In addition, the Company had approximately \$9 million of additional availability under the First DIP Facility as of that date. Depending on the resolution of its bankruptcy proceedings and the plan or plans of reorganization adopted, the Company could emerge from bankruptcy highly leveraged with substantial debt service obligations, including, as discussed above, obligations or commitments regarding financial assurance requirements. Thus the Company is particularly susceptible to adverse changes in its industry, the economy and the financial markets. In addition, the Company's ability to obtain additional debt financing may be limited by restrictive covenants under the terms of credit agreements and any other debt instruments. Those limits on financing may restrict the Company's ability to service its debt obligations through additional debt financing if cash flow from operations is insufficient to service such obligations. The Second DIP Facility matures on the earlier of March 22, 2003 or the effective date of a plan or plans of reorganization or the earlier termination of the Revolving Credit Commitments as defined therein.

## **Environmental Regulation and Legal Proceedings**

The Company's operations are subject to certain federal, state, and local requirements, which regulate health, safety, environment, zoning and land-use. Operating and other permits are generally required for incinerators, landfills, transfer and storage facilities, certain collection vehicles, storage tanks and other facilities owned or operated by the Company, and these permits are subject to revocation, modification and renewal. Although the Company believes that its facilities meet federal, state and local requirements in all material respects (except for financial assurance matters described below) and have all the required operating and other permits, it may be necessary to expend considerable time, effort and money to keep existing or acquired facilities in compliance with applicable requirements, including new regulations, and to maintain existing permits and approvals and to obtain the permits and approvals necessary to increase their capacity.

The Company is required to provide certain financial assurances with respect to certain statutorily required closure, post-closure and corrective action obligations related to various operating facilities. These financial assurances may take the form of insurance, guarantees, bonds, letters of credit or deposits of cash, to the extent acceptable to the United States, Canadian or other foreign, state, territorial, federal, provincial or local courts, executive offices, legislatures, governmental agencies or ministries, commissions or administrative, regulatory or self-regulatory authorities or instrumentality's requiring such assurances. As of January 1, 2002, the Company was in a position to provide replacement financial assurance coverage at all but approximately 18 inactive facilities (actual replacement is dependent upon acceptance by regulators of the replacement policies). There is no guarantee that the Company will be able to provide the required financial assurances at these inactive facilities.

The Company is a party to environmental and other litigation, claims and administrative proceedings arising from its operations. The Company is unable to predict the outcome or impact of these matters and there can be no assurance that they will not have a material adverse effect on the Company and its operations.

The Company believes that many of the claims and litigation matters described above are subject to resolution in its bankruptcy proceedings. The outcomes of such proceedings are unknown and subject to a number of uncertainties as described above.

## **Safety-Kleen (Pinewood), Inc.**

As further discussed in Note 14 of Notes to Consolidated Financial Statements, by an Order dated May 19, 1994 the Company was ordered to establish and maintain an environmental impairment fund in the amount of \$133 million in 1994 dollars by July 1, 2004, as financial assurance for potential environmental clean up and restoration of environmental impairment at the Pinewood Facility. Subject to the automatic stay provisions of the Debtors' bankruptcy proceedings, the Company would be required to fund, in 2001 dollars, approximately \$110 million and \$6 million in fiscal 2002 and 2003, respectively, in order to comply with the financial assurance provisions of the Order. The Company is unable to predict the outcome or impact of this matter and there can be no assurance that it will not have a material adverse effect on the Company and its operations. The funding obligation does not impact the Company's accounting for the landfill and environmental liabilities recorded for Pinewood of approximately \$54 million as of August 31, 2001.

## **Matters Related to Investigation of Financial Results**

Former and/or current officers, directors and employees of the Company and/or Laidlaw are parties to various claims filed by shareholders and bondholders on behalf of various alleged classes of Company shareholders and bondholders, asserting federal securities law claims.

The Company is the subject of ongoing investigations by the SEC and a grand jury sitting in the United States District Court for the Southern District of New York relating to the same matters. The Company has responded to subpoenas issued by the SEC and the grand jury and is cooperating with each of the investigations.

In addition to the above, two shareholder derivative lawsuits were filed on behalf of the Company against certain of its directors and former directors alleging breach of state law fiduciary duties by the defendants. These claims seek to recover damages on behalf of the Company against the director defendants in an unspecified amount as well as related relief. These actions are subject to an automatic stay under the Bankruptcy Code during the pendency of the Company's bankruptcy proceedings.

On December 13, 2000, thirteen lenders to Safety-Kleen Services, Inc., sued PricewaterhouseCoopers LLP, in the State Court of Fulton County Georgia, alleging negligent misrepresentation by PricewaterhouseCoopers LLP, in connection with the Consolidated Financial Statements of Safety-Kleen and its subsidiaries for fiscal years 1997, 1998 and 1999. The case is captioned Toronto Dominion (Texas), Inc., et al. v. PricewaterhouseCoopers LLP, Civil Action No. 00 VS 02679 F. The complaint has been amended twice, and the plaintiffs now number over 90 lenders to Safety-Kleen Services, Inc. On October 23, 2001, PricewaterhouseCoopers LLP, filed a motion for leave to file a third-party complaint naming Safety-Kleen and former Safety-Kleen officers Kenneth W. Winger, Michael J. Bragagnolo, and Paul B. Humphreys as third party defendants in a third party claim for indemnity or contribution. The Georgia state court granted leave and PricewaterhouseCoopers, LLP has now served a third party complaint against the Company. The Company is moving to enjoin the third party complaint and argues that it contravenes the automatic stay provisions of federal bankruptcy law.

The Company is unable to predict the outcome or impact of these matters and there can be no assurance that they will not have a material adverse effect on the Company and its operations.

## **INDEPENDENT PUBLIC ACCOUNTANTS**

### **Audit Fees**

Beginning on August 2, 2000, Arthur Andersen LLP, was engaged by the Company as its new independent accountant to audit the Company's Consolidated Financial Statements. The aggregate fees billed for professional services rendered by Arthur Andersen LLP for the restatement audit of the Company's annual Consolidated Financial Statements for fiscal 1997 through 1999 and the audit of fiscal 2000 were approximately \$21 million. The aggregate fees expected to be billed for the audit of the Company's annual Consolidated Financial Statements for fiscal 2001 are approximately \$5 million.

### **Financial Information Systems Design and Implementation Fees**

Arthur Andersen LLP did not provide financial system design and implementation support for fiscal 2001 and 2000.

### **All Other Fees**

All other fees for professional services rendered by Arthur Andersen LLP totaled approximately \$17 million and \$1 million for fiscal 2001 and 2000, respectively.

These services were comprised of audit-related fees of approximately \$16 million in fiscal 2001 relating primarily to assistance to the Company's accounting staff during the restatement of fiscal years 1997 to 1999 and audit of fiscal 2000.

The remaining fees billed for professional services, which were rendered in connection with the investigation by the Special Committee of the Company's Board of Directors, tax preparation, and other assistance and consulting, aggregated approximately \$1 million and \$1 million in fiscal 2001 and 2000, respectively.

The Company has engaged Arthur Andersen LLP, among others, to assist the Company in correcting identified internal control deficiencies beginning in fiscal 2002. Accordingly, the Company expects to be billed by Arthur Andersen LLP for professional fees related to these services in fiscal 2002.

### **Matters Pertaining to Arthur Andersen LLP**

The Company's independent public accountant, Arthur Andersen LLP, has informed the Company that on March 14, 2002, it was indicted on federal obstruction of justice charges arising from the government's investigation of Enron Corporation. Arthur Andersen LLP has indicated that it intends to contest vigorously the indictment.

The Company's management and Audit Committee have been carefully monitoring this situation. As a public company, the Company is required to file with the SEC periodic financial statements audited or reviewed by an independent, certified public accountant.

The SEC has said that it will continue accepting financial statements audited by Arthur Andersen LLP, and interim financial statements reviewed by it, so long as Arthur Andersen LLP is able to represent to the Company that it has applied its normal quality control procedures in the manner required to render its opinion or perform audit related services. The Company received such representations from Arthur Andersen LLP for its fiscal 2001 audit.

The Company does not know the scope or impact of the indictment, or whether additional indictments may be made by the Department of Justice. The result of the indictment or other lawsuits against Arthur Andersen LLP, among other things, may cause the Company to select another independent auditor and select other resources to assist the Company in correcting its internal control deficiencies. In that case, the Company may incur significant expense in familiarizing the new auditors with the Company's accounting and the Company may incur additional expense in familiarizing the new resources with its internal control deficiencies.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, the Company is exposed to market risk including changes in interest rate risk and currency exchange rates.

**Interest Rate Risk** – At August 31, 2001, the Company had fixed and variable rate debt denominated in U.S. dollars, and variable rate debt denominated in Canadian dollars. Due to the uncertainty resulting from the Chapter 11 Cases, the fair value of the Company's long-term debt as of August 31, 2001 is not determinable. The following table details the original maturities (at book value) and interest rate indices (including the default rate on the Senior Credit Facility) for all variable rate debt as of August 31, 2001, segregated between debt subject to compromise and debt not subject to compromise (\$ in millions):

<b>Variable Rate Debt</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Thereafter</b>	<b>Total</b>
<b>Subject to compromise</b>							
Senior Credit Facility dated April 3, 1998							
Tranche A (Prime + 3.375%)	\$ 204	\$ 84	\$ 64	\$ --	\$ --	\$ --	\$ 352
Tranche B (Prime + 3.75%)	10	4	97	282	--	--	393
Tranche C (Prime + 5.00%)	10	4	4	96	279	--	393
Revolving credit (Prime + 3.375%)	--	--	340	--	--	--	340
Subtotal domestic credit facility	224	92	505	378	279	--	1,478
Promissory note dated May 15, 1997 (6 month LIBOR)	20	40	--	--	--	--	60
Subtotal variable rate indebtedness subject to compromise <sup>1</sup>	244	132	505	378	279	--	1,538
<b>Not subject to compromise</b>							
Canadian tranche of April 3, 1998, senior credit facility <sup>2,3</sup>	46	--	--	--	--	--	46
Canadian demand note <sup>2</sup>	16	--	--	--	--	--	16
Subtotal Canadian denominated variable rate debt	62	--	--	--	--	--	62
Consolidated variable rate debt	\$ 306	\$ 132	\$ 505	\$ 378	\$ 279	\$ --	\$ 1,600

<sup>1</sup> All debt subject to compromise is classified as such in the consolidated balance sheet. See Note 11 of Notes to Consolidated Financial Statements.

<sup>2</sup> The floating interest on these borrowings is based on Canadian Prime plus 1.375% or the Canadian Bankers Acceptance rate plus 2.375%. The interest rate applied is at the Company's discretion.

<sup>3</sup> The Canadian tranche of the Senior Credit Facility, while not subject to compromise, was in default at August 31, 2001, and is classified as current debt in the consolidated balance sheet.

In accordance with the provisions of default under the Canadian Senior Credit Facility, the floating interest rate will increase an additional 2% if all or a portion of any principal of any loan, any interest payable thereon, any commitment fee or any Reimbursement Obligation or Acceptance Reimbursement Obligation or other amount payable hereunder shall not be paid when due. Due to continuing defaults, the outstanding loan balance is classified as a current liability as of August 31, 2001 and 2000, and interest continues to accrue at Prime plus 3.375%.

The following table details the rates and maturities for all fixed rate debt, all of which is subject to compromise as of August 31, 2001 (\$ in millions):

<b>Fixed Rate Debt</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Thereafter</b>	<b>Total</b>
9.25% Senior Subordinated Notes due 2008	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 325	\$ 325
9.25% Senior Notes due 2009	--	--	--	--	--	225	225
Industrial revenue bonds with rates ranging from 6.0% to 7.75%	--	6	2	2	2	69	81
Other	3	--	--	--	--	--	3
Total fixed rate debt	\$ 3	\$ 6	\$ 2	\$ 2	\$ 2	\$ 619	\$ 634

The Company's Senior Credit Facility dated April 3, 1998, included provisions, which expired March 31, 2000, requiring the Company to obtain interest rate protection for a notional amount equal to at least 40% of Consolidated Total Funded Debt bearing variable interest. The Company entered into pay fixed swaps, in part, to satisfy this provision of the agreement. As discussed in Note 19 of Notes to Consolidated Financial Statements, the Company entered into a number of other derivative transactions including interest rate swaps, swaptions, bond indexed equity swaps, and forward start swaps which were used for trading purposes. As of August 31, 1999, the Company had derivative contracts outstanding with notional amounts of approximately \$2 billion. In March 2000, the Company's existing derivative contracts, including those entered into to satisfy interest rate protection requirements, were involuntarily terminated as a result of cross-default provisions between the Company's Senior Credit Facility and its International Swap Dealers Association Master Agreements. The notional amount of

these contracts was \$2 billion. See Note 19 of Notes to Consolidated Financial Statements for detail of the Company's fiscal 2001, 2000 and 1999 derivative activity.

In June 2000, the Company entered into a \$40 million debtor-in-possession credit agreement. In July 2000, the Company increased the amount that could be borrowed under that arrangement, including letters of credit, to \$100 million. As of March 3, 2002, no amounts had been drawn under the First DIP Facility and \$75 million of letters of credit had been issued. Any borrowings under the First DIP Facility will bear interest at the greater of Prime Rate plus 1% per annum and the Fed Funds Rate plus 0.5% per annum or LIBOR plus 3% per annum, depending on the nature of the borrowings. On March 20, 2002, the company obtained an additional \$100 million of credit under the terms of the Second DIP Facility. See Notes 10 and 29 of Notes to Consolidated Financial Statements for further discussion of the First DIP Facility and the Second DIP facility.

**Currency Exchange Rate Risk** – The Canadian operations expose the Company to currency exchange rate risks. However, that risk is mitigated by the fact that approximately 11% of the Company's revenues are generated in Canada. In addition, the Canadian assets are partially hedged through Canadian denominated debt. Currently, the Company does not enter into any hedging arrangements to reduce this exposure. The Company is not aware of any facts or circumstances that would significantly impact such exposures in the near-term. If, however, there was a sustained decline of the Canadian dollar versus the U.S. dollar, then the Consolidated Financial Statements could be adversely affected.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

	<b>Page Number</b>
Report of Independent Public Accountants.....	31
Consolidated Statements of Operations for the Years Ended August 31, 2001, 2000 and 1999.....	32
Consolidated Balance Sheets as of August 31, 2001 and 2000.....	33
Consolidated Statements of Cash Flows for the Years Ended August 31, 2001, 2000 and 1999.....	34
Consolidated Statements of Changes in Stockholders' Equity (Deficit) and Other Comprehensive Income (Loss) for the Years Ended August 31, 2001, 2000 and 1999.....	35
Notes to Consolidated Financial Statements.....	36
Report of Independent Public Accountants on Financial Statement Schedule.....	90
Schedule II -- Valuation and Qualifying Accounts for the Years Ended August 31, 2001, 2000 and 1999.....	91

All other schedules have been omitted since they are inapplicable or not required, or the information has been included in the Consolidated Financial Statements or the notes thereto.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Safety-Kleen Corp.:

We have audited the accompanying consolidated balance sheets of Safety-Kleen Corp., a Delaware corporation, and subsidiaries (the "Company"), as of August 31, 2001 and 2000, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and other comprehensive income (loss) and cash flows for the three years ended August 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 28, the Company has not presented quarterly financial data for the fiscal year ended August 31, 2000 that the Securities and Exchange Commission requires to supplement, although not required to be part of, the basic financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Safety-Kleen Corp. and subsidiaries as of August 31, 2001 and 2000, and the results of their operations and their cash flows for the three years ended August 31, 2001, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has experienced significant losses in the last five fiscal years and has a stockholders' deficit of \$345.7 million at August 31, 2001. In addition, as discussed in Notes 1 and 3 to the financial statements, on June 9, 2000, Safety-Kleen Corp. and certain of its subsidiaries each filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code and continue to operate their respective businesses as debtors-in-possession. Management's plans in regard to these matters, including its intent to file a plan of reorganization acceptable to the Bankruptcy Court and the Company's creditors, are also described in Notes 1 and 3. These matters, among others, raise substantial doubt about the Company's ability to continue as a going concern. In the event a plan of reorganization is accepted, continuation of the business thereafter is dependent on the Company's ability to achieve successful future operations. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

ARTHUR ANDERSEN LLP

Charlotte, North Carolina  
February 28, 2002,  
except with respect  
to the matters discussed  
in Note 29, as to which  
the date is March 20, 2002.

**SAFETY-KLEEN CORP.**  
**(DEBTOR-IN-POSSESSION AS OF JUNE 9, 2000)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(in thousands, except per share amounts)**

	<b>For The Years Ended August 31,</b>		
	<b>2001</b>	<b>2000</b>	<b>1999</b>
Revenues	\$ 1,514,583	\$ 1,586,273	\$ 1,624,038
Expenses:			
Operating	1,212,350	1,389,362	1,242,594
Depreciation and amortization	143,710	169,902	161,314
Selling, general and administrative	273,975	279,386	201,967
Impairment and other charges	52,884	367,793	11,287
	<u>1,682,919</u>	<u>2,206,443</u>	<u>1,617,162</u>
Operating (loss) income	(168,336)	(620,170)	6,876
Interest expense, net (excluding contractual interest of \$245,436 in fiscal 2001 and \$60,756 in fiscal 2000)	(5,036)	(141,879)	(186,180)
Other (expense) income	(1,000)	494	(1,308)
Derivative (losses) gains	(558)	713	(5,923)
Equity in earnings of associated companies	--	1,769	1,263
Loss before reorganization items, income taxes, minority interest and extraordinary items	(174,930)	(759,073)	(185,272)
Reorganization items	(42,284)	(60,923)	--
Loss before income taxes, minority interest and extraordinary items	(217,214)	(819,996)	(185,272)
Income tax expense	(17,874)	(13,023)	(39,094)
Loss before minority interest and extraordinary items	(235,088)	(833,019)	(224,366)
Minority interest	419	(172)	1,211
Loss before extraordinary items	(234,669)	(833,191)	(223,155)
Extraordinary items, net of tax (early extinguishment of debt)	5,591	--	--
Net loss	<u>\$ (229,078)</u>	<u>\$ (833,191)</u>	<u>\$ (223,155)</u>
Basic and diluted loss per share:			
Loss before extraordinary items	\$ (2.33)	\$ (8.27)	\$ (2.52)
Extraordinary items	0.06	--	--
Net loss	<u>\$ (2.27)</u>	<u>\$ (8.27)</u>	<u>\$ (2.52)</u>
Weighted average common stock outstanding—basic and diluted	<u>100,784</u>	<u>100,725</u>	<u>88,537</u>

See accompanying Notes to Consolidated Financial Statements.

**SAFETY-KLEEN CORP.**  
**(DEBTOR-IN-POSSESSION AS OF JUNE 9, 2000)**  
**CONSOLIDATED BALANCE SHEETS**  
**(in thousands, except for par value amount)**

	August 31,	
	2001	2000
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 116,057	\$ 84,282
Accounts receivable, net	259,024	307,342
Inventories and supplies	43,564	51,914
Deferred income taxes	38,729	28,554
Other current assets	36,042	49,731
Total current assets	493,416	521,823
Property, plant and equipment, net	763,603	772,875
Intangible assets, net	1,727,984	1,798,285
Other assets	28,790	38,885
Total assets	\$ 3,013,793	\$ 3,131,868
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 49,575	\$ 65,838
Current portion of environmental liabilities	41,218	41,122
Income taxes payable	28,107	24,534
Unearned revenue	70,380	90,953
Accrued other liabilities	154,824	69,211
Current portion of long-term debt	62,223	65,421
Total current liabilities	406,327	357,079
Environmental liabilities	340,442	285,634
Deferred income taxes	100,500	92,659
Other long-term liabilities	29,985	9,197
Liabilities subject to compromise	2,481,274	2,500,973
Minority interests	947	1,296
<b>COMMITMENTS AND CONTINGENCIES (NOTE 14)</b>		
<b>STOCKHOLDERS' EQUITY (DEFICIT):</b>		
Common stock, par value \$1.00 per share; 250,000 shares authorized; 100,784 shares issued and outstanding in 2001 and 2000	100,784	100,784
Additional paid-in capital	1,359,972	1,359,972
Accumulated other comprehensive loss	(8,300)	(6,666)
Accumulated deficit	(1,798,138)	(1,569,060)
Total stockholders' equity (deficit)	(345,682)	(114,970)
Total liabilities and stockholders' equity (deficit)	\$ 3,013,793	\$ 3,131,868

See accompanying Notes to Consolidated Financial Statements.

**SAFETY-KLEEN CORP.**  
**(DEBTOR-IN-POSSESSION AS OF JUNE 9, 2000)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(in thousands)**

	Year Ended August 31,		
	2001	2000	1999
<b>Cash flows from operating activities:</b>			
Net loss	\$ (229,078)	\$ (833,191)	\$ (223,155)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Extraordinary items	(5,591)	--	--
Non-cash reorganization items	8,272	45,963	--
Equity in undistributed earnings of associated companies	--	(1,769)	(1,263)
Impairment and other charges	52,884	367,793	11,287
Depreciation and amortization	143,710	169,902	161,314
Provision for uncollectible accounts	13,505	74,337	14,177
Derivative losses (gains)	558	(713)	5,923
Loss on sale of investment	--	4,969	--
Loss on disposal of equipment	2,910	43,813	27,921
Deferred income taxes	(17)	8,252	28,448
Change in accounts receivable	33,331	(84,250)	(51,500)
Change in accounts payable	(14,785)	55,452	45,099
Change in income taxes payable	3,655	(8,840)	61,163
Change in accrued other liabilities	81,453	70,377	(29,056)
Change in environmental liabilities	11,359	31,408	(2,197)
Change in unearned revenue	(20,363)	(1,914)	4,778
Change in liabilities subject to compromise	(1,406)	--	--
Change in other, net	19,528	(476)	(34,405)
Net cash provided by (used in) operating activities	<u>99,925</u>	<u>(58,887)</u>	<u>18,534</u>
<b>Cash flows from investing activities:</b>			
Net cash expended on acquisition of businesses	--	(27,072)	(14,904)
Proceeds from sales of property, plant & equipment	5,209	9,998	5,982
Purchases of property, plant & equipment	(71,332)	(53,098)	(71,827)
Decrease in long-term investments	8,846	11,783	1,783
Proceeds from sale of business	--	31,581	129,124
Net cash provided by (used in) investing activities	<u>(57,277)</u>	<u>(26,808)</u>	<u>50,158</u>
<b>Cash flows from financing activities:</b>			
Issuance of common stock on exercise of options	--	26	212
Borrowings of long-term debt	--	252,697	236,910
Repayments of long-term debt	(10,080)	(67,154)	(377,425)
Bank financing fees	--	(4,047)	(10,303)
Bank overdraft	--	(45,244)	39,773
Change in derivative liabilities	--	21,759	40,454
Change in other, net	--	146	--
Net cash provided by (used in) financing activities	<u>(10,080)</u>	<u>158,183</u>	<u>(70,379)</u>
Effect of exchange rate changes on cash	(793)	1,722	(3,564)
Net increase (decrease) in cash and cash equivalents	31,775	74,210	(5,251)
Cash and cash equivalents at:			
Beginning of year	84,282	10,072	15,323
End of year	<u>\$ 116,057</u>	<u>\$ 84,282</u>	<u>\$ 10,072</u>

See accompanying Notes to Consolidated Financial Statements.

**SAFETY-KLEEN CORP.**  
**IN POSSESSION AS OF JUNE 9, 2000**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
**AND OTHER COMPREHENSIVE INCOME (LOSS)**  
(in thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
<b>Balance at August 31, 1998</b>	<u>\$ 87,746</u>	<u>\$ 1,200,047</u>	<u>\$ (9,511)</u>	<u>\$ (512,714)</u>	<u>\$ 765,568</u>
Comprehensive loss:					
Net loss	--	--	--	(223,155)	(223,155)
Other comprehensive income (loss):					
Foreign currency translation adjustments	--	--	582	--	582
Unrealized gain (loss) on marketable securities	--	--	(285)	--	(285)
Total comprehensive loss					<u>(222,858)</u>
Issuance of shares in payment for directors' fees	6	87	--	--	93
Issuance of shares for repurchase of subordinated convertible debenture	11,321	138,679	--	--	150,000
Issuance of shares in payment for interest on subordinated convertible debenture	1,545	20,941	--	--	22,486
Exercise of stock options	18	194	--	--	212
<b>Balance at August 31, 1999</b>	<u>\$ 100,636</u>	<u>\$ 1,359,948</u>	<u>\$ (9,214)</u>	<u>\$ (735,869)</u>	<u>\$ 715,501</u>
Comprehensive loss:					
Net loss	--	--	--	(833,191)	(833,191)
Other comprehensive income (loss):					
Foreign currency translation adjustments	--	--	2,571	--	2,571
Unrealized gain (loss) on marketable securities	--	--	(23)	--	(23)
Total comprehensive loss					<u>(830,643)</u>
Issuance of shares to non-employees	146	--	--	--	146
Exercise of stock options	2	24	--	--	26
<b>Balance at August 31, 2000</b>	<u>\$ 100,784</u>	<u>\$ 1,359,972</u>	<u>\$ (6,666)</u>	<u>\$ (1,569,060)</u>	<u>\$ (114,970)</u>
Comprehensive loss:					
Net loss	--	--	--	(229,078)	(229,078)
Other comprehensive income (loss):					
Foreign currency translation adjustments	--	--	(2,131)	--	(2,131)
Unrealized gain on marketable securities	--	--	497	--	497
Total comprehensive loss					<u>(230,712)</u>
<b>Balance at August 31, 2001</b>	<u>\$ 100,784</u>	<u>\$ 1,359,972</u>	<u>\$ (8,300)</u>	<u>\$ (1,798,138)</u>	<u>\$ (345,682)</u>

See accompanying Notes to Consolidated Financial Statements

**SAFETY-KLEEN CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. BUSINESS, ORGANIZATION AND BANKRUPTCY**

**Business and Organization**

Safety-Kleen Corp. (the "Registrant" or "Safety-Kleen") (collectively referred to with its subsidiaries as the "Company"), was incorporated in Delaware in 1978 as Rollins Environmental Services, Inc. ("Rollins"), later changed its name to Laidlaw Environmental Services, Inc. ("LESI") and subsequently changed its name to Safety-Kleen Corp. Through its Chemical Services and Branch Sales and Service divisions, the Company provides a range of services designed to collect, transport, process, recycle or dispose of hazardous and non-hazardous industrial and commercial waste streams. The Company provides these services in 50 states, ten Canadian provinces, Puerto Rico, Mexico and Saudi Arabia from approximately 375 collection, processing and other locations.

On May 15, 1997, pursuant to a stock purchase agreement among Rollins, Laidlaw Inc., a Canadian corporation ("Laidlaw"), and its subsidiary, Laidlaw Transportation Inc. ("LTI"), Rollins acquired the hazardous and industrial waste operations of Laidlaw (the "Rollins Acquisition"). As a result of the Rollins Acquisition, Laidlaw owned 67% of the issued common shares of LESI. Accordingly, the business combination was accounted for as a reverse acquisition using the purchase method of accounting, with Rollins being treated as the acquired company. Coincident with the closing of the Rollins Acquisition, the continuing legal entity changed its name from Rollins Environmental Services, Inc. to Laidlaw Environmental Services, Inc.

On May 26, 1998, LESI completed the acquisition of the former Safety-Kleen Corp. ("Old Safety-Kleen"). The acquisition of Old Safety-Kleen has been accounted for under the purchase method. Effective July 1, 1998, LESI began doing business as Safety-Kleen Corp. and its stock began trading on the New York Stock Exchange ("NYSE") and the Pacific Exchange, Inc. ("PCX") under the name Safety-Kleen Corp. and the ticker symbol SK. The stock was suspended from trading on the NYSE and the PCX on June 12, 2000 and was removed from listing and registration on the NYSE on July 20, 2000, and the PCX on September 29, 2000. The stock now trades over the counter as SKLNQ.

**Bankruptcy**

On June 9, 2000, Safety-Kleen and 73 of its domestic subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief (the "Chapter 11 Cases") under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The Chapter 11 Cases are being jointly administered for procedural purposes only, before the Bankruptcy Court under Case No. 00-2303 (PJW). Excluded from the filing were certain of Safety-Kleen's non wholly-owned domestic subsidiaries and all Safety-Kleen's indirect foreign subsidiaries.

The Debtors remain in possession of their properties and assets, and the management of the Debtors continues to operate their respective businesses as debtors-in-possession under Sections 1107 and 1108 of the Bankruptcy Code. As debtors-in-possession, the Debtors are authorized to manage their properties and operate their businesses, but may not engage in transactions outside the ordinary course of business without the approval of the Bankruptcy Court.

Under Section 365 of the Bankruptcy Code, subject to the approval of the Bankruptcy Court, the Debtors may assume or reject executory contracts and unexpired leases. Parties affected by these rejections may file proofs of claim with the Bankruptcy Court in accordance with the reorganization process. Claims for damages resulting from the rejection of executory contracts or unexpired leases will be subject to separate bar dates, generally thirty days after entry of the order approving the rejection. At various times since the commencement of the Chapter 11 Cases, the Bankruptcy Court has approved the Debtors' requests to reject certain contracts or leases that were deemed burdensome or of no further value to the Company. As of February 27, 2002, the Debtors had not yet completed their review of all contracts and leases for assumption or rejection, but ultimately will assume or reject all such contracts and leases. The Debtors have until the confirmation of a plan or plans of reorganization to assume or reject executory contracts, nonresidential real property leases, and certain other leases. The Debtors cannot presently determine or reasonably predict the ultimate liability that may result from rejecting such contracts or leases or from the filings of rejection damage claims, but such rejections could result in additional liabilities subject to compromise (see Note 11).

Consummation of a plan or plans of reorganization is the principal objective of the Chapter 11 Cases. A plan of reorganization sets forth the means for satisfying claims against and interests in the Debtors, including the liabilities subject to compromise. Generally, pre-petition liabilities are subject to settlement under such a plan or plans of reorganization, which must be voted upon by creditors and equity holders and approved by the Bankruptcy Court. The Debtors have retained Lazard Freres & Co. LLC, an investment bank, as corporate restructuring advisor to assist them in formulating and negotiating a plan or plans of reorganization for the Debtors. Although the Debtors expect to file a reorganization plan or plans as soon as reasonably possible, there can be no assurance that a reorganization plan or plans will be proposed by the Debtors or confirmed by the Bankruptcy Court, or that any such plan or plans will be consummated.

As provided by the Bankruptcy Code, the Debtors initially had the exclusive right to submit a plan or plans of reorganization for 120 days from the date the petitions were filed. On October 17, 2000, the Debtors received Bankruptcy Court approval to extend the exclusive period to file a plan or plans of reorganization in the Chapter 11 Cases from October 7, 2000, to April 30, 2001, and extended the Debtors' exclusive right to solicit acceptances of such plan or plans from December 6, 2000, to June 29, 2001. On May 16, 2001, the Debtors received

Bankruptcy Court approval to further extend the exclusive period to file a plan or plans of reorganization in the Chapter 11 Cases to September 19, 2001, and extended the Debtors' exclusive right to solicit acceptances of such plan or plans to November 19, 2001. On February 11, 2002, the Debtors received Bankruptcy Court approval to further extend the exclusive period to file a plan or plans of reorganization in the Chapter 11 Cases to April 30, 2002 and extended the Debtors' exclusive right to solicit acceptances of the plan or plans to June 30, 2002.

Currently, it is not possible to predict the length of time the Debtors will operate under the protection of Chapter 11, the outcome of the Chapter 11 proceedings in general, or the effect of the proceedings on the business of the Company or on the interests of the various creditors and security holders. Under the Bankruptcy Code, post-petition liabilities and pre-petition liabilities subject to compromise must be satisfied before shareholders can receive any distribution. The ultimate recovery to shareholders, if any, will not be determined until the end of the case when the fair value of the Debtors' assets is compared to the liabilities and claims against the Debtors. There can be no assurance as to what value, if any, will be ascribed to the common stock in the bankruptcy proceedings. The Company does not believe the common shareholders will receive any distribution upon consummation of a plan or plans of reorganization.

## **2. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS**

As more fully discussed in Note 14, on March 6, 2000, Safety-Kleen announced that it had initiated an internal investigation ("the Company Investigation") of its previously reported financial results and certain of its accounting policies and practices. This investigation followed receipt by Safety-Kleen's Board of Directors of information alleging possible accounting irregularities that may have affected the previously reported financial results of the Company. Following this announcement, PricewaterhouseCoopers LLP, the Company's independent accountants at that time, notified the Company that it was withdrawing its previously issued reports of independent public accountants on the fiscal years 1999, 1998 and 1997 Consolidated Financial Statements. On September 14, 2000, the Bankruptcy Court approved the Company's motion to engage Arthur Andersen LLP (i) to act as its independent public accountants; (ii) to conduct an audit of the Company's Consolidated Financial Statements with respect to fiscal years 2000, 1999, 1998, and 1997; (iii) to continue assisting with the Company Investigation; and (iv) to provide other services. The Company restated its previously reported Consolidated Financial Statements for each of the three years ended August 31, 1999, 1998 and 1997 in the Company's Form 10-K/A for the year ended August 31, 2000 filed with the SEC on July 9, 2001.

Numerous class action lawsuits, and two derivative lawsuits were filed against the Company, certain officers, former directors, and others asserting various claims under the federal securities laws and certain state statutory and common laws. The complaints that did name the Company were subsequently amended eliminating the Company as a defendant and adding certain other defendants, including Directors of the Company. As discussed in Note 14, the Company is aware that the SEC and a grand jury convened by the United States Attorney for the Southern District of New York have undertaken formal investigations with respect to alleged irregularities relative to the Company's previously issued Consolidated Financial Statements. The Company is cooperating with each of the investigations. These investigations have not been completed, and the Company is currently unable to predict the outcome of these investigations.

The Company incurred approximately \$55.3 million and \$7.4 million in fiscal 2001 and 2000, respectively, of auditing, non-audit assistance, consulting, legal and other professional costs associated primarily with (i) the investigation and restatement of its Consolidated Financial Statements in fiscal 1997 through 1999; (ii) the preparation of its Consolidated Financial Statements for fiscal 2000; (iii) a comprehensive review of the Company's major fiscal 2001 general ledger accounts; (iv) the preparation of its unaudited Consolidated Financial Statements for the first nine months of fiscal 2001 and related Form 10-Q/A; (v) other finance and accounting services; and (vi) litigation and compliance matters and expenses related to the various investigations concerning the Company's previously reported financial results. These costs are classified as "Selling, general and administrative" expenses in the Company's consolidated statements of operations.

## **3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the basis of presentation and the significant accounting policies followed in the preparation of these Consolidated Financial Statements is as follows:

### **Basis of Presentation**

The accompanying Consolidated Financial Statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets, and payment of liabilities in the ordinary course of business, and do not reflect adjustments that might result if the Debtors are unable to continue as a going concern. The Debtors' history of significant losses, stockholders' deficit and their Chapter 11 Cases, as well as issues related to compliance with debt covenants and financial assurance requirements discussed in Notes 10 and 14, raise substantial doubt about the Company's ability to continue as a going concern. The Debtors intend to file a plan or plans of reorganization with the Bankruptcy Court. Continuing as a going concern is dependent upon, among other things, the Debtors' formulation of a plan or plans of reorganization, the success of future business operations, and the generation of sufficient cash from operations and financing sources to meet the Company's obligations. The Consolidated Financial Statements do not reflect: (i) the realizable value of assets on a liquidation basis or their availability to satisfy liabilities; (ii) aggregate pre-petition liability amounts that may be allowed for unrecorded claims or contingencies, or their status or priority; (iii) the effect of any changes to the Debtors' capital structure or in the Debtors' business operations as the result of an approved plan or plans of reorganization; or (iv) adjustments to the carrying value of assets (including goodwill and other intangibles) or liability amounts that may be necessary as a result of actions by the Bankruptcy Court.

The Company's Consolidated Financial Statements as of and for the fiscal years ended August 31, 2001 and 2000 have been presented in conformity with SOP 90-7. This statement requires, among other things, a segregation of liabilities subject to compromise by the Bankruptcy Court as of the bankruptcy filing date and identification of all transactions and events that are directly associated with the reorganization of the Company. In recording liabilities subject to compromise, the Company must make certain estimates relating to the amounts it expects to be allowed in the bankruptcy proceeding. The actual amounts required to settle these claims could significantly differ from the amounts currently recorded.

### **Consolidation**

The accompanying Consolidated Financial Statements include the accounts of Safety-Kleen and all of its majority-owned subsidiary companies. All significant intercompany balances and transactions have been eliminated in consolidation.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on deposit and term deposits in investments with initial maturities of three months or less. These investments are stated at cost, which approximates market value.

### **Restricted Funds Held By Trustees**

Restricted funds held by trustees are included in other assets and consist principally of financial assurance funds deposited in connection with landfill final closure and post-closure obligations, amounts held for landfill and other construction arising from industrial revenue financings, and amounts held to establish a GSX Contribution Fund for the Safety-Kleen (Pinewood), Inc. facility ("Pinewood Facility") (see Note 14). These amounts are principally invested in fixed income securities of federal, state and local governmental entities and financial institutions. Realized investment earnings and trust expenses are recorded currently in the consolidated statements of operations.

The Company considers its landfill closure, post-closure, construction and escrow investments totaling \$4.1 million and \$12.4 million at August 31, 2001 and 2000, respectively, to be held to maturity. The Company has the ability and management has the intent to hold investment securities to maturity. Reductions in market value considered by management to be other than temporary are reported as a realized loss and reduction in the cost basis of the security. At August 31, 2001 and 2000, the aggregate fair value of these investments approximate their net book value and substantially all of these investments mature within one year. The GSX Contribution Fund for the Pinewood Facility totaling \$20.2 million and \$19.1 million at August 31, 2001 and 2000, respectively, has been treated as if it were available for sale (see Note 14). Accordingly, unrealized gains and losses resulting from changes between the cost basis and fair value of the securities, in this fund, are recorded in the consolidated statements of changes in stockholders equity (deficit) as adjustments to other comprehensive income (loss).

Additionally, \$15.0 million of the cash proceeds resulting from the Company's fiscal 2000 disposition of its 44% interest in Safety-Kleen Europe Limited (see Note 13) and its Rosemount facility had been restricted by order of the Bankruptcy Court, for use in securing certain insurance coverages previously provided by Laidlaw, as well as reimbursing certain costs of the agent for the pre-petition lenders. As a result of these restrictions, the proceeds have been included in other current assets in the accompanying consolidated balance sheet as of August 31, 2000. During fiscal 2001, the entire amount of the proceeds were used to pay certain pre-petition debt and to pay insurance and other professional fees related to bankruptcy.

### **Inventories and Supplies**

Inventories consist primarily of solvent, oil and oil products, drums, associated products for resale, supplies and repair parts, which are valued at the lower of cost or market as determined on a first-in, first-out basis. Inventories also include precious metals which are recorded at market value. The Company periodically reviews its inventories for obsolete or unsaleable items and adjusts its carrying value to reflect estimated realizable values.

### **Investments in Affiliates**

Investments in affiliates over which the Company has significant influence are accounted for by the equity method and included in other assets in the accompanying consolidated balance sheets. Equity earnings are recorded to the extent that any increase in the carrying value is determined to be realizable. The Company held no significant investment interests in equity method investees at August 31, 2001 and 2000.

### **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Expenditures for major renewals and improvements, which extend the life or usefulness of the asset, are capitalized. Items of an ordinary repair or maintenance nature, as well as major maintenance activities at incinerators, are charged directly to operating expense as incurred. The Company capitalizes environmentally related expenditures which extend the life of the related property or mitigate or prevent future environmental contamination.

During the construction and development period of an asset, the costs incurred, including applicable interest costs, are classified as construction-in-process. Once an asset has been completed and placed in service, it is transferred to the appropriate category and depreciation

commences. In addition, the Company capitalizes applicable interest costs associated with partially developed landfill sites, which are included in land, landfill sites and improvements (see Note 6).

Depreciation and amortization of other property, plant and equipment is provided on a straight-line basis over their estimated useful lives, with the exception of landfill assets, which is provided on a units of production or capacity basis. Leasehold improvements are capitalized and amortized over the shorter of the improvement life or the remaining term of the lease plus renewal period.

### **Intangible Assets**

The Company evaluates the excess of the purchase price over the amounts assigned to tangible assets and liabilities (excess purchase price) associated with each of its acquisitions to value the identifiable intangible assets. Any portion of the excess purchase price that cannot be separately identified represents goodwill. The Company evaluates the estimated economic lives of each intangible asset, including goodwill, and amortizes the asset over that life.

Customer list -- The Company has evaluated the value associated with the customer lists of acquired companies. The value is based on a number of significant assumptions, including category of customer, estimated duration of customer relationship and projected margins from existing customers. Based on its evaluation, the Company believes the acquired customer lists have estimated lives, ranging from 11 to 30 years, which it uses to amortize these assets.

Software -- The Company has evaluated the value associated with the software of acquired companies. The value is based on a number of significant assumptions, primarily the cost to replace the existing software. The Company believes the acquired software has an estimated life of 5 years, which it has used to amortize these assets.

Permits -- The Company has reflected the excess of the fair value of non-landfill facilities over the tangible assets acquired as permits. The Company has determined the value of acquired permits based on either a discounted cash flow or other appraisal method. The Company has evaluated and determined that the acquired non-landfill permits have estimated economic lives in excess of 40 years, but believes 40 years is an appropriate period for amortization of these assets. Accordingly, the Company is amortizing the value of permits over a period of 40 years.

Goodwill -- The remaining excess purchase price of acquired companies, after allocation to permits and the identified intangible assets discussed above, has been classified as goodwill. The Company considers legal, contractual, regulatory, obsolescence and competitive factors in determining the useful life and amortization period of this intangible asset. The Company believes the goodwill associated with the acquired companies has estimated lives ranging from 40 years to an undeterminable life. As such, the Company has amortized the goodwill over 40 years.

Goodwill is reviewed for impairment when events or circumstances indicate it may not be recoverable. If it is determined that goodwill may be impaired and the estimated undiscounted future cash flows, excluding interest, of the underlying business are less than the carrying amount of the goodwill, then an impairment loss is recognized. The impairment loss is based on the difference between the fair value of the underlying business and the carrying amount. The method of determining fair value differs based on the nature of the underlying business.

### **Impairment of Long-Lived Assets**

In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of", the Company periodically evaluates whether events and circumstances have occurred that indicate that the remaining useful life of any of its tangible and intangible assets may warrant revision or that the carrying amounts might not be recoverable. When factors indicate that the tangible and intangible assets should be evaluated for possible impairment, the Company uses an estimate of the future undiscounted cash flows generated by the underlying assets to determine if a write-down is required. If a write-down is required, the Company adjusts the book value of the underlying goodwill and then the book value of the impaired long-lived assets to their estimated fair values. The related charges are recorded in impairment and other charges in the accompanying consolidated statements of operations (see Note 17).

### **Deferred Financing Costs**

Deferred financing costs are amortized over the life of the related debt instrument and are included in other assets in the accompanying consolidated balance sheets as of August 31, 2001 and 2000. Related amortization expense was \$3.6 million, \$4.3 million and \$48.4 million in fiscal 2001, 2000, and 1999 respectively. As a result of the Chapter 11 Cases discussed in Note 1, financing costs of \$41.5 million related to pre-petition debt were expensed in fiscal 2000 as reorganization items.

### **Landfill Accounting and Environmental Liabilities**

Environmental liabilities include accruals for the estimates of the Company's obligations associated with:

- Regulatory mandated landfill cell closure, final closure and post-closure activities. The Company accrues cell closure costs over the life of the cell, and accrues final closure and post-closure costs over the life of the landfill, as capacity is consumed.

- Regulatory mandated closure and post-closure activities for facilities other than landfills, such as incinerators. The Company accrues these costs when management commits to a definitive plan of closure with respect to the facility.
- Costs associated with remedial environmental matters at the Company's facilities. The Company accrues for these costs on a site-by-site basis, when management deems such obligations to be probable and reasonably estimable.
- Sites named on the United States Environmental Protection Agency's National Priorities List ("Superfund") with which the Company is allegedly connected. The Company typically accrues its estimate of its obligations related to these sites no later than the completion of a remedial investigation and/or feasibility study.

Accruals are adjusted if, and as, further information relative to the underlying obligations develop or circumstances change. Changes in estimated landfill cell closure, final closure and post-closure liabilities are recognized prospectively. Changes in the Company's estimates of its obligations relative to non-landfill closure and post-closure activities, remedial situations and Superfund sites are recorded in the period in which the estimates change.

In conjunction with the acquisitions of certain facilities, the Company has obtained varying amounts and types of indemnification from potential environmental liabilities existing at the time of acquisition. Such indemnities typically cover all or a portion of the costs associated with the remediation of such pre-existing environmental liabilities, and may be for a limited period of time. No liabilities are recorded at the acquisition date if it is probable that the indemnifying party has the intent and financial ability to perform under those indemnities. Indemnifications contractually required of Laidlaw have not been considered in the determination of the Company's environmental liabilities (see Note 23).

Site costs -- Site costs include the costs of landfill site acquisition, permitting, preparation and improvement. These amounts are recorded at cost, which includes capitalized interest, as applicable. Site costs, net of amortization, are combined with management's estimate of the costs required to complete construction of the landfill to determine the amount to be amortized over the remaining estimated useful economic life of a site. Amortization of site costs is recorded on a units-of-consumption basis, such that the site costs should be completely amortized at the date the landfill ceases accepting waste.

Final closure and post-closure obligations for landfills -- Final closure costs include the costs required to cap the final cell of the landfill and the costs required to dismantle certain structures for landfills and other landfill improvements. In addition, final closure costs include regulatory mandated groundwater monitoring, leachate management, financial assurance and other costs incurred in the closure process. Post-closure costs include substantially all costs that are required to be incurred subsequent to the closure of the landfill, including, among others, groundwater monitoring, leachate management, and financial assurance. Regulatory post-closure periods are generally 30 years after landfill closure, but may be as long as 100 years after landfill closure. Final closure and post-closure obligations are discounted. Final closure and post-closure obligations are accrued on a units-of-consumption basis, such that the present value of the final closure and post-closure obligations is accrued at the date the landfill discontinues accepting waste.

Landfill capacity -- Landfill capacity, which is the basis for the amortization of site costs and for the accrual of final closure and post-closure obligations, represents total permitted airspace, plus unpermitted airspace that management believes is probable of ultimately being permitted based on established criteria. The Company applies a comprehensive set of criteria for evaluating the probability of obtaining a permit for future expansion airspace at existing sites, which provides management a sufficient basis to evaluate the likelihood of success of unpermitted expansions. Those criteria are as follows:

- Personnel are actively working to obtain the permit or permit modifications (land use, state and federal) necessary for expansion of an existing landfill, and progress is being made on the project.
- At the time the expansion is included in the Company's estimate of the landfill's useful economic life, it is probable that the required approvals will be received within the normal application and processing time periods for approvals in the jurisdiction in which the landfill is located. The Company expects to submit the application within the next year and expects to receive all necessary approvals to accept waste within the next five years.
- The owner of the landfill or the Company has a legal right to use or obtain land associated with the expansion plan.
- There are no significant known political, technical, legal, or business restrictions or issues that could impair the success of such expansion.
- A financial feasibility analysis has been completed, and the results demonstrate that the expansion has a positive financial and operational impact such that management is committed to pursuing the expansion.
- Additional airspace and related additional costs, including permitting, final closure and post-closure costs, have been estimated based on the conceptual design of the proposed expansion.

Exceptions to the criteria set forth above may be approved through a landfill-specific approval process that includes prompt approval from Safety-Kleen's Chief Financial Officer and review by the Audit Committee of the Board of Directors. As of August 31, 2001 and 2000, there were two unpermitted expansions included in the Company's landfill accounting model, which together represented approximately 1% of the Company's remaining airspace at these dates. Neither of these expansions represented exceptions to the Company's established criteria.

As of August 31, 2001, the Company has 10 active landfill sites (including the Company's non-commercial landfill), which have estimated remaining lives (based on anticipated waste volumes) and property, plant and equipment, net, as follows (\$ in thousands):

<u>Remaining lives (years)</u>	<u>Number of sites</u>	<u>Property, plant and equipment, net</u>
0-5	3	\$ 19,984
6-10	--	--
11-20	4	40,803
21-40	--	--
40 +	3	16,862
	<u>10</u>	<u>\$ 77,649</u>

Amortization of cell construction costs and accrual of cell closure obligations -- Landfills are typically comprised of a number of cells, which are constructed within a defined acreage (or footprint). The cells are typically discrete units, which require both separate construction and separate capping and closure procedures. Cell construction costs are the costs required to excavate and construct the landfill cell. These costs are typically amortized on a units-of-consumption basis, such that they are completely amortized when the specific cell ceases accepting waste. Cell closure costs, which are the costs required to construct the cell cap, are accrued over the life of the cell. Those costs are typically accrued on a units-of-consumption basis, such that the total amount required to cap the cell is accrued when that specific cell ceases accepting waste. In some instances, the Company has landfills that are engineered and constructed as "progressive trenches." In progressive trench landfills, a number of contiguous cells form a progressive trench. In those instances, the Company amortizes cell construction costs, and accrues cell closure obligations, over the airspace within the entire trench, such that the cell construction costs will be fully amortized, and the cell closure costs will be fully accrued, when that specific progressive trench ceases accepting waste.

Final closure and post-closure obligations for facilities other than landfills -- Final closure costs include costs required to dismantle and decontaminate certain structures, financial assurance and other costs incurred during the closure process. Post-closure costs, if required, include associated maintenance and monitoring costs and financial assurance costs as required by the closure permit. Post-closure periods are performance based and are not generally specified in terms of years in the closure permit, but may generally range from 10 to 30 years or more. These obligations generally are not discounted.

Remedial liabilities, including Superfund liabilities -- Remedial liabilities include the costs of removal or containment of contaminated material, the treatment of potentially contaminated groundwater and maintenance and monitoring costs necessary to comply with regulatory requirements.

Discounting of long-term environmental related liabilities -- Costs of future expenditures for landfill final closure and post-closure are discounted based on management's expectations of when it will incur the expenditure. Generally, remediation obligations are not discounted. However, in limited instances, certain remediation obligations are discounted if they are closely connected to the regulatory post-closure

obligations and/or the amount and timing of the cash payments are fixed and reliably determinable. The interest accretion relative to these discounted liabilities is reflected in operating expenses.

### **Credit Concentration**

Concentration of credit risks in accounts receivable is limited due to the large number of customers comprising the Company's customer base throughout North America. The Company performs periodic credit evaluations of its customers. The Company establishes an allowance for uncollectible accounts based on the credit risk applicable to particular customers, historical trends and other relevant information.

### **Derivatives and Other Financial Instruments**

Prior to fiscal 2001, certain of the Company's debt agreements required the use of interest rate swap agreements to minimize the impact of interest rate fluctuations on floating interest rate long-term borrowings. As such, the Company entered into pay-fixed swap agreements which hedged the exposures from floating-rate interest cash flows on debt, with terms to ten years through the termination of the swap. These swaps were accounted for as qualifying hedges as described below. In addition, the Company also utilized a receive-fixed swap as a hedge against fair value changes of fixed-rate long-term debt. The Company also entered into derivative contracts for trading purposes (mark-to-market contracts), certain of which produced immediate cash flows. The following is a summary of the derivatives that the Company has used and the related accounting treatment:

Qualifying hedges -- Instruments used as hedges must be effective at managing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Accordingly, changes in fair values or cash flows of these hedge instruments must have a high degree of offsetting effect on changes in fair values or cash flows of the underlying hedged items. Interest rate swaps that meet these criteria are accounted for under the deferral or accrual method. If a derivative does not meet these criteria, or if the designated hedged item ceases to exist, then the Company subsequently accounts for the derivative at its fair value, with gains or losses on derivative contracts recognized through earnings. During fiscal years 1997 through 2000, it was not always possible to obtain documentation to support hedge accounting. Therefore, the following criteria were used to identify those derivative instruments to which hedge accounting (i.e. accrual accounting) would be applied:

- The derivative's notional amount must not exceed the aggregate principal of hedged debt outstanding.
- At-market interest rate swaps are accounted for as an individual contract such that the swap is entirely treated as a hedge or entirely marked to fair value.
- At-market swap maturities (plus extensions) must be no greater than ten years.
- The floating rate on the hedged debt and floating leg of the at-market interest rate swap must reset to market at least every six months based on a LIBOR index.

Swap termination/amortization -- If a terminated interest rate swap received hedge accounting before termination, the fair value at the termination date is deferred as a component of the hedged item and amortized over the remaining swap life if either the debt remains outstanding or it is probable that the existing debt will be replaced. Otherwise, the fair value at the termination date will be reported in earnings at that date. If the terminated swap was already being reported at fair value, then the change in fair value of the terminated swap since the previous reporting period is recorded in earnings.

Swap modification -- A modification of an existing interest rate swap is considered a termination of the existing swap and the execution of a new interest rate swap.

Mark-to-market contracts -- All noninterest rate swap derivatives (e.g., futures, forwards and options primarily based on interest rates, but that include other underlyings), as well as interest rate swaps not meeting the qualifying hedge requirements discussed above, are measured at fair value through earnings from inception to maturity.

Written options other than termination/extension clauses -- All interest rate swaps with written option components attributable to terms other than permanent terminations or extensions are considered written options in their entirety and are measured at fair value through earnings from inception to maturity.

Off-market swaps -- Certain interest rate swaps had terms at inception that deviated from market, which caused their fair value to not equal zero at the inception of the contracts. For these instruments, the Company segregated the contract between a fixed-rate borrowing and an at-market swap. The borrowing is repaid through allocating a portion of the settlement payments under the actual swap. The portion of the contract settlements that generates the cash flows arising from the off-market terms is recorded as interest expense and a reduction of the fixed-rate borrowing using the effective interest method. The remaining cash flows are reported as an at-market swap, which is treated as a qualifying hedge if it meets the criteria described above or as a mark-to-market contract if it does not meet the criteria.

**Financial statement presentation** -- Prior to their involuntary termination, the fair value of derivative instruments accounted for as mark-to-market contracts were included in other current assets for those with a positive fair value, or in derivative liabilities for those with a negative fair value. The net book values of amortizing fixed-rate borrowings that result from off-market swaps are included in derivative liabilities. At August 31, 2001 and 2000, all derivative liabilities are included in liabilities subject to compromise. Interest income and expense that resulted from the settlement of all interest rate swap transactions, as well as interest expense on any segregated fixed-rate borrowings, were recorded in the applicable interest income or expense caption in the consolidated statements of operations. Gains and losses on transactions not receiving hedge accounting were recorded in derivative (losses) gains.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133", which delayed the original effective date of SFAS No. 133 until fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", which amends SFAS No. 133. SFAS No. 138 addresses a limited number of issues related to the implementation of SFAS No. 133. On September 1, 2001, the Company adopted the provisions of SFAS No. 133, as amended. The adoption of SFAS No. 133 had no impact on the previously terminated interest rate derivatives or related derivative liabilities reported as liabilities subject to compromise.

On December 15, 2000, the Bankruptcy Court approved a multi-year marketing and distribution agreement between the Company and SystemOne Technologies, Inc. ("SystemOne"). A warrant received in conjunction with this agreement is being accounted for as a derivative under SFAS No. 133. The warrant does not qualify for hedge accounting treatment, and as such, changes in the fair value of the warrant are reported in earnings.

### **Revenue Recognition**

The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Consolidated Financial Statements." SAB No. 101 requires that four basic criteria must be met before revenue can be recognized: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the fee is fixed and determinable; and (iv) collectibility is reasonably assured.

The Company recognizes revenue upon disposal for its waste collection and disposal activities, and over the applicable service intervals for its parts cleaner and related businesses. Consulting and oil collection services revenue is recognized when services are performed. Revenue from product sales is recognized upon delivery to the customers. Unearned revenue has been recorded for services billed but not earned in the accompanying consolidated balance sheets. Direct costs associated with the handling and transportation of waste prior to disposal and other variable direct costs associated with the Company's parts cleaner and related businesses are capitalized as a component of other current assets in the accompanying consolidated balance sheets and expensed when the related revenue is recognized. Deferral periods related to unearned revenue and the related direct costs typically range from one to six months.

### **Stock-based Compensation**

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation", the Company has elected to apply APB Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for its stock option plans. Accordingly, no compensation cost has been recognized because the option exercise price of all options granted was equal to the market price of the underlying stock on the date of the grant. The Company has provided the pro forma disclosure of the fair value of options granted as required by SFAS No. 123 (see Note 20).

### **Income Taxes**

Income taxes are calculated in accordance with SFAS No. 109, "Accounting for Income Taxes". Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts. Future tax benefits, such as net operating loss carryforwards, are recognized to the extent that realization of such benefits is more likely than not.

### **Foreign Currency**

Foreign subsidiary balances are translated according to the provisions of SFAS No. 52, "Foreign Currency Translation". The functional currency of each foreign subsidiary is in its respective local currency. Assets and liabilities are translated to U.S. Dollars at the exchange rate in effect at the balance sheet date and revenue and expenses at the average exchange rate for the year. Gains and losses from the translation of the Consolidated Financial Statements of the foreign subsidiaries into U.S. dollars are included in stockholders' deficit as a component of other comprehensive income (loss).

Gains and losses resulting from foreign currency transactions are recognized in other (expense) income in the accompanying consolidated statements of operations. The Company recognized a loss from foreign currency transactions of \$1.0 million in fiscal 2001, a gain of \$0.5 million in fiscal 2000 and a loss of \$1.3 million in fiscal 1999. Recorded balances, that are denominated in a currency other than the functional currency, are adjusted to the functional currency using the exchange rate at the balance sheet date.

### **Loss Per Share**

Basic and diluted loss per share are calculated according to the provisions of SFAS No. 128, "Earnings per Share". Basic loss per share excludes any dilutive effects of options and convertible securities. Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the weighted average number of common and common stock equivalent shares outstanding during the period. Common stock equivalent shares are excluded from the computation if their effect is antidilutive. For all periods presented, the effect of the Company's common stock options and subordinated convertible debenture are excluded from the dilutive loss per share calculation since inclusion of such items would be antidilutive. At August 31, 2001, 2000, and 1999 there were 584,650, 1,046,863 and 1,200,988 options to purchase shares of common stock at a weighted average exercise price of \$13.90, \$13.84 and \$13.90 per share, respectively.

### **Use of Estimates**

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. Certain estimates require management's judgement, and when applied, materially effect the Company's Consolidated Financial Statements. The Company considers the "Basis of Presentation" (see above), environmental liabilities, asset impairments, litigation contingencies, Safety-Kleen (Pinewood), Inc. and recent accounting developments to include estimates that required or will require management's judgement. These estimates involve matters that are inherently uncertain in nature and have a material effect on the Consolidated Financial Statements. Actual results could differ materially from those estimates.

### **Recent Accounting Developments**

In July 2001, the FASB issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001. SFAS No. 141 also specifies criteria for intangible assets acquired in a business combination to be recognized and reported apart from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company is required to adopt the provisions of SFAS No. 141 immediately for new transactions and SFAS No. 142 at the earlier of its emergence from bankruptcy or September 1, 2002. Early adoption of SFAS No. 142 is permitted.

The Company's existing goodwill and intangible assets will continue to be amortized prior to the adoption of SFAS No. 142. Upon adoption of SFAS No. 142, the Company must evaluate its existing intangible assets and goodwill. Upon adoption of SFAS No. 142, the Company will be required to reassess the useful lives and residual values of all recorded intangible assets, and make any necessary amortization period adjustments by the end of the second fiscal quarter following adoption. Additionally, to the extent an intangible asset is identified as having an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142 by the end of the second fiscal quarter following adoption. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle.

As of September 1, 2002, the Company expects to have unamortized goodwill of approximately \$1.2 billion, which will be subject to the transition provisions of SFAS No. 142. Amortization expense related to goodwill and other intangible assets was \$71.4 million, \$73.4 million and \$74.3 million for each of the three fiscal years ended August 31, 2001, 2000 and 1999, respectively. The Company believes it will likely incur a significant write-down in the value of its intangible assets at the earlier of its emergence from bankruptcy, as provided by SOP 90-7, or the adoption of SFAS No. 142.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 will require, upon adoption, that the Company recognize as a component of asset cost, the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. Under this statement, the liability is discounted and accretion expense is recognized using the credit-adjusted risk-free interest rate in effect when the liability was initially recognized. SFAS No. 143 is effective for Consolidated Financial Statements issued for fiscal years beginning after June 15, 2002. The Company will be required to adopt SFAS No. 143 at the earlier of its emergence from bankruptcy or September 1, 2002. The Company is currently in the process of evaluating the impact of SFAS No. 143; however, the adoption of this standard is expected to result in the recognition of additional assets and liabilities, and may result in a significant charge to operations in the period of adoption.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes FASB statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" for the disposal of a segment of a business (as previously defined in that opinion). SFAS No. 144 is effective for Consolidated Financial Statements issued for fiscal years beginning after December 15, 2001. The Company will be required to adopt SFAS No. 144 at the earlier of its emergence from bankruptcy or September 1, 2002. The new rules change the criteria for classifying an asset as held-for-sale. The standard also broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations, and changes the timing of recognizing losses on such operations. The Company is currently in the process of evaluating the potential impact that the adoption of SFAS No. 144 will have on its consolidated financial position and results of operations.

#### Other Matters

Certain prior year amounts have been reclassified to conform to current year presentation.

#### 4. RESTRICTIONS ON CASH AND CASH EQUIVALENTS

Cash and cash equivalents of approximately \$41 million and \$8 million were held by the Company's Canadian operations as of August 31, 2001 and 2000, respectively. The Company's ability to utilize cash held by Canadian operations for domestic operating, capital expenditure, financial assurance and environmental liability requirements is limited as a result of the bankrupt status of the Debtors, the requirements of the Senior Credit Facility and tax consequences.

#### 5. ACCOUNTS RECEIVABLE

Accounts receivable at August 31, 2001, and 2000 consist of the following (\$ in thousands):

	<u>2001</u>	<u>2000</u>
Trade accounts receivable	\$ 298,946	\$ 361,078
Accrued revenue	20,293	15,345
Other receivables	9,735	16,172
Allowance for uncollectible accounts	(69,950)	(85,253)
	<u>\$ 259,024</u>	<u>\$ 307,342</u>

#### 6. PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment at August 31, 2001 and 2000 consist of the following (\$ in thousands):

	<u>2001</u>	<u>2000</u>	<u>Range of Estimated Useful Lives</u>
Land	\$ 76,413	\$ 80,007	N/A
Landfill sites and improvements	194,309	191,607	0-126 years
Buildings	229,763	238,599	20-40 years
Machinery and equipment	581,945	530,482	3-40 years
			Lesser of useful life or lease term
Leasehold improvements	19,977	19,437	N/A
Construction in process	18,242	11,551	
Total property, plant and equipment	<u>1,120,649</u>	<u>1,071,683</u>	
Less: Accumulated depreciation and amortization	<u>(357,046)</u>	<u>(298,808)</u>	
Property, plant and equipment, net	<u>\$ 763,603</u>	<u>\$ 772,875</u>	

Machinery and equipment includes the cost of Company-owned parts cleaner service machines placed at customers' locations as part of the Company's parts cleaner service offering, as well as such machines and replacement parts on-hand for future placement at customers' locations. Depreciation commences when a unit is placed in service at a customer location. The combined net book value of such machines was \$94.7 million and \$77.4 million at August 31, 2001 and 2000, respectively.

Depreciation and amortization expense related to property, plant and equipment was \$72.4 million, \$96.5 million and \$87.0 million in fiscal 2001, 2000 and 1999, respectively.

Included within property, plant and equipment is an administrative office building held for sale, which was the former headquarters of Old Safety-Kleen in Elgin, Illinois. The building, including land and related improvements, has been recorded at its estimated fair value, less estimated costs to sell, of approximately \$9.6 million and \$17.0 million, as of August 31, 2001 and 2000, respectively.

During fiscal 2001, the Company had no capitalized interest costs, as contractually required interest payments have been stayed by bankruptcy. During fiscal 2000 and 1999, the Company capitalized total interest costs of \$1.2 million and \$2.4 million, respectively.

## 7. INTANGIBLE ASSETS

Intangible assets at August 31, 2001 and 2000 consist of the following (\$ in thousands):

	<u>2001</u>	<u>2000</u>
Customer lists	\$ 220,000	\$ 220,000
Software	50,000	50,000
Permits, non-landfill	384,590	384,010
Goodwill	1,351,373	1,352,993
Total intangible assets	<u>2,005,963</u>	<u>2,007,003</u>
Less: accumulated amortization	(277,979)	(208,718)
Intangible assets, net	<u>\$ 1,727,984</u>	<u>\$ 1,798,285</u>

The amortization expense associated with customer lists was \$12.7 million in each of fiscal 2001, 2000 and 1999. The amortization expense associated with software was \$10.0 million in each of fiscal 2001, 2000 and 1999. The amortization expense associated with non-landfill permits was \$12.5 million in fiscal 2001 and \$12.2 million in each of fiscal 2000 and 1999. The amortization expense associated with goodwill was \$36.1 million, \$38.5 million, and \$39.4 million in fiscal 2001, 2000 and 1999, respectively.

## 8. ACCRUED OTHER LIABILITIES

Accrued other liabilities at August 31, 2001 and 2000 consist of the following (\$ in thousands):

	<u>2001</u>	<u>2000</u>
Accrued interest payable	\$ 9,614	\$ 2,062
Accrued employee salaries and benefits	39,491	28,387
Accrued professional fees	42,658	1,540
Accrued insurance	16,061	7,408
Accrued taxes	15,648	10,963
Accrued other	31,352	18,851
Total	<u>\$ 154,824</u>	<u>\$ 69,211</u>

Included in accrued other is the current portion of capital lease obligations of \$4,641; the long-term portion of capital lease obligations is classified in other long-term liabilities in the accompanying consolidated balance sheets.

## 9. CLOSURE, POST-CLOSURE AND ENVIRONMENTAL REMEDIATION LIABILITIES

The Company records environmentally related accruals for both its landfill and non-landfill operations. See Note 3 for further discussion of the Company's methodology for estimating and recording these accruals.

Final closure and post-closure liabilities -- The Company has material financial commitments for the costs associated with requirements of the United States Environmental Protection Agency (the "EPA"), and the comparable regulatory agency in Canada for the final closure and post-closure activities at the majority of its facilities. In the United States, the final closure and post-closure requirements are established under the standards of the EPA, and are implemented and applied on a state-by-state basis. Estimates for the cost of these activities are developed by the Company's engineers, accountants and external consultants, based on an evaluation of site-specific facts and circumstances, including the Company's interpretation of current regulatory requirements and proposed regulatory changes. Such estimates may change in the future due to various circumstances including, but not limited to, permit modifications, changes in legislation or regulations, technological changes and results of environmental studies. Final closure and post-closure plans are established in accordance with the individual site permit requirements. Landfill post-closure periods are generally expected to be for a period of 30 years after closure, but may extend to a period of 100 years. See Note 14 for a discussion of the Pinewood Facility.

For purchased landfills, the Company assesses and records the present value of the estimated closure and post-closure liability based upon the estimated final closure and post-closure costs and the percentage of airspace consumed as of the purchase date. Thereafter, the difference between the liability recorded at the time of acquisition and the present value of total estimated final closure and post-closure costs to be incurred is accrued prospectively on a units of consumption basis over the estimated useful economic life of the landfill.

Remedial liabilities, including Superfund liabilities -- The Company periodically evaluates potential remedial liabilities at sites that it owns or operates and at sites to which it has transported or disposed of waste, including 55 Superfund sites as of February 28, 2002. The majority of the issues at Superfund sites relate to allegations that the Company, or its predecessors, transported waste to the facilities in question, often prior to the acquisition of the alleged potentially responsible party ("PRP") by Safety-Kleen. The Company periodically reviews and evaluates sites requiring remediation, including Superfund sites, giving consideration to the nature (i.e., owner, operator, transporter or generator) and the extent (i.e., amount and nature of waste hauled to the location, number of years of site operations or other relevant factors) of the Company's alleged connection with the site, the regulatory context surrounding the site, the accuracy and strength of evidence connecting the Company to the location, the number, connection and financial ability of other named and unnamed PRPs and the nature and estimated cost of the likely remedy. Where the Company concludes that it is probable that a liability has been incurred, provision is made in the Consolidated Financial Statements, based upon management's judgment and prior experience, for the Company's best estimate of the liability. Such estimates, which are inherently subject to change, are subsequently revised if and when additional information becomes available.

Revisions to remediation reserve requirements may result in upward or downward adjustments to income from operations in any given period. The Company believes that its extensive experience in the environmental services business, as well as its involvement with a large number of sites, provides a reasonable basis for estimating its aggregate liability. It is reasonably possible that technological, regulatory or enforcement developments, the results of environmental studies or other factors could necessitate the recording of additional liabilities and/or the revision of currently recorded liabilities that could be material. The impact of such future events cannot be estimated at the current time.

Discounted environmental liabilities -- When the Company believes that both the amount of a particular environmental liability and the timing of the payments are fixed or reliably determinable, its cost in current dollars is inflated using estimates of future inflation rates (2.9% at each of August 31, 2001 and 2000) until the expected time of payment, then discounted to its present value using a risk-free discount rate (5.8% at each of August 31, 2001 and 2000). The portion of the Company's recorded environmental liabilities (including closure, post-closure and remedial obligations) that is not inflated or discounted was approximately \$278.0 million and \$236.0 million at August 31, 2001 and 2000, respectively. Had the Company not discounted any portion of its liability, the amount recorded would have been increased by approximately \$122.9 million and \$132.1 million at August 31, 2001 and 2000, respectively. The Company estimates it will provide \$213.9 million in additional environmental reserves (including the inflation and discount factors referred to above) over the remaining site lives of its facilities based on current estimated costs.

The Company has recorded liabilities for closure, post-closure and remediation obligations as of August 31, 2001 and 2000 as follows (\$ in thousands):

	<u>2001</u>	<u>2000</u>
Current portion of environmental liabilities	\$ 41,218	\$ 41,122
Non-current portion of environmental liabilities	340,442	285,634
Balances included in liabilities subject to compromise (see Note 11)	11,096	9,579
Total	<u>\$ 392,756</u>	<u>\$ 336,335</u>

In the following table, reserves for environmental matters are classified as of each balance sheet date based on their classification at August 31, 2001. Reserves for closure, post-closure and remediation as of August 31, 2001 and 2000, respectively, are as follows (\$ in thousands):

	<u>2001</u>	<u>2000</u>
Landfill facilities:		
Cell closure	\$ 24,926	\$ 26,028
Final closure	22,222	17,732
Post-closure	67,356	59,198
Remediation	23,490	21,562
	<u>137,994</u>	<u>124,520</u>
Non-landfill facilities:		
Remediation, closure and post-closure for closed sites	174,085	130,896
Remediation (including Superfund) for open sites	80,677	80,919
	<u>254,762</u>	<u>211,815</u>
Total	<u>\$ 392,756</u>	<u>\$ 336,335</u>

All of the landfill facilities included in the table above are active as of August 31, 2001, except the Pinewood Facility. Total closure and post-closure reserves related to the Pinewood Facility were \$51.0 million and \$44.6 million as of August 31, 2001 and 2000, respectively. Total environmental remediation reserves related to the Pinewood Facility were \$2.9 million and \$0.4 million as of August 31, 2001 and 2000, respectively. The South Carolina Department of Health and Environmental Control has required that an environmental impairment fund ("EIF") be established for any potential environmental clean-up and restoration of environmental impairment at the Pinewood Facility. The obligation to contribute to the EIF has been treated as a commitment to restrict assets and no liability related to the obligation has been recorded as of August 31, 2001 and 2000 (see Notes 3 and 14).

The changes to environmental liabilities for the year ended August 31, 2001 are as follows (\$ in thousands):

	<u>August 31, 2000</u>	<u>Charges to Expense</u>	<u>Reclassifications and Other</u>	<u>Payments</u>	<u>August 31, 2001</u>
Landfill facilities	\$ 124,520	\$ 20,956	\$ (887)	\$ (6,595)	\$ 137,994
Non-landfill Facilities:					
Remediation, closure and post-closure for closed sites	130,896	54,143	1,549	(12,503)	174,085
Remediation (including Superfund) for open sites	<u>80,919</u>	<u>4,406</u>	<u>(718)</u>	<u>(3,930)</u>	<u>80,677</u>
Total	<u>\$ 336,335</u>	<u>\$ 79,505</u>	<u>\$ (56)</u>	<u>\$ (23,028)</u>	<u>\$ 392,756</u>

Approximately \$44.8 million of the charges to expense in the table above represent the provision for early facilities closures and post-closures and are included in "Impairment and other charges" in the consolidated statements of operations for the year ended August 31, 2001 (see Note 17); the remainder is included in "Operating" expenses.

Anticipated payments (based on current estimated costs) and anticipated timing of necessary regulatory approvals to commence work on closure, post-closure and remediation activities for each of the next five years and thereafter are as follows (\$ in thousands):

Year ending August 31,	
2002	\$ 42,946
2003	55,380
2004	47,114
2005	24,210
2006	21,444
Thereafter	415,533
Subtotal	<u>606,627</u>
Less:	
Reserves to be provided (net of discount of \$122.9 million) over remaining site lives	<u>(213,871)</u>
Total	<u>\$ 392,756</u>

## 10. LONG-TERM DEBT AND OTHER FINANCING

Long-term debt and other financing at August 31, 2001 and 2000 consisted of the following (\$ in thousands):

	2001	2000
First DIP Facility	\$ --	\$ --
Domestic Borrowings and other financing subject to compromise:		
Senior Credit Facility:		
Term Loans	1,137,750	1,137,750
Revolver	340,000	340,000
Senior Subordinated Notes, due June 1, 2008	325,000	325,000
Senior Notes, due May 15, 2009	225,000	225,000
Promissory note, due May 2003	60,000	60,000
Industrial revenue bonds, due 2003-2027	80,603	90,900
Other	3,237	11,425
	<u>2,171,590</u>	<u>2,190,075</u>
Canadian Borrowings:		
Senior Credit Facility	45,910	48,269
Operating Facility	16,313	17,152
	<u>62,223</u>	<u>65,421</u>
Total debt	2,233,813	2,255,496
Less: Current portion not subject to compromise	(62,223)	(65,421)
Less: Liabilities subject to compromise (see Note 11)	(2,171,590)	(2,190,075)
Long-term debt	<u>\$ --</u>	<u>\$ --</u>

### DIP Facility

On July 19, 2000, the Bankruptcy Court granted final approval of a one-year \$100 million Revolving Credit Agreement underwritten by Toronto Dominion (Texas), Inc. as general administrative agent and CIT Group/Business Credit, Inc. as collateral agent (the "First DIP Facility") with an aggregate sublimit for letters of credit of \$35 million. The actual amount available under the First DIP Facility was subject to a borrowing base computation. The First DIP Facility was amended on ten occasions through February 28, 2002, which amendments have, among other things, extended the maturity date, increased the aggregate limit for letters of credit to \$95 million, increased the sublimits for letters of credit for certain uses and waived the Debtors' non-compliance with certain affirmative covenants under the First DIP Facility. The Debtors are jointly and severally liable under the First DIP Facility. As of August 31, 2001, no amounts have been drawn on the First DIP Facility and approximately \$48 million of letters of credit have been issued.

See Note 29 regarding the eleventh amendment to the First DIP Facility and the Second Amended and Restated DIP Facility.

### Other Domestic Borrowings

Senior Credit Facility -- In April 1998, the Company repaid its then existing bank credit facility and established a \$2.2 billion Senior Credit Facility (the "Senior Credit Facility") pursuant to a credit agreement between the Company and a syndicate of banks and other financial institutions. In June 1998, the availability of the Senior Credit Facility was permanently reduced by \$325 million to \$1.875 billion by the subsequent issuance of the Senior Subordinated Notes described below. The Senior Credit Facility consists of five parts: (i) a \$550 million six-year Senior Secured Revolving Credit Facility with a \$200 million letter of credit sublimit and \$400 million sublimit for loans (the "Revolver"); (ii) a \$455 million six-year senior secured amortizing term loan; (iii) a \$70 million six-year senior secured amortizing term loan; (iv) a \$400 million minimally amortizing seven-year senior secured term loan; and (v) a \$400 million minimally amortizing eight-year senior secured term loan. The term loans referred to in clauses (ii), (iii), (iv) and (v) are collectively referred to herein as the "Term Loans."

Interest costs on the Senior Credit Facility are reset periodically, at least annually, and vary depending on the particular facility and whether the Company chooses to borrow under Eurodollar or non-Eurodollar loans. Interest rates applicable to the Senior Credit Facility ranged from 7.56% to 12.88%, including a 2% default premium, effective June 1, 2000.

As of August 31, 2001, the Term Loans have been drawn in full and borrowings outstanding under the Revolver totaled \$340 million. In addition, there were approximately \$83.0 million of letters of credit issued under the terms of the Revolver. As a result of the Debtors' Chapter 11 Cases, all additional availability under the Revolver has been terminated, although the letters of credit remain outstanding.

Domestic borrowings of Safety-Kleen Services, Inc. (formerly known as LES, Inc.) (the "Domestic Borrower") under the Senior Credit Facility are collateralized by substantially all of the non-hazardous tangible and intangible assets of the domestic subsidiaries of the Domestic Borrower, plus 65% of the capital stock of Safety-Kleen's foreign wholly-owned subsidiaries, including, but not limited to, Safety-Kleen's primary Canadian subsidiaries, Safety-Kleen Canada Inc. and Safety-Kleen Ltd. (the "Canadian Borrower"). In addition, substantially all of

the capital stock of the Domestic Borrower and its wholly-owned or majority-owned domestic subsidiaries is pledged to the Domestic Senior Credit Facility lenders (the "Domestic Lenders") and such domestic subsidiaries guarantee the obligations of the Domestic Borrower to the Domestic Lenders.

Senior Subordinated Notes -- On May 29, 1998, the Domestic Borrower, a wholly-owned subsidiary of Safety-Kleen, issued \$325 million 9.25% Senior Subordinated Notes due 2008 in a Rule 144A offering. In accordance with an Exchange and Registration Rights Agreement entered at the time of the issuance of the aforementioned notes, the Company filed a registration statement with the SEC on June 24, 1998, pursuant to which the Company exchanged the 9.25% Senior Subordinated Notes due 2008 for substantially identical notes of the Company (the "1998 Notes"). Net proceeds from the sale of the 1998 Notes, after the underwriting fees and other expenses, were approximately \$316.8 million. The proceeds were used to repay a portion of the borrowings outstanding under the Senior Credit Facility.

The 1998 Notes mature on June 1, 2008. Interest is payable semiannually, on December 1 and June 1. The 1998 Notes will be redeemable, in whole or in part, at the option of the Company, at any time and from time to time at a redemption price as defined in the indenture. Upon a change in control of the Company, each holder of the 1998 Notes may require the Company to repurchase all or a portion of the holder's 1998 Notes at 101% of the principal amount, plus accrued interest.

The 1998 Notes are general unsecured obligations of the Domestic Borrower, subordinated in right of payment to all existing and future senior indebtedness, as defined, of the Domestic Borrower. The 1998 Notes will rank senior in right of payment to all existing and future subordinated indebtedness of the Domestic Borrower, if any. The payment of the 1998 Notes are guaranteed on a senior subordinated basis by Safety-Kleen and are jointly and severally guaranteed on a senior subordinated basis by the Domestic Borrower's wholly-owned domestic subsidiaries. No foreign direct or indirect subsidiary or non wholly-owned domestic subsidiary is an obligor or guarantor on the financing (see Note 27).

Senior Notes -- On May 17, 1999, Safety-Kleen issued \$225 million 9.25% Senior Notes due 2009 in a Rule 144A offering which were subsequently exchanged for substantially identical notes of Safety-Kleen in an offering registered with the SEC in September 1999 (the "1999 Notes"). Net proceeds, after the underwriting fees and other expenses, were approximately \$219 million and were used to finance the cash portion of the purchase price for the repurchase of the pay-in-kind debenture ("PIK Debenture"), for expenses relating to the repurchase and for general corporate purposes.

The 1999 Notes mature on May 15, 2009, with interest payable semi-annually on May 15 and November 15. The 1999 Notes will be redeemable, in whole or in part, at the option of Safety-Kleen, at any time and from time to time at a redemption price as defined in the indenture. Upon a change in control of Safety-Kleen, each holder of the 1999 Notes may require Safety-Kleen to repurchase all or a portion of such holder's 1999 Notes at 101% of the principal amount thereof, plus accrued interest.

The 1999 Notes are unsecured and rank equally with all existing and future senior indebtedness and are senior to all existing and future subordinated indebtedness. The 1999 Notes are not guaranteed by Safety-Kleen's subsidiaries.

The Senior Credit Facility, the 1998 Notes and the 1999 Notes contain negative, affirmative and financial covenants including covenants restricting debt, guarantees, liens, mergers and consolidations, sales of assets, transactions with affiliates, the issuance of stock to third parties and payment of dividends and establishing a total leverage ratio test, a fixed charge coverage test, an interest coverage ratio test and a maximum contingent obligation to operating cash flow ratio test. As a result of the Chapter 11 Cases, Safety-Kleen, which was not in compliance with the covenants at the time of the Chapter 11 Cases, classified the entire portion of domestic borrowings as liabilities subject to compromise.

Other Borrowings -- The \$60.0 million promissory note and \$25.7 million of the Industrial revenue bonds are guaranteed by Laidlaw (see Notes 14 and 23) and the bonds are secured by the properties financed.

### **Canadian Borrowings**

Senior Credit Facility -- The Canadian Borrower and Safety-Kleen's Canadian subsidiaries participated in the Senior Credit Facility under which it established and initially borrowed \$70.0 million (USD) from a syndicate of five banks. The term loan has a floating interest rate based on Canadian prime plus 1.375% or Canadian Bankers Acceptance, ("CB/A") plus 2.375%, at the Company's discretion. As a result of the Debtors' filing for Chapter 11 bankruptcy protection, its Canadian subsidiaries are in default of the loan conditions and a notice of default has been issued by the banks making the loan payable on demand. In accordance with the provisions of default under the Senior Credit Facility, the floating interest rate will increase an additional 2% if all or a portion of any principal of any Loan, any interest payable thereon, any commitment fee or any Reimbursement Obligation or Acceptance Reimbursement Obligation or other amount payable hereunder shall not be paid when due. Accordingly, the outstanding loan balance is classified as a current liability as of August 31, 2001 and 2000, and interest continues to accrue at the Canadian prime plus 3.375%.

Canadian Operating Facility -- On April 3, 1998, the Canadian Borrower entered into a letter agreement with the Toronto Dominion Bank providing an operating line of credit of up to \$35.0 million (CDN). The letter agreement has a floating interest rate based on Canadian prime plus 1.375% or CB/A plus 2.375% for Canadian borrowings and prime plus 1.375% or LIBOR plus 2.375% for U.S. borrowings, at the Company's discretion. On March 4, 2000, Toronto Dominion Bank cancelled this letter agreement at which time the Canadian Borrower had

borrowings of \$17.2 million and letters of credit totaling \$3.6 million. The full amount borrowed was in default at August 31, 2001 and 2000, due to breaches of loan covenants by the local subsidiary. Accordingly, the outstanding loan balance is classified as a current liability as of August 31, 2001 and 2000.

Borrowings by the Canadian Borrower under the Senior Credit Facility and the Canadian Operating Facility are collateralized by substantially all of the tangible personal property of Safety-Kleen's Canadian subsidiaries and by the guarantees of the Domestic Borrower's domestic, wholly-owned and majority-owned subsidiaries. Additionally, 35% of the common stock of Safety-Kleen Canada Inc. and of the Canadian Borrower is pledged in favor of the Canadian Senior Credit Facility Lenders and the Canadian Operating Facility Lenders.

### **Subordinated Convertible Debenture**

On May 15, 1997, the Company issued a \$350 million 5% subordinated convertible PIK Debenture due May 15, 2009, to Laidlaw, in partial payment for the Rollins Acquisition described in Note 1.

Interest on the PIK Debenture was payable semiannually, on November 15 and May 15 until maturity. Interest payments due during the first two years after issuance of the PIK Debenture were required to be satisfied by the issuance of Safety-Kleen's common stock, based on the market price of the common shares at the time the interest payments were due. At the Company's option, any other interest or principal payments, other than optional early redemption, could have been satisfied by issuing common stock, based on the market price of the stock at the time such payments are due. During the fiscal year ended August 31, 1999, the Company issued 1,545,399 of common shares to Laidlaw, in satisfaction of interest payments due.

On August 27, 1999, the Company repurchased the PIK Debenture for an aggregate purchase price comprised of (i) \$200 million in cash; (ii) 11,320,755 shares of common stock; and (iii) 376,858 shares of common stock in satisfaction of accrued and unpaid interest on the PIK Debenture to the date of purchase. The cash portion of the purchase price was financed with the issuance of the 1999 Notes.

As discussed in Note 14, the Company filed an action against Laidlaw and its affiliate companies LTI and Laidlaw International Finance Corporation ("LIFC") to recover funds of over \$200 million related to the repurchase of the PIK Debenture.

### **Interest Expense**

During fiscal 2001, the Company did not enter into any interest rate swap agreements to hedge interest rate exposures as all of the Company's variable-rate debt is currently classified as liabilities subject to compromise and accrued interest on pre-petition debt is usually disallowed by the Bankruptcy Court. However, during fiscal 2000 and 1999, the Company did enter into interest rate swap agreements (see Note 19). Interest expense incurred under the Company's credit facilities and other borrowings was \$5.0 million, \$141.9 million and \$186.2 million (net of interest income of \$3.7 million, \$3.6 million and \$7.6 million) for fiscal years ended August 31, 2001, 2000 and 1999, respectively (excluding contractual interest on domestic borrowings of \$245.4 million for fiscal 2001 and \$60.8 million for fiscal 2000, after the June 9, 2000 bankruptcy filing (see Note 11).

## **11. LIABILITIES SUBJECT TO COMPROMISE**

The principal categories of claims classified as liabilities subject to compromise under bankruptcy reorganization proceedings are identified below. All amounts below may be subject to future adjustment depending on Bankruptcy Court action, further developments with respect to disputed claims, or other events, including the reconciliation of claims filed with the Bankruptcy Court to amounts included in the Company's records (see Note 1). Additional pre-petition claims may arise from rejection of additional executory contracts or unexpired leases by the Debtors. Under a confirmed plan or plans of reorganization, all pre-petition claims may be paid and discharged at amounts substantially less than their allowed amounts.

Recorded liabilities -- On a consolidated basis, recorded liabilities subject to compromise under Chapter 11 proceedings as of August 31, 2001 and 2000, consisted of the following (\$ in thousands):

	<b>2001</b>	<b>2000</b>
Accrued litigation	\$ 18,880	\$ 19,891
Derivative liabilities	69,461	69,461
Trade accounts payable	112,052	126,454
Accrued insurance liabilities	15,583	18,019
Environmental liabilities	11,096	9,579
Accrued interest	67,147	67,147
Senior Credit Facility:		
Term loans	1,137,750	1,137,750
Revolver	340,000	340,000
Adequate protection payments	(18,088)	(18,950)
Senior Subordinated Notes	325,000	325,000
Senior Notes	225,000	225,000
Promissory note	60,000	60,000
Industrial revenue bonds	80,603	90,900
Other	36,790	30,722
	<u>\$ 2,481,274</u>	<u>\$ 2,500,973</u>

During fiscal 2001, the Debtors entered into Bankruptcy Court approved settlements to pay approximately \$12.6 million in settlement of approximately \$18.2 million of pre-petition liabilities related to certain critical vendors. Extraordinary gains of \$5.6 million have been reported in the accompanying statements of operations as a result of these settlements in fiscal 2001.

As a result of the Chapter 11 Cases, principal and interest payments may not be made on pre-petition debt without Bankruptcy Court approval or until a plan or plans of reorganization defining the repayment terms has been confirmed. The total interest on pre-petition debt that was not paid or charged to earnings for the period from June 9, 2000 to August 31, 2001 was \$306.2 million. Such interest is not being accrued since it is not probable that it will be treated as an allowed claim. The Bankruptcy Code generally disallows the payment of interest that accrues post-petition with respect to unsecured or undersecured pre-petition liabilities.

Contingent liabilities -- Contingent liabilities as of the Chapter 11 filing date are also subject to compromise. At August 31, 2001, the Company was contingently liable to banks, financial institutions and others for approximately \$88.1 million for outstanding letters of credit, which included \$0.8 million of performance bonds securing performance of sales contracts and other guarantees in the ordinary course of business.

The Company is a party to litigation matters and claims that are normal in the course of its operations. Generally, litigation related to "claims", as defined by the Bankruptcy Code, is stayed. Also, as a normal part of their operations, the Company undertakes certain contractual obligations, warranties and guarantees in connection with the sale of products or services. The outcome of the bankruptcy process on these matters cannot be predicted with certainty.

Adequate protection payments -- On August 11, 2000, the Company completed the sale of its remaining 44% interest in its European operations. The Company received approximately \$34 million in cash and subject to contingencies, approximately \$1 million in deferred payments. From these proceeds and the proceeds of the sale of the Company's Rosemount facility, approximately \$19 million was paid to the Company's pre-petition lenders of the Senior Credit Facility as an adequate protection payment related to the security interest in both of these assets held by such lenders. These payments are classified as a reduction in the "Liabilities Subject to Compromise" associated with these lenders in the Consolidated Financial Statements at August 31, 2000.

## 12. ACQUISITIONS

During the third quarter of fiscal 1999, the Company recorded adjustments to the initially allocated fair values from the acquisition of Old Safety-Kleen, primarily related to legal, environmental, and tax exposures and adjustments related to the carrying value of certain assets, resulting in a net increase to goodwill of \$52.2 million. In fiscal 2000, additional goodwill of \$19.0 million was recorded related to the recognition of tax contingencies existing at the date of acquisition.

During fiscal 2000 and 1999, the Company completed various acquisitions, all of which were paid for in cash. All of these acquisitions have been accounted for under the purchase method of accounting. The Company has included the results of operations for each of these acquired companies from the date of acquisition.

The following table summarizes these acquisitions (\$ in thousands):

	<u>2000</u>	<u>1999</u>
Number of acquisitions	<u>3</u>	<u>7</u>
Total purchase price paid	\$ 27,072	\$ 14,904
Less: fair value of net (assets) liabilities acquired	(20,476)	2,124
Goodwill recorded	<u>\$ 6,596</u>	<u>\$ 17,028</u>

No acquisitions occurred during fiscal 2001.

## 13. SALE OF EUROPEAN OPERATIONS

On December 23, 1998, the Company announced the recapitalization of its European operations and the formation of a new entity, Safety-Kleen Europe, Limited. The recapitalization was based on a total enterprise value of \$190.0 million, including investments in Safety-Kleen Europe, Limited by Electra Fleming and the senior management group of Safety-Kleen Europe, Limited. In exchange for the contribution of the European operations of Old Safety-Kleen, Safety-Kleen received a 44% equity interest in Safety-Kleen Europe, Limited and \$154.0 million in gross cash proceeds, including \$22.0 million related to dividends previously declared. Electra Fleming, a third party, purchased a 44% equity interest, and the senior management group acquired a 12% equity interest (on a fully-diluted basis). The proceeds from the sale were used to pay down borrowings under the revolver tranche of the Senior Credit Facility. The allocation of fair value of net assets assumed in the acquisition of Old Safety-Kleen was revised to reflect the enterprise value of the recapitalization based on the sale price of the Company's 56% equity interest in Safety-Kleen Europe, Limited, resulting in no gain or loss on the transaction.

As a result of this recapitalization, the Company removed approximately \$117.9 million of goodwill from the consolidated balance sheet, ceased to consolidate the results of the European operations and began to account for the investment by the equity method.

On August 11, 2000, SK Europe, Inc., an indirect subsidiary of Safety-Kleen, sold its remaining 44% interest in Safety-Kleen Europe, Limited to Electra European Fund LP. The Company received \$34.4 million in cash and, subject to certain contingencies, an additional \$1.3 million in deferred payments. The transaction resulted in a loss before income taxes of \$5.3 million, including the recognition of \$4.0 million of cumulative foreign currency losses.

## 14. COMMITMENTS AND CONTINGENCIES

### Lease Commitments

The Company enters into operating and capital leases primarily for real property and vehicles under various terms and conditions. As discussed in Note 11, commitments related to certain operating and capital leases are subject to compromise and additional claims may arise from the rejection of unexpired leases. Rent expense for all operating leases amounted to \$51.3 million, \$51.2 million and \$57.9 million in fiscal 2001, 2000 and 1999, respectively.

The following table presents the contractually stated minimum future lease payments (\$ in thousands):

	<u>Capital Leases</u>	<u>Operating Leases</u>
Year ending August 31,		
2002	\$ 5,528	\$ 36,464
2003	4,644	24,254
2004	10,727	17,110
2005	--	12,181
2006	--	8,530
Thereafter	--	13,209
Total minimum payments	<u>20,899</u>	<u>\$ 111,748</u>
Less: amount representing interest	(1,750)	
Obligations under capital leases	<u>\$ 19,149</u>	

Assets recorded under capitalized lease agreements included in property, plant and equipment consist of the following as of August 31, 2001, and 2000 (\$ in thousands):

	<u>2001</u>	<u>2000</u>
Property under capital leases	\$ 33,983	\$ 8,450
Accumulated amortization	(14,834)	(1,444)
Net property under capital leases	<u>\$ 19,149</u>	<u>\$ 7,006</u>

A significant portion of the assets recorded under capital leases at August 31, 2000 related to an aircraft which was returned to the lessor in September 2000.

#### Purchase Commitments

On December 15, 2000, the Bankruptcy Court approved a multi-year marketing and distribution agreement between Safety-Kleen Systems, Inc., a subsidiary of Safety-Kleen, and SystemOne. The agreement, which includes a five-year minimum purchase commitment, appointed the Company as the exclusive North American marketer of, distributor of, and service provider for, the line of parts cleaning equipment manufactured by SystemOne. Under the terms of the agreement, the purchase price for each unit of equipment shall consist of a "standard price" plus a "deferred price." The Company shall pay to SystemOne the standard price at the time of purchase and the deferred price for each unit of equipment purchased in 36 equal monthly payments. The Company may terminate the agreement as of December 15, 2002, by providing written notice to SystemOne of such termination on or before June 18, 2002. The Company's obligation to pay the deferred portion of the purchase price for equipment purchased prior to the termination date shall survive any termination of the marketing and distribution agreement with SystemOne. In connection with the agreement, the Company received a warrant to purchase SystemOne stock (see Notes 3 and 19). The following table presents the contractually stated minimum purchase commitments and deferred price, assuming no early termination of the agreement (\$ in thousands):

	<u>Standard Price</u>	<u>Deferred Price</u>	<u>Total Commitment</u>
Year ending August 31,			
2002	\$ 14,847	\$ 805	\$ 15,652
2003	17,523	1,667	19,190
2004	21,278	2,621	23,899
2005	25,534	3,159	28,693
2006	9,012	3,615	12,627
Thereafter	--	4,553	4,553
Total minimum commitments	<u>\$ 88,194</u>	<u>\$ 16,420</u>	<u>\$ 104,614</u>
Less: Amount representing interest	--	(1,536)	(1,536)
Obligations under SystemOne agreement	<u>\$ 88,194</u>	<u>\$ 14,884</u>	<u>\$ 103,078</u>

Effective July 2000, the Company entered into an outsourcing arrangement with Acxiom Corporation to outsource certain information technology operations and support previously performed at the former headquarters of Old Safety-Kleen. The term of the agreement is five years from the date of integration, which commenced in September 2001, and the cost is approximately \$0.6 million per month for a total commitment of approximately \$35 million over the five-year period.

Effective July 2001, the Company entered into an agreement with Unisys Corporation and certain of its affiliates to provide outsourced information technology support functions related to personal computer and related network needs. The agreement provides for a monthly fee estimated at approximately \$0.5 million based on, among other things, the actual number of workstations, laptops and servers used. The term of the agreement is for five years.

### **Liability Insurance**

The Company, through premiums paid to Laidlaw (see Note 23), carried general liability, vehicle liability, employment practices liability, pollution liability, directors and officers liability, worker's compensation and employer's liability coverage, as well as umbrella liability policies to provide excess coverage over the underlying limits contained in these primary policies. Effective September 1, 2000, the Company obtained its insurance requirements from a third-party insurance company.

The Company's directors and officers liability insurance is due to expire on April 3, 2002. The Company is working to obtain new coverage. There can be no assurance that the Company will be able to obtain directors and officers liability insurance coverage to replace this expiring coverage. If the Company does not obtain such coverage there can be no assurance that it will not have a material adverse effect on the Company and its operations.

The Company's insurance programs for certain worker's compensation, general liability (including product liability) and vehicle liability are self-insured up to certain limits. Claims in excess of these self-insurance limits are fully insured. For self-insured worker's compensation, general liability (including product liability), property, and vehicle liability, the Company estimates these liabilities based on actuarially determined estimates of the incurred but not reported claims plus any portion of incurred but not paid claims and premiums. These estimates are generally within a range of potential ultimate outcomes. All employee-related health care benefits are fully self-insured and the Company's liabilities include both an accrual for an estimate of the incurred but not reported claims that is calculated using historical claims data and an accrual for the incurred but not paid claims and premiums.

The Company's liabilities for unpaid and incurred but not reported claims as of August 31, 2001 and 2000 were \$42.2 million and \$35.1 million, respectively, under its current risk management program. Certain product and worker's compensation liabilities have been classified as long-term liabilities based upon actuarial projections of future claims payments. These liabilities as of August 31, 2001 and 2000 were \$10.6 million and \$9.2 million, respectively. In addition, \$15.6 million and \$18.0 million of the self-insured liabilities as of August 31, 2001 and 2000, respectively, are subject to compromise. While the ultimate amount of claims incurred are dependent on future developments, in management's opinion, recorded reserves are adequate to cover the future payment of claims. However, it is reasonably possible that recorded reserves may not be adequate to cover the future payment of claims and there is no guarantee that the Company will have the cash or funds available to pay any or all claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in results of operations in the periods in which such adjustments are known.

### **Employment Agreements**

The Company is party to employment agreements with certain executives, which provide for compensation and certain other benefits. The agreements also provide for severance payments under certain circumstances.

### **Financial Assurance Matters**

Under the Resource Conservation and Recovery Act ("RCRA"), the Toxic Substances Control Act ("TSCA"), and analogous state statutes, owners and operators of certain waste management facilities are subject to financial assurance requirements to ensure performance of their closure, post-closure and corrective action obligations. Safety-Kleen and certain of its subsidiaries as owners and operators of RCRA and TSCA waste management facilities are subject to these financial assurance requirements. Applicable regulations allow owners and operators to provide financial assurance through a surety bond from an approved surety. Under federal regulations and in virtually all states, to qualify as an approved surety for the purposes of providing this type of financial assurance, a surety company must be listed on Circular 570, which is maintained and distributed publicly by the United States Department of the Treasury.

In compliance with the law, starting in 1997, the Company procured surety bonds issued by Frontier Insurance Company ("Frontier") as financial assurance at numerous locations. Of the total amount of financial assurance required of the Company under the environmental statutes, which approximated \$500 million as of May 31, 2000, slightly more than 50% of such requirements were satisfied through assurances provided by Frontier in the form of surety bonds.

On June 6, 2000, the U.S. Treasury issued notification that Frontier no longer qualified as an acceptable surety on Federal bonds and had been removed from Circular 570 on May 31, 2000. Accordingly, effective May 31, 2000, the Company and its affiliates no longer had compliant financial assurance for many of its facilities. Under applicable regulations, Safety-Kleen and its affected subsidiaries were required to obtain compliant financial assurance within sixty days, and in some states, more quickly (although the surety bonds issued by Frontier no longer qualify as acceptable federal bonds, they remain in place and effective until replaced). Immediately following this U.S. Treasury announcement, the Company notified the EPA of its lack of audited Consolidated Financial Statements for fiscal 1999, 1998 and 1997 and the difficulties that certain alleged accounting irregularities would cause the Company in attempting to obtain compliant financial assurance for its

facilities covered by the Frontier bonds. The Company and the EPA also contacted states in which the non-compliant facilities were located and apprised such states of these facts.

The Company and the EPA, acting on behalf of many, but not all, affected states, then engaged in negotiations resulting in the entry of a Consent Agreement and Final Order ("CAFO"), which the Bankruptcy Court approved on October 17, 2000. Some states referred their enforcement authority to the EPA for purposes of this CAFO and thus are, in effect, parties to the CAFO. Other states entered separate, but similar, consent agreements with the Company. Some states have never entered separate written agreements, but have allowed the Company to continue operating while it obtains coverage to replace the Frontier bonds.

The main component of the EPA CAFO (and of the consent agreements in various states) is a compliance schedule for Safety-Kleen and its affected subsidiaries to obtain compliant financial assurance for the facilities covered by the Frontier bonds. That schedule has been modified on several occasions since the CAFO was entered and as the Company has replaced Frontier at various facilities.

The Company believes that most, but not all, states that have retained primary jurisdiction on this issue and which have facilities where Frontier has not yet been replaced will accept the March 31, 2002 and July 31, 2002 deadlines described above. However, the Company has not concluded agreements with all such states. South Carolina has not followed the EPA schedule, as discussed below.

The Company may seek further extensions from the EPA and the states, but the CAFO does not obligate the EPA and the states to grant such further extensions. Under the CAFO, the EPA reserves the right, in consultation with an affected state, to determine in its discretion and in accordance with applicable law, to modify these requirements. There can be no assurance that the Company will be able to complete its replacement of Frontier on a schedule acceptable to the EPA and the states. If it does not, the Company could be assessed penalties in addition to those discussed in the next paragraph.

The CAFO imposed a penalty on Safety-Kleen Services, Inc. The penalty has grown to approximately \$1.6 million as delays have ensued in the replacement of Frontier, and additional states have joined the CAFO (see discussion below). Some states have imposed financial assurance penalties in addition to this amount. The Company believes such penalties, if asserted, would total approximately \$1.0 million through January 31, 2002.

The State of South Carolina has not entered any consent agreement with the Company that would extend any financial assurance regulatory deadline with respect to facilities owned or operated by Safety-Kleen (Pinewood), Inc. Moreover, South Carolina has not agreed to the July 31, 2002 deadline for the replacement of Frontier at inactive facilities and has notified the Company that it is assessing daily penalties that escalate to a maximum of \$6,000 per day at an inactive facility in that state that does not yet have coverage to replace Frontier. In the EPA CAFO and in some state consent agreements, the Company agreed to a schedule by which the EPA and certain states may monitor the Company's efforts to obtain compliant financial assurance. Among other things, the schedule required the Company to provide audited restated Consolidated Financial Statements for fiscal years 1997-1999 and the audited Consolidated Financial Statements for fiscal 2000 by certain deadlines. The Company did not meet the deadlines by the original due dates but subsequently provided the required information to the EPA and participating states. Accordingly, the EPA and certain states may impose additional penalties on the Company.

Under the CAFO, until such time as the affected facilities have obtained compliant financial assurance, the Company and its affected facilities must not seek to withdraw an existing irrevocable letter of credit from Toronto Dominion Bank, which is subject to compromise, in the amount of \$28.5 million for the benefit of Frontier and shall take all steps necessary to keep current the existing Frontier surety bonds.

In the CAFO, the Company waived certain arguments they otherwise could have asserted under the Bankruptcy Code with respect to their financial assurance and certain other obligations under environmental laws. The Company's lenders and the unsecured creditors committee have reserved their right to assert certain of such arguments.

The Company understands that, on August 27, 2001, Frontier entered a rehabilitation proceeding that the New York Superintendent of Insurance will administer pursuant to New York law. The Company further understands that in such a proceeding, the Superintendent takes possession of the property of Frontier and conducts its business. The Company has been informed that these rehabilitation proceedings are unlikely to affect the validity of the remaining Frontier bonds at its facilities; however, there can be no guarantee that the remaining Frontier bonds at the Company facilities will continue to be valid.

As of January 1, 2002, the Company was in a position to replace Frontier at all its active facilities (actual replacement occurs as regulators review and accept the replacement policies the Company has little or no control over the timing of this process). The current EPA deadlines for replacement of Frontier at inactive facilities are March 31, 2002 for such facilities in the Branch Sales and Service Division and July 31, 2002 for such facilities in the Chemical Services Division.

As of August 31, 2001, the Company had provided financial assurances in the form of insurance policies and performance bonds to the applicable regulatory authorities totaling approximately \$500.0 million, in connection with closure, post-closure and corrective action requirements of certain facility operating permits. Letters of credit of approximately \$73.0 million are held to meet various financial assurance requirements. Restricted assets of \$24.3 million are held in trust for landfill closure, post-closure and environmental impairment (see Note 3). Insurance policies with limits of approximately \$92.0 million are held to cover any bodily injury or property damage to third parties caused by accidental occurrences at certain of the Company's facilities.

## **Chapter 11 Proceedings**

As described in Note 1, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code on June 9, 2000. Management continues to operate the business of the Debtors as debtors-in-possession under Sections 1107 and 1108 of the Bankruptcy Code. In this proceeding, the Debtors intend to propose and seek confirmation of a plan or plans of reorganization. Pursuant to the automatic stay provision of Section 362 of the Bankruptcy Code, virtually all pending pre-petition litigation against the Debtors is currently stayed.

As of August 31, 2001, proofs of claim in the approximate amount of \$174.0 billion have been filed against the Debtors by, among others, secured creditors, unsecured creditors and security holders. The Company is in the process of reviewing the proofs of claim and once this process is complete, will file appropriate objections to the claims in the Bankruptcy Court. As of August 31, 2001, the Company believes it has identified approximately \$170.8 billion of such claims that are duplicative or without merit. The Company believes that the amount of these claims that are in excess of the \$2.5 billion recorded as "Liabilities subject to compromise" in the accompanying Consolidated Financial Statements as of August 31, 2001 are: (i) duplicative or without merit; (ii) do not meet the criteria to be recorded as a liability under generally accepted accounting principles; and (iii) will not have a material effect on the Consolidated Financial Statements, but there can be no assurance that the Company is correct and these claims may have a material effect on the Consolidated Financial Statements.

As a result of the Chapter 11 Cases, the Company has not paid certain real estate taxes and certain taxing authorities have asserted liens against the real estate.

Currently, it is not possible to predict the length of time the Debtors will operate under the protection of Chapter 11, the outcome of the Chapter 11 proceedings in general, or the effect of the proceedings on the business of the Company or on the interests of the various creditors and security holders. Under the Bankruptcy Code, post-petition liabilities and pre-petition liabilities subject to compromise must be satisfied before shareholders can receive any distribution. The ultimate recovery to shareholders, if any, will not be determined until the end of the case when the fair value of the Debtors' assets is compared to the liabilities and claims against the Debtors. There can be no assurance as to what value, if any, will be ascribed to the common stock in the bankruptcy proceedings. The Company does not believe the shareholders will receive any distribution upon the consummation of a plan or plans of reorganization.

### **Actions Involving Laidlaw Inc.**

Laidlaw owns 43.6% of the outstanding common stock of Safety-Kleen and has various other arrangements and relationships with the Company. On November 7, 2000, Laidlaw, on behalf of itself and its direct and indirect subsidiaries (collectively referred to as the "Laidlaw Group"), filed a proof of claim in the unliquidated amount of not less than \$6.5 billion against the Debtors in the Chapter 11 Cases. The Laidlaw Group claims against the Debtors fall into the following general categories: 1) claims for indemnification; 2) contribution and reimbursement in connection with certain litigation matters; 3) claims against the Debtors for fraudulent misrepresentation, fraud, securities law violations, and related causes of action; 4) insurance claims; 5) guaranty claims; 6) environmental contribution claims; 7) tax reimbursement claims; and 8) additional miscellaneous claims. On April 19, 2001, Safety-Kleen, on behalf of itself and its direct and indirect subsidiaries, filed with the Bankruptcy Court an objection to the proof of claim filed by Laidlaw Group.

On April 19, 2001, the Company filed an action against Laidlaw and its affiliates, LTI and LIFC (collectively the "Laidlaw Defendants") in the Debtors' Chapter 11 Cases, Adv. Pro. No. 01-01086 (PJM). This action seeks to recover a transfer of over \$200 million in August 1999 (the "Transfer") made to or for the benefit of the Laidlaw Defendants, holders of 43.6% of Safety-Kleen's common stock. The Company asserts that the transfer is recoverable either as a preference payment to the extent the Transfer retired pre-existing debt or as a fraudulent transfer to the extent the Transfer redeemed equity or was made with intent to hinder, delay or defraud creditors. In the action, the Company seeks to recover the Transfer, plus interest and costs occurring from the first date of demand from the Laidlaw Defendants.

On June 28, 2001, Laidlaw and five of its subsidiary holding companies, Laidlaw Investments Ltd., LIFC, Laidlaw One, Inc., LTI and Laidlaw USA, Inc. (collectively, "Laidlaw Debtors") filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Western District of New York Case Nos. 01-14099K through 01-1404K. On the same day, Laidlaw and Laidlaw Investments Ltd. filed cases under the Canada Companies' Creditors Arrangement Act (CCAA) in the Ontario Superior Court of Justice in Toronto, Ontario. On October 16, 2001, the Company and the Official Committee of Unsecured Creditors filed a proof of claim in the unliquidated amount of not less than \$4.6 billion, subject to statutory trebling, plus punitive damages, interest, and costs, against Laidlaw Debtors in the above-referenced Chapter 11 cases. The claims against Laidlaw Debtors fall into the following general categories: 1) claims for fraud, racketeering, breach of fiduciary duty, and other related misconduct; 2) preference and fraudulent transfer claims; 3) breach of contract, misrepresentation, and other related misconduct; 4) guaranty claims; and 5) indemnification, contribution, and reimbursement claims. Laidlaw Debtors have not yet filed an objection to the proof of claim filed by the Company. The Company intends to vigorously pursue this claim. Similarly, certain directors of Safety-Kleen filed a proof of claim against Laidlaw Debtors. To the extent these directors are successful in obtaining payments that otherwise would have gone to the Company, their interests could be deemed materially adverse to the interests of the Company. As a result of Laidlaw Debtors' filings, claims and causes of action the Company may have against Laidlaw Debtors may be subject to compromise in the Laidlaw Debtors' Chapter 11 or CCAA proceedings.

In December 2001, pursuant to the Safety-Kleen/Laidlaw Mediation Discovery Protocol, the Debtors, the Debtors' secured lenders, the Debtors' Official Committee of Unsecured Creditors, certain of the Debtors' directors, Laidlaw Debtors and the Laidlaw Debtors creditors' committee and subcommittees agreed to undertake, on an expedited and consolidated basis, limited preliminary discovery to obtain

information to assist in presenting submissions to a mediator in an effort to resolve certain outstanding claims between and among the parties in the Debtors' and Laidlaw Debtors bankruptcy cases. A mediation is presently anticipated to be held in April 2002. The resolution of these matters could have a material adverse effect on the Company's financial condition.

### **Legal Proceedings**

Legal proceedings covering a wide range of matters are pending or threatened in the United States and foreign jurisdictions against the Company and/or former and/or current officers, directors and employees. Various types of claims are raised in these proceedings, including shareholder class action and derivative lawsuits, product liability, environmental, antitrust, tax, and breach of contract. Management consults with legal counsel in estimating reserves and developing estimates of ranges of potential loss.

The Company has claims where management has assessed that an unfavorable outcome is probable. As of August 31, 2001, the aggregate estimated potential loss on these claims range from approximately \$19.4 million to approximately \$71.1 million and the Company has recorded reserves of approximately \$25.9 million, including \$18.9 million subject to compromise, representing its best estimate of losses to be incurred.

Additionally, the Company also has substantial claims where management has assessed that an unfavorable outcome is probable or, at least, reasonably possible and which, if incurred, may have a material adverse effect on the Company's financial condition. The Company, however, has not recorded reserves related to these claims as management believes the potential loss is not currently estimable.

The actual outcomes from these claims, the most significant of which are discussed below, could differ from these estimates.

### ***Matters Related to Investigation of Financial Results***

As previously reported on March 6, 2000, the Company announced that it had initiated an internal investigation of its previously reported financial results and certain of its accounting policies and practices following receipt by Safety-Kleen's Board of Directors of information alleging possible accounting irregularities that may have affected the previously reported financial results of the Company since fiscal 1998. The internal investigation was subsequently expanded to include fiscal years 1998 and 1997. The Board appointed a special committee, consisting of four directors who were then independent outside directors of the Company, to conduct the internal investigation (the "Special Committee (Investigation)"). The Special Committee (Investigation) was later expanded to five directors, with the addition of one additional independent outside director. The Special Committee (Investigation) engaged the law firm Shaw Pittman, and Shaw Pittman engaged the accounting firm Arthur Andersen LLP, to assist with the comprehensive investigation of these matters. The Board placed Kenneth W. Winger, Safety-Kleen's President and Chief Executive Officer and a director, Michael J. Bragagnolo, Executive Vice President and Chief Operating Officer, and Paul R. Humphreys, Senior Vice President of Finance and Chief Financial Officer, on administrative leave on March 5, 2000. The Company accepted the resignations of Messrs. Winger, Bragagnolo, and Humphreys, as officers, in mid-May 2000 and of Mr. Winger, as a director, on June 9, 2000, and subsequently terminated the employment of these individuals in July 2000. On September 13, 2001, the Board of Directors dissolved the Special Committee (Investigation) and established the Special Committee (Conflicts of Interest in Litigation). The Special Committee (Conflicts of Interest in Litigation) is authorized to manage all litigation involving the Company and any member of the Board of Directors. The new committee is comprised of Ronald A. Rittenmeyer, Kenneth K. Chalmers, Peter E. Lengyel and David W. Wallace, each of whom was appointed to the Board subsequent to March 6, 2000 and is not personally involved in such litigation.

Beginning in March 2000, a number of lawsuits were filed, on behalf of various classes of investors, including bondholders and shareholders, against the Company, certain officers, former directors, and others. The complaints that did name the Company were subsequently amended eliminating the Company as a defendant and adding certain other defendants, including certain Directors of Safety-Kleen. The complaints allege, among other things, that the defendants made false and misleading statements and violated certain federal securities laws. Generally, the actions seek to recover damages in unspecified amounts that the plaintiffs allegedly sustained by acquiring shares of Safety-Kleen's common stock or purchasing debt of the Company. Although the Company is not a party to these actions, certain of the individual defendants who are present or former officers or directors of the Company have made demands to be indemnified by the Company in connection with the action.

Shortly after the Company's March 6, 2000, announcement, Company representatives met with officials of the SEC and advised the SEC of the alleged accounting irregularities and the Company's internal investigation with respect to the allegations. On March 10, 2000, the Company was advised that the SEC had initiated a formal investigation of the Company.

On or about March 22, 2000, Safety-Kleen was served with a subpoena issued by a Grand Jury sitting in the United States District Court for the Southern District of New York seeking production of documents sought by the SEC in its investigation. The Company has responded to the subpoena. The Company is cooperating with each of the investigations.

On October 4, 2001, the Company, along with Robert Luba, the Estate of John Rollins, Sr., John Rollins, Jr., David E. Thomas, Jr., Henry B. Tippie, James L. Wareham, and Grover C. Wrenn filed an action in the Circuit Court of South Carolina, Richland County, against PricewaterhouseCoopers LLP and PricewaterhouseCoopers LLP (Canada), Civil No. 3:01-4247-17 (the "PWC Action"). The PWC Action alleges, among other things, that the defendants were negligent and reckless in failing to comply with applicable industry and professional standards in their review and audit of the Company's Consolidated Financial Statements and in the negligent and reckless failure to detect

and/or report material misstatements in those Consolidated Financial Statements. The Complaint alleges causes of action for breach of contract, breach of contract accompanied by a fraudulent act, professional negligence, negligent misrepresentation, violations of the South Carolina Unfair Trade Practices Act and a declaratory judgment for indemnification on behalf of the plaintiff directors. The Complaint seeks in excess of \$1.0 billion from the defendants. The Company intends to pursue this claim vigorously.

On November 13, 2001, the Company, along with Robert Luba, the Estate of John Rollins, Sr., John Rollins, Jr., David E. Thomas, Jr., Henry B. Tippie, James L. Wareham, and Grover C. Wrenn filed an action in the Circuit Court of South Carolina, Richland County, against National Union Fire Insurance Company of Pittsburgh, PA and American Home Assurance Company, Civil No. 01CP404813 (the "Insurance Action"). The Insurance Action alleges that the defendants wrongfully denied insurance coverage under certain directors and officers insurance policies for the various securities actions detailed above. The Complaint alleges causes of action for declaratory judgment and breach of contract. The Complaint also seeks insurance coverage for plaintiffs' for costs associated with defending the securities actions and for any liability plaintiffs may ultimately incur. The Company intends to pursue this claim vigorously.

On December 13, 2000, thirteen lenders to Safety-Kleen Services, Inc., sued PricewaterhouseCoopers, LLP, in the State Court of Fulton County Georgia, alleging negligent misrepresentation by PricewaterhouseCoopers, LLP, in connection with the Consolidated Financial Statements of Safety-Kleen and its subsidiaries for fiscal years 1997, 1998 and 1999. The case is captioned Toronto Dominion (Texas), Inc., et al. v. PricewaterhouseCoopers LLP, Civil Action No. 00 VS 02679 F. The complaint has been amended twice, and the plaintiffs now number over 90 lenders to Safety-Kleen Services, Inc. On October 23, 2001, PricewaterhouseCoopers LLP, filed a motion for leave to file a third-party complaint naming Safety-Kleen and former Safety-Kleen officers Kenneth W. Winger, Michael J. Bragagnolo, and Paul B. Humphreys as third party defendants in a third party claim for indemnity or contribution. The Georgia state court granted leave and PricewaterhouseCoopers, LLP has now served a third party complaint against the Company. The Company is moving to enjoin the third party complaint and argues that it contravenes the automatic stay provisions of federal bankruptcy law.

### ***Products Liability Cases***

From time to time, the Company is named as a defendant in proceedings wherein persons claim personal injury resulting from the use of the Company's parts cleaner equipment and/or cleaning products. A number of such legal proceedings are currently pending in various courts and jurisdictions throughout the United States. These proceedings typically involve allegations that the solvent used in the Company's parts cleaner equipment contains contaminants and/or that the Company's recycling process does not effectively remove the contaminants that become entrained in the solvent during its use. In addition, certain claimants assert that the Company failed to adequately warn the product user of potential risks. In the aggregate, the plaintiffs' claims are in excess of \$150 million. The Company maintains insurance which it believes will provide coverage for these claims over self-insured retentions and deductibles which, in the aggregate, the Company believes are less than \$10 million. The Company believes that these claims are not meritorious and intends to vigorously defend itself and the safety of its products against any and all such claims.

### ***General Environmental***

The Company's hazardous and industrial waste services are continuously regulated by federal, state, provincial and local laws enacted to regulate the discharge of materials into the environment or primarily for the purpose of protecting the environment. This inherent regulation of the Company necessarily results in its frequently becoming a party to judicial or administrative proceedings involving all levels of governmental authorities and other interested parties. The issues that are involved generally relate to applications for permits and licenses by the Company and their conformity with legal requirements and alleged violations of existing permits and licenses. At February 28, 2002, subsidiaries of Safety-Kleen were involved in eight proceedings in which a governmental authority is a party relating primarily to activities at waste treatment, storage and disposal facilities where the Company believes sanctions involved in each instance may exceed \$100,000.

The most significant environmental and regulatory proceedings are discussed below:

#### *i. Safety-Kleen (Pinewood), Inc.*

A subsidiary of Safety-Kleen, Safety-Kleen (Pinewood), Inc. ("Pinewood"), owns and operated a hazardous waste landfill (the "Pinewood Facility") near the Town of Pinewood in Sumter County, South Carolina. By an order dated May 19, 1994 ("Order"), the South Carolina Board of Health and Environmental Control ("Board") approved the issuance by the Department of Health and Environmental Control ("DHEC") of a RCRA Part B permit (the "Permit") for operation of the Pinewood Facility. The Permit included provisions governing financial assurance and capacity for the facility.

The Order established Pinewood's total permitted capacity of hazardous and non-hazardous waste to be 2,250 acre feet, including the amount of hazardous waste disposed prior to the date of the Order. South Carolina law requires that hazardous waste facilities provide evidence of financial assurance for potential environmental cleanup and restoration in form and amount to be determined by DHEC. The Order required Pinewood to establish and maintain the EIF in the amount of \$133 million in 1994 dollars (\$151 million in 2001 dollars) by July 1, 2004 as financial assurance for potential environmental cleanup and restoration of environmental impairment at the Pinewood Facility. The total fund requirement amount is to be adjusted annually by the Implicit Price Deflator for the Gross National Product as published by the U.S. Department of Commerce. The EIF has two components: (i) the GSX Contribution Fund, which was to be funded by Pinewood in annual cash payments over a ten year period; and (ii) the State Permitted Sites Fund, a legislatively created fund derived from fees on waste disposal

at the Pinewood Facility. Under the Order, at the end of the 100-year post-closure care period, funding of the GSX Contribution Fund will be subject to evaluation by an independent arbitrator, who will determine what level of funding, if any, is still required. The Company is entitled to seek recovery of any excess amount so determined. Upon termination of the GSX Contribution Fund, any remaining trust assets would revert to Pinewood. In 1993 and 1994, Pinewood paid approximately \$15.5 million cash into the GSX Contribution Fund, which has grown to approximately \$20.2 million as of August 31, 2001.

In June 1995, the South Carolina legislature approved regulations (the "Regulations") governing financial assurance for environmental cleanup and restoration. The Regulations gave owner/operators of hazardous waste facilities the right to choose from among six options for providing financial assurance. The options included insurance, a bond, a letter of credit, a cash trust fund and a corporate guaranty, subject to a financial soundness test.

From June 1995, under authority of the Regulations, Pinewood submitted financial assurance for potential environmental cleanup and restoration by way of a corporate guaranty by Laidlaw or insurance. Pinewood also left in place the GSX Contribution Fund. On September 15, 1995, DHEC issued a declaratory ruling finding that the Regulations were applicable to the financial assurance requirements for Pinewood.

Pinewood appealed the May 19, 1994, DHEC order and the opposing parties appealed the May 19, 1994, DHEC Order and the September 15, 1995, DHEC declaratory ruling and the appeals were consolidated in the South Carolina Circuit Court in the case captioned Laidlaw Environmental Services of South Carolina, Inc. et al., Petitioners vs. South Carolina Department of Health and Environmental Control and South Carolina Board of Health and Environmental Control, Respondents - Energy Research Foundation, et al., Intervenor, Docket Numbers C/A 94-CP-43-175, 94-CP-43-178, 94-CP-40-1412 and 94-CP-40-1859. The opposing parties included Citizens Asking for a Safe Environment, Energy Research Foundation, County of Sumter, Sierra Club, County of Clarendon, Senator Phil Leventy, the South Carolina Department of Natural Resources and the South Carolina Public Service Authority.

The South Carolina Court of Appeals issued a decision on April 4, 2000 (substituting for a January 17, 2000 ruling) ruling that (i) the Regulations were invalid due to insufficient public notice during the promulgation procedure and ordering Pinewood to immediately comply with the cash financial assurance requirements of the May 19, 1994 Order; and (ii) both non-hazardous and hazardous waste count against Pinewood's capacity from the beginning of waste disposal, thereby reducing the remaining permitted capacity.

On June 13, 2000, the South Carolina Supreme Court denied Pinewood's petition for a writ of certiorari. On June 14, 2000, DHEC sent notice by letter to the Pinewood Facility directing that Pinewood cease accepting waste for disposal in 30 days and submit a closure plan. DHEC based this directive on the decision of the Court of Appeals that all non-hazardous waste disposed at Pinewood should be counted against Pinewood's hazardous waste capacity limit and DHEC's resulting conclusion that there is no remaining permitted capacity at Pinewood.

On June 22, 2000, DHEC notified Pinewood that the Court of Appeals' decision vacated the Regulations and, therefore, Pinewood has the sole responsibility to provide cash funding into the EIF in accordance with the May 19, 1994 Order. The DHEC notice also directed Pinewood to provide information to DHEC within 15 days on how Pinewood would comply with the Order including payment into the GSX Contribution Fund. As of August 31, 2001, there was approximately \$20.2 million in the GSX Contribution Fund and approximately \$14.7 million in the State Permitted Sites Fund. In 2001 dollars, the total EIF funding requirement is approximately \$151.3 million. To comply with the financial assurance provisions of the Order, Pinewood would have to contribute the following payments (in 2001 dollars) as follows, subject to the automatic stay provisions discussed below (\$ in thousands):

Amount due during fiscal year:	
2002	\$ 109,811
2003	6,625
Total	<u>\$ 116,436</u>

Additionally, on June 9, 2000 (on the same day, but after, Pinewood filed its petition for bankruptcy protection in the Bankruptcy Court), DHEC issued an Emergency Order finding that Frontier (the issuer of the bonds used by Pinewood to provide for financial assurance for the costs of closure and post-closure, and third party liability) no longer met regulatory standards for bond issuers. Based on this finding, DHEC ordered Pinewood to cease accepting waste for disposal by August 28, 2000, unless it could provide acceptable alternative financial assurance by June 27, 2000.

On July 7, 2000, in the legal action captioned: In re: Safety-Kleen Corp., et al. Debtor, Chapter 11 Cases, Delaware Bankruptcy Court, Case Nos. 00-203 (PJW), Adversary Proceeding No. 00-698-Safety-Kleen (Pinewood), Inc. v. State of South Carolina, et al., District of South Carolina (MJP) Case No. 3:00-2243-10, Pinewood commenced legal proceedings in the United States District Court for the District of Delaware challenging DHEC's June 9, 2000, Emergency Order and DHEC's June 14 and June 22, 2000 notice letters. Pinewood sought to stay and/or enjoin DHEC and the State of South Carolina from enforcement of these directives on the grounds that the actions of DHEC were invalid under various provisions of the United States Constitution, violated the automatic stay provision of the Bankruptcy Code and/or should be enjoined under the equitable powers of the Bankruptcy Court. As an alternative cause of action, Pinewood demanded that it be compensated for the taking of its property without just compensation under provisions of the Constitutions of the United States and the State of South Carolina.

On July 12, 2000, the Delaware U.S. District Court issued an Order transferring the case to the United States District Court for the District of South Carolina.

On August 25, 2000, the U.S. District Court for the District of South Carolina issued rulings that (i) denied South Carolina's motion to dismiss Pinewood's claims upon jurisdictional grounds and certified the issue for an immediate appeal to the United States Court of Appeals for the Fourth Circuit; (ii) held that the June 9, 2000 Emergency Order was subject to the automatic stay provisions of Section 362 of the Bankruptcy Code; and (iii) denied Pinewood's motion for a preliminary injunction with respect to the June 14, 2000 DHEC letter. The State of South Carolina and Pinewood appealed the District Court's ruling to the United States Court of Appeals for the Fourth Circuit.

On December 19, 2001, the United States Court of Appeals for the Fourth Circuit issued its decision on the appeals from Pinewood and DHEC. The Fourth Circuit (i) affirmed the District Court's ruling that Pinewood's action was not barred for failing to state a claim, or on other jurisdictional grounds, (ii) reversed the District Court's ruling as to the automatic stay, holding that the automatic stay does not apply to DHEC's efforts to enforce the financial assurance requirements, and (iii) affirmed the District Court's denial of Pinewood's motion for a preliminary injunction. On January 22, 2002, DHEC issued a letter to Pinewood directing that various investigative and other actions be taken with respect to the landfill and current Pinewood operating procedures. On January 29, 2002, DHEC issued a letter to Pinewood requiring that it submit a closure plan within 30 days. Pinewood has appealed both the January 22 and January 29 directives while at the same time continuing discussions with DHEC to resolve all open issues. On February 28, 2002, the Company submitted a conceptual closure plan that it believes meets the intent of DHEC's January 29, 2002 letter. There can be no assurance that these matters will be resolved in favor of the Company and there can be no assurance as to whether the outcome may have a material adverse effect on the Company's financial position or results of operations.

#### *ii. Ville Mercier Facility*

On January 12, 1993, Safety-Kleen Services (Mercier) Ltd. ("the Subsidiary") filed a declaratory judgment action (Safety-Kleen Services (Mercier) Ltd. v. Attorney General of Quebec; Pierre Paradis, in his capacity as Minister of the Environment of Quebec; Ville Mercier; and LaSalle Oil Carriers, Inc.) in the Superior Court for the Province of Quebec, District of Montreal. The legal proceeding seeks a court determination of the liability associated with the contamination of former lagoons that were located on the Company's Ville Mercier property. The Subsidiary asserts that it has no responsibility for the contamination on the site. The Minister filed a Defense and Counterclaim in which it asserts that the Subsidiary is responsible for the contamination, should reimburse the Province of Quebec for past costs incurred in the amount of \$17.4 million (CDN), and should be responsible for future remediation costs. The legal proceedings are in the discovery stage.

The contamination on the Ville Mercier facility dates back to 1968, when the property was owned by an unrelated company. In 1968, the Quebec government issued two permits to the unrelated company to dump organic liquids into lagoons on the Ville Mercier property. By 1972, groundwater contamination had been identified and the Quebec government provided an alternate water supply to the municipality of Ville Mercier. Also in 1972, the permit authorizing the dumping of liquids was terminated and a permit to operate an organic liquids incinerator on the property was issued. (The entity to which this permit was issued was indirectly acquired by Safety-Kleen in 1989.) In 1973, the Quebec government contracted with the incinerator operator to incinerate the pumpable liquids in the lagoons. In 1980, the incinerator operator removed, solidified and disposed of the non-pumpable material from the lagoons in a secure cell and completed the closure of the lagoons at its own expense. In 1983, the Quebec government constructed and continues to operate a groundwater pumping and treatment facility near the lagoons.

The Company believes that the Subsidiary is not the party responsible for the lagoon and groundwater contamination and the Subsidiary has denied any responsibility for the decontamination and restoration of the site. In November 1992, the Minister of the Environment ordered the Subsidiary to take all the necessary measures to excavate, eliminate or treat all of the contaminated soils and residues and to recover and treat all of the contaminated waters resulting from the aforementioned measures. The Subsidiary responded by letter, reiterating its position that it had no responsibility for the contamination associated with the discharges of wastes into the former Mercier lagoons between 1968 and 1972 and proposing to submit the question of responsibility to the Courts for determination as expeditiously as possible through the cooperation of the parties' respective attorneys, resulting in the filing of the pending action.

On or about February 9 and March 12, 1999, Ville Mercier and three neighboring municipalities filed separate legal proceedings against the Subsidiary and certain related companies together with certain former officers and directors, as well as against the Government of Quebec (Ville Mercier v. Safety-Kleen Services (Mercier) Ltd., et. al.; Ville de Chateauguay v. Safety-Kleen Services (Mercier) Ltd., et. al.; Municipality of Ste-Martine v. Safety-Kleen Services (Mercier) Ltd., et. al.; and St.Paul de Chateauguay v. Safety-Kleen Services (Mercier) Ltd., et. al.). The lawsuits assert that the defendants are jointly and severally responsible for the contamination of groundwater in the region, which Plaintiffs claim was caused by contamination from the former Ville Mercier lagoons, and which they claim caused each municipality to incur additional costs to supply drinking water for their citizens since the 1970's and early 1980's. The four municipalities claim a total of \$1.6 million (CDN) as damages for additional costs to obtain drinking water supplies and seek an injunctive order to obligate the defendants to remediate the groundwater in the region. The Subsidiary will continue to assert that it has no responsibility for the ground water contamination in the region. The legal proceedings are in the discovery stage.

### *iii. Marine Shale Processors*

Beginning in the mid-1980's and continuing until July 1996, Marine Shale Processors, Inc., located in Amelia, Louisiana ("Marine Shale"), operated a kiln which incinerated waste producing a vitrified aggregate as a by-product. Marine Shale contended that its operation recycled waste into a useful product, i.e. vitrified aggregate, and therefore, was exempt from RCRA regulation and permitting requirements as a Hazardous Waste Incinerator. The EPA contended that Marine Shale was a "sham-recycler" subject to the regulation and permitting requirements as a Hazardous Waste Incinerator under RCRA, that its vitrified aggregate by-product is a hazardous waste, and that Marine Shale's continued operation without required permits was illegal. Litigation between the EPA and Marine Shale with respect to this issue began in 1990 and continued until July 1996 when Marine Shale was ordered to shut down its operations by U.S. Fifth Circuit Court of Appeals.

During the course of its operation, Marine Shale produced thousands of tons of aggregate, some of which was sold as fill material at various locations in the vicinity of Amelia, Louisiana, but most of which is stockpiled on the premises of the Marine Shale facility. Moreover, as a result of past operations, soil and groundwater contamination may exist on the Marine Shale site.

In November 1996, an option to buy Marine Shale was obtained by Earthlock Technologies, Inc. ("Earthlock") formerly known as GTX, Inc. with the intent to operate the facility as a permitted Hazardous Waste Incinerator. Subsequently, Marine Shale, Earthlock and the EPA reached a settlement, including a required cleanup of the aggregate and the facility, and the Louisiana Department of Environmental Quality issued a draft permit to Earthlock for operation of the Marine Shale facility as a RCRA-permitted Hazardous Waste Incinerator. Appeals were filed by opposition parties and in October 1999, a Louisiana State Court Judge ruled that the draft permit was improperly issued. Earthlock appealed this decision and in October 2000, the Appeals Court reversed the lower court and affirmed the permit issuance. The opposition parties filed applications for Supervisory Writs with the Louisiana Supreme Court, and these applications were denied in April 2001. There may be further legal challenges to the permit and it is uncertain whether or when Earthlock will exercise its purchase option and begin operation of the Marine Shale facility.

The Company was one of the largest customers of Marine Shale. In the event Marine Shale does not operate, the potential exists for an EPA action requiring cleanup of the Marine Shale site and the stockpiled aggregate under CERCLA. In this event, the Company would be exposed to potential financial liability for remediation costs as a PRP under CERCLA.

### *iv. RayGar Environmental Systems International Litigation*

On August 7, 2000, RayGar Environmental Systems International, Inc. filed its First Amended Complaint in the United States District for the Southern District of Mississippi, Hattiesburg Division, Civil Action No. 2:9CV376PG, against Laidlaw, Laidlaw Investments, Ltd., LTI, LESI, LES, Inc. (a wholly-owned subsidiary of Safety-Kleen now known as Safety-Kleen Services, Inc.), Laidlaw Environmental Services (U.S.), Inc. (an indirect wholly-owned subsidiary of Safety-Kleen and predecessor to Safety-Kleen Services, Inc.), Laidlaw OSCO Holdings, Inc. (a wholly-owned subsidiary of Safety-Kleen now known as Safety-Kleen OSCO Holdings, Inc.), Laidlaw International, and Safety-Kleen alleging a variety of Federal antitrust violations and state law business torts. RayGar seeks damages it has allegedly sustained as a result of the defendants' actions in an amount of not less than \$450 million in actual compensatory damages and not less than \$950 million for punitive damages.

The dispute arises from an unsuccessful effort pursuant to an agreement between RayGar and the Company, to obtain RCRA and related permits for the operation of a wastewater treatment facility in Pascagoula, Mississippi. The action has not proceeded against the Company due to the Chapter 11 Cases.

### *v. Federated Holdings, Inc. Litigation*

On November 6, 2000, Federated Holdings, Inc. (FHI) filed a lawsuit against Laidlaw, Laidlaw Investments, Ltd., LTI, LESI (now Safety-Kleen), LES, Inc., Laidlaw OSCO Holdings, Inc., Laidlaw International, and Safety-Kleen in the United States District Court for the Southern District of Mississippi, Hattiesburg Division, Civil Action No. 2:00CV286 alleging a variety of Federal antitrust violations and state law business torts. FHI seeks damages it has allegedly sustained as a result of the defendants' actions in an amount of not less than \$200 million in actual compensatory damages and not less than \$250 million for punitive damages.

The dispute arises from an unsuccessful effort pursuant to an agreement between FHI and a Safety-Kleen subsidiary to obtain RCRA and related permits for the operation of a hazardous waste landfill in Noxubee County, Mississippi. The action has not proceeded against the Company due to the Chapter 11 Cases.

### *vi. Hudson County Improvement Authority Litigation*

In July 1999, Hudson County Improvement Authority ("HCIA") filed suit in the Superior Court, Hudson County, New Jersey against SK Services (East), L.C. ("SK Services East") (an indirect wholly-owned Safety-Kleen subsidiary), Safety-Kleen, American Home Assurance Company, and Hackensack Meadowlands Development Commission. An Amended Complaint was filed on August 18, 1999, in which HCIA sought damages and injunctive relief evicting SK Services East from a 175 acre site in Kearny, New Jersey owned by HCIA. SK Services

East had been using the site pursuant to an Agreement and Lease dated as of February 2, 1997 (the "Agreement and Lease") for the processing and disposal of processed dredge material. HCIA alleged that certain conditions precedent to SK Services East's right to continue operations at the site had not occurred, that as a result the Agreement and Lease had automatically terminated, that SK Services East owed HCIA approximately \$11 million in back rent, and that SK Services East was obligated to finish the remediation of the site and its preparation for development as a commercial property. In January 2000, the Court granted HCIA summary judgment on its motion to declare the Agreement and Lease null and void as a result of the failure of the conditions precedent. This ruling effectively terminated the relationship between SK Services East and HCIA leaving only the issue of the determination of the rights and responsibilities of the parties in the unwinding of the relationship. In May 2000, HCIA filed for summary judgment seeking an order declaring that SK Services East is obligated to complete all measures required under the Remedial Action Work Plan for the site. SK Services East filed a brief opposing the motion. In June 2000, HCIA withdrew its pending motion, with the Court's understanding that the motion could be re-filed if the automatic stay in connection with the Company's Chapter 11 bankruptcy protection is lifted. On July 11, 2001 the Bankruptcy Court entered an Order authorizing the Company's rejection of the executory contracts and the unexpired lease to which SK Services East and HCIA were parties. The Order does not limit, abridge, or otherwise effect HCIA's right to assert and seek remedies regarding its pre- and/or post-petition claims against the Company for damages and other relief. Also on July 11, 2001 the Bankruptcy Court granted HCIA's motion to modify the Bankruptcy Code's automatic stay, and entered an Order permitting the Superior Court of New Jersey, Hudson County, to make its final determination regarding SK Services East contractual obligations under the Agreement and Lease. The Superior Court held oral argument on this matter in September 2001 and advised the parties that the Court wanted the parties to make good faith efforts to reach an agreement as to the remaining obligations before the Court issues a decision. Representatives of all the parties involved in the remediation development activities at the Kearny, NJ site met on December 5, 2001 for preliminary discussions of a final resolution of all open issues. The Company has recorded its expected remaining liability related to the rejected lease as a component of liabilities subject to compromise in the accompanying consolidated balance sheet as of August 31, 2001.

*vii. ECDC Environmental, L.C. Claim*

Certain subsidiaries of Safety-Kleen entered into a long-term contract (the "4070 Contract") with General Motors Corporation ("GM") to manage certain GM waste products. One requirement of the 4070 Contract was to provide a dedicated cell for GM waste products at a landfill facility owned by ECDC Environmental, L.C. ("ECDC"), which was then a Safety-Kleen subsidiary. In November 1997, the Company sold its interest in ECDC to an affiliate of Allied Waste Industries, Inc. Pursuant to the sale, ECDC, Safety-Kleen and certain Safety-Kleen subsidiaries entered the GM Waste Disposal Agreement (the "WDA") governing the obligations of the parties with respect to the continued management of GM waste in the dedicated cell at the ECDC landfill.

By letter dated May 15, 2000, the Company was notified of GM's intent to terminate the 4070 Contract for default, effective December 31, 2000. Under the WDA, default by the Company under the 4070 Contract would have obligated the Company to pay certain costs, rebates and damages to ECDC in accordance with the terms of the WDA.

The Debtors including those subsidiaries of Safety-Kleen which were parties to the 4070 Contract and the WDA, filed for protection under Chapter 11 of the Bankruptcy Code. In anticipation of the Company's rejection of the 4070 Contract pursuant to 11 U.S.C. §365, on October 30, 2000, ECDC filed a claim for not less than approximately \$11.0 million plus other additional, and unspecified damages for the Company's breach of the 4070 Contract and WDA. Subsequently, the Bankruptcy Court granted the motion by Safety-Kleen and certain of its subsidiaries, which were parties to the 4070 Contract and the WDA, to reject both the 4070 Contract and the WDA, effective December 1, 2000.

*viii. Bryson Adams Litigation*

In 1996, a lawsuit was filed in the federal court in Baton Rouge, Louisiana, under the caption *Carleton Gene Rineheart et al. v. CIBA-GEIGY Corporation, et al.*, U.S. District Court for the Middle District of Louisiana, CA #96-517, Section B(2). In October 1999, a substantially similar lawsuit was filed in state court in Lafayette Parish, Louisiana, under the caption of *Bryson Adams, et al. v. Environmental Purification Advancement Corporation, et al.*, Civil Action No. 994879, Fifteenth Judicial District Court, Parish of Lafayette, State of Louisiana. In December 2000, these two cases were consolidated with *Adams* designated as the lead case. In this consolidated litigation, plaintiffs are suing for alleged personal injury and/or property damage arising out of the operation of certain waste disposal facilities near Bayou Sorrel, Louisiana. The initial *Bryson Adams* lawsuit was filed on behalf of 320 plaintiffs against 191 defendants.

A Safety-Kleen subsidiary which owns and operates a hazardous waste deep injection well in Bayou Sorrel, Louisiana is named as a defendant. A different Safety-Kleen subsidiary is also named as a defendant for its alleged role as a generator and arranger for disposal or treatment of hazardous waste at certain of the disposal facilities which are named in the litigation. It is alleged that the Safety-Kleen subsidiary was the operator of the injection well in question from 1974 through the present. In addition to the claims asserted by the plaintiffs, there is the potential that the customers of the injection well, who are also defendants, may assert claims for indemnification against the Company. The action has not proceeded against the Company subsidiaries due to the filing of their Chapter 11 Bankruptcy petition on June 9, 2000.

ix. FUSRAP Waste Disposal at Safety-Kleen (Buttonwillow), Inc.

Safety-Kleen (Buttonwillow), Inc., a subsidiary of Safety-Kleen, owns and operates a hazardous waste landfill in Kern County California. The facility accepted and disposed of construction debris that originated at a site in New York which was part of the federal Formerly Utilized Sites Remediation Program (FUSRAP). The construction debris was low-activity radioactive waste and was shipped to the site by the U.S. Army Corps of Engineers (USACE). FUSRAP was created in the mid-1970s in an attempt to manage various sites around the country contaminated with residual radioactivity from activities conducted by the Atomic Energy Commission and United States military during World War II. The California Department of Health Services (DHS) has claimed that the facility did not lawfully accept the waste. Both DHS and the Department of Toxic Substances Control (DTSC) have filed claims in the Company's Bankruptcy proceedings preserving the right of the agencies to seek penalties and possibly compel removal of the material should an ongoing investigation reveal the subsidiary acted improperly. DHS claimed penalties in the amount of \$0.6 million and potential removal costs of \$15.5 million should DHS have to oversee and/or conduct the removal. The proof of claim filed by the DTSC was in the amount of \$15.0 million for potential penalties plus an unspecified amount for any costs the DTSC may incur should the subsidiary be forced to remove the waste. The subsidiary and the USACE contend the material was properly disposed of and will vigorously resist the imposition of any penalties or any efforts to require that waste be removed.

## 15. STOCKHOLDERS' EQUITY (DEFICIT)

### Common Stock Shares

Safety-Kleen is authorized to issue 250 million shares of its \$1 par value common stock and one million shares of its \$1 par value preferred stock. The Board of Directors determines the terms and conditions of each issue of preferred stock. No preferred stock has been issued.

	<b>Common Stock Shares Outstanding (in thousands)</b>
Balance at August 31, 1999	100,636
Issuance of shares to non-employees	146
Exercise of stock options	2
Balance at August 31, 2000 and 2001	100,784

There was no issuance of shares or exercise of stock options in fiscal 2001.

### Other Comprehensive Income (Loss)

Other comprehensive income (loss) for all periods presented consists of net (loss) income, foreign currency translation adjustments and unrealized gains and losses on investments classified as available for sale under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

Accumulated other comprehensive income (loss) consists of the following components (\$ in thousands):

	<b>Foreign currency translation adjustment</b>	<b>Unrealized (loss)/gain on marketable securities</b>	<b>Accumulated other comprehensive income (loss)</b>
Balance at August 31, 1998	\$ (9,505)	\$ (6)	\$ (9,511)
Other comprehensive income (loss)	582	(285)	297
Balance at August 31, 1999	(8,923)	(291)	(9,214)
Other comprehensive income (loss)	2,571	(23)	2,548
Balance at August 31, 2000	(6,352)	(314)	(6,666)
Other comprehensive income (loss)	(2,131)	497	(1,634)
Balance at August 31, 2001	\$ (8,483)	\$ 183	\$ (8,300)

## 16. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued other liabilities approximate fair value due to the short-term nature of these instruments.

Long-term investments – The fair value of the restricted funds held by trustees approximates carrying value (see Note 3).

Long-term debt – Due to the uncertainty resulting from the Chapter 11 Cases discussed in Note 1, the fair value of the Company's long-term debt as of August 31, 2001 and 2000 is not determinable.

Fair value estimates are made at a specific point in time based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

## 17. IMPAIRMENT AND OTHER CHARGES

The accompanying consolidated statements of operations reflect an element of operating expenses described as "Impairments and other charges". Included in this caption are provisions for impairments of assets determined in accordance with SFAS No. 121 and related provisions for closure, post-closure, and other liabilities for facilities to be closed, where appropriate.

SFAS No. 121 requires the assessment of long-lived assets for impairment whenever events ("triggering events") occur which may indicate that those assets have become impaired. Triggering events may be events, which directly cause impairment (e.g., decisions to close facilities or the effects of new government regulations) or may be indicators of the existence of other direct causes of impairment (e.g., continuing or increasing losses, declining customer demand, etc.).

The Company believes that the Chapter 11 Cases and the events that led up to it constitute triggering events. In connection with its comprehensive review of its operations, the Company evaluated the recoverability of long-lived assets at August 31, 2001 and 2000 by reference to estimated future cash flows. As a result, the Company identified certain impairments that have been recorded in fiscal 2001, 2000 and 1999.

Fair values for impaired assets were determined for landfills, incinerators, wastewater treatment and other facilities, primarily based on future cash flow projections discounted using rates appropriate for the risks involved with the identified assets. For those facilities that were to be sold, management based fair value on their best estimate of sales value less cost to sell.

### 2001

The components of fiscal 2001 impairment and other charges consisted of the following (\$ in thousands):

	<b>Chemical Services</b>	<b>Branch Sales and Service</b>	<b>Total</b>
Provision for early facility closure:			
Bridgeport incinerator	\$ 34,123	\$ --	\$ 34,123
Coffeyville incinerator	9,017	--	9,017
Hilliard wastewater treatment facility	1,174	--	1,174
Burton transportation facility	459	--	459
	<u>44,773</u>	<u>--</u>	<u>44,773</u>
Asset impairment and other charges	935	7,176	8,111
Total	<u>\$ 45,708</u>	<u>\$ 7,176</u>	<u>\$ 52,884</u>

During fiscal 2001 the Company ceased operations at two incinerators, a wastewater treatment facility and a transportation facility. As a result of these closures, the Company recorded a provision for early facility closures and post-closures of approximately \$44.8 million. Certain post-closure costs are expected to be incurred over a period approximating 30 years. The Company also recorded \$8.1 million of net impairment charges primarily related to a wastewater treatment facility and the former headquarters of Old Safety-Kleen.

2000

The components of fiscal 2000 impairment and other charges consisted of the following (\$ in thousands):

	<b>Chemical Services</b>	<b>Branch Sales and Service</b>	<b>Total</b>
Asset impairments:			
Service centers and landfills related to western operations	\$ 118,336	\$ --	\$ 118,336
Other landfills and incinerators	118,622	--	118,622
Harbor facility – closed	22,600	--	22,600
Pinewood landfill	15,724	--	15,724
Former headquarters of Old Safety-Kleen	--	18,688	18,688
Other facilities	73,823	--	73,823
Total	<u>\$ 349,105</u>	<u>\$ 18,688</u>	<u>\$ 367,793</u>

The amounts shown, as related to western operations, relate to facilities which are located in the western area of the United States. Their markets have been adversely affected by competitive conditions, including over supply of available services, which have limited the Company's ability to increase prices to recover increased costs, including those related to new environmental regulations.

Included in other landfills and incinerators is an incinerator constructed to burn contaminated soils. Although significant revenue resulted from unusual events in 1999 and 2000, the general level of demand for these services has and is expected to continue to decline. In addition, new environmental regulations are projected to significantly increase capital expenditures and operating costs in the future. Also included in this amount is a landfill which has been the primary disposal site for the soil burned at this Company owned incinerator. The projected declines in volumes generated at the incinerator are projected to have a continuing adverse effect on volumes at the landfill.

As discussed in Note 14, the Pinewood Facility has been the subject of lengthy, complex and protracted legal proceedings. The results of the proceedings have been adverse to the Company, accordingly, the Company has concluded that it would be imprudent to assume that this facility will generate any significant future revenue. An additional charge was recorded for the impairment of the remaining net book value of fixed assets at the Pinewood Facility. Appropriate reserves for closure and post-closure costs at Pinewood have been fully provided and included in operating costs.

1999

The components of fiscal 1999 impairment charges consisted of the following (\$ in thousands):

	<b>Chemical Services</b>	<b>Branch Sales and Service</b>	<b>Total</b>
Write-down of non-landfill permits	\$ 9,195	\$ --	\$ 9,195
Property, plant and equipment	2,092	--	2,092
Total	<u>\$ 11,287</u>	<u>\$ --</u>	<u>\$ 11,287</u>

Impairment and other charges in fiscal 1999 were primarily due to factors relating to decisions made by management as a result of changes in business conditions or legal issues. These charges represent the write-down of certain property, plant and equipment and intangibles.

## 18. REORGANIZATION ITEMS

Reorganization items as reported in the accompanying fiscal 2001 and 2000 statement of operations are comprised of income, expense and loss items that were realized or incurred by the Debtors as a direct result of the Company's decision to reorganize under Chapter 11. During fiscal 2001 and 2000, reorganization items were as follows (\$ in thousands):

	<u>2001</u>	<u>2000</u>
Professional fees directly related to the filing	\$ 28,161	\$ 15,297
Write off of deferred financing costs related to pre-petition domestic borrowings	--	41,533
First DIP Facility commitment fees and amortization of financing costs	4,908	498
Losses on early termination of qualifying hedge contracts	--	3,400
Rejected operating leases	4,384	532
Interest earned on cash accumulated during Chapter 11	(4,408)	(337)
Accrued employee retention plan costs	8,104	--
Other	1,135	--
	<u>\$ 42,284</u>	<u>\$ 60,923</u>

Professional fees included within reorganization items exclude professional fees incurred in conjunction with the Company's investigation and restatement of its Consolidated Financial Statements described in Note 2.

The net cash payments made during fiscal 2001 and 2000 with respect to the reorganization items listed above were approximately \$16.5 million and \$6.7 million, respectively.

## 19. DERIVATIVES AND RISK MANAGEMENT

### Interest Rate Derivatives

From time to time during fiscal 2000 and fiscal 1999, the Company entered into derivative contracts, which include swaps, option contracts, and forward agreements or combinations thereof. Derivatives which were not designated as hedges or were ineffective throughout the hedge period did not qualify for hedge accounting treatment. These transactions often took the form of financing arrangements whereby the Company received cash proceeds at the outset of the contract in exchange for an obligation to exchange swap settlements in the future at off-market terms. The fair market value of such instruments which fail to qualify for hedge accounting treatment are reflected as assets or liabilities, with the periodic change in market value recognized in earnings in the Company's Consolidated Financial Statements. During March 2000, the Company's existing derivative contracts were involuntarily terminated from cross-default provisions between the Company's Senior Credit Facility, and its International Swap Dealers Association Master Agreements. As a consequence of these terminations, the Company has a net derivative liability of \$69.5 million at August 31, 2001 and 2000, which is reflected in the accompanying Consolidated Financial Statements as a liability subject to compromise (see Note 11) and ranks pari passu with amounts due under the Senior Credit Facility.

The Company also entered into a variety of derivatives in prior years, including interest rate swaps, options, swaptions and forward agreements, which were not designated as hedges or were ineffective throughout the hedge period. Such instruments do not qualify for hedge accounting treatment. These transactions often took the form of financing arrangements whereby the Company received cash proceeds at the outset of the contract in exchange for an obligation to exchange swap settlements in the future at off-market terms. The fair market value of such instruments, which fail to qualify for hedge accounting treatment, are reflected as assets or liabilities, with the periodic change in market value recognized in earnings in the Company's Consolidated Financial Statements.

Credit risk related to the Company's interest rate derivatives arose from the possible inability of counterparties to meet the terms of their contracts on a net basis. All of the Company's interest rate swap agreements as a result, were entered into with major financial institutions, which were expected to fully perform under the terms of the agreements. The Company's credit exposure on swaps was related not to the notional balances of the interest rate swaps, but to the current and potential replacement costs of all profitable contracts at fiscal year end. Credit exposure varied with the market value of the swaps.

As of the bankruptcy filing date (June 9, 2000), the Company had \$3.4 million in deferred losses associated with the early termination of qualifying hedge contracts, all of which were charged to reorganization items in the fiscal year ended August 31, 2000.

The following table summarizes the net gains and (losses) on the Company's derivative contracts used for trading purposes in fiscal 2000 and fiscal 1999 (\$ in thousands):

	<b>For the Years Ended August 31,</b>	
	<b>2000</b>	<b>1999</b>
Interest rate swaps	\$ (4,697)	\$ 5,855
Interest rate swaptions	7,235	(8,578)
Bond forward agreements	(1,407)	(921)
Bond indexed equity swaps	(418)	(2,279)
<b>Total</b>	<b>\$ 713</b>	<b>\$ (5,923)</b>

The following table summarizes the fair value of the Company's derivative contracts used for trading purposes for the fiscal year ended August 31, 2000 and August 31, 1999 (\$ in thousands):

	<b>2000</b>			<b>1999</b>		
	<b>Average Fair Value</b>	<b>Gross Positive Fair Value</b>	<b>Gross Negative Fair Value</b>	<b>Average Fair Value</b>	<b>Gross Positive Fair Value</b>	<b>Gross Negative Fair Value</b>
Interest rate swaps	\$ (1,311)	\$ --	\$ --	\$ (345)	\$ 3,020	\$ (13,893)
Interest rate swaptions	(2,967)	--	--	(2,802)	--	(25,904)
Bond forward agreements	--	--	--	--	--	--
Bond indexed equity swaps	(1,102)	--	--	(599)	--	(1,819)
Forward start swaps	(2,716)	--	--	(196)	--	(1,331)
<b>Total</b>	<b>\$ (8,096)</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ (3,942)</b>	<b>\$ 3,020</b>	<b>\$ (42,947)</b>

Derivative financial instrument fair values represent an approximation of amounts the Company would have paid to or received from counterparties to terminate its positions prior to maturity, and are based on capital market rates prevailing at August 31, 2000 and 1999.

In addition to the derivatives used for qualifying hedges and for trading purposes described above, the Company has segregated from derivative contracts entered into or modified at off-market terms, \$16.1 million of amortizing fixed-rate borrowings as of August 31, 2000. These amounts are included in liabilities subject to compromise as of August 31, 2000. The Company also classified \$53.4 million in terminated derivatives as liabilities subject to compromise as of August 31, 2001 and 2000 (see Note 11).

#### **Other Derivatives**

On December 15, 2000, the Bankruptcy Court approved a multi-year marketing and distribution agreement between the Company and SystemOne. In connection with the agreement, the Company received a warrant with a five-year term to purchase 1,134,615 shares of SystemOne at a price of \$3.50 per share. The warrant has been recorded as a derivative asset at its estimated fair market value of \$1.1 million at August 31, 2001. Changes in the fair value from the date of inception are charged to earnings, resulting in a derivative loss of \$0.6 million being recorded during the fiscal year ended August 31, 2001.

#### **20. STOCK OPTION PLANS**

The Company has the following stock option plans:

- The 1993 Stock Option Plan of the former Rollins Environmental Services, Inc.
- The 1997 Directors Stock Option Plan
- The 1997 Stock Option Plan

All outstanding employee stock options granted by Rollins were fully vested on May 15, 1997, in accordance with the terms of the acquisition of Old Safety-Kleen referred to in Note 1.

Option activity for the fiscal years ended August 31 is as follows:

	2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,046,863	\$13.844	1,200,988	\$13.901
Exercised	--	--	(2,000)	\$12.750
Expired or canceled	(462,213)	\$13.772	(152,125)	\$14.307
Outstanding at end of year	<u>584,650</u>	\$13.901	<u>1,046,863</u>	\$13.844
Options available for grant	2,549,640		2,087,427	
Options exercisable	327,225	\$14.001	388,200	\$13.953

	1999	
	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	754,250	\$14.844
Granted	538,625	\$13.250
Exercised	(18,250)	\$11.613
Expired or canceled	(73,637)	\$19.125
Outstanding at end of year	<u>1,200,988</u>	\$13.901
Options available for grant	635,302	
Options exercisable	202,113	\$14.439

Range of Exercise Price	2001			2000		
	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$10.50-\$11.50	6,750	2.26 years	\$11.500	6,750	3.26 years	\$11.500
\$12.75-\$15.75	565,750	6.94 years	\$13.794	1,027,063	5.23 years	\$13.773
\$16.50-\$23.00	12,150	0.73 years	\$20.480	13,050	1.69 years	\$20.665
\$10.50-\$23.00	<u>584,650</u>	6.76 years	\$13.901	<u>1,046,863</u>	5.17 years	\$13.844

Range of Exercise Price	1999		
	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$10.50-\$11.50	6,750	4.26 years	\$11.500
\$12.75-\$15.75	1,178,688	8.51 years	\$13.794
\$16.50-\$23.00	13,050	2.69 years	\$20.665
\$30.00-\$35.50	2,500	0.25 years	\$35.500
\$10.50-\$35.50	<u>1,200,988</u>	8.41 years	\$13.901

Effective July 9, 1997, the directors of Safety-Kleen set aside 1.5 million shares of its \$1 par value common stock for issuance under the 1997 Stock Option Plan. Effective October 5, 1999, the number of shares set aside was increased by 10 million shares. All options under this plan are for a term of ten years from the date of grant and become exercisable with respect to 20% of the total number of shares subject to the option, approximately one year after the date of grant, and with respect to an additional 20% at the end of each 12-month period thereafter on a cumulative basis during the succeeding four years. The plan provides for the granting of stock options to certain senior employees and officers of the Company at the discretion of the Board of Directors. All options are subject to certain conditions of service. Options for 471,125 shares were granted during fiscal 1999 at an exercise price of \$13.25. No options were granted during each of fiscal 2001 and 2000.

Effective July 9, 1997, the directors of the Safety-Kleen set aside 135,000 shares of its \$1 par value common stock for issuance under the 1997 Directors Stock Option Plan. Effective October 5, 1999, the number of shares set aside was increased by 300,000 shares. All options under

this plan are for a term of ten years from the date of grant and become exercisable with respect to 20% of the total number of shares subject to the option, approximately one year after the date of grant, and with respect to an additional 20% at the end of each 12-month period thereafter on a cumulative basis during the succeeding four years. All options are subject to certain conditions of service. Options for 67,500 shares were granted during fiscal 1999 at an exercise price of \$13.25. No options were granted during fiscal 2001 and 2000.

In accordance with the disclosure requirements of SFAS No. 123, the fair value of each option grant during fiscal 1999, has been estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

<u>August 31, 1999</u>	
Risk-free interest rate	5.3%
Expected life	7.0 years
Dividend rate	0.0%
Expected volatility	60.8%

As required by SFAS No. 123, the Company has determined that the weighted average estimated fair values of options granted during fiscal 1999, were \$8.22 per share. Had compensation cost for these plans been determined based on the Black-Scholes value at the grant dates for awards as prescribed by SFAS No. 123, pro forma net income and earnings per share would have been as follows (\$ in thousands, except per share data):

	<u>Year Ended August 31,</u>		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net loss:			
As reported	\$ (229,078)	\$ (833,191)	\$ (223,155)
Pro forma	(231,044)	(835,157)	(225,121)
Net loss per share			
As reported	\$ (2.27)	\$ (8.27)	\$ (2.52)
Pro forma	(2.29)	(8.29)	(2.54)

## 21. EMPLOYEE BENEFIT PLANS

### Defined benefit plans

As of August 31, 2001, the Company did not sponsor any significant active defined benefit pension plans. For plans terminated during fiscal 2000, all accumulated benefits have been distributed to plan participants.

In January 1998, certain union organizations granted their permission to terminate the LES Union Pension Plan and, during July 1998, the Application for Determination Upon Termination was filed with the Internal Revenue Service. The final settlement payout for the LES Union Pension Plan was in May 1999. All remaining participants represented by union organizations not granting termination permission were transferred to another "mirror image" plan, the Deer Park Union Pension Plan, effective February 1, 1998. In March 1999, management obtained the remaining union organizations' permission to terminate the Deer Park Union Pension Plan. Plan assets were distributed to participants in March 2000.

As a result of the acquisition of Old Safety-Kleen, the Company acquired three defined benefit plans. The Safety-Kleen Corp. Sales Employees' Pension Plan (the "Sales Plan") is a noncontributory defined benefit pension plan that originally covered certain U.S. employees of Old Safety-Kleen, including branch managers and sales representatives. Other salaried employees, excluding branch managers and sales representatives, were covered under the Salaried Employee's Pension Plan (the "Salaried Plan"). Hourly-paid employees were covered under the Hourly-Paid Employees' Pension Plan (the "Hourly Plan"). On July 10, 1998, the Company announced its intention to discontinue benefit accrual and to terminate all three plans. Effective September 30, 1998, the Salaried Plan and the Hourly Plan, (collectively the "Transferring Plans"), were merged into the Sales Plan. Upon merging of the Transferring Plans, the Sales Plan received the interest in the assets of the trust fund of the Transferring Plans and assumed the accumulated benefit obligation of the Transferring Plans. After the merger, the Transferring Plans ceased to exist. The Sales Plan was subsequently terminated December 24, 1999 and accumulated benefits were distributed to participants on March 31, 2000.

Changes in the projected benefit obligations and pension plan assets relating to the Company's defined benefit pension plans as of August 31, 2001 and 2000, are set forth in the following table (\$ in thousands):

	<u>2001</u>	<u>2000</u>
<u>Change in benefit obligation</u>		
Net benefit obligation at beginning of year	\$ --	\$ 90,641
Settlement loss	--	3,415
Benefits paid	--	(94,056)
Net benefit obligation at end of year	<u>\$ --</u>	<u>\$ --</u>
<u>Change in plan assets</u>		
Fair value of plan assets at beginning of year	\$ 387	\$ 92,635
Net plan assets acquired	--	--
Actual return on plan assets	26	1,808
Contributions	17	--
Benefits paid	(44)	(94,056)
Commissions, fees and expenses	(44)	--
Fair value of plan assets at end of year	<u>\$ 342</u>	<u>\$ 387</u>
Accrued benefit surplus	<u>\$ 342</u>	<u>\$ 387</u>

There was no periodic pension costs for the Company's defined benefit pension plans for the years ended August 31, 2001 and 2000. Effective as of October 14, 1997, the Company adopted a Supplemental Executive Retirement Plan (SERP) for certain eligible employees. The SERP is an unfunded plan that provides for benefit payments in addition to those payable under a qualified retirement plan. As of August 31, 2001, a liability of approximately \$1.8 million related to the SERP plan is recorded in other long-term liabilities.

#### Defined contribution plan

The Company offers to all eligible employees the opportunity to participate in the Company's defined contribution employee benefit plan (the "Safety-Kleen 401(k) Plan"). Employees are allowed to contribute up to 15% of their annual salary to the Safety-Kleen 401(k) Plan, and during fiscal 2001, the Company made matching contributions limited to 75% of the first 6% of an employee's eligible compensation. Employer contribution expense for fiscal years ended August 31, 2001, 2000, and 1999 was \$10.6 million, \$11.8 million, and \$11.8 million, respectively. In fiscal 2002, the Board of Directors has determined to suspend matching contributions indefinitely.

#### Other

The Company provides medical benefits to approximately 70 former employees of Old Safety-Kleen. At the date of the acquisition of Old Safety-Kleen, the plan was frozen and subsequently terminated. The Company currently provides benefits to those remaining participants as required by the provisions of COBRA.

Effective September 8, 2000, the Company implemented the Senior Executive Retention Plan to provide a financial incentive to certain employees to remain with the Company during the turnaround and restructuring process. Under the terms of this plan, participants must be actively employed by the Company through the retention period, which ended on December 31, 2001. In addition, the Company has entered into retention bonus agreements for certain key executives whereby bonuses are payable upon the occurrence of certain defined events, such as filing of a plan of reorganization or the consummation of the sale of substantially all of the assets of the Company. The Company recognized \$8.1 million of expense related to these arrangements as a reorganization item in the accompanying fiscal 2001 statement of operations.

## 22. INCOME TAXES

For financial reporting purposes, income (loss) before income taxes and extraordinary items, showing domestic and foreign sources, was as follows (\$ in thousands):

	Year Ended August 31,		
	2001	2000	1999
Domestic	\$ (238,992)	\$ (814,878)	\$ (197,253)
Foreign	22,197	(5,290)	13,192
Loss before income taxes and extraordinary items	\$ (216,795)	\$ (820,168)	\$ (184,061)

The income tax expense before extraordinary items is as follows (\$ in thousands):

	Year Ended August 31,		
	2001	2000	1999
Current:			
Federal	\$ --	\$ --	\$ --
State	8,494	594	915
Foreign	6,475	4,177	9,731
Deferred:			
Federal	--	6,029	24,274
State	--	689	2,774
Foreign	2,905	1,534	1,400
Income tax expense	\$ 17,874	\$ 13,023	\$ 39,094

A reconciliation of the income tax expense calculated by applying the domestic statutory federal income tax rate to the loss before income taxes is as follows (\$ in thousands):

	Year Ended August 31,		
	2001	2000	1999
Federal income tax expense (benefit) at statutory rate	(35.0)%	(35.0)%	(35.0)%
State income tax expense (benefit)	(1.9)%	(3.6)%	(0.3)%
Change in valuation allowance	39.6%	36.2%	39.3%
Foreign country rate differential	1.0%	0.1%	0.5%
Goodwill	5.6%	4.5%	7.6%
Other	(1.1)%	(0.6)%	9.1%
Income tax expense	8.2%	1.6%	21.2%

Deferred tax assets and liabilities consisted of the following (\$ in thousands):

	Year Ended August 31,	
	2001	2000
Deferred tax assets:		
Allowance for uncollectible invoices	\$ 31,592	\$ 34,010
Deferred revenue	20,964	47,180
Accrued liabilities	178,958	161,255
Tax attribute carryovers	496,883	330,194
Deferred financing costs	12,543	16,710
Other	7,496	4,862
Total gross deferred tax assets	748,436	594,211
Less -Valuation allowance	(458,207)	(386,095)
Net deferred tax assets	290,229	208,116
Deferred tax liabilities:		
Excess of tax over book depreciation	(180,665)	(213,172)
Interest	(119,415)	(23,695)
Other	(51,920)	(35,354)
Total gross deferred tax liabilities	(352,000)	(272,221)
Net deferred tax liabilities	\$ (61,771)	\$ (64,105)

As of August 31, 2001, the Company has net operating loss ("NOL") carryforwards for U.S. federal income taxes of approximately \$1.2 billion expiring in the years 2006 through 2021 and capital loss carryforwards of \$24 million expiring in 2005. Such NOLs are subject to limitations of both Treasury Regulation 1.1502-21 and Internal Revenue Code "IRC" Section 382. At August 31, 2001, interest carryovers of approximately \$15 million limited by IRC Section 163(j) are available against U.S. federal tax without expiration. The carryovers are based on tax returns as currently filed and are subject to change based on the Company's detailed review and analysis of all restatement adjustments for tax purposes, as it is not practicable to determine the impact or related interest and penalties, if any, of the restatement adjustments on amended returns at this time. The Company's tax returns are subject to periodic audit by the various jurisdictions in which it operates. These audits, including those currently underway, can result in adjustments of taxes due or adjustments of the NOLs, which are available to offset future taxable income. Implementation of a plan or plans of reorganization will likely reduce the availability of some or all of these NOL carryforwards.

Valuation allowances have been established for uncertainties in realizing the benefit of certain tax loss carryforwards and other deferred tax assets. In assessing the realizability of carryforwards and other deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The Company adjusts the valuation allowance in the period management determines it is more likely than not that deferred tax assets will or will not be realized.

Until May 1997, the Company was included in the consolidated U.S. tax returns filed by Laidlaw. As such, the Company is jointly and severally liable for any taxes due with respect to those returns. Accordingly, the Company could be responsible for taxes relating to adjustments to the 1997 and prior consolidated tax returns of Laidlaw.

### **23. RELATED PARTY TRANSACTIONS**

#### **Laidlaw Inc.**

Insurance premiums paid to Laidlaw, including those related to workers compensation, general and auto liability, totaled approximately \$0.1 million, \$14.8 million and \$21.5 million in fiscal 2001, 2000 and 1999, respectively. Rates paid under insurance contracts were determined on a similar basis as those charged under similar contracts with third-party insurers.

On May 15, 1997, in connection with the Rollins Acquisition, the Company issued a \$350 million 5% subordinated convertible PIK Debenture due May 15, 2009, and paid \$349.1 million in cash to Laidlaw. On August 27, 1999, the Company repurchased the PIK Debenture for (i) \$200 million in cash, (ii) 11,320,755 shares of common stock and (iii) 376,858 shares of common stock in satisfaction of accrued and unpaid interest on the PIK Debenture to the date of purchase. During the fiscal year ended August 31, 1999, the Company issued a total of 1,545,399 common shares to Laidlaw in satisfaction of interest payments due under the PIK Debenture.

Pursuant to the Rollins Acquisition, Laidlaw and LTI and indirect wholly-owned subsidiaries of Laidlaw, agreed to jointly and severally indemnify the Company for certain obligations and liabilities. Also pursuant to the Rollins Acquisition, the Company agreed to jointly and severally indemnify Laidlaw and LTI, for certain obligations and liabilities. Additionally, certain other guaranties have been entered into by Laidlaw on behalf of the Company (See Notes 3 and 14).

Certain former directors or officers of the Company also served as directors or officers of Laidlaw during fiscal 2000 and 1999. As of August 31, 2001, no directors or officers of the Company served as directors or officers of Laidlaw.

Currently, there are substantial claims and counterclaims between the Company, Laidlaw and its affiliates (see Note 14).

#### **Safety-Kleen Europe**

During portions of fiscal 2000 and 1999, the Company accounted for its investment in Safety-Kleen Europe, Limited under the equity method. During this period, the Company provided Safety-Kleen Europe, Limited with information technology services, inventory and reimbursement of certain building rents. In fiscal 2000 and 1999, the Company invoiced Safety-Kleen Europe, Limited \$1.9 million and \$1.3 million, respectively, for information technology services and inventory. Also during this period, the Company reimbursed Safety-Kleen Europe, Limited \$1.1 million and \$0.1 million in fiscal 2000 and 1999, respectively, for building rents and software.

#### **Raymond James & Associates**

David E. Thomas, Jr., Safety-Kleen's former Chairman and CEO and a member of Safety-Kleen's Board of Directors since 1997, was previously Senior Managing Director and Head of the Investment Banking Group of Raymond James & Associates, Inc. ("Raymond James"). In December 2001, he returned to Raymond James as a managing director. Raymond James has acted as financial advisor and in other capacities to the Company for various matters, including acquisitions, divestitures and securities offerings. The Company paid approximately \$2.8 million to Raymond James for these services in fiscal 1999 and accrued approximately \$350,000 in fiscal 2000 for consulting services performed. As of August 31, 2001 and February 28, 2002, Safety-Kleen has not paid Raymond James the fiscal 2000 accrued amount.

### **Rollins Truck Leasing Corp.**

Until February 26, 2001, Mr. Tippie, a director of Safety-Kleen, was Chairman of the Board, Chairman of the Executive Committee, President and CEO of Rollins Truck Leasing Corp. During fiscal 2001, 2000 and 1999, the Company paid Rollins Truck Leasing Corp. approximately \$0.4 million, \$1.2 million and \$2.7 million, respectively, on account of truck rentals. Rollins Truck Leasing Corp. also purchased certain supplies from the Company. During fiscal 2001 and 2000, Rollins Truck Leasing Corp. paid approximately \$0.1 million and \$0.3 million, respectively, to the Company for these supplies. In addition, in September 1998, the Company guaranteed certain lease payments for vehicles leased by a subcontractor of the Company from Rollins Truck Leasing Corp. Pursuant to the provisions of the Bankruptcy Code, the Bankruptcy Court authorized the Company to reject its contract with the subcontractor in November 2001. Rollins Truck Leasing Corp. may possess an unsecured claim against the Company in its Chapter 11 Cases based upon the Company's guarantee.

### **AK Steel Corporation**

Mr. Wareham, a director of Safety-Kleen, was the President of AK Steel Corporation until his retirement on March 1, 2002. During fiscal 2001, the Company provided parts cleaner and other services to AK Steel Corporation, and received approximately \$0.2 million in payments for such services.

### **Matlack Systems, Inc.**

Mr. Tippie is a director and shareholder of Matlack Systems, Inc. Mr. Rollins, Jr., who is a member of the Safety-Kleen's Board of Directors, is Chairman of the Board and a shareholder of Matlack Systems, Inc. During fiscal 2001 and 2000, the Company paid Matlack Systems, Inc. approximately \$0.3 million and \$0.4 million, respectively, for transportation services. During fiscal 2001 and 2000, Matlack Systems, Inc. also purchased supplies and services from the Company of less than \$0.1 million and \$0.6 million, respectively.

### **Other**

In September 2000, the Company transferred ownership of a residential property in Oakville, Ontario, to the spouse of Kenneth W. Winger, the former President and Chief Executive Officer of Safety-Kleen and a former director of Safety-Kleen, for \$444,000. Laidlaw had originally purchased this property in 1995 from Mr. Winger's spouse for the same amount pursuant to an agreement with Mr. Winger in connection with his relocation to the Company's South Carolina offices. The property had been held by Safety-Kleen Ltd., a successor in interest to Laidlaw Environmental Services Ltd. Based on a broker's opinion of value, the Company believes that the price paid by Mr. Winger's spouse was fair to the Company, taking into account the additional expense that the Company would have had to incur to sell the property to a third party. Mr. Winger and his spouse released the Company from further obligations and liability arising under an agreement executed in March 2000 between the Company and Mr. Winger concerning the transfer of the property and the payment by the Company of certain relocation expenses.

The above related party transactions which involve certain current or former directors or officers of the Company were conducted on terms similar to those of third parties.

## 24. SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION

The supplemental cash flow disclosures and non-cash transactions are as follows (\$ in thousands):

	Fiscal Years Ended August 31,		
	2001	2000	1999
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	\$ --	\$ 90,370	\$ 186,517
Income taxes paid (refunded)	<u>\$ 11,427</u>	<u>\$ 10,525</u>	<u>\$ (22,529)</u>
Non-cash investing and financing activities:			
Business combinations:			
Fair value of assets acquired	\$ --	\$ 48,990	\$ 46,132
Less, cash paid, net	--	(27,072)	(14,904)
Fair value of liabilities assumed	--	(21,918)	(31,228)
Issuance of common stock to satisfy interest payment due on subordinated convertible debenture	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 22,486</u>
Issuance of common stock as consideration for repurchase of subordinated convertible debenture	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 150,000</u>
Non-cash transactions arising from sale of business:			
Equity investment recorded as long-term investment	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 37,782</u>

## 25. SEGMENT AND GEOGRAPHIC INFORMATION

Segment information has been prepared in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Performance of the segments is evaluated on several factors, of which the primary financial measure is operating income before depreciation, amortization and impairment and other charges ("EBITDA"). Transactions between the segments are accounted for at the Company's estimate of fair value based on similar transactions with outside customers. In general, SFAS No. 131 requires that business entities report selected information about operating segments in a manner consistent with that used for internal management reporting.

The Company is organized along its two primary business activities – Chemical Services and Branch Sales and Service. Chemical Services involves the treatment, recycling and destruction of hazardous and non-hazardous waste at Company owned and operated facilities. The Company operates thermal destruction incinerators, landfills and wastewater treatment facilities. Branch Sales and Service involves providing various services to both industrial and commercial customers and government entities. These services include, but are not limited to, parts cleaner services and hazardous and non-hazardous waste collection, treatment, recycling and disposal. Each segment is managed independently from the other and reports separately to senior management.

The Company currently classifies as "Corporate" in its segment reporting the cost of certain Company-wide functions and services consisting primarily of legal, accounting, finance and information technology. In addition, this category includes the incremental cost of the Company's efforts related to its internal accounting review for fiscal 1997 through 2000, the audits of these periods and the various investigations of its financial results. Certain intersegment eliminations are recorded in Corporate. As discussed in Note 1, other components of income, expense and loss directly attributable to the Chapter 11 Cases are classified as "Reorganization items" in the consolidated statement of operations.

In 1999, the Company's general ledger and system of internal financial reporting was aligned to report the financial results of its various segments and lines of business based on the operational organization then in place. The Company changed its system of internal financial reporting as a result of the reorganization of its operations in the third quarter of fiscal 2000. Substantial efforts were made to conform the prior year's reporting to the fiscal 2000 organization and new reporting structure. In connection with these efforts, management restated segment results to reflect service centers' operations as profit centers. In addition, management reviewed certain Company-wide selling, general and administrative expenses and attempted to allocate these expenses consistently from year to year among the segments. Management believes that the financial results for segment reporting purposes during fiscal 1999 through fiscal 2001 are reasonable and in accordance with SFAS No. 131.

The table below reflects certain information relating to the Company's operations (\$ in thousands):

	<b>Branch Sales and Service</b>	<b>Chemical Services</b>	<b>Corporate</b>	<b>Total</b>
<b>Fiscal 2001:</b>				
Outside revenue	\$ 1,008,903	\$ 505,631	\$ 49	\$ 1,514,583
Intersegment revenue	10,964	49,056	(60,020)	--
Depreciation and amortization	112,198	29,344	2,168	143,710
Impairment and other charges	7,176	45,708	--	52,884
EBITDA	51,818	36,832	(60,392)	28,258
Intangible assets, net	1,395,075	332,909	--	1,727,984
Total assets	2,177,651	710,351	125,791	3,013,793
<b>Fiscal 2000:</b>				
Outside revenue	\$ 986,627	\$ 599,022	\$ 624	\$ 1,586,273
Intersegment revenue	12,353	55,964	(68,317)	--
Depreciation and amortization	110,207	57,552	2,143	169,902
Impairment and other charges	18,688	349,105	--	367,793
EBITDA	(29,044)	(12,836)	(40,595)	(82,475)
Intangible assets, net	1,450,581	347,704	--	1,798,285
Total assets	2,242,270	754,135	135,463	3,131,868
<b>Fiscal 1999:</b>				
Outside revenue	\$ 954,421	\$ 671,436	\$ (1,819)	\$ 1,624,038
Intersegment revenue	1,540	49,722	(51,262)	--
Depreciation and amortization	104,574	55,212	1,528	161,314
Impairment and other charges	--	11,287	--	11,287
EBITDA	115,754	106,933	(43,210)	179,477
Intangible assets, net	1,462,163	460,044	--	1,922,207
Total assets	2,270,243	1,197,106	167,965	3,635,314

Outside revenue and intersegment revenue related to products and services within the Branch Sales and Service segment is shown in the table below (\$ in thousands):

	<b>Fiscal Years Ended August 31,</b>		
	<b>2001</b>	<b>2000</b>	<b>1999</b>
Parts Cleaner Service	\$ 327,071	\$ 341,303	\$ 370,028
Paint Refinishing Services	58,287	60,629	66,281
Imaging Services	40,968	42,984	43,509
Dry Cleaner Services	19,723	20,038	19,940
Vacuum Truck Services	56,404	46,603	36,411
Integrated Customer Compliance Services	18,934	13,163	9,305
Industrial Waste Collection Services	234,127	223,156	224,144
Oil Collection Services	63,327	69,771	57,162
Oil Re-Refining	152,083	135,068	90,884
Automotive Recovery Services	27,617	25,017	18,937
Additional services	21,326	21,248	19,360
Total outside and intersegment revenue	<u>\$ 1,019,867</u>	<u>\$ 998,980</u>	<u>\$ 955,961</u>

Outside revenue and intersegment revenue related to products and services within the Chemical Services segment is shown in the table below (\$ in thousands):

	<b>Fiscal Years Ended August 31,</b>		
	<b>2001</b>	<b>2000</b>	<b>1999</b>
Incineration	\$ 119,396	\$ 120,196	\$ 116,538
Landfill	87,140	101,748	111,666
Wastewater Treatment	39,126	54,786	46,049
Service Center	262,149	262,931	304,575
Additional services	97,212	103,569	81,864
Transportation	25,076	32,293	46,149
Closed Facilities and Ceased Operations	48,203	112,032	158,472
	<u>678,302</u>	<u>787,555</u>	<u>865,313</u>
Less: Intrasegment revenue	(123,615)	(132,569)	(144,155)
Total outside and intersegment revenue	<u>\$ 554,687</u>	<u>\$ 654,986</u>	<u>\$ 721,158</u>

The table below provides a reconciliation of EBITDA to operating (loss) income (\$ in thousands):

	<b>Fiscal Years Ended August 31,</b>		
	<b>2001</b>	<b>2000</b>	<b>1999</b>
EBITDA	\$ 28,258	\$ (82,475)	\$ 179,477
Depreciation and amortization	(143,710)	(169,902)	(161,314)
Impairment and other charges	(52,884)	(367,793)	(11,287)
Operating (loss) income	<u>\$ (168,336)</u>	<u>\$ (620,170)</u>	<u>\$ 6,876</u>

Information concerning principal geographic areas is as follows (\$ in thousands):

	<u>United States</u>	<u>Canada</u>	<u>Europe</u>	<u>Total</u>
<b>Fiscal 2001:</b>				
Outside revenue	\$ 1,350,983	\$ 163,600	--	\$ 1,514,583
Net property, plant and equipment	669,482	94,121	--	763,603
<b>Fiscal 2000:</b>				
Outside revenue	\$ 1,410,394	\$ 175,879	--	\$ 1,586,273
Net property, plant and equipment	665,756	107,119	--	772,875
<b>Fiscal 1999:</b>				
Outside revenue	\$ 1,419,921	\$ 163,887	\$ 40,230	\$ 1,624,038
Net property, plant and equipment	1,016,889	118,239	--	1,135,128

## 26. CONDENSED COMBINED FINANCIAL STATEMENTS OF ENTITIES IN BANKRUPTCY

The following condensed combined financial statements are presented in accordance with SOP 90-7:

### Condensed Combined Consolidating Statement of Operations Year Ended August 31, 2001

In thousands	Entities in Reorganization Proceedings	Entities Not in Reorganization Proceedings	Eliminations	Consolidated Totals
Revenues	\$ 1,394,828	\$ 208,279	\$ (88,524)	\$ 1,514,583
Operating expenses	1,589,855	181,588	(88,524)	1,682,919
Operating loss	(195,027)	26,691	--	(168,336)
Interest expense, net (1)	1,707	(6,743)	--	(5,036)
Other (expense) income	(1,044)	(514)	--	(1,558)
Equity in earnings of associated companies	10,435	--	(10,435)	--
Loss before reorganization items, income taxes and minority interest	(183,929)	19,434	(10,435)	(174,930)
Reorganization items	(42,284)	--	--	(42,284)
Income tax expense	(8,456)	(9,418)	--	(17,874)
Loss before minority interest	(234,669)	10,016	(10,435)	(235,088)
Minority interest	--	419	--	419
Loss before extraordinary items	(234,669)	10,435	(10,435)	(234,669)
Extraordinary items	5,591	--	--	5,591
Net loss	\$ (229,078)	\$ 10,435	\$ (10,435)	\$ (229,078)

(1) Excluding contractual interest of \$245,436 for Entities in Reorganization Proceedings.

### Condensed Combined Consolidating Balance Sheet As of August 31, 2001

In thousands	Entities in Reorganization Proceedings	Entities Not in Reorganization Proceedings	Eliminations	Consolidated Totals
<b>ASSETS:</b>				
Current assets	\$ 400,870	\$ 92,546	\$ --	\$ 493,416
Intercompany receivables	56,995	--	(56,995)	--
Property, plant & equipment, net	668,141	95,462	--	763,603
Investment in subsidiaries	29,534	--	(29,534)	--
Intangibles assets, net	1,653,188	74,796	--	1,727,984
Other assets	27,270	1,520	--	28,790
	\$ 2,835,998	\$ 264,324	\$ (86,529)	\$ 3,013,793
<b>LIABILITIES:</b>				
Current liabilities	\$ 311,344	\$ 94,983	--	406,327
Intercompany payables	--	56,995	(56,995)	--
Non-current liabilities	387,824	83,103	--	470,927
Liabilities subject to compromise	2,481,274	--	--	2,481,274
Minority interest	1,238	(291)	--	947
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>	(345,682)	29,534	(29,534)	(345,682)
	\$ 2,835,998	\$ 264,324	\$ (86,529)	\$ 3,013,793

**Condensed Combined Consolidating Statement of Cash Flows**  
**Year Ended August 31, 2001**

In thousands	Entities in Reorganization Proceedings	Entities Not in Reorganization Proceedings	Consolidated Totals
Net cash provided by (used in) operating activities	\$ 77,655	\$ 22,270	\$ 99,925
Cash flows from investing activities:			
Proceeds from sales of property, plant and equipment	4,766	443	5,209
Purchases of property, plant and equipment	(65,496)	(5,836)	(71,332)
Decrease (increase) in long-term investments	8,533	313	8,846
Net cash provided by (used in) investing activities	(52,197)	(5,080)	(57,277)
Cash flows from financing activities:			
Repayments of long-term debt	(10,080)	--	(10,080)
Change in intercompany accounts	(14,419)	14,419	--
Net cash provided by (used in) financing activities	(24,499)	14,419	(10,080)
Effect of exchange rate changes on cash	(2,131)	1,338	(793)
Net increase (decrease) in cash and cash equivalents	(1,172)	32,947	31,775
Cash and cash equivalents at:			
Beginning of year	74,234	10,048	84,282
End of year	\$ 73,062	\$ 42,995	\$ 116,057

**Condensed Combined Consolidating Statement of Operations**  
**Year Ended August 31, 2000**

In thousands	Entities in Reorganization Proceedings	Entities Not in Reorganization Proceedings	Eliminations	Consolidated Totals
Revenues	\$ 1,521,435	\$ 241,971	\$ (177,133)	\$ 1,586,273
Operating expenses	2,133,134	250,442	(177,133)	2,206,443
Operating loss	(611,699)	(8,471)	--	(620,170)
Interest expense, net <sup>(1)</sup>	(136,425)	(5,454)	--	(141,879)
Other income (expense)	1,286	(79)	--	1,207
Equity in earnings of associated companies	(18,152)	--	19,921	1,769
Loss before reorganization items, income taxes and minority interest	(764,990)	(14,004)	19,921	(759,073)
Reorganization items	(60,923)	--	--	(60,923)
Income tax expense	(7,279)	(5,744)	--	(13,023)
Loss before minority interest	(833,192)	(19,748)	19,921	(833,019)
Minority interest	1	(173)	--	(172)
Net loss	\$ (833,191)	\$ (19,921)	\$ 19,921	\$ (833,191)

(1) Excluding contractual interest of \$60,756 for Entities in Reorganization Proceedings

**Condensed Combined Consolidating Balance Sheet**  
As of August 31, 2000

In thousands	Entities in Reorganization Proceedings	Entities Not in Reorganization Proceedings	Eliminations	Consolidated Totals
<b>ASSETS:</b>				
Current assets	\$ 443,563	\$ 78,260	\$ --	\$ 521,823
Intercompany receivables	57,370	--	(57,370)	--
Property, plant and equipment, net	662,288	110,587	--	772,875
Investment in subsidiaries	8,954	--	(8,954)	--
Intangible assets, net	1,735,390	62,895	--	1,798,285
Other assets	36,698	2,187	--	38,885
	<u>\$ 2,944,263</u>	<u>\$ 253,929</u>	<u>\$ (66,324)</u>	<u>\$ 3,131,868</u>
<b>LIABILITIES:</b>				
Current liabilities	\$ 257,499	\$ 99,580	\$ --	\$ 357,079
Intercompany payables	--	57,370	(57,370)	--
Non-current liabilities	299,617	87,873	--	387,490
Liabilities subject to compromise	2,500,973	--	--	2,500,973
Minority interest	1,144	152	--	1,296
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>	<u>(114,970)</u>	<u>8,954</u>	<u>(8,954)</u>	<u>(114,970)</u>
	<u>\$ 2,944,263</u>	<u>\$ 253,929</u>	<u>\$ (66,324)</u>	<u>\$ 3,131,868</u>

**Condensed Combined Consolidating Statement of Cash Flows**  
Year Ended August 31, 2000

In thousands	Entities in Reorganization Proceedings	Entities Not in Reorganization Proceedings	Consolidated Totals
Net cash provided by (used in) operating activities	\$ (61,419)	\$ 2,532	\$ (58,887)
Cash flows from investing activities:			
Cash expended on acquisition of businesses	(15,152)	(11,920)	(27,072)
Proceeds from sales of property, plant and equipment	9,794	204	9,998
Purchases of property, plant and equipment	(43,692)	(9,406)	(53,098)
Decrease (increase) in long-term investments	16,758	(4,975)	11,783
Proceeds from sale of business	31,581	--	31,581
Net cash provided by (used in) investing activities	<u>(711)</u>	<u>(26,097)</u>	<u>(26,808)</u>
Cash flows from financing activities:			
Issuance of common stock upon exercise of stock options	26	--	26
Borrowings of long-term debt	235,545	17,152	252,697
Repayments of long-term debt	(60,933)	(6,221)	(67,154)
Bank financing fees and expenses	(4,047)	--	(4,047)
Bank overdraft	(24,739)	(20,505)	(45,244)
Change in derivative liabilities	21,759	--	21,759
Change in intercompany accounts	(39,054)	39,054	--
Change in other, net	146	--	146
Net cash provided by (used in) financing activities	<u>128,703</u>	<u>29,480</u>	<u>158,183</u>
Effect of exchange rate changes on cash	--	1,722	1,722
Net increase (decrease) in cash and cash equivalents	<u>66,573</u>	<u>7,637</u>	<u>74,210</u>
Cash and cash equivalents at:			
Beginning of year	7,661	2,411	10,072
End of year	<u>\$ 74,234</u>	<u>\$ 10,048</u>	<u>\$ 84,282</u>

## 27. SUMMARIZED FINANCIAL INFORMATION OF GUARANTOR/NON-GUARANTOR

In connection with the acquisition of Old Safety-Kleen, Safety-Kleen Services, Inc. issued the 1998 Notes (see Note 10). The 1998 Notes are jointly and severally guaranteed by Safety-Kleen and all wholly-owned domestic subsidiaries on a full and unconditional basis. No foreign direct or indirect subsidiary or non-wholly-owned domestic subsidiary is an obligor or guarantor on the financing. Separate financial statements and other disclosures concerning each of Safety-Kleen Services, Inc. and the subsidiary guarantors are not presented because management believes they are not material to investors. Summarized financial information for the Company on a combined basis is set forth below.

### Condensed Combined Consolidating Statement of Operations Year Ended August 31, 2001

In thousands	Safety-Kleen Corp.	Safety-Kleen Services, Inc.	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated Totals
Revenues	\$ --	\$ 50	\$ 1,394,778	\$ 208,279	\$ (88,524)	\$ 1,514,583
Operating expenses	234	26,309	1,560,332	184,568	(88,524)	1,682,919
Operating income (loss)	(234)	(26,259)	(165,554)	23,711	--	(168,336)
Interest (expense) income, net <sup>(1)</sup>	156	(399)	1,950	(6,743)	--	(5,036)
Other income	--	--	(1,044)	(514)	--	(1,558)
Equity in earnings of associated companies	(229,539)	(169,124)	--	--	398,663	--
Loss before reorganization items, income taxes and minority interest	(229,617)	(195,782)	(164,648)	16,454	398,663	(174,930)
Reorganization items	(33)	(40,639)	(1,612)	--	--	(42,284)
Income tax (expense) benefit	572	7,207	(16,472)	(9,181)	--	(17,874)
Loss before minority interest	(229,078)	(229,214)	(182,732)	7,273	398,663	(235,088)
Minority interest	--	--	--	419	--	419
Loss before extraordinary items	(229,078)	(229,214)	(182,732)	7,692	398,663	(234,669)
Extraordinary (loss) gain	--	(325)	5,916	--	--	5,591
Net income (loss)	\$ (229,078)	\$ (229,539)	\$ (176,816)	\$ 7,692	\$ 398,663	\$ (229,078)

(1) Excluding combined contractual interest of \$245,436 for Safety-Kleen Corp., Safety-Kleen Services, Inc. and Subsidiary Guarantors.

**Condensed Combined Consolidating Balance Sheet**  
As of August 31, 2001

In thousands	Safety-Kleen Corp.	Safety-Kleen Services, Inc.	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated Totals
<b>ASSETS:</b>						
Current assets	\$ 165	\$ 60,066	\$ 338,665	\$ 94,520	\$ --	\$ 493,416
Intercompany receivables	338,727	2,653,522	--	--	(2,992,249)	--
Property, plant and equipment, net	--	16,720	653,123	93,760	--	763,603
Investment in subsidiaries	(318,614)	(982,969)	--	--	1,301,583	--
Intangible assets, net	--	37	1,646,669	81,278	--	1,727,984
Other assets	--	608	26,662	1,520	--	28,790
	<u>20,278</u>	<u>1,747,984</u>	<u>2,665,119</u>	<u>271,078</u>	<u>(1,690,666)</u>	<u>3,013,793</u>
<b>LIABILITIES:</b>						
Current liabilities	2	78,886	232,479	94,960	--	406,327
Intercompany payables	--	--	2,938,941	53,308	(2,992,249)	--
Non-current liabilities	--	56,299	331,525	83,103	--	470,927
Liabilities subject to compromise	365,958	1,930,792	181,313	3,211	--	2,481,274
Minority interests	--	621	617	(291)	--	947
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>						
	(345,682)	(318,614)	(1,019,756)	36,787	1,301,583	(345,682)
	<u>\$ 20,278</u>	<u>\$ 1,747,984</u>	<u>\$ 2,665,119</u>	<u>\$ 271,078</u>	<u>\$ (1,690,666)</u>	<u>\$ 3,013,793</u>

**Condensed Combined Consolidating Statement of Cash Flows**  
Year Ended August 31, 2001

In thousands	Safety-Kleen Corp.	Safety-Kleen Services, Inc.	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidated Totals
Net cash provided by (used in) operating activities	\$ (6,766)	\$ 52,276	\$ 28,970	\$ 25,445	\$ 99,925
Cash flows from investing activities:					
Proceeds from sales of property, plant and equipment	--	--	4,766	443	5,209
Purchases of property, plant and equipment	--	(1,420)	(63,988)	(5,924)	(71,332)
Proceeds from sale of investments	497	--	8,036	313	8,846
Net cash provided by (used in) investing activities	<u>497</u>	<u>(1,420)</u>	<u>(51,186)</u>	<u>(5,168)</u>	<u>(57,277)</u>
Cash flows from financing activities:					
Repayments of long-term debt	--	--	(10,080)	--	(10,080)
Change in intercompany accounts	6,375	(44,374)	26,667	11,332	--
Net cash provided by (used in) financing activities	<u>6,375</u>	<u>(44,374)</u>	<u>16,587</u>	<u>11,332</u>	<u>(10,080)</u>
Effect of exchange rate changes on cash	(2,131)	--	--	1,338	(793)
Net increase (decrease) in cash and cash equivalents	<u>(2,025)</u>	<u>6,482</u>	<u>(5,629)</u>	<u>32,947</u>	<u>31,775</u>
Cash and cash equivalents at:					
Beginning of year	2,153	63,880	8,201	10,048	84,282
End of year	<u>\$ 128</u>	<u>\$ 70,362</u>	<u>\$ 2,572</u>	<u>\$ 42,995</u>	<u>\$ 116,057</u>

**Condensed Combined Consolidating Statement of Operations**  
**Year Ended August 31, 2000**

In thousands	Safety-Kleen Corp.	Safety-Kleen Services, Inc.	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated Totals
Revenues	\$ --	\$ 5,233	\$ 1,516,202	\$ 241,971	\$ (177,133)	\$ 1,586,273
Operating expenses	(323)	107,990	2,014,995	260,914	(177,133)	2,206,443
Operating income (loss)	323	(102,757)	(498,793)	(18,943)	--	(620,170)
Interest (expense) income, net <sup>(1)</sup>	(28,110)	126,346	(235,129)	(4,986)	--	(141,879)
Other income	--	713	573	(79)	--	1,207
Equity in earnings of associated companies	(805,146)	(831,906)	--	--	1,638,821	1,769
Loss before reorganization items, income taxes and minority interest	(832,933)	(807,604)	(733,349)	(24,008)	1,638,821	(759,073)
Reorganization items	--	--	(60,923)	--	--	(60,923)
Income tax (expense) benefit	(258)	2,458	(9,479)	(5,744)	--	(13,023)
Loss before minority interest	(833,191)	(805,146)	(803,751)	(29,752)	1,638,821	(833,019)
Minority interest	--	--	1	(173)	--	(172)
Net loss	\$ (833,191)	\$ (805,146)	\$ (803,750)	\$ (29,925)	\$ 1,638,821	\$ (833,191)

(1) Excluding combined contractual interest of \$60,756 for Safety-Kleen Corp., Safety-Kleen Services, Inc. and Subsidiary Guarantors.

**Condensed Combined Consolidating Balance Sheet**  
**As of August 31, 2000**

In thousands	Safety-Kleen Corp.	Safety-Kleen Services, Inc.	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated Totals
<b>ASSETS:</b>						
Current assets	\$ 42,657	\$ 30,555	\$ 368,903	\$ 79,708	\$ --	\$ 521,823
Intercompany receivables	280,765	2,752,517	--	--	(3,033,282)	--
Property, plant and equipment, net	--	27,730	634,918	110,227	--	772,875
Investment in subsidiaries	(87,323)	(812,211)	4,356	--	895,178	--
Intangible assets, net	--	58,565	1,669,182	70,538	--	1,798,285
Other assets	--	3,107	33,591	2,187	--	38,885
	\$ 236,099	\$ 2,060,263	\$ 2,710,950	\$ 262,660	\$ (2,138,104)	\$ 3,131,868
<b>LIABILITIES:</b>						
Current liabilities	\$ 22,946	\$ 27,803	\$ 208,120	\$ 98,210	\$ --	\$ 357,079
Intercompany payables	--	--	2,976,112	57,170	(3,033,282)	--
Non-current liabilities	(22,081)	258,314	63,784	87,473	--	387,490
Liabilities subject to compromise	350,204	1,860,848	289,216	705	--	2,500,973
Minority interest	--	621	523	152	--	1,296
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>	(114,970)	(87,323)	(826,805)	18,950	895,178	(114,970)
	\$ 236,099	\$ 2,060,263	\$ 2,710,950	\$ 262,660	\$ (2,138,104)	\$ 3,131,868

**Condensed Combined Consolidating Statement of Cash Flows**  
**Year Ended August 31, 2000**

In thousands	Safety-Kleen Corp.	Safety-Kleen Services, Inc.	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidated Totals
Net cash provided by (used in) operating activities	\$ 14,313	\$ 143,263	\$ (214,846)	\$ (1,617)	\$ (58,887)
Cash flows from investing activities:					
Cash expended on acquisition of businesses	--	--	(15,152)	(11,920)	(27,072)
Proceeds from sales of property, plant and equipment	--	106	9,688	204	9,998
Purchases of property, plant and equipment	--	(9,314)	(34,377)	(9,407)	(53,098)
Decrease (increase) in long-term investments	--	10,460	6,298	(4,975)	11,783
Proceeds from sale of business	--	--	31,581	--	31,581
Net cash provided by (used in) investing activities	--	1,252	(1,962)	(26,098)	(26,808)
Cash flows from financing activities:					
Issuance of common stock on exercise of options	26	--	--	--	26
Borrowings of long-term debt	--	227,000	8,545	17,152	252,697
Repayments of long-term debt	--	(54,129)	(6,804)	(6,221)	(67,154)
Bank financing fees	(222)	--	(3,825)	--	(4,047)
Bank overdraft	--	(24,739)	--	(20,505)	(45,244)
Change in derivative liabilities	--	21,759	--	--	21,759
Change in other, net	146	--	--	--	146
Change in intercompany accounts	(34,605)	(223,339)	214,741	43,203	--
Net cash provided by (used in) financing activities	(34,655)	(53,448)	212,657	33,629	158,183
Effect of exchange rate changes on cash	--	--	--	1,722	1,722
Net increase (decrease) in cash and cash equivalents	(20,342)	91,067	(4,151)	7,636	74,210
Cash and cash equivalents at:					
Beginning of year	22,495	(27,187)	12,352	2,412	10,072
End of year	\$ 2,153	\$ 63,880	\$ 8,201	\$ 10,048	\$ 84,282

**Condensed Combined Consolidating Statement of Operations**  
**Year Ended August 31, 1999**

In thousands	<b>Safety-Kleen Corp.</b>	<b>Safety-Kleen Services, Inc.</b>	<b>Subsidiary Guarantors</b>	<b>Subsidiary Non-Guarantors</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
Revenues	\$ --	\$ 403	\$ 1,524,512	\$ 243,339	\$ (144,216)	\$ 1,624,038
Operating expenses	14,677	47,750	1,474,720	224,231	(144,216)	1,617,162
Operating income (loss)	(14,677)	(47,347)	49,792	19,108	--	6,876
Interest (expense) income, net	(19,604)	81,224	(243,986)	(3,814)	--	(186,180)
Other income (expense)	--	(5,923)	9	(1,317)	--	(7,231)
Equity in earnings of associated companies	(181,962)	(222,247)	1,263	--	404,209	1,263
Loss before income taxes and minority interest	(216,243)	(194,293)	(192,922)	13,977	404,209	(185,272)
Income tax (expense) benefit	(6,912)	12,331	(33,382)	(11,131)	--	(39,094)
Income (loss) before minority interest	(223,155)	(181,962)	(226,304)	2,846	404,209	(224,366)
Minority interest	--	--	1,197	14	--	1,211
Net income (loss)	<u>\$ (223,155)</u>	<u>\$ (181,962)</u>	<u>\$ (225,107)</u>	<u>\$ 2,860</u>	<u>\$ 404,209</u>	<u>\$ (223,155)</u>

**Condensed Combined Consolidating Statement of Cash Flows**  
**Year Ended August 31, 1999**

In thousands	Safety-Kleen Corp.	Safety-Kleen Services, Inc.	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidated Totals
Net cash provided by (used in) operating activities	\$ 28,982	\$ 277,722	\$ (341,114)	\$ 52,944	\$ 18,534
Cash flows from investing activities:					
Cash expended on acquisition of businesses	--	--	(14,904)	--	(14,904)
Proceeds from sales of property, plant and equipment	--	725	5,051	206	5,982
Purchases of property, plant and equipment	--	(17,965)	(40,263)	(13,599)	(71,827)
Decrease (increase) in long-term investments	--	(10,460)	(25,823)	38,066	1,783
Proceeds from sale of business	--	--	129,124	--	129,124
Net cash provided by (used in) investing activities	--	(27,700)	53,185	24,673	50,158
Cash flows from financing activities:					
Issuance of common stock on exercise of options	212	--	--	--	212
Borrowings of long-term debt	225,000	1,460	10,450	--	236,910
Repayment of long-term debt	(200,000)	(164,678)	(2,128)	(10,619)	(377,425)
Bank financing fees	(5,936)	(4,367)	--	--	(10,303)
Bank overdraft	--	20,767	--	19,006	39,773
Change in derivative liabilities	--	42,492	(2,038)	--	40,454
Change in intercompany accounts	(25,763)	(172,883)	291,266	(92,620)	--
Net cash provided by (used in) financing activities	(6,487)	(277,209)	297,550	(84,233)	(70,379)
Effect of exchange rate changes on cash	--	--	--	(3,564)	(3,564)
Net increase (decrease) in cash and cash equivalents	22,495	(27,187)	9,621	(10,180)	(5,251)
Cash and cash equivalents at:					
Beginning of year	--	--	2,731	12,592	15,323
End of year	\$ 22,495	\$ (27,187)	\$ 12,352	\$ 2,412	\$ 10,072

## 28. QUARTERLY CONSOLIDATED RESULTS OF OPERATIONS (UNAUDITED)

As discussed in Note 2, the Company contracted with outside accountants, including those from Arthur Andersen LLP, who provided significant hours of work to assist the Company's corporate and field accounting personnel with the analysis and financial reporting necessary to prepare the Company's fiscal 2000 Consolidated Financial Statements, related disclosures and other information requirements of the Form 10-K/A for fiscal 2000. This effort included a comprehensive review of substantially all of the accounts and resulted in a large number of adjustments affecting each of the respective periods. While the Company believes the adjustments have been reflected in the appropriate annual fiscal period, the Company has not undertaken the extraordinary effort and additional time and cost required to apply all of the adjustments to the appropriate interim fiscal quarter. Therefore, the quarterly financial information required by Item 302 of Regulation S-K relating to fiscal 2000 periods has not been included in this filing.

The quarterly financial results for fiscal 2001 are summarized as follows (in thousands, except for per share data)

	<u>FIRST</u> <u>QUARTER</u>	<u>SECOND</u> <u>QUARTER</u>	<u>THIRD</u> <u>QUARTER</u>	<u>FOURTH</u> <u>QUARTER</u>
Revenues	\$ 376,917	\$ 369,875	\$ 374,615	\$ 393,176
Impairments and other charges	9,476	35,297	--	8,111
Operating loss	(47,087)	(66,997)	(45,887)	(8,365)
Other income (expenses), net	(230)	(329)	448	(889)
Reorganization items	(9,400)	(9,814)	(5,467)	(17,603)
Loss before income taxes, minority interest and extraordinary items	(58,977)	(78,430)	(51,781)	(28,026)
Income tax (expense) benefit	670	(1,048)	(2,041)	(15,455)
Minority interest	(45)	(53)	(20)	537
Extraordinary items	685	1,793	3,309	(196)
Net loss	(57,667)	(77,738)	(50,533)	(43,140)
Net loss per share – basic and diluted	\$ (0.57)	\$ (0.77)	\$ (0.50)	\$ (0.43)

The Company recorded certain adjustments in fiscal 2001, which related to periods prior to fiscal 2001. These adjustments, which decreased the fiscal 2001 annual net loss by approximately \$3.2 million, related primarily to environmental, severance, and benefit related liabilities, the elimination of certain intercompany transactions, adjustments to reported amounts related to the Company's parts cleaner service machines, and the correction of certain asset impairment charges recorded in fiscal 2000. The effect of these adjustments to the Company's quarterly financial results summarized above was to increase the net loss reported in the first, second and third quarters by \$8.0 million, \$2.8 million and \$0.6 million, respectively; and to decrease the fourth quarter net loss by \$14.6 million.

The Company does not believe these adjustments are material to the annual financial results in fiscal 2001 or fiscal 2000.

## 29. SUBSEQUENT EVENTS

### Agreement to sell the Chemical Services Division

On February 22, 2002, the Company entered into a definitive agreement with Clean Harbors, Inc. ("Clean Harbors") to sell its Chemical Services Division, excluding the Company's landfill in Pinewood, S.C. Pursuant to the terms of the agreement, Clean Harbors would purchase the Chemical Services Division's net assets from the Company for \$46 million in cash, subject to defined working capital adjustments, and the assumption of certain liabilities, which includes environmental liabilities valued at approximately \$265 million as of August 31, 2001. The book value of the net assets to be sold, net of the liabilities to be assumed, at August 31, 2001 was in excess of \$300 million. On March 8, 2002, the Bankruptcy Court approved the bidding and auction procedures for the sale of the Company's Chemical Services Division. Pursuant to the bidding procedures, all qualified bidders interested in purchasing some or all of the Chemical Services Division must submit an alternative qualified bid on or before May 30, 2002. There can be no assurance that the Bankruptcy Court and/or the various regulatory agencies will approve the sale of the Chemical Services Division to Clean Harbors or an alternative purchaser, or that the Company will be able to complete the sale of the Chemical Services Division.

### DIP Facility

On March 20, 2002, the Bankruptcy Court approved a \$200 million Second Amended and Restated Debtor-in-Possession Credit Facility (the "Second DIP Facility"). The Second DIP Facility extends the maturity date of the First DIP Facility until the earlier of March 22, 2003, or the effective date of a plan or plans of reorganization. In addition, it reduces the aggregate amount of borrowings available from \$100 million to \$75 million, which continues to be subject to borrowing base limitations ("Tranche A"). The Second DIP Facility also creates a new tranche under the credit facility in the amount of \$125 million ("Tranche B"). Tranche B is available for cash borrowings and letters of credit, and has the same maturity date as Tranche A.

Proceeds from Tranche A or Tranche B may be used for general corporate purposes. Tranche A is available for letters of credit or cash borrowings, with a sub-limit of \$45 million available for environmental letters of credit. The letter of credit sub-limit under Tranche B is \$50 million, and there is a further sub-limit of \$40 million available for environmental letters of credit, including the replacement of certain existing cash collateral pledged to support financial assurance with respect to certain facilities.

Tranche A letters of credit are priced at 3% per annum (plus a fronting fee of 0.25% to the Agent) on the outstanding face amount of each letter of credit. In addition, the Debtors pay a commitment fee of 0.50% per annum on the unused amount of Tranche A, payable monthly in arrears. Tranche B letters of credit are priced at 12% per annum (plus a fronting fee of 0.25% to the Agent) on the outstanding face amount of each letter of credit, payable monthly in arrears. In addition, the Debtors pay a commitment fee of 2.5% on the unused amount of Tranche B letters of credit.

Interest charged for cash borrowings under Tranche A is the greater of Prime Rate plus 1% per annum and the Fed Funds Rate plus 0.5% per annum, or LIBOR plus 3% per annum, depending on the nature of the borrowings. Interest charged for cash borrowings under Tranche B is the greater of Prime Rate plus an applicable margin of 7.25%, or 12% per annum. Beginning September 1, 2002, the applicable margin on Tranche B cash borrowings increases monthly by 0.5% per annum. The Debtors are also required to pay as additional interest, paid in kind, a fee equal to 3% of the average daily outstanding Tranche B cash borrowings, compounded and accrued monthly, and fully payable upon the termination of the Second DIP Facility, provided that, if the termination does not occur prior to September 1, 2002, the amount of such fee increases each month by 1% per annum. The commitment fee on Tranche B is calculated at a rate equal to 4% per annum on the average daily unused cash portion of Tranche B, payable monthly in arrears. In addition, the Debtors are required to pay an extension fee on the Tranche B commitments, payable as follows, if the Second DIP Facility remains outstanding at such dates: 1.2% on September 1, 2002; 1.2% on December 1, 2002 and 1.2% on March 22, 2003.

Under the provisions of the Second DIP Facility, the Debtors are required to establish a \$5 million interest escrow account. Tranche A and Tranche B fees and interest will be paid from this account. On the earlier of depletion of the escrowed funds or six months after the closing date of the Second DIP Facility, additional funds must be deposited in the escrow account in order to assure that \$5 million will be escrowed for this same purpose.

In the event of the sale of the Company's Chemical Services Division, the net proceeds, after reserves for certain selling expenses, interest and fees on the Second DIP facility, shall be applied to prepay the Tranche B loans and the availability under Tranche B will be reduced by \$17 million. Net proceeds of certain other asset sales, after reserves for certain selling expenses, interest and fees on the Second DIP facility, are to be used to prepay Tranche A and then Tranche B.

The Second DIP Facility benefits from superpriority claim status as provided for under the Bankruptcy Code. Under the Bankruptcy Code, a superpriority claim is senior to unsecured pre-petition claims and all other administrative expenses incurred in a Chapter 11 case. As security, the Second DIP Facility lenders were granted certain priority, perfected liens on certain of the Debtors' assets. Pursuant to the final order approving the Second DIP Facility, such liens are not subordinate to or *pari passu* with any other lien or security interest (other than (a) liens for certain administrative expenses and (b) liens in favor of Safety-Kleen's Chief Executive Officer). The Debtors are jointly and severally liable under the Second DIP Facility.

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE**

To Safety-Kleen Corp.:

We have audited, in accordance with auditing standards generally accepted in the United States, the Consolidated Financial Statements of Safety-Kleen Corp. and subsidiaries included in this Form 10-K/A, and have issued our report thereon dated February 28, 2002, *except* with respect to the matters discussed in Note 29, as to which the date is March 20, 2002. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in Item 14 of this Form 10-K/A is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Charlotte, North Carolina  
February 28, 2002

**SAFETY-KLEEN CORP.**  
**SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS**  
**FOR THE YEARS ENDED AUGUST 31, 2001, 2000 AND 1999**

<u>Description(In thousands)</u>	<u>Balance at Beginning of Year</u>	<u>Charge to Costs And Expenses</u>	<u>Charged to Other Accounts (a)</u>	<u>Deductions (b)</u>	<u>Balance At End Of Year</u>
Fiscal year ended August 31, 2001: Allowance for uncollectible accounts	\$ 85,253	\$ 13,505	\$ (896)	\$ (27,912)	\$ 69,950
Fiscal year ended August 31, 2000: Allowance for uncollectible accounts	\$ 20,074	\$ 74,337	\$ (855)	\$ (8,303)	\$ 85,253
Fiscal year ended August 31, 1999: Allowance for uncollectible accounts	\$ 10,940	\$ 14,177	\$ 4,151	\$ (9,194)	\$ 20,074

(a) Reclassifications to/from other accounts

(b) Uncollectible amounts written off

**PART IV**

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

**Financial Statements and Schedules**

See Index to Consolidated Financial Statements and Supplementary Data on page 30.

**Exhibits Filed**

Exhibits required to be filed with this Annual Report on Form 10-K/A are listed in the following Exhibit Index.

**Form 8-K**

- i. The Company filed a Current Report on Form 8-K on July 10, 2001, which contained Item 5 and Item 7 related to the Company announcing the issuance of the audited fiscal year 2000 Consolidated Financial Statements and restatement and audit of fiscal years 1997 – 1999 Consolidated Financial Statements.
- ii. The Company filed a Current Report on Form 8-K on August 13, 2001, which contained Item 5 related to the status of insurance required to cover closure, post-closure and correction action insurance for the Company's facilities.
- iii. The Company filed a Current Report on Form 8-K on August 15, 2001, which contained Item 5 related to the Company announcing the appointment of Ronald A. Rittenmeyer to the positions of Chairman, Chief Executive Officer and President of the Company

**SIGNATURES**

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

DATE: March 27, 2002

**SAFETY-KLEEN CORP.**

\_\_\_\_\_  
(Registrant)

/s/ Larry W. Singleton

\_\_\_\_\_  
Larry W. Singleton  
Chief Financial Officer

## EXHIBIT INDEX

- (3)(a) Restated Certificate of Incorporation of the Company dated May 13, 1997 and Amendment to Certificate of Incorporation dated May 15, 1997, Certificate of Correction Filed to Correct a Certain Error in the Restated and Amended Certificate of Incorporation of the Company dated October 15, 1997, Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated November 25, 1998, and Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated November 30, 1998, all filed as Exhibit (3)(a) to the Registrant's Form 10-Q for the three months ended February 28, 2001, and incorporated herein by reference.
- (3)(b) Amended and Restated Bylaws of the Company, filed as Exhibit (3)(b) to the Registrant's Form 10-K for the year ended August 31, 2000, and incorporated herein by reference.
- (4)(a) Indenture dated as of May 29, 1998 between LES, Inc. (a subsidiary of the Registrant), Registrant, subsidiary guarantors of the Registrant and The Bank of Nova Scotia Trust Company of New York, as trustee filed as Exhibit 4(b) to the Registrant's Form S-4 Registration Statement No. 333-57587 filed June 24, 1998 and incorporated herein by reference.
- (4)(b) First Supplemental Indenture effective as of November 15, 1998 among Safety-Kleen Services, Inc. the Registrant, SK Europe, Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee filed as Exhibit (4)(f) to the Registrant's Form S4 Registration Statement No. 333-82689 filed July 12, 1999 and incorporated herein by reference.
- (4)(c) Second Supplemental Indenture effective as of May 7, 1999 among Safety-Kleen Services, Inc. the Company, SK Services, L.C., SK Services (East), L.C. and The Bank of Nova Scotia Trust Company of New York, as trustee filed as Exhibit (4)(d) to the Company's Form 10-K filed October 29, 1999 and incorporated herein by reference.
- (4)(d) Indenture dated as of May 17, 1999 between the Company and the Bank of Nova Scotia Trust Company of New York, as trustee filed as Exhibit (4)(b) to the Registrant's Form S4 Registration Statement No. 333-82689 filed July 12, 1999 and incorporated herein by reference.
- (4)(e) Amended and Restated Credit Agreement among Laidlaw Chem-Waste, Inc., Laidlaw Environmental Services (Canada) Ltd., Toronto Dominion (Texas) Inc., The Toronto-Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A. and The First National Bank of Chicago and NationsBank, N.A. as Syndication Agent dated as of April 3, 1998, filed as Exhibit 4(f) to the Registrant's Form 10-Q for the three months ended February 28, 1999 and incorporated herein by reference.
- (4)(f) Supplement to the Amended and Restated Credit Agreement among Laidlaw Chem-Waste, Inc., Laidlaw Environmental Services (Canada) Ltd., Toronto Dominion (Texas) Inc., The Toronto-Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A. and The First National Bank of Chicago and NationsBank, N.A. as Syndication Agent dated as of April 3, 1998, filed as Exhibit 4(e) to a subsidiary of the Registrant's Form S4 Registration Statement No. 333-57587 filed June 24, 1998 and incorporated herein by reference.
- (4)(g) Waiver and First Amendment to the Amended and Restated Credit Agreement dated as of May 15, 1998 among LES, Inc., Laidlaw Environmental Services (Canada) Ltd., the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank filed as Exhibit 4(f) to a subsidiary of the Registrant's Form S-4 Registration Statement No. 333-57587 filed June 24, 1998 and incorporated herein by reference.
- (4)(h) Commitment to Increase Supplement to the Amended and Restated Credit Agreement dated as of June 3, 1998 among LES, Inc., Laidlaw Environmental Services (Canada) Ltd., the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank filed as Exhibit 4(g) to a subsidiary of the Registrant's Form S4 Registration Statement No. 333-57587 filed June 24, 1998 and incorporated herein by reference.
- (4)(i) Second Amendment to the Amended and Restated Credit Agreement dated as of November 20, 1998 among Safety-Kleen Services, Inc. (formerly known as LES, Inc.), Safety-Kleen Services (Canada) Ltd. (formerly known as Laidlaw Environmental Services (Canada) Ltd.), the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank N.A., filed as Exhibit (4)(j) to the Registrant's Form 10-Q for the three months ended February 28, 1999 and incorporated herein by reference.
- (4)(l) Waiver and Third Amendment to the Amended and Restated Credit Agreement dated as of May 6, 1999 among Safety-Kleen Services, Inc. (formerly known as LES, Inc.), Safety-Kleen Services (Canada) Ltd. (formerly known as Laidlaw Environmental Services (Canada) Ltd.), the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank N.A. filed as Exhibit (4)(l) to the Registrant's Form S-4 Registration Statement No. 333-82689 filed July 12, 1999 and incorporated herein by reference.

- (4)(k) Fourth Amendment dated as of March 13, 2000 to the Amended and Restated Credit Agreement dated as of May 6, 1999 among Safety-Kleen Services, Inc. (formerly known as LES, Inc.), Safety-Kleen Services (Canada) Ltd. (formerly known as Laidlaw Environmental Services (Canada) Ltd.), the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank N.A. filed as Exhibit (4)(l) to the Registrant's Form 10-Q for the three months ended May 31, 2000 and incorporated herein by reference.
- (4)(l) Consent dated as of March 16, 2000 to the Amended and Restated Credit Agreement dated as of May 6, 1999 among Safety-Kleen Services, Inc. (formerly known as LES, Inc.), Safety-Kleen Services (Canada) Ltd. (formerly known as Laidlaw Environmental Services (Canada) Ltd.), the Lenders, Toronto Dominion (Texas), Inc., The Toronto Dominion Bank, TD Securities (USA) Inc., The Bank of Nova Scotia, NationsBank, N.A., The First National Bank of Chicago and Wachovia Bank N.A. filed as Exhibit (4)(m) to the Registrant's Form 10-Q for the three months ended May 31, 2000 and incorporated herein by reference.
- (4)(m) Second Amended and Restated \$200 million Debtor In Possession Credit Agreement among Safety-Kleen Services, Inc., The Several Lenders from Time to Time Parties thereto, Toronto Dominion (Texas), Inc., as General Administrative Agent and Underwriter, Goldman Sachs Credit Partners, L.P., as Co-Arranger and Underwriter, and The CIT Group/Business Credit, Inc., as Collateral Agent and Underwriter dated as of March 22, 2002.
- (4)(n) Letter Agreement among Toronto Dominion (Texas), Inc., as administrative agent, the Company and Safety-Kleen Systems, Inc. dated December 12, 2000 relating to the Amended and Restated Marketing and Distribution Agreement by Safety-Kleen Systems, Inc. and System One Technologies Inc., filed as Exhibit (4)(o) to the Registrant's Form 10-Q for the three months ended February 28, 2001, and incorporated herein by reference.
- (4)(o) Registration Rights Agreement dated May 15, 1997 between the Company, Laidlaw Transportation, Inc. and Laidlaw Inc. the form of which was filed as Exhibit B to Annex A to the Registrant's Definitive Proxy Statement on Form DEF 14A, filed on May 1, 1997 and incorporated herein by reference.
- (4)(p) Indenture dated as of May 1, 1993 between the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County (Tennessee) and NationsBank of Tennessee, N.A., filed as Exhibit 4(f) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (4)(q) Indenture of Trust dated as of August 1, 1995 between Tooele County, Utah and West One Bank, Utah, now known as U.S. Bank, as Trustee, filed as Exhibit 4(h) to the Registrant's form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (4)(r) Indenture of Trust dated as of July 1, 1997 between Tooele County, Utah and U.S. Bank, a national banking association, as Trustee, filed as Exhibit 4(j) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (4)(s) Indenture of Trust dated as of July 1, 1997 between California Pollution Control Financing Authority and U.S. Bank, a national banking association, as Trustee, filed as Exhibit 4(k) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (4)(t) Promissory Note dated May 15, 1997 for \$60 million from the Company to Westinghouse Electric Corporation, filed as Exhibit 4(n) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (4)(u) Letter dated May 7, 1999 from Toronto-Dominion (Texas) Inc. (as assignee of Westinghouse Electric Corporation) and agreed to by the Company and Laidlaw Inc. amending the terms of the Promissory Note dated May 15, 1997 (as referenced in Exhibit (4)(z)) filed as Exhibit (4)(u) to the Registrant's Form S-4 Registration Statement No. 333-82689 filed July 12, 1999 and incorporated herein by reference.
- (4)(v) Guaranty Agreement dated May 15, 1997 by Laidlaw Inc. to Westinghouse Electric Corporation guaranteeing Promissory Note dated May 15, 1997 (as referenced in Exhibit (4)(z)) from Company to Westinghouse Electric Corporation), filed as Exhibit 4(o) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (4)(w) Rights Agreement dated as of October 15, 1999 between the Company and EquiServe Trust Company, N.A., as Rights Agent, filed as Exhibit (c)1 to the Company's Current Report on Form 8-K filed on October 15, 1999 and incorporated herein by reference.
- (4)(x) First Amendment to Rights Agreement, dated as of March 17, 2000, between the Company and EquiServe Trust Company, N.A. filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on March 17, 2000 and incorporated herein by reference.
- (4)(y) Letter Agreement, dated October 12, 1999, between the Company and Laidlaw Inc. filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed on March 17, 2000 and incorporated herein by reference.

- (4)(z) Other instruments defining the rights of holders of nonregistered debt of the Company have been omitted from this exhibit list because the amount of debt authorized under any such instrument does not exceed 10% of the total assets of the Company and its subsidiaries. The Company agrees to furnish a copy of any such instrument to the SEC upon request.
- (10)(a) Agreement and Plan of Merger dated as of March 16, 1998 by and among Registrant, LES Acquisition, Inc., and Safety-Kleen Corp. included as Annex A of Safety-Kleen's Revised Amended Prospectus on Form 14D-9 filed as Exhibit 62 to Safety-Kleen's Amendment No. 28 to Schedule 14-9A on March 17, 1998 and incorporated herein by reference.
- (10)(b) Stock Purchase Agreement between Westinghouse Electric Corporation (Seller) and Rollins Environmental Services, Inc. (Buyer) for National Electric, Inc. dated March 7, 1995 filed as Exhibit 2 to the Registrant's Current Report on Form 8-K filed on June 13, 1995 and incorporated herein by reference.
- (10)(c) Second Amendment to Stock Purchase Agreement (as referenced in Exhibit (10)(b) above), dated May 15, 1997 among Westinghouse Electric Corporation, Rollins Environmental Services, Inc. and Laidlaw Inc., filed as Exhibit 4(m) to the Registrant's Form 10-Q for the three months ended May 31, 1997 and incorporated herein by reference.
- (10)(d) Agreement for the sale and purchase of shares and loan stock held by SK Europe, Inc. in Safety-Kleen Europe Limited between Safety-Kleen Europe Limited and SK Europe, Inc. and the Company and The Electra Subscribers and Electra European Fund LP dated as of July 6, 2000 Company filed as Exhibit (10)(d) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(e) Rollins Environmental Services, Inc. 1982 Incentive Stock Option Plan filed with Amendment No. 1 to the Company's Registration Statement No. 2-84139 on Form S-1 dated June 24, 1983 and incorporated herein by reference.
- (10)(f) Rollins Environmental Services, Inc. 1993 Stock Option Plan filed as Exhibit (10)(e) to the Registrant's Current Form 10-Q for the three months ended May 31, 2000 and incorporated herein by reference.
- (10)(g) The Company's 1997 Stock Option Plan, filed as Exhibit 4.4 to the Company's Registration Statement No. 333-41859 on Form S-8 dated December 10, 1997 and incorporated herein by reference.
- (10)(h) First Amendment to Company's 1997 Stock Option Plan, filed as Exhibit (10)(g) to the Company's Form 10-Q for the three months ended November 30, 1999 and incorporated herein by reference.
- (10)(i) The Company's Director's Stock Option Plan, filed as Exhibit 4.5 to the Company's Registration Statement No. 333-41859 on Form S-8 dated December 10, 1997 and incorporated herein by reference.
- (10)(j) First Amendment to Company's Director's Stock Option Plan filed as Exhibit (10)(i) to the Company's Form 10-Q for the three months ended November 30, 1999 and incorporated herein by reference.
- (10)(k) Stock Purchase Agreement dated February 6, 1997 among the Company, Laidlaw Inc., and Laidlaw Transportation, Inc. filed as Exhibit A to Annex A to the Definitive Proxy Statement on Form DEF 14A filed on May 1, 1997 and incorporated herein by reference.
- (10)(l) Executive Bonus Plan for fiscal year 2000 filed as Appendix C to the Definitive Proxy Statement on Form DEF 14A filed on October 29, 1999 and incorporated herein by reference.
- (10)(m) The Company's U.S. Supplemental Executive Retirement Plan filed as Exhibit 10(g) to the Company's Form 10-Q for the three months ended November 30, 1997 and incorporated herein by reference.
- (10)(n) Employment Agreement by and between Company and Grover C. Wrenn, dated as of August 23, 2000 filed as Exhibit (10)(n) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(o) Employment Termination And Consulting Agreement dated as of August 15, 2001 between Safety-Kleen Corp. and Grover C. Wrenn filed as Exhibit (10)(o) to the Registrant's Form 10-Q/A for the three months ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.
- (10)(p) Employment Agreement by and between Company and David E. Thomas, Jr., dated as of August 23, 2000 filed as Exhibit (10)(o) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(q) Employment Termination And Consulting Agreement, dated as of August 15, 2001 between Safety-Kleen Corp. and David E. Thomas, Jr. filed as Exhibit (10)(q) to the Registrant's Form 10-Q/A for the three months ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.

- (10)(r) Employment Agreement by and between Company and Larry W. Singleton, dated as of July 17, 2000 filed as Exhibit (10)(p) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(s) Employment Agreement by and between Safety-Kleen Corp. and Ronald A. Rittenmeyer, dated as of August 8, 2001 filed as Exhibit (10)(s) to the Registrant's Form 10-Q/A for the three months ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.
- (10)(t) Company Indemnification Agreement delivered to Ronald A. Rittenmeyer by Safety-Kleen Corp., effective as of August 8, 2001 filed as Exhibit (10)(t) to the Registrant's Form 10-Q/A for the three months ended May 31, 2001, filed on September 26, 2001 and incorporated herein by reference.
- (10)(u) Employment Agreement by and between Safety-Kleen Corp. and Thomas W. Arnst, dated as of October 4, 2001 filed as Exhibit (10)(u) to the Registrant's Form 10-K for the year ended August 31, 2001, filed on November 29, 2001 and incorporated herein by reference.
- (10)(v) Agreement among Safety-Kleen Corp., Safety-Kleen Services, Inc. and David M. Sprinkle dated October 17, 2001 filed as Exhibit (10)(v) to the Registrant's Form 10-K for the year ended August 31, 2001, filed on November 29, 2001 and incorporated herein by reference.
- (10)(w) Form of Senior Executive Change of Control Agreement filed as Exhibit (10)(q) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(x) Senior Executive Retention Plan filed as Exhibit (10)(r) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(y) Senior Executive Severance Plan filed as Exhibit (10)(s) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(z) Executive Retention Plan filed as Exhibit (10)(t) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(aa) Executive Severance Plan filed as Exhibit (10)(u) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(bb) Key Manager Retention Plan filed as Exhibit (10)(v) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(cc) Key Manager Severance Plan filed as Exhibit (10)(w) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.
- (10)(dd) Letter Agreement dated October 3, 2001 between JA&A Services, LLC and the Company, filed as Exhibit (10)(dd) to Registrant's Form 10-Q for the three months ended November 30, 2001 and incorporated herein by reference.
- (10)(ee) Second Amended and Restated Marketing and Distribution Agreement, dated as of March 8, 2001 by and between SystemOne Technologies Inc. and Safety-Kleen Systems, Inc., a subsidiary of the Registrant, filed as Exhibit 10.16 to SystemOne Technologies Inc. Form 10-KSB for the year ended December 31, 2000 and incorporated herein by reference.
- (10)(ff) Letter Agreement dated as of September 27, 2001 between Jefferson Wells International and Safety-Kleen Services, Inc., filed as Exhibit (10)(ff) to Registrant's Form 10-Q for the three months ended November 30, 2001 and incorporated herein by reference.
- (10)(gg) Letter Agreement dated February 1, 2001 between Arthur Andersen LLP and the Company relating to services to the Company for Company process improvement initiatives, filed as Exhibit (10)(gg) to Registrant's Form 10-Q for the three months ended November 30, 2001 and incorporated herein by reference.
- (10)(hh) Rider #1 dated December 5, 2001, to Letter Agreement dated February 1, 2001 between Arthur Andersen LLP and the Company relating to services to the Company for Company process improvement initiatives, filed as Exhibit (10)(hh) to Registrant's Form 10-Q for the three months ended November 30, 2001 and incorporated herein by reference.
- (10)(ii) Letter Agreement dated March 23, 2001 between Arthur Andersen LLP and the Company relating to services to the Company for loan staff, filed as Exhibit (10)(ii) to Registrant's Form 10-Q for the three months ended November 30, 2001 and incorporated herein by reference.

- (10)(j) Rider dated December 5, 2001, to Letter Agreement dated March 23, 2001 between Arthur Andersen LLP and the Company relating to services to the Company for loan staff filed as Exhibit (10)(j) to Registrant's Form 10-Q for the three months ended November 30, 2001 and incorporated herein by reference.
- (10)(k) Acquisition Agreement by and between Safety-Kleen Services, Inc. as Seller and Clean Harbors, Inc. as Purchaser dated February 22, 2002 filed as Exhibit 10(a) to Registrant's Form 8-K filed February 26, 2002 and included herein by reference.
- (10)(l) First Amendment to Acquisition Agreement by and between Safety-Kleen Services, Inc. as Seller and Clean Harbors, Inc. as Purchaser dated March 8, 2002.
- (21) Subsidiaries of Registrant, filed as Exhibit (21) to Registrant's Form 10-K for the year ended August 31, 2001 and incorporated herein by reference.
- (99.1) Consent Agreement and Final Order by and between the United States Environmental Protection Agency and Safety-Kleen Corp. and certain of its United States subsidiaries and affiliates filed as Exhibit (99.1) to the Registrant's Form 10-K for the year ended August 31, 2000 and incorporated herein by reference.
- (99.2) Amended Consent Agreement and Final Order by and between the United States Environmental Protection Agency and Safety-Kleen Corp. and certain of its United States subsidiaries and affiliates as approved by the United States Bankruptcy Court on May 16, 2001, filed as Exhibit (99.2) to the Registrant's Form 10-K/A for the year ended August 31, 2000, filed on July 9, 2001 and incorporated herein by reference.
- (99.3) Letter from the Company to the SEC with respect to representations received from Arthur Andersen LLP.

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**APPENDIX E-3**

**TO**

**DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED  
JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

**SAFETY-KLEEN CORP., ET AL.'S UNAUDITED CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2002**

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**SAFETY-KLEEN CORP.**  
**(DEBTOR-IN-POSSESSION AS OF JUNE 9, 2000)**  
**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED AUGUST 31, 2002**

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## TABLE OF CONTENTS

	<b>Page Number</b>
Unaudited Consolidated Statement of Operations for the year ended August 31, 2002.....	1
Unaudited Consolidated Balance Sheet as of August 31, 2002.....	2
Unaudited Consolidated Statement of Cash Flow for the year ended August 31, 2002.....	3
Unaudited Consolidated Statement of Changes in Stockholders' Deficit and Other Comprehensive Loss for the year ended August 31, 2002.....	4
Notes to Unaudited Consolidated Financial Statements.....	5

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**SAFETY-KLEEN CORP.**  
**(DEBTOR-IN-POSSESSION AS OF JUNE 9, 2000)**  
**UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED AUGUST 31, 2002**  
**(Dollars in thousands)**

	<b>Unaudited</b>
Revenues	\$ 870,269
Expenses:	
Operating	640,534
Depreciation and amortization	115,324
Selling, general and administrative	252,584
Impairment	17,708
	1,026,150
Operating loss	(155,881)
Interest expense, net (excluding contractual interest of \$194,342)	(3,648)
Other expense, net	(1,751)
	(161,280)
Loss before reorganization items, income taxes, minority interest and extraordinary items	(161,280)
Reorganization items	(51,197)
	(212,477)
Loss before income taxes, minority interest and extraordinary items	(212,477)
Minority interest	(826)
	(213,303)
Loss from continuing operations before income taxes	(213,303)
Income tax expense	--
Loss from continuing operations	(213,303)
Discontinued operations, net of tax:	
Income from operations of Chemical Services Division	3,839
Loss on disposal of Chemical Services Division	(282,485)
	(491,949)
Loss before extraordinary items	(491,949)
Extraordinary items, net of tax (early extinguishment of debt)	105
Net loss	\$ (491,844)

See accompanying notes to unaudited consolidated financial statements.

**SAFETY-KLEEN CORP.**  
**(DEBTOR-IN-POSSESSION AS OF JUNE 9, 2000)**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**AS OF AUGUST 31, 2002**  
**(Amounts in thousands, except for par value amount)**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 58,412
Accounts receivable, net	124,865
Inventories and supplies	32,636
Deferred income taxes	37,620
Other current assets	62,745
Current assets of discontinued operations of Chemical Services Division, net (Note 18)	25,000
Total current assets	341,278
Property, plant and equipment, net	483,684
Intangible assets, net	1,339,048
Other assets	31,561
Total assets	\$ 2,195,571

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 27,530
Current portion of environmental liabilities	11,967
Income taxes payable	19,837
Unearned revenue	54,239
Accrued other liabilities	169,141
Current portion of long-term debt	76,076
Total current liabilities	358,790
Environmental liabilities	114,308
Deferred income taxes	58,829
Other long-term liabilities	20,004
Liabilities subject to compromise	2,474,652
Total liabilities	3,026,583

Commitments and contingencies (Note 11)

Minority interests 960

**STOCKHOLDERS' DEFICIT**

Common stock, par value \$1.00 per share; 250,000 shares authorized; 100,784 shares issued and outstanding	100,784
Additional paid-in capital	1,359,972
Accumulated other comprehensive loss	(2,746)
Accumulated deficit	(2,289,982)
Total stockholders' deficit	(831,972)
Total liabilities and stockholders' deficit	\$ 2,195,571

See accompanying notes to unaudited consolidated financial statements.

**SAFETY-KLEEN CORP.**  
**(DEBTOR-IN-POSSESSION AS OF JUNE 9, 2000)**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED AUGUST 31, 2002**  
**(Dollars in thousands)**

<b>Cash flows from operating activities:</b>	
Net loss	\$ (491,844)
Adjustments to reconcile net loss to net cash used in operating activities:	
Extraordinary items	105
Impairment and other charges	17,708
Depreciation and amortization	115,324
Provision for uncollectible accounts	2,942
Derivative losses	505
Loss on sale of Chemical Services Division	282,485
Loss on sale of property and equipment	11,813
Change in accounts receivable	47,836
Change in inventory	4,879
Change in accounts payable	764
Change in income taxes payable	(8,270)
Change in accrued other liabilities	32,151
Change in environmental liabilities	(4,709)
Change in unearned revenue	(270)
Change in liabilities subject to compromise	(6,622)
Change in other, net	(15,236)
Net cash used in operating activities of continuing operations	<u>(10,439)</u>
<b>Cash flows from investing activities:</b>	
Proceeds from sales of property, plant and equipment	2,615
Purchases of property, plant & equipment	(44,355)
Net cash used in investing activities of continuing operations	<u>(41,740)</u>
<b>Cash flows from financing activities:</b>	
Repayments of capital lease obligations	(5,297)
Net cash used in financing activities of continuing operations	<u>(5,297)</u>
Foreign exchange effect on cash and cash equivalents	<u>(169)</u>
Net decrease in cash and cash equivalents	(57,645)
Cash and cash equivalents at:	
Beginning of year	116,057
End of year	<u>\$ 58,412</u>
Supplemental cash flow information:	
Cash paid during the year for:	
Interest	\$ --
Income taxes paid	<u>\$ 7,980</u>

See accompanying notes to unaudited consolidated financial statements.

**SAFETY-KLEEN CORP.**  
**(DEBTOR-IN-POSSESSION AS OF JUNE 9, 2000)**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS'**  
**DEFICIT AND OTHER COMPREHENSIVE LOSS**  
**FOR THE YEAR ENDED AUGUST 31, 2002**  
**(Dollars and shares in thousands)**

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Dollars</u>				
<b>Balance at August 31, 2001</b>	100,784	\$ 100,784	\$ 1,359,972	\$ (8,300)	\$ (1,798,138)	\$ (345,682)
Comprehensive loss:						
Net loss	--	--	--	--	(491,844)	(491,844)
Other comprehensive income (loss):						
Foreign currency translation adjustments	--	--	--	(414)	--	(414)
Disposal of Chemical Services Division	--	--	--	5,723	--	5,723
Unrealized gain on marketable Securities	--	--	--	245	--	245
Total comprehensive loss	--	--	--	--	--	(486,290)
<b>Balance at August 31, 2002</b>	<u>100,784</u>	<u>\$ 100,784</u>	<u>\$ 1,359,972</u>	<u>\$ (2,746)</u>	<u>\$ (2,289,982)</u>	<u>\$ (831,972)</u>

See accompanying notes to unaudited consolidated financial statements

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2002**

**1. BASIS OF PRESENTATION**

Safety-Kleen Corp. ("Safety-Kleen") (collectively referred to with its subsidiaries as the "Company") has identified material deficiencies in many of its financial systems, processes and related internal controls. The Company has been taking steps that, over time, will establish a satisfactory system of internal controls and a timely, reliable financial reporting process. The Company continues the process of correcting these deficiencies by filling key financial accounting and reporting positions within the organization. In addition, a comprehensive review has recently been completed of the processes, procedures and related controls surrounding several major transaction cycles starting with the transaction's origination at both field and corporate locations. As a result of the review the Company implemented numerous new processes, policies and procedures that will assist in the elimination of the identified material deficiencies. In addition, effective November 4, 2002 the Company implemented a comprehensive information technology system. These improvements and initiatives, however, were not effective during the period included in the accompanying unaudited consolidated financial statements.

However, Company history suggests that adjustments will be identified in months subsequent to August 31, 2002 and during the course of the audit to be conducted by the Company's external accountants some of which may be material. Actual audited results will likely differ from the amounts reported herein. In addition, the notes to the unaudited consolidated financial statements do not include all disclosures required by generally accepted accounting principles or the Securities and Exchange Commission.

The accompanying unaudited consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets, and payment of liabilities in the ordinary course of business, and do not reflect adjustments that might result if Safety-Kleen is unable to continue as a going concern. Safety-Kleen's history of significant losses, stockholders' deficit and their Chapter 11 Cases, as well as issues related to compliance with debt covenants and financial assurance requirements discussed in Notes 9 and 11, raise substantial doubt about the Company's ability to continue as a going concern. Safety-Kleen has filed a plan of reorganization with the Bankruptcy Court. Continuing as a going concern is dependent upon, among other things, the Bankruptcy Court's approval of the plan of reorganization, the success of future business operations, and the generation of sufficient cash from operations and financing sources to meet the Company's obligations. The unaudited consolidated financial statements do not reflect: (i) the realizable value of assets on a liquidation basis or their availability to satisfy liabilities; (ii) aggregate pre-petition liability amounts that may be allowed for unrecorded claims or contingencies, or their status or priority; (iii) the effect of any changes to the Debtors' capital structure or in Safety-Kleen's business operations as the result of an approved plan or plans of reorganization; or (iv) adjustments to the carrying value of assets (including goodwill and other intangibles) or liability amounts that may be necessary as a result of actions by the Bankruptcy Court.

The Company's unaudited consolidated financial statements as of and for the year ended August 31, 2002 have been presented in conformity with SOP 90-7. This statement requires, among other things, a segregation of liabilities subject to compromise by the Bankruptcy Court as of the bankruptcy filing date and identification of all transactions and events that are directly associated with the reorganization of the Company. In recording liabilities subject to compromise, the Company must make certain estimates relating to the amounts it expects to be allowed in the bankruptcy proceeding. The actual amounts required to settle these claims could significantly differ from the amounts currently recorded.

On June 18, 2002, the Bankruptcy Court approved a definitive agreement to sell the Chemical Services Division ("CSD") (see Note 18). The results of operations have been classified as discontinued operations as a separate component of net loss in the accompanying unaudited consolidated financial statements. The assets and liabilities of discontinued operations have been reclassified in the unaudited consolidated balance sheet to segregate the assets held for sale of its discontinued operations.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**2. BUSINESS, ORGANIZATION AND BANKRUPTCY**

**Business and Organization**

Safety-Kleen was incorporated in Delaware in 1978 as Rollins Environmental Services, Inc. ("Rollins"), later changed its name to Laidlaw Environmental Services, Inc. ("LESI") and subsequently changed its name to Safety-Kleen Corp. Through its operating subsidiaries, the Company provides a range of services designed to collect, transport, process, recycle or dispose of hazardous and non-hazardous industrial and commercial waste streams. Prior to the sale of the Company's CSD (as described in Note 18), the Company provided these services in 50 states, ten Canadian provinces, and Puerto Rico from approximately 375 collection, processing and other locations.

On May 15, 1997, pursuant to a stock purchase agreement among Rollins, Laidlaw Inc., a Canadian corporation ("Laidlaw"), and its subsidiary, Laidlaw Transportation Inc. ("LTI"), Rollins acquired the hazardous and industrial waste operations of Laidlaw (the "Rollins Acquisition"). As a result of the Rollins Acquisition, Laidlaw owned 67% of the issued common shares of LESI. Accordingly, the business combination was accounted for as a reverse acquisition using the purchase method of accounting, with Rollins being treated as the acquired company. Coincident with the closing of the Rollins Acquisition, the continuing legal entity changed its name from Rollins Environmental Services, Inc. to Laidlaw Environmental Services, Inc.

On May 26, 1998, LESI completed the acquisition of the former Safety-Kleen Corp., a Wisconsin corporation ("Old Safety-Kleen"). The acquisition of Old Safety-Kleen has been accounted for under the purchase method. Old Safety-Kleen changed its name to Safety-Kleen Systems, Inc. Effective July 1, 1998, LESI began doing business as Safety-Kleen Corp. and its stock began trading on the New York Stock Exchange ("NYSE") and the Pacific Exchange, Inc. ("PCX") under the name Safety-Kleen Corp. and the ticker symbol SK. The stock was suspended from trading on the NYSE and the PCX on June 12, 2000 and was removed from listing and registration on the NYSE on July 20, 2000, and the PCX on September 29, 2000.

The Company includes part cleaner services and other specialized services to automotive repair, commercial and manufacturing customers. The Company provides its services in the United States, Canada and Puerto Rico primarily through a network of branches supported by accumulation centers, solvent recycling plants, distribution facilities, refuel blending facilities, oil terminals, oil-refining plants and other miscellaneous and satellite locations. The Company's primary processing options are various recycling processes, oil-refining and waste-derived fuels blending for reuse as fuel in cement kilns. Operationally, the Company is divided into branch operations; oil and recycle operations; logistics and supply chain; and administration/other. The Company provides services to customers in the vehicle repair, manufacturing, photo processing, medical and dry cleaning markets.

The largest service component of the Company is its parts cleaner service. Other service offerings of the Company are paint refinishing, imaging, dry cleaner, vacuum truck, integrated customer compliance, industrial waste collection, used oil collection, oil re-refining, automotive recovery and various additional services. These additional offerings utilize the same facility network, and many of the same customer relationships as have been developed for the traditional parts cleaner service.

**Bankruptcy**

On June 9, 2000 (the "Petition Date"), Safety-Kleen and 73 of its domestic subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief (the "Chapter 11 Cases") under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The Chapter 11 Cases are being jointly administered for procedural purposes only, before the Bankruptcy Court under Case No. 00-2303 (PJV). Excluded from the filing were certain of Safety-Kleen's non wholly-owned domestic subsidiaries and all Safety-Kleen's indirect foreign subsidiaries.

The Debtors remain in possession of their properties and assets, and the management of the Debtors continues to operate their respective businesses as debtors-in-possession under Sections 1107 and 1108 of the Bankruptcy Code. As debtors-in-possession, the Debtors are authorized to manage their properties and operate their businesses, but may not engage in transactions outside the ordinary course of business without the approval of the Bankruptcy Court.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**2. BUSINESS, ORGANIZATION AND BANKRUPTCY - Continued**

Under Section 365 of the Bankruptcy Code, subject to the approval of the Bankruptcy Court, the Debtors may assume or reject executory contracts and unexpired leases. Parties affected by these rejections may file proofs of claim with the Bankruptcy Court in accordance with the reorganization process. Claims for damages resulting from the rejection of executory contracts or unexpired leases will be subject to separate bar dates, generally thirty days after entry of the order approving the rejection. At various times since the commencement of the Chapter 11 Cases, the Bankruptcy Court has approved the Debtors' requests to reject certain contracts or leases that were deemed burdensome or of no further value to the Company. As of November 6, 2002, the Debtors had not yet completed their review of all contracts and leases for assumption or rejection, but ultimately will assume or reject all such contracts and leases. The Debtors have until the confirmation of a plan or plans of reorganization to assume or reject executory contracts, nonresidential real property leases, and certain other leases. The Debtors cannot presently determine or reasonably predict the ultimate liability that may result from rejecting such contracts or leases or from the filings of rejection dam

Consummation of a plan or plans of reorganization is the principal objective of the Chapter 11 Cases. A plan of reorganization sets forth the means for satisfying claims against and interests in the Debtors, including the liabilities subject to compromise. Generally, pre-petition liabilities are subject to settlement under such a plan or plans of reorganization, which must be voted upon by creditors and equity holders and approved by the Bankruptcy Court. The Debtors have retained Lazard Freres & Co. LLC, an investment bank, as corporate restructuring advisor to assist them in formulating and negotiating a plan or plans of reorganization for the Debtors. Although the Debtors have filed a reorganization plan, there can be no assurance that a reorganization plan or plans will be confirmed by the Bankruptcy Court, or that any such plan or plans will be consummated.

As provided by the Bankruptcy Code, the Debtors initially had the exclusive right to submit a plan or plans of reorganization for 120 days from the date the petitions were filed. By orders dated on October 17, 2000, May 16, 2001, October 18, 2001, February 11, 2002 and finally on May 9, 2002, the Bankruptcy Court allowed for additional time during which the Debtors would retain the exclusive right to file a plan of reorganization and solicit acceptances of such plan through October 31, 2002 and December 31, 2002, respectively. On October 31, 2002, the Debtors filed a motion requesting additional time to file a plan of reorganization until November 29, 2002, and until February 28, 2003 to solicit acceptance of the plan.

Currently, it is not possible to predict the length of time the Debtors will operate under the protection of Chapter 11, the outcome of the Chapter 11 proceedings in general, or the effect of the proceedings on the business of the Company or on the interests of the various creditors and security holders. Under the Bankruptcy Code, post-petition liabilities and pre-petition liabilities subject to compromise must be satisfied before shareholders can receive any distribution. The ultimate recovery to shareholders, if any, will not be determined until the end of the case when the fair value of the Debtors' assets is compared to the liabilities and claims against the Debtors. There can be no assurance as to what value, if any, will be ascribed to the common stock in the bankruptcy proceedings. The Company does not believe the common shareholders will receive any distribution upon consummation of a plan or plans of reorganization.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Consolidation**

The accompanying unaudited consolidated financial statements include the accounts of Safety-Kleen and all of its majority-owned subsidiary companies. All significant intercompany balances and transactions have been eliminated in consolidation.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on deposit and term deposits in investments with initial maturities of three months or less. These investments are stated at cost, which approximates market value.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Restricted Funds Held By Trustees**

Restricted funds held by trustees are included in other assets and consist principally of financial assurance funds deposited in connection with landfill final closure and post-closure obligations, amounts held for landfill and other construction arising from industrial revenue financings, and amounts held to establish a GSX Contribution Fund for the Safety-Kleen (Pinewood), Inc. facility ("Pinewood Facility") (see Note 11). These amounts are principally invested in fixed income securities of federal, state and local governmental entities and financial institutions. Realized investment earnings and trust expenses are recorded currently in the accompanying unaudited consolidated statement of operations.

The Company considers its landfill closure, post-closure, construction and escrow investments, totaling \$3.9 million at August 31, 2002, to be held to maturity. The Company has the ability, and management has the intent, to hold investment securities to maturity. Reductions in market value considered by management to be other than temporary are reported as a realized loss and reduction in the cost basis of the security. At August 31, 2002, the aggregate fair value of these investments approximate their net book value and substantially all of these investments mature within one year. The GSX Contribution Fund for the Pinewood Facility, totaling \$20.9 million at August 31, 2002, has been treated as if it were available for sale (see Note 11). Accordingly, unrealized gains and losses resulting from changes between the cost basis and fair value of the securities, in this fund, are recorded in the accompanying unaudited consolidated statement of changes in stockholders' deficit as adjustments to other comprehensive income (loss).

**Inventories and Supplies**

Inventories consist primarily of solvent, oil and oil products, drums, associated products for resale, supplies and repair parts, which are valued at the lower of cost or market as determined on a first-in, first-out basis. Inventories also include precious metals, which are recorded at market value. The Company periodically reviews its inventories for obsolete or unsaleable items and adjusts its carrying value to reflect estimated realizable values.

**Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Expenditures for major renewals and improvements, which extend the life or usefulness of the asset, are capitalized. Items of an ordinary repair or maintenance nature, as well as major maintenance activities at incinerators, are charged directly to operating expense as incurred. The Company capitalizes environmentally related expenditures, which extend the life of the related property or mitigate or prevent future environmental contamination.

During the construction and development period of an asset, the costs incurred, including applicable interest costs, are classified as construction-in-process. Once an asset has been completed and placed in service, it is transferred to the appropriate category and depreciation commences.

Buildings are depreciated on a straight-line basis using estimated useful lives of 20 to 40 years. Machinery and equipment are depreciated on a straight-line basis using estimated useful lives of 3 to 40 years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvement.

**Intangible Assets**

The Company evaluates the excess of the purchase price over the amounts assigned to tangible assets and liabilities (excess purchase price) associated with each of its acquisitions to value the identifiable intangible assets. Any portion of the excess purchase price that cannot be separately identified represents goodwill. The Company evaluates the estimated economic lives of each intangible asset, including goodwill, and amortizes the asset over that life.

Customer list -- The Company has evaluated the value associated with the customer lists of acquired companies. The value is based on a number of significant assumptions, including category of customer, estimated duration of customer relationship and projected margins from existing customers. Based on its evaluation, the Company believes the acquired customer lists have estimated lives, ranging from 11 to 30 years, which it uses to amortize these assets.

Software -- The Company has evaluated the value associated with the software of acquired companies. The value is based on a number of significant assumptions, primarily the cost to replace the existing software. The Company believes the acquired software has an estimated life of 5 years, which it has used to amortize these assets.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Permits -- The Company has reflected the excess of the fair value of non-landfill facilities over the tangible assets acquired as permits. The Company has determined the value of acquired permits based on either a discounted cash flow or other appraisal method. The Company has evaluated and determined that the acquired non-landfill permits have estimated economic lives in excess of 40 years, but believes 40 years is an appropriate period for amortization of these assets. Accordingly, the Company is amortizing the value of permits over a period of 40 years.

Goodwill -- The remaining excess purchase price of acquired companies, after allocation to permits and the identified intangible assets discussed above, has been classified as goodwill. The Company considers legal, contractual, regulatory, obsolescence and competitive factors in determining the useful life and amortization period of this intangible asset. The Company believes the goodwill associated with the acquired companies has estimated lives ranging from 40 years to an undeterminable life. As such, the Company has amortized the goodwill over 40 years.

Goodwill is reviewed for impairment when events or circumstances indicate it may not be recoverable. If it is determined that goodwill may be impaired and the estimated undiscounted future cash flows, excluding interest, of the underlying business are less than the carrying amount of the goodwill, then an impairment loss is recognized. The impairment loss is based on the difference between the fair value of the underlying business and the carrying amount. The method of determining fair value differs based on the nature of the underlying business.

**Impairment of Long-Lived Assets**

The Company periodically evaluates whether events and circumstances have occurred that indicate that the remaining useful life of any of its tangible and intangible assets may warrant revision or that the carrying amounts might not be recoverable. When factors indicate that the tangible and intangible assets should be evaluated for possible impairment, the Company uses an estimate of the future undiscounted cash flows generated by the underlying assets to determine if a write-down is required. If a write-down is required, the Company adjusts the book value of the underlying goodwill and then the book value of the impaired long-lived assets to their estimated fair values. The related charges are recorded in impairment in the accompanying unaudited consolidated statement of operations (see Note 14).

**Deferred Financing Costs**

Deferred financing costs are amortized over the life of the related debt instrument and are included in other assets in the accompanying unaudited consolidated balance sheet as of August 31, 2002. Related amortization expense was \$4.9 million for the year ended August 31, 2002.

**Credit Concentration**

Concentration of credit risks in accounts receivable is limited due to the large number of customers comprising the Company's customer base throughout North America. The Company performs periodic credit evaluations of its customers. The Company establishes an allowance for uncollectible accounts based on the credit risk applicable to particular customers, historical trends and other relevant information.

**Revenue Recognition**

The Company recognizes revenue upon disposal for its waste collection and disposal activities, and over the applicable service intervals for its parts cleaner and related businesses. Consulting and oil collection services revenue is recognized when services are performed. Revenue from product sales is recognized upon delivery to the customers. Unearned revenue has been recorded for services billed but not earned in the accompanying unaudited consolidated balance sheet. Direct costs associated with the handling and transportation of waste prior to disposal and other variable direct costs associated with the Company's parts cleaner and related businesses are capitalized as a component of other current assets in the accompanying unaudited consolidated balance sheet and expensed when the related revenue is recognized. Deferral periods related to unearned revenue and the related direct costs typically range from one to six months.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Income Taxes**

Income taxes are calculated in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts. Future tax benefits, such as net operating loss carryforwards, are recognized to the extent that realization of such benefits is more likely than not.

**Foreign Currency**

Foreign subsidiary balances are translated according to the provisions of SFAS No. 52, "Foreign Currency Translation." The functional currency of each foreign subsidiary is in its respective local currency. Assets and liabilities are translated to U.S. Dollars at the exchange rate in effect at the balance sheet date and revenue and expenses at the average exchange rate for the year. Gains and losses from the translation of the unaudited consolidated financial statements of the foreign subsidiaries into U.S. dollars are included in stockholders' deficit as a component of other comprehensive income (loss).

Gains and losses resulting from foreign currency transactions are recognized in other expense income in the accompanying unaudited consolidated statement of operations. The Company recognized a loss from foreign currency transactions of \$1.2 million in the year ended August 31, 2002. Recorded balances that are denominated in a currency other than the functional currency are adjusted to the functional currency using the exchange rate at the balance sheet date.

**Use of Estimates**

The preparation of the unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Certain estimates require management's judgment, and when applied, materially affect the Company's consolidated financial statements. The Company considers the "Basis of Presentation" (see above), environmental liabilities, asset impairments, litigation contingencies, Safety-Kleen (Pinewood), Inc. ("Pinewood") and recent accounting developments to include estimates that required or will require management's judgment. These estimates involve matters that are inherently uncertain in nature and have a material effect on the unaudited consolidated financial statements. Actual results could differ materially from those estimates.

**Recent Accounting Developments**

In July 2001, the FASB issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001. SFAS No. 141 also specifies criteria for intangible assets acquired in a business combination to be recognized and reported apart from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company is required to adopt the provisions of SFAS No. 141 immediately for new transactions and SFAS No. 142 on September 1, 2002. Upon adoption of SFAS No. 142, the Company will discontinue the amortization of goodwill and anticipates an impairment of goodwill for approximately \$1.0 billion.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 will require, upon adoption, that the Company recognize as a component of asset cost, the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. Under this statement, the liability is discounted and accretion expense is recognized using the credit-adjusted risk-free interest rate in effect when the liability was initially recognized. The Company will be required to adopt SFAS No. 143 on September 1, 2002. The Company is currently in the process of evaluating the impact of SFAS No. 143. However, the adoption of this standard is expected to result in the recognition of additional assets and liabilities, and may result in a significant charge to operations as the cumulative effect of a change in accounting principle in the period of adoption.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

In August 2001, the FASB issued SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” The new rules change the criteria for classifying an asset as held-for-sale. The standard also broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations, and changes the timing of recognizing losses on such operations. The Company will be required to adopt SFAS No. 144 on September 1, 2002. The Company is currently in the process of evaluating the potential impact that the adoption of SFAS No. 144 will have on its consolidated financial position and results of operations.

In April 2002, the FASB issued SFAS No. 145, “Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections.” SFAS No. 145 rescinds previous accounting guidance, which required all gains and losses from extinguishment of debt be classified as an extraordinary item. Under SFAS No. 145, classification of debt extinguishment depends on the facts and circumstances of the transaction. The Company will be required to adopt SFAS No. 145 on September 1, 2002. The Company is currently in the process of evaluating the impact of SFAS No. 145. However, the adoption of this standard is not expected to have a material effect on the unaudited consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” SFAS No. 146 requires recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employees’ severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company does not expect the adoption of SFAS No. 146 to have a material effect on the unaudited consolidated financial statements.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable at August 31, 2002 consisted of the following (dollars in thousands):

Trade accounts receivable	\$ 134,821
Other receivables	9,488
Allowance for uncollectible accounts	<u>(19,444)</u>
	<u>\$ 124,865</u>

**5. PROPERTY, PLANT AND EQUIPMENT**

Net property, plant and equipment at August 31, 2002 consisted of the following (dollars in thousands):

Land	\$ 73,587
Buildings	148,639
Machinery and equipment	404,901
Leasehold improvements	15,360
Construction in process	<u>24,931</u>
Total property, plant and equipment	667,418
Less: Accumulated depreciation and amortization	<u>(183,734)</u>
Property, plant and equipment, net	<u>\$ 483,684</u>

Machinery and equipment includes the cost of Company-owned parts cleaner service machines placed at customers’ locations as part of the Company’s parts cleaner service offering, as well as such machines and replacement parts on-hand for future placement at customers’ locations. Depreciation commences when a unit is placed in service at a customer location. The combined net book value of such machines was \$79.1 million at August 31, 2002.

Depreciation and amortization expense related to property, plant and equipment was \$59.2 million for the year ended August 31, 2002.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**5. PROPERTY, PLANT AND EQUIPMENT - Continued**

Included within property, plant and equipment is an administrative office building held for sale, which was the former headquarters of Old Safety-Kleen in Elgin, Illinois. The building, including land and related improvements, has been recorded at its estimated fair value, less estimated costs to sell, of approximately \$9.0 million as of August 31, 2002. On December 19, 2002, the property was sold for approximately \$9.0 million.

During year ended August 31, 2002, the Company had no capitalized interest costs, as contractually required interest payments have been stayed by bankruptcy.

As of August 31, 2002, the Company had \$15.0 million, net of \$5.6 million of accumulated amortization, of machinery and equipment recorded under capitalized lease agreements included in property, plant and equipment.

**6. INTANGIBLE ASSETS**

Intangible assets at August 31, 2002 consisted of the following (dollars in thousands):

Customer lists	\$ 220,000
Software	50,000
Permits	76,261
Goodwill	<u>1,240,777</u>
Total intangible assets	1,587,038
Less: accumulated amortization	<u>(247,990)</u>
Intangible assets, net	<u>\$ 1,339,048</u>

The amortization expense associated with intangible assets listed above consisted of the following for the year ended August 31, 2002 (dollars in thousands):

Customer lists	\$ 12,697
Software	10,000
Permits	2,005
Goodwill	<u>31,406</u>
Total amortization expense	<u>56,108</u>

**7. ACCRUED OTHER LIABILITIES**

Accrued other liabilities at August 31, 2002 consisted of the following (dollars in thousands):

Employee salaries and benefits	\$ 32,012
Professional fees	71,548
Insurance	8,962
Interest	14,331
Taxes	16,491
Other	<u>25,797</u>
Total	<u>\$ 169,141</u>

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**8. CLOSURE, POST-CLOSURE AND ENVIRONMENTAL REMEDIATION LIABILITIES**

Remedial liabilities, including Superfund liabilities -- The Company periodically evaluates potential remedial liabilities at sites that it owns or operates and at sites to which it has transported or disposed of waste, including 55 Superfund sites as of March 14, 2003. The majority of the issues at Superfund sites relate to allegations that the Company, or its predecessors, transported waste to the facilities in question, often prior to the acquisition of the alleged potentially responsible party ("PRP") by Safety-Kleen. As a result of the sale of CSD (see Note 18), Clean Harbors will provide indemnification to the company relating to numerous superfund sites referenced here, resulting in a total of 29 superfund sites where the company potentially has liability without indemnity from Clean Harbors. The Company periodically reviews and evaluates sites requiring remediation, including Superfund sites, giving consideration to the nature (i.e., owner, operator, transporter or generator) and the extent (i.e., amount and nature of waste hauled to the location, number of years of site operations or other relevant factors) of the Company's alleged connection with the site, the regulatory context surrounding the site, the accuracy and strength of evidence connecting the *Company to the location*, the number, connection and financial ability of other named and unnamed PRPs and the nature and estimated cost of the likely remedy. Where the Company concludes that it is probable that a liability has been incurred, provision is made in the unaudited consolidated financial statements, based upon management's judgment and prior experience, for the Company's best estimate of the liability. Such estimates, which are inherently subject to change, are subsequently revised if and when additional information becomes available.

Revisions to remediation reserve requirements may result in upward or downward adjustments to income from operations in any given period. The Company believes that its extensive experience in the environmental services business, as well as its involvement with a large number of sites, provides a reasonable basis for estimating its aggregate liability. It is reasonably possible that technological, regulatory or enforcement developments, the results of environmental studies or other factors could necessitate the recording of additional liabilities and/or the revision of currently recorded liabilities that could be material. The impact of such future events cannot be estimated at the current time.

Discounted environmental liabilities -- When the Company believes that both the amount of a particular environmental liability and the timing of the payments are fixed or reliably determinable, its cost in current dollars is inflated using estimates of future inflation rates (2.9% of August 31, 2002) until the expected time of payment, then discounted to its present value using a risk-free discount rate (5.8% of August 31, 2002). The portion of the Company's recorded environmental liabilities (including closure, post-closure and remedial obligations) that is not inflated or discounted was approximately \$96.1 million at August 31, 2002. Had the Company not discounted any portion of its liability, the amount recorded would have been increased by approximately \$54.8 million at August 31, 2002. The Company estimates it will provide \$54.8 million in additional environmental reserves (including the inflation and discount factors referred to above) over the remaining site lives of its facilities based on current estimated costs.

The Company has recorded the following liabilities for closure, post-closure and remediation obligations as of August 31, 2002 (dollars in thousands):

Current portion of environmental liabilities	\$ 11,967
Non-current portion of environmental liabilities	114,308
Balances included in liabilities subject to compromise (see Note 10)	<u>16,906</u>
Total	<u>\$143,181</u>

Reserves for closure, post-closure and remediation as of August 31, 2002 are as follows (dollars in thousands):

Remediation	\$48,454
Superfund liabilities	13,052
Closed sites (excluding Pinewood)	24,763
Pinewood landfill	<u>56,912</u>
	143,181
Less: Current portion of environmental liabilities	<u>11,967</u>
Long term environmental liabilities	<u>\$ 131,214</u>

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**8. CLOSURE, POST-CLOSURE AND ENVIRONMENTAL REMEDIATION LIABILITIES- Continued**

Total closure and post-closure reserves related to the Pinewood Facility was \$53.9 million as of August 31, 2002. Total environmental remediation reserves related to the Pinewood Facility were \$3.0 million as of August 31, 2002. The South Carolina Department of Health and Environmental Control ("DHEC") has required that an environmental impairment fund ("EIF") be established for any potential environmental clean-up and restoration of environmental impairment at the Pinewood Facility (see Notes 3 and 11).

**9. LONG-TERM DEBT AND OTHER FINANCING**

Long-term debt and other financing at August 31, 2002 consist of the following (dollars in thousands):

Domestic Borrowings and other financing subject to compromise:	
Senior Credit Facility:	
Term Loans	\$1,137,750
Revolver	340,000
Senior Subordinated Notes, due June 1, 2008	325,000
Senior Notes, due May 15, 2009	225,000
Promissory note, due May 2003	60,000
Industrial revenue bonds, due 2003-2027	80,603
Other	2,971
	<u>2,171,324</u>
Domestic Borrowings and other financing not subject to compromise:	
Capital lease obligations	<u>13,762</u>
Canadian Borrowings:	
Senior Credit Facility	46,123
Operating Facility	16,191
	<u>62,314</u>
Total debt not subject to compromise	<u>76,076</u>
Total debt	2,247,400
Less: Current portion not subject to compromise	(76,076)
Less: Long-term debt subject to compromise (see Note 10)	<u>(2,171,324)</u>
Long-term debt	<u>\$ --</u>

**DIP Facility**

On July 19, 2000, the Bankruptcy Court granted final approval of a one-year \$100 million Revolving Credit Agreement underwritten by Toronto Dominion (Texas), Inc. as general administrative agent and CIT Group/Business Credit, Inc. as collateral agent (the "First DIP Facility") with an aggregate sublimit for letters of credit of \$35 million. The actual amount available under the First DIP Facility was subject to a borrowing base computation. The First DIP Facility was amended on eleven occasions through March 15, 2002, which amendments have, among other things, extended the maturity date, increased the aggregate limit for letters of credit to \$95 million, increased the sublimits for letters of credit for certain uses and waived the Debtors' non-compliance with certain affirmative covenants under the First DIP Facility. The Debtors are jointly and severally liable under the First DIP Facility. As of August 31, 2002, no amounts have been drawn on the First DIP Facility and approximately \$48 million of letters of credit have been issued.

On March 20, 2002, the Bankruptcy Court approved a \$200 million Second Amended and Restated Debtor-in-Possession Credit Facility (the "Second DIP Facility"). The Second DIP Facility extends the maturity date of the First DIP Facility until the earlier of March 22, 2003, or the effective date of a plan or plans of reorganization. In addition, it reduces the aggregate amount of borrowings available from \$100 million to \$75 million, which continues to be subject to borrowing base limitations ("Tranche A"). The Second DIP Facility also creates a new tranche under the credit facility in the amount of \$125 million ("Tranche B"). Tranche B is available for cash borrowings and letters of credit, and has the same maturity date as Tranche A. As of August 31, 2002, no amounts have been drawn on the Second DIP Facility and approximately \$7 million of letters of credit have been issued.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**9. LONG-TERM DEBT AND OTHER FINANCING - Continued**

Proceeds from Tranche A or Tranche B may be used for general corporate purposes. Tranche A is available for letters of credit or cash borrowings, with a sub-limit of \$45 million available for environmental letters of credit. The letter of credit sub-limit under Tranche B is \$50 million, and there is a further sub-limit of \$40 million available for environmental letters of credit, including the replacement of certain existing cash collateral pledged to support financial assurance with respect to certain facilities.

The Second DIP Facility was amended on three occasions through October 24, 2002, which amendments have, among other things, changed the definition of a material adverse effect, allowed the transfer of letters of credit from the First DIP Facility to the Second DIP Facility, extended the date for return of certain letters of credit and changed certain negative covenants under the First and Second DIP Facilities.

The interest rate under Tranche A of the DIP Facility is base rate plus 1% per annum or LIBOR plus 3% per annum, depending on the nature of the borrowings. The interest rate under Tranche B of the DIP Facility is LIBOR or base rate plus a margin of 7.25%, but in any case not lower than 12%. In addition, beginning on September 1, 2002, the margin under Tranche B started to increase by .5% on the first calendar day of each month. On top of the cash interest due with respect to Tranche B, an additional 3% per annum is added to the Tranche B principal each month, such rate increasing by 1% each month commencing on September 1, 2002. A fee of 3% per annum is charged on the outstanding face amount of Tranche A letters of credit and a fee of 12% per annum is charged on the outstanding face amount of Tranche B letters of credit (plus, in each case, a fronting fee of 0.25%). The DIP Facility matures on the earlier of March 21, 2003, or the effective date of a plan of reorganization.

Under the provisions of the Second DIP Facility, the Debtors are required to establish a \$5 million interest escrow account. Tranche A and Tranche B fees and interest will be paid from this account. On the earlier of depletion of the escrowed funds or six months after the closing date of the Second DIP Facility, additional funds must be deposited in the escrow account in order to assure that \$5 million will be escrowed for this same purpose.

Upon the sale of the CSD (see Note 18), the net proceeds, after reserves for certain selling expenses, interest and fees on the Second DIP facility, shall be applied to prepay the Tranche B loans and the availability under Tranche B will be reduced by \$17 million. Net proceeds of certain other asset sales, after reserves for certain selling expenses, interest and fees on the Second DIP facility, are to be used to prepay Tranche A and then Tranche B.

The Second DIP Facility benefits from superpriority claim status as provided for under the Bankruptcy Code. Under the Bankruptcy Code, a superpriority claim is senior to unsecured pre-petition claims and all other administrative expenses incurred in a Chapter 11 case. As security, the Second DIP Facility lenders were granted certain priority, perfected liens on certain of the Debtors' assets. Pursuant to the final order approving the Second DIP Facility, such liens are not subordinate to or *pari passu* with any other lien or security interest (other than (a) liens for certain administrative expenses and (b) liens in favor of Safety-Kleen's Chief Executive Officer). The Debtors are jointly and severally liable under the Second DIP Facility.

**Other Domestic Borrowings**

Senior Credit Facility -- In April 1998, the Company repaid its then existing bank credit facility and established a \$2.2 billion Senior Credit Facility (the "Senior Credit Facility") pursuant to a credit agreement between the Company and a syndicate of banks and other financial institutions. In June 1998, the availability of the Senior Credit Facility was permanently reduced by \$325 million to \$1.875 billion by the subsequent issuance of the Senior Subordinated Notes described below. The Senior Credit Facility consists of five parts: (i) a \$550 million six-year Senior Secured Revolving Credit Facility with a \$200 million letter of credit sublimit and \$400 million sublimit for loans (the "Revolver"); (ii) a \$455 million six-year senior secured amortizing term loan; (iii) a \$70 million six-year senior secured amortizing term loan; (iv) a \$400 million minimally amortizing seven-year senior secured term loan; and (v) a \$400 million minimally amortizing eight-year senior secured term loan. The term loans referred to in clauses (ii), (iii), (iv) and (v) are collectively referred to herein as the "Term Loans."

Interest costs on the Senior Credit Facility are reset periodically, at least annually, and vary depending on the particular facility and whether the Company chooses to borrow under Eurodollar or non-Eurodollar loans. Interest rates applicable to the Senior Credit Facility ranged from 7.56% to 12.88%, including a 2% default premium, effective June 1, 2000.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**9. LONG-TERM DEBT AND OTHER FINANCING - Continued**

As of August 31, 2002, the Term Loans have been drawn in full and borrowings outstanding under the Revolver totaled \$340 million. In addition, there were approximately \$83.0 million of letters of credit issued under the terms of the Revolver. As a result of the Debtors' Chapter 11 Cases, all additional availability under the Revolver has been terminated, although the letters of credit remain outstanding.

Domestic borrowings of Safety-Kleen Services, Inc. (formerly known as LES, Inc.) ("Domestic Borrower") under the Senior Credit Facility are collateralized by substantially all of the non-hazardous tangible and intangible assets of the domestic subsidiaries of the Domestic Borrower, plus 65% of the capital stock of Safety-Kleen's then wholly-owned foreign subsidiaries, including, but not limited to, Safety-Kleen's then primary Canadian subsidiaries, Safety-Kleen Canada Inc. and Safety-Kleen Ltd. ("Canadian Borrower"). In addition, substantially all of the capital stock of the Domestic Borrower and its wholly-or majority-owned domestic subsidiaries is pledged to the Domestic Senior Credit Facility lenders (the "Domestic Lenders") and such domestic subsidiaries guaranteed the obligations of the Domestic Borrower to the Domestic Lenders.

Senior Subordinated Notes -- On May 29, 1998, the Domestic Borrower, a wholly-owned subsidiary of Safety-Kleen, issued \$325 million 9.25% Senior Subordinated Notes due 2008 in a Rule 144A offering. In accordance with an Exchange and Registration Rights Agreement entered at the time of the issuance of the aforementioned notes, the Company filed a registration statement with the SEC on June 24, 1998, pursuant to which the Company exchanged the 9.25% Senior Subordinated Notes due 2008 for substantially identical notes of the Company (the "1998 Notes"). Net proceeds from the sale of the 1998 Notes, after the underwriting fees and other expenses, were approximately \$316.8 million. The proceeds were used to repay a portion of the borrowings outstanding under the Senior Credit Facility.

The 1998 Notes mature on June 1, 2008. Interest is payable semiannually, on December 1 and June 1. The 1998 Notes will be redeemable, in whole or in part, at the option of the Company, at any time and from time to time at a redemption price as defined in the indenture. Upon a change in control of the Company, each holder of the 1998 Notes may require the Company to repurchase all or a portion of the holder's 1998 Notes at 101% of the principal amount, plus accrued interest.

The 1998 Notes are general unsecured obligations of the Domestic Borrower, subordinated in right of payment to all existing and future senior indebtedness, as defined, of the Domestic Borrower. The 1998 Notes will rank senior in right of payment to all existing and future subordinated indebtedness of the Domestic Borrower, if any. The payment of the 1998 Notes are guaranteed on a senior subordinated basis by Safety-Kleen and are jointly and severally guaranteed on a senior subordinated basis by the Domestic Borrower's wholly-owned domestic subsidiaries. No foreign direct or indirect subsidiary or non wholly-owned domestic subsidiary is an obligor or guarantor on the financing.

Senior Notes -- On May 17, 1999, Safety-Kleen issued \$225 million 9.25% Senior Notes due 2009 in a Rule 144A offering which were subsequently exchanged for substantially identical notes of Safety-Kleen in an offering registered with the SEC in September 1999 (the "1999 Notes"). Net proceeds, after the underwriting fees and other expenses, were approximately \$219 million and were used to finance the cash portion of the purchase price for the repurchase of the pay-in-kind debenture ("PIK Debenture"), for expenses relating to the repurchase and for general corporate purposes.

The 1999 Notes mature on May 15, 2009, with interest payable semi-annually on May 15 and November 15. The 1999 Notes will be redeemable, in whole or in part, at the option of Safety-Kleen, at any time and from time to time at a redemption price as defined in the indenture. Upon a change in control of Safety-Kleen, each holder of the 1999 Notes may require Safety-Kleen to repurchase all or a portion of such holder's 1999 Notes at 101% of the principal amount thereof, plus accrued interest.

The 1999 Notes are unsecured and rank equally with all existing and future senior indebtedness and are senior to all existing and future subordinated indebtedness. The 1999 Notes are not guaranteed by Safety-Kleen's subsidiaries.

The Senior Credit Facility, the 1998 Notes and the 1999 Notes contain negative, affirmative and financial covenants including covenants restricting debt, guarantees, liens, mergers and consolidations, sales of assets, transactions with affiliates, the issuance of stock to third parties and payment of dividends and establishing a total leverage ratio test, a fixed charge coverage test, an interest coverage ratio test and a maximum contingent obligation to operating cash flow ratio test. As a result of the Chapter 11 Cases, Safety-Kleen, which was not in compliance with the covenants at the time of the Chapter 11 Cases, classified the entire portion of domestic borrowings as liabilities subject to compromise.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**9. LONG-TERM DEBT AND OTHER FINANCING - Continued**

Other Borrowings -- The \$60.0 million promissory note and \$25.7 million of the Industrial revenue bonds are guaranteed by Laidlaw, which will be resolved pursuant to the settlement described in Note 11.

**Capital Leases**

The Company leases equipment and vehicles over periods generally ranging from 3 to 5 years. Following is a summary of the future minimum lease payments under capital leases (dollars in thousands):

Year ending August 31,	
2003	\$ 4,644
2004	9,981
Total minimum payments	<u>14,625</u>
Less: amount representing interest	<u>(863)</u>
Obligations under capital leases	<u>\$ 13,762</u>

**Canadian Borrowings**

Senior Credit Facility -- The Canadian Borrower and Safety-Kleen's Canadian subsidiaries participated in the Senior Credit Facility under which it established and initially borrowed \$70.0 million (USD) from a syndicate of five banks. The term loan has a floating interest rate based on Canadian prime plus 1.375% or Canadian Bankers Acceptance, ("CB/A") plus 2.375%, at the Company's discretion. As a result of the Chapter 11 Cases, the Debtors' Canadian subsidiaries were in default of the loan conditions and a notice of default has been issued by the banks making the loan payable on demand. In accordance with the provisions of default under the Senior Credit Facility, the floating interest rate will increase an additional 2% if all or a portion of any principal of any Loan, any interest payable thereon, any commitment fee or any Reimbursement Obligation or Acceptance Reimbursement Obligation or other amount payable hereunder shall not be paid when due. Accordingly, the outstanding loan balance is classified as a current liability as of August 31, 2002, and interest continues to accrue at the Canadian prime plus 3.375%.

Operating Facility -- On April 3, 1998, the Canadian Borrower entered into a letter agreement with the Toronto Dominion Bank providing an operating line of credit of up to \$35.0 million (CDN). The letter agreement has a floating interest rate based on Canadian prime plus 1.375% or CB/A plus 2.375% for Canadian borrowings and prime plus 1.375% or LIBOR plus 2.375% for U.S. borrowings, at the Company's discretion. On March 4, 2000, Toronto Dominion Bank cancelled this letter agreement at which time the Canadian Borrower had borrowings of \$17.2 million and letters of credit totaling \$3.6 million. The full amount borrowed was in default at August 31, 2002 due to breaches of loan covenants by the local subsidiary. Accordingly, the outstanding loan balance is classified as a current liability as of August 31, 2002.

Borrowings by the Canadian Borrower under the Senior Credit Facility and the Canadian Operating Facility (collectively referred to as the "Canadian Debt") were collateralized by substantially all of the tangible personal property of Safety-Kleen's Canadian subsidiaries and by the guarantees of the Domestic Borrower's domestic, wholly-owned and majority-owned subsidiaries. Additionally, 35% of the common stock of Safety-Kleen Canada Inc. and of the Canadian Borrower was pledged in favor of the Canadian Senior Credit Facility Lenders and the Canadian Operating Facility Lenders.

As a result of the divestiture of the CSD to Clean Harbors, Inc. ("Clean Harbors") (see Note 18), and in accordance with the asset purchase agreement, the equity interests of the Canadian Borrower were transferred to Clean Harbors and thus, as part of the sale of the CSD: (i) the Canadian Borrower was released from its primary obligation under the Canadian Debt; (ii) each direct and indirect subsidiary of the Canadian Borrower (the "Canadian Subsidiaries") were released from their respective guarantee obligations under the Canadian Debt; and (iii) all security granted by the Canadian Borrower and each of the Canadian Subsidiaries to collateralize payment of the Canadian Facility (collectively, the "Canadian Release Condition") was released.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**9. LONG-TERM DEBT AND OTHER FINANCING - Continued**

As a requirement to consummate the sale of the CSD, and to satisfy the Canadian Release Condition, the Debtors sought the Bankruptcy Court's authority to restructure the obligations under the Canadian Debt so that the Domestic Borrower would become the primary obligor under the Canadian Debt in substitution for the Canadian Borrower obligations for which the Domestic Borrower was already liable and such obligations would be allowed as an administrative expense claim of the Domestic Borrower, provided that such administrative expense claim would be satisfied solely through a distribution to the Canadian Lenders under the Canadian Debt of the same form of consideration that would be distributed to the U.S. Lenders. By order dated September 6, 2002, the Bankruptcy Court approved the restructure and reclassification of the Domestic Borrower's secured obligations under the Canadian Debt in aid of the consummation of the sale of the CSD to Clean Harbors.

**Subordinated Convertible Debenture**

On May 15, 1997, the Company issued a \$350 million 5% subordinated convertible PIK Debenture due May 15, 2009, to Laidlaw, in partial payment for the Rollins Acquisition described in Note 2.

Interest on the PIK Debenture was payable semiannually, on November 15 and May 15 until maturity. Interest payments due during the first two years after issuance of the PIK Debenture were required to be satisfied by the issuance of Safety-Kleen's common stock, based on the market price of the common shares at the time the interest payments were due. At the Company's option, any other interest or principal payments, other than optional early redemption, could have been satisfied by issuing common stock, based on the market price of the stock at the time such payments are due. During the year ended August 31, 1999, the Company issued 1,545,399 of common shares to Laidlaw, in satisfaction of interest payments due.

On August 27, 1999, the Company repurchased the PIK Debenture for an aggregate purchase price comprised of (i) \$200 million in cash; (ii) 11,320,755 shares of common stock; and (iii) 376,858 shares of common stock in satisfaction of accrued and unpaid interest on the PIK Debenture to the date of purchase. The cash portion of the purchase price was financed with the issuance of the 1999 Notes.

As discussed in Note 11, the Company filed an action against Laidlaw and its affiliate companies LTI and Laidlaw International Finance Corporation ("LIFC") to recover funds of over \$200 million related to the repurchase of the PIK Debenture.

**Interest Expense**

Interest expense incurred under the Company's credit facilities and other borrowings was \$3.9 million (net of interest income of \$1.3 million) for the year ended August 31, 2002 (excluding contractual interest on domestic borrowings of \$194.3 million for the year ended August 31, 2002 after the June 9, 2000 bankruptcy filing (see Note 10).

**10. LIABILITIES SUBJECT TO COMPROMISE**

The principal categories of claims classified as liabilities subject to compromise under bankruptcy reorganization proceedings are identified below. All amounts below may be subject to future adjustment depending on Bankruptcy Court action, further developments with respect to disputed claims, or other events, including the reconciliation of claims filed with the Bankruptcy Court to amounts included in the Company's records (see Note 2). Additional pre-petition claims may arise from rejection of additional executory contracts or unexpired leases by the Debtors. Under a confirmed plan or plans of reorganization, all pre-petition claims may be paid and discharged at amounts substantially less than their allowed amounts.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**10. LIABILITIES SUBJECT TO COMPROMISE - Continued**

Recorded liabilities -- On a consolidated basis, recorded liabilities subject to compromise under Chapter 11 proceedings as of August 31, 2002 consist of the following (dollars in thousands):

Accrued litigation	\$ 17,917
Derivative liabilities	69,461
Trade accounts payable	111,070
Accrued insurance liabilities	10,373
Environmental liabilities	16,906
Accrued interest	67,170
Senior Credit Facility:	
Term loans	1,137,750
Revolver	340,000
Adequate protection payments	(18,088)
Senior Subordinated Notes	325,000
Senior Notes	225,000
Promissory note	60,000
Industrial revenue bonds	80,603
Other	31,490
	<u>\$ 2,474,652</u>

As a result of the Chapter 11 Cases, principal and interest payments may not be made on pre-petition debt without Bankruptcy Court approval or until a plan or plans of reorganization defining the repayment terms has been confirmed. The total interest on pre-petition debt that was not paid or charged to earnings for the period from June 9, 2000 to August 31, 2002 was \$194.3 million. Such interest is not being accrued since it is not probable that it will be treated as an allowed claim. The Bankruptcy Code generally disallows the payment of interest that accrues post-petition with respect to unsecured or undersecured pre-petition liabilities.

Contingent liabilities -- Contingent liabilities as of the Chapter 11 filing date are also subject to compromise. At August 31, 2002, the Company was contingently liable to banks, financial institutions and others for approximately \$82.7 million for outstanding letters of credit, which included \$0.8 million of performance bonds securing performance of sales contracts and other guarantees in the ordinary course of business.

The Company is a party to litigation matters and claims that are normal in the course of its operations. Generally, litigation related to "claims", as defined by the Bankruptcy Code, is stayed. Also, as a normal part of their operations, the Company undertakes certain contractual obligations, warranties and guarantees in connection with the sale of products or services. The outcome of the bankruptcy process on these matters cannot be predicted with certainty.

**11. COMMITMENTS AND CONTINGENCIES**

**Lease Commitments**

The Company enters into operating and capital leases primarily for real property and vehicles under various terms and conditions. As discussed in Note 10, commitments related to certain operating and capital leases are subject to compromise and additional claims may arise from the rejection of unexpired leases. Rent expense for all operating leases amounted to \$29.8 million for the year ended August 31, 2002.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES - Continued**

The following table presents the contractually stated minimum future lease payments (dollars in thousands):

Year ending August 31,	<u>Operating Leases</u>
2003	\$ 24,254
2004	17,110
2005	12,181
2006	8,530
2007	<u>13,209</u>
Total minimum payments	<u>\$ 75,284</u>

**Purchase Commitments**

On December 15, 2000, the Bankruptcy Court approved a multi-year marketing and distribution agreement between Safety-Kleen Systems, Inc., a subsidiary of Safety-Kleen, and SystemOne. The agreement, which includes a five-year minimum purchase commitment, appointed the Company as the exclusive North American marketer of, distributor of, and service provider for, the line of parts cleaning equipment manufactured by SystemOne. Under the terms of the agreement, the purchase price for each unit of equipment shall consist of a "standard price" plus a "deferred price." The Company shall pay to SystemOne the standard price at the time of purchase and the deferred price for each unit of equipment purchased in 36 equal monthly payments. The Company's obligation to pay the deferred portion of the purchase price for equipment purchased prior to the termination date shall survive any termination of the marketing and distribution agreement with SystemOne. In connection with the agreement, the Company received a warrant to purchase SystemOne stock (see Note 16).

The following table presents the contractually stated minimum purchase commitments and deferred price (dollars in thousands):

Year ending August 31,	<u>Standard Price</u>	<u>Deferred Price</u>	<u>Total Commitment</u>
2003	\$ 17,523	\$ 1,667	\$ 19,190
2004	21,278	2,621	23,899
2005	25,534	3,159	28,693
2006	9,012	3,615	12,627
2007	--	2,794	2,794
Thereafter	--	1,759	1,759
Total minimum commitments	<u>\$ 73,347</u>	<u>\$ 15,615</u>	<u>\$ 88,962</u>
Less: Amount representing interest	--	(1,284)	(1,284)
Obligations under SystemOne agreement	<u>\$ 73,347</u>	<u>\$ 14,331</u>	<u>\$ 87,678</u>

Effective July 2000, the Company entered into an outsourcing arrangement with Acxiom Corporation to outsource certain information technology operations and support previously performed at the former headquarters of Old Safety-Kleen. The term of the agreement is five years from the date of integration, which commenced in September 2001, and the cost is approximately \$0.6 million per month for a total commitment of approximately \$29 million over the remaining term of the contract as of August 31, 2002.

The Debtors entered a master services agreement with Electronic Data Systems Corporation and EDS Information Services L.L.C. (collectively "EDS"), to among other things, implement the software package with SAP America, Inc. and provide personal computer support services. EDS will also assist the Debtors in developing a number of processes and solutions in order to enhance the Debtors' delivery to its customers.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES – Continued**

**Liability Insurance**

The Company's insurance programs for certain workers' compensation, general liability (including product liability) and automobile liability carry self-insured retentions up to certain limits. Claims in excess of these self-insurance retentions are fully insured. For claims within the workers' compensation, general liability (including product liability), property, and automobile liability self-insured retentions, the Company estimates these liabilities based on actuarially determined estimates of the incurred but not reported claims plus any portion of incurred but not paid claims and premiums. These estimates are generally within a range of potential ultimate outcomes. All employee-related health care benefits are fully insured and the Company's liabilities include both an accrual for an estimate of the incurred but not reported claims that is calculated using historical claims data and an accrual for the incurred but not paid claims and premiums.

The Company's liabilities for unpaid and incurred but not reported claims as of August 31, 2002 were \$33.5 million under its current risk management program. Certain product and workers' compensation liabilities have been classified as long-term liabilities based upon actuarial projections of future claims payments. These liabilities as of August 31, 2002 were \$23.4 million. In addition, \$10.4 million of the self-insured liabilities as of August 31, 2002 are subject to compromise. While the ultimate amount of claims incurred are dependent on future developments, in management's opinion, recorded reserves are adequate to cover the future payment of claims. However, it is reasonably possible that recorded reserves may not be adequate to cover the future payment of claims and there is no guarantee that the Company will have the cash or funds available to pay any or all claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in results of operations in the periods in which such adjustments are known.

**Employment Agreements**

The Company is party to employment agreements with certain executives, which provide for compensation and certain other benefits. The agreements also provide for severance payments under certain circumstances.

**Financial Assurance Matters**

Under the Resource Conservation and Recovery Act ("RCRA"), the Toxic Substances Control Act ("TSCA"), and analogous state statutes, owners and operators of certain waste management facilities are subject to financial assurance requirements to ensure performance of their closure, post-closure third party and corrective action obligations. Safety-Kleen and certain of its subsidiaries as owners and operators of RCRA and TSCA waste management facilities are subject to these financial assurance requirements. Applicable regulations allow owners and operators to provide financial assurance through several methods, including a surety bond from an approved surety. Under federal regulations and in virtually all states, to qualify as an approved surety for the purposes of providing this type of financial assurance, a surety company must be listed on Circular 570, which is maintained and distributed publicly by the United States Department of the Treasury (the "U.S. Treasury").

In compliance with the law, starting in 1997, many of the Debtors procured surety bonds issued by Frontier Insurance Company ("Frontier") as financial assurance at numerous locations. Of the total amount of financial assurance required of the Company under the environmental statutes, which approximated \$500 million as of May 31, 2000, slightly more than half was satisfied through assurances provided by Frontier in the form of surety bonds.

On June 6, 2000, the U.S. Treasury issued notification that Frontier no longer qualified as an acceptable surety on federal bonds and had been removed from Circular 570 on May 31, 2000. Accordingly, effective May 31, 2000, the Debtors no longer had compliant financial assurance for many of its facilities. Under applicable regulations, these Debtors were required to obtain compliant financial assurance within sixty days, and in some states, more quickly (although the surety bonds issued by Frontier no longer qualified as acceptable federal bonds, they remained in place and effective until replaced). Immediately following this U.S. Treasury announcement, the Debtors notified the EPA of its lack of audited consolidated financial statements for the years ended 1999, 1998 and 1997 and the difficulties that certain alleged accounting irregularities would cause the Debtors in attempting to obtain compliant financial assurance for its facilities covered by the Frontier bonds. The Debtors and the EPA also contacted states in which the non-compliant facilities were located and apprised such states of these facts.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES – Continued**

Following the Petition Date, certain Debtors and the EPA, acting on behalf of many, but not all, affected states, engaged in negotiations resulting in the entry of the Consent Agreement, dated August 24, 2000 and Final Order, dated September 5, 2000 (as thereafter amended) ("CAFO"), which the Bankruptcy Court approved by Order, October 17, 2000. Some states referred their enforcement authority to the EPA for purposes of this CAFO and thus are, in effect, parties to the CAFO. Other states entered separate, but similar, consent agreements with certain Debtors. Some states did not enter separate written agreements with the Debtors, but have allowed the Debtors to continue operating while they obtained coverage to replace the Frontier bonds.

The main component of the CAFO (and of the consent agreements in various states) was a compliance schedule for the Debtors to obtain compliant financial assurance for the facilities covered by the Frontier bonds. That schedule was modified on several occasions after the CAFO was entered and as the Debtors replaced Frontier at various facilities. Over the course of the Chapter 11 Cases, the Debtors have been able to replace Frontier bonds with compliant financial assurance coverage by other providers at all but a handful of facilities.

Except for the Pinewood Facility, those remaining noncompliant facilities were among the assets that Debtors sold to Clean Harbors (see Note 18) as of September 7, 2002. Clean Harbors has since provided compliant replacement financial assurance at those facilities. The Debtors have separately resolved the Frontier coverage issues and other issues at the Pinewood Facility in a global settlement (the "Pinewood Settlement") with DHEC (see *Safety-Kleen (Pinewood), Inc.* below).

In the CAFO, the Debtors were required to waive certain arguments they otherwise could have asserted under the Bankruptcy Code with respect to their financial assurance and certain other obligations under environmental laws, including with respect to discharge of claims.

The CAFO also imposed a penalty of approximately \$1.6 million on certain Debtors, including Safety-Kleen Services, Inc. of which \$500,000 has been paid. Some states have imposed financial assurance penalties in addition to this amount. In several instances, the penalties are co-mingled with penalties associated with unrelated violations, making it difficult to attribute specific penalty amounts to financial assurance. The Debtors believe such additional financial assurance penalties (except those set forth and resolved in the Pinewood Settlement), would total approximately \$500,000 through December 31, 2002. However, more states may choose to assert penalties. In most cases, the financial assurance penalties are, by agreement, entitled to administrative priority.

The Debtors had posted a \$28.5 million letter of credit in 1997 with Frontier as collateral for the Frontier coverage. Under the CAFO, the Debtors were not permitted to seek the return of this collateral while Frontier coverage remained outstanding. Upon the completion of the Frontier replacement program, the Debtors expect to seek return of this collateral. There can be no assurance that the Debtors will be able to secure return of this collateral.

The Debtors understand that, on August 27, 2001, Frontier entered a rehabilitation proceeding that the New York Superintendent of Insurance will administer pursuant to New York law.

As of August 31, 2002, the Debtors had provided financial assurances in the form of insurance policies and performance bonds to the applicable regulatory authorities totaling approximately \$500.0 million, in connection with closure, post-closure and corrective action requirements of certain facility operating permits. Letters of credit and cash deposits of approximately \$119.0 million are held to meet various financial assurance requirements. Restricted assets of \$24.8 million are held in trust for landfill closure, post-closure and environmental impairment. Insurance policies with limits of approximately \$92.0 million are held to cover any bodily injury or property damage to third parties caused by accidental occurrences at certain of the Debtor's facilities.

**Chapter 11 Proceedings**

As described in Note 2, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code on June 9, 2000. Management has continued to operate the business of the Debtors as debtors-in-possession under Sections 1107 and 1108 of the Bankruptcy Code. Pursuant to the automatic stay provision of Section 362 of the Bankruptcy Code virtually all pending pre-petition litigation against the Debtors is currently stayed.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES – Continued**

As of August 31, 2002, proofs of claim in the approximate amount of \$187.0 billion have been filed against the Debtors by, among others, secured creditors, unsecured creditors and security holders. The Company is in the process of reviewing the proofs of claim and once this process is complete, will file appropriate objections to the claims in the Bankruptcy Court. As of August 31, 2002, the Company believes it has identified approximately \$184.0 billion of such claims that are duplicative or without merit. The Company believes that the amount of these claims that are in excess of the \$2.5 billion recorded as “Liabilities subject to compromise” in the accompanying unaudited consolidated financial statements as of August 31, 2002 are: (i) duplicative or without merit; (ii) do not meet the criteria to be recorded as a liability under generally accepted accounting principles; and (iii) will not have a material effect on the unaudited consolidated financial statements, but there can be no assurance that the Company is correct and these claims may have a material effect on the unaudited consolidated financial statements.

As a result of the Chapter 11 Cases, the Company has not paid certain real estate taxes and certain taxing authorities have asserted liens against the real estate.

Currently, it is not possible to predict the length of time the Debtors will operate under the protection of Chapter 11, the outcome of the Chapter 11 proceedings in general, or the effect of the proceedings on the business of the Company or on the interests of the various creditors and security holders. Under the Bankruptcy Code, post-petition liabilities and pre-petition liabilities subject to compromise must be satisfied before shareholders can receive any distribution. The ultimate recovery to shareholders, if any, will not be determined until the end of the case when the fair value of the Debtors’ assets is compared to the liabilities and claims against the Debtors. There can be no assurance as to what value, if any, will be ascribed to the common stock in the bankruptcy proceedings. The Company does not believe the shareholders will receive any distribution upon the consummation of a plan or plans of reorganization.

**Actions Involving Laidlaw Inc.**

Laidlaw directly or indirectly owns 43.6% of the outstanding common stock of Safety-Kleen and had various other arrangements and relationships with the Company. On November 7, 2000, Laidlaw, on behalf of itself and its direct and indirect subsidiaries (collectively referred to as the “Laidlaw Group”), filed a proof of claim in the unliquidated amount of not less than \$6.5 billion against the Debtors in the Chapter 11 Cases. The Laidlaw Group claims against the Debtors fall into the following general categories: 1) claims for indemnification; 2) contribution and reimbursement in connection with certain litigation matters; 3) claims against the Debtors for fraudulent misrepresentation, fraud, securities law violations, and related causes of action; 4) insurance claims; 5) guaranty claims; 6) environmental contribution claims; 7) tax reimbursement claims; and 8) additional miscellaneous claims. On April 19, 2001, Safety-Kleen, on behalf of itself and its direct and indirect subsidiaries, filed with the Bankruptcy Court an objection to the proof of claim filed by the Laidlaw Group.

On April 19, 2001, the Company filed an action against Laidlaw and its affiliates, LTI and LIFC (collectively the “Laidlaw Defendants”) in the Debtors’ Chapter 11 Cases, Adv. Pro. No. 01-01086 (PJW) (the “SKC-Laidlaw Adversary Proceeding”). This action sought to recover a transfer of over \$200 million in August 1999 (the “Transfer”) made to or for the benefit of the Laidlaw Defendants, holders of 43.6% of Safety-Kleen’s common stock. The Company asserted that the transfer is recoverable either as a preference payment to the extent the Transfer retired pre-existing debt or as a fraudulent transfer to the extent the Transfer redeemed equity or was made with intent to hinder, delay or defraud creditors. In the action, the Company sought to recover the Transfer, plus interest and costs occurring from the first date of demand from the Laidlaw Defendants.

On June 28, 2001, Laidlaw and five of its subsidiary holding companies, Laidlaw Investments Ltd., LIFC, Laidlaw One, Inc., LTI and Laidlaw USA, Inc. (collectively the “Laidlaw Debtors”) filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Western District of New York Case Nos. 01-14099K through 01-1404K. On the same day, Laidlaw and Laidlaw Investments Ltd. filed cases under the Canada Companies’ Creditors Arrangement Act (CCAA) in the Ontario Superior Court of Justice in Toronto, Ontario. On October 16, 2001, the Company and the Official Committee of Unsecured Creditors filed a proof of claim in the unliquidated amount of not less than \$4.6 billion, subject to statutory trebling, plus punitive damages, interest, and costs, against the Laidlaw Debtors in the Laidlaw Debtors’ chapter 11 cases (the “Safety-Kleen Proof of Claim”). The claims against the Laidlaw Debtors fell into the following general categories: 1) claims for fraud, racketeering, breach of fiduciary duty, and other related misconduct; 2) preference and fraudulent transfer claims; 3) breach of contract, misrepresentation, and other related misconduct; 4) guaranty claims; and 5) indemnification, contribution, and reimbursement claims.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES – Continued**

In December 2001, pursuant to the Safety-Kleen/Laidlaw Mediation Discovery Protocol, the Debtors, the Debtors' secured lenders, the Debtors' Official Committee of Unsecured Creditors, certain of the Debtors' directors, Laidlaw Debtors and the Laidlaw Debtors creditors' committee and subcommittees agreed to undertake, on an expedited and consolidated basis, limited preliminary discovery to obtain information to assist in presenting submissions to a mediator in an effort to resolve certain outstanding claims between and among the parties in the Debtors' and the Laidlaw Debtors' bankruptcy cases. A mediation proceeding began in early April 2002.

On August 16, 2002 and on August 30, 2002, the Bankruptcy Court for the District of Delaware and the Bankruptcy Court for the Western District of New York, respectively, approved a settlement resolving Laidlaw's \$6.5 billion claim against the Debtors and the Debtor's claims against Laidlaw, including, but not limited to claims relating to the SKC-Laidlaw Adversary Proceeding and the Safety-Kleen Proof of Claim, claims by the Debtors' secured lenders of \$6.3 billion against Laidlaw, and claims by certain officers and directors of each company against the other company. The central component of the settlement between the two companies was the agreement by Laidlaw and its major creditor groups to provide in the Laidlaw Debtor's plan of reorganization for an allowed general unsecured claim of \$225 million in favor of Safety-Kleen, to be classified as a Class 6 claim with other general unsecured claims under the Laidlaw Debtors' reorganization plan.

In addition, the settlement provided that: (i) upon effectiveness of agreement, the Laidlaw parties will assign to Toronto Dominion (Texas), Inc., on behalf of itself and as administrative agent for the Debtors' lenders under the Prepetition Credit Facility, any and all rights the Laidlaw parties may have to the funds, which aggregate approximately \$2.6 million (as of August 31, 2002) plus accrued interest thereafter, maintained at Bank One, and Safety-Kleen will promptly release such funds to the Debtors' lenders on the Effective Date, (ii) Laidlaw would not make further draws upon the Dai-Ichi Kangyo Bank Letter of Credit issued at the request of the Debtors, and (iii) Laidlaw agreed to waive any rights it may have against Safety-Kleen for payments of amounts due under or to seek reimbursement for any amounts that have been or may in the future be paid by Laidlaw under the SKC Insurance & Claims Handling Program 4/1/98 to 8/31/99 dated August 10, 1999, or the Addendum to the Insurance Claims Handling Program, which extended the Insurance Claims Handling Program through August 31, 2000. The result of this settlement has not been reflected in the unaudited results of operations. The Company has not determined the impact this settlement will have on the financial position and results of operations of the Company. On or about February 27, 2003, the United States Bankruptcy Court for the Western District of New York confirmed the Laidlaw Debtors' third amended joint plan of reorganization.

**Legal Proceedings**

Legal proceedings covering a wide range of matters are pending or threatened in the United States and foreign jurisdictions against the Company and/or former and/or current officers, directors and employees. Various types of claims are raised in these proceedings, including shareholder class action and derivative lawsuits, product liability, environmental, antitrust, tax, and breach of contract. Management consults with legal counsel in estimating reserves and developing estimates of ranges of potential loss.

As of January 31, 2003, the Company has claims where management has assessed that an unfavorable outcome is probable and has accrued for such claims in the amount of approximately \$25.0 million, including approximately \$24.2 million subject to compromise.

Additionally, the Company also has substantial claims where management has assessed that an unfavorable outcome is probable or, at least, reasonably possible and which, if incurred, may have a material adverse effect on the Company's financial condition. The Company, however, has not recorded reserves related to these claims, as management believes the potential loss is not currently estimable.

The actual outcomes from these claims, the most significant of which are discussed below, could differ from these estimates.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES – Continued**

**Matters Related to Investigation of Financial Results**

As previously reported on March 6, 2000, the Company announced that it had initiated an internal investigation of its previously reported financial results and certain of its accounting policies and practices following receipt by Safety-Kleen's Board of Directors of information alleging possible accounting irregularities that may have affected the previously reported financial results of the Company since the year ended 1998. The internal investigation was subsequently expanded to include the years ended 1998 and 1997. The Board appointed a special committee to conduct the internal investigation (the "Special Committee (Investigation)"). The Special Committee (Investigation) engaged the law firm Shaw Pittman, and Shaw Pittman engaged the accounting firm Arthur Andersen LLP, to assist with the comprehensive investigation of these matters. The Board placed Kenneth W. Winger, then Safety-Kleen's President and Chief Executive Officer and a director, Michael J. Bragagnolo, then Executive Vice President and Chief Operating Officer, and Paul R. Humphreys, then Senior Vice President of Finance and Chief Financial Officer, on administrative leave on March 5, 2000. The Company accepted the resignations of Messrs. Winger, Bragagnolo, and Humphreys, as officers, in mid-May 2000 and of Mr. Winger, as a director, on June 9, 2000, and subsequently terminated the employment of these individuals in July 2000.

Beginning in March 2000, a number of lawsuits were filed, on behalf of various classes of investors, including bondholders and shareholders, against the Company, certain officers, former directors, and others. The complaints that did name the Company were subsequently amended eliminating the Company as a defendant and adding certain other defendants, including certain former Directors of Safety-Kleen. The complaints allege, among other things, that the defendants made false and misleading statements and violated certain federal securities laws. Generally, the actions seek to recover damages in unspecified amounts that the plaintiffs allegedly sustained by acquiring shares of Safety-Kleen's common stock or purchasing debt of the Company. Certain of the individual defendants who are former officers or directors of the Company had made demands to be indemnified by the Company in connection with the action. At the time of the settlement with Laidlaw, described above, Safety-Kleen entered into a settlement with certain of the former directors whereby Safety-Kleen would pay additional attorney's fees up to \$5 million in connection with these actions, from the summer of 2002 forward. To the extent Safety-Kleen has any liability or additional liability, such liability will be treated as either a general unsecured claim or be subordinated.

PwC Litigation

On October 7, 2001, the Company, along with Robert Luba, the Estate of John Rollins, Sr., John Rollins, Jr., David E. Thomas, Jr., Henry B. Tippie, James L. Wareham, and Grover C. Wrenn filed an action in the Circuit Court of South Carolina, Richland County, against PricewaterhouseCoopers LLP ("PwC") and PricewaterhouseCoopers LLP (Canada) ("PwC-Canada"), Civil No. 3:01-4247-17 (the "PWC Action"). The PWC Action alleges, among other things, that the defendants were negligent and reckless in failing to comply with applicable industry and professional standards in their review and audit of the Company's financial statements and in the negligent and reckless failure to detect and/or report material misstatements in those financial statements. The Complaint alleges causes of action for breach of contract, breach of contract accompanied by a fraudulent act, professional negligence, negligent misrepresentation, violations of the South Carolina Unfair Trade Practices Act and a declaratory judgment for indemnification on behalf of the plaintiff directors. PwC and PwC-Canada have filed counterclaims for contribution and indemnity. Furthermore, PwC has filed counterclaims alleging fraud, deceit, negligent misrepresentation and violations of the federal Racketeer Influenced and Corrupt Organizations Act. Each of these counterclaims are for setoff purposes only and pursuant to a stipulation and order entered by the Bankruptcy Court on August 13, 2002, neither PwC nor PwC-Canada is seeking affirmative relief from Safety-Kleen. Safety-Kleen has filed a motion to dismiss all of the counterclaims. In response to Safety-Kleen's motion, PwC has been authorized to replead. The PwC Action is pending in state court.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES – Continued**

On December 13, 2000, thirteen lenders to Safety-Kleen sued PwC in the State Court of Fulton County, Georgia, alleging negligent misrepresentation by PricewaterhouseCoopers LLP in connection with the financial statements of the Debtors for the years ended 1997, 1998 and 1999. The case was captioned *Toronto Dominion (Texas), Inc., et al. v. PricewaterhouseCoopers LLP* Civil Action No. 00 VS 012679 F (“the Lenders Action Against PwC”). The complaint has been amended three times, and the plaintiffs now number over 90 lenders to Safety-Kleen. On October 23, 2001, PwC filed a motion for leave to file a third-party complaint naming the Debtors and their former officers Kenneth W. Winger, Michael J. Bragagnolo, and Paul R. Humphreys as third party defendants in a third party claim for indemnity or contribution. The Georgia state court granted the motion and PwC served a third-party complaint for indemnity and contribution against, inter alia, the Debtors. The Debtors then filed a motion in Bankruptcy Court alleging that PwC had violated the automatic stay provisions of federal bankruptcy law and seeking to enforce the automatic stay. The Bankruptcy Court granted Safety-Kleen’s motion and declared PwC’s third party complaint against the Debtors void ab initio. PwC then filed a motion in Bankruptcy Court seeking to lift the automatic stay for the limited purpose of allowing the trier of fact to allocate a percentage of the plaintiffs’ harm to the Debtors. PwC does not seek affirmative recovery from the Debtors, though it does seek the right to set-off any judgment the Debtors obtain from PwC. A stipulation and order was entered by the Bankruptcy Court on August 13, 2002 for the purpose of permitting (a) PwC to pursue, for allocation purposes only, its contribution and indemnity claims in the Georgia Litigation, and (b) PwC and PwC-Canada to pursue, by way of set-off only, their counterclaims in the litigation brought against PwC and PwC-Canada by the Debtors in the PwC Action pending in South Carolina. Safety-Kleen has filed a motion to dismiss PwC’s third party claims for contribution. The court has not ruled on Safety-Kleen’s motion to dismiss.

D & O Insurance Recovery Action

On November 13, 2001, the Company, along with Robert Luba, the Estate of John Rollins, Sr., John Rollins, Jr., David E. Thomas, Jr., Henry B. Tippie, James L. Wareham, and Grover C. Wrenn filed an action in the Circuit Court of South Carolina, Richland County, against National Union Fire Insurance Company of Pittsburgh, PA and American Home Assurance Company, Civil No. 01CP404813 (the “Insurance Action”). The Insurance Action alleges that the defendants wrongfully denied insurance coverage under certain directors’ and officers’ insurance policies for the various securities actions mentioned above. The Complaint alleges causes of action for declaratory judgment and breach of contract. The Complaint also seeks insurance coverage for plaintiffs’ for costs associated with defending the securities actions and for any liability plaintiffs may ultimately incur. The parties engaged in a preliminary mediation, which did not resolve this matter. Discovery is ongoing and the Company intends to pursue this claim vigorously. As of March 14, 2003, no trial date has been set.

Government Investigations

Shortly after the Company’s March 6, 2000, announcement, Company representatives met with officials of the SEC and advised the SEC of the alleged accounting irregularities and the Company’s internal investigation with respect to the allegations. On March 10, 2000, the Company was advised that the SEC had initiated a formal investigation of the Company. Also on March 10, 2000, the Commission issued a subpoena to the Debtors requiring the production of certain financial and corporate documents relating to the preparation of the Debtors’ financial statements, reports and audits for the years ended 1998, 1999 and portions of the years ended 1997 and 2000 and for various other documents pertaining to and ancillary to the alleged accounting irregularities. On May 24, 2000 the Commission issued a second subpoena to the Debtors requiring additional documents relating to the preparation of the Debtors’ financial statements, reports and audits for the years ended 1998, 1999 and portions of the years ended 1997 and 2000. On October 7, 2002, the Commission issued a third subpoena for deposition transcripts of certain parties and witnesses in the Lenders Action Against PwC. The Debtors have responded to the subpoenas and cooperated with the investigation.

Safety-Kleen has consented to the entry of an injunction permanently enjoining Safety-Kleen, its agents, servants, employees, attorneys-in-fact, and all other persons in active concert or participation with them who receive actual notice of the injunction from violating the books and records, reporting and anti-fraud provisions of the Exchange Act of 1934 and certain rules promulgated thereunder. Safety-Kleen consented to the injunction without admitting or denying any allegations against it, except that Safety-Kleen admitted that a court would have jurisdiction to enter the injunction.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES – Continued**

In addition, the Debtors are subject to an investigation in the Southern District of New York. On or about March 22, 2000, Safety-Kleen was served with a subpoena issued by a Grand Jury sitting in the United States District Court for the Southern District of New York seeking production of documents sought by the SEC in its investigation. The Debtors responded to the subpoena and cooperated with the investigation. Subject to certain conditions such as the Debtors' agreement to fully comply with reporting and disclosure obligations and to cooperate with any ongoing investigation, the U.S. Attorney's Office for the Southern District of New York has agreed not to prosecute the Debtors. The U.S. Attorney's Office investigation continues and has resulted in indictments and a plea agreement with certain former employees of the Company.

**Products Liability Cases**

From time to time, the Debtors are named as defendants in various lawsuits arising in the ordinary course of business, including proceedings wherein persons claim personal injury resulting from the use of the Debtor's parts cleaner equipment and/or cleaning products. A number of such legal proceedings are currently pending in various courts and jurisdictions throughout the United States. These proceedings typically involve allegations that the solvent used in the Debtor's parts cleaner equipment contains contaminants and/or that the Debtor's recycling process does not effectively remove the contaminants that become entrained in the solvent during its use. In addition, certain claimants assert that the Debtors failed to adequately warn the product user of potential risks. In the aggregate, the plaintiffs' claims are in excess of \$150 million. The Debtors believe that these claims are not meritorious and intend to vigorously defend themselves against any and all such claims. The Debtors maintain insurance, which they believe will provide coverage for these claims over self-insured retentions, and deductibles, which, in the aggregate, the Company believes are less than \$10 million.

Certain of the Debtors' insurance carriers have disputed, and continue to dispute, whether or to what extent the insurance policies issued by such carriers provide coverage to Debtors for third-party bodily injury, personal injury and property damage claims against the Debtors. As a result, the Debtors initiated the following actions: (a) The Solvents Recovery Service of New Jersey, Inc., et al., v. American Reinsurance Company, et al., pending in the Superior Court of New Jersey, Hudson County, Law Division, Docket No. L-3095-00 (the "New Jersey Coverage Action"), (b) Safety-Kleen Corp. v. Unigard Security Ins. Co., et al., Docket No. 01-2-10468-3 SEA pending in the Superior Court of Washington, King County (the "Washington Coverage Action") and (iii) Safety-Kleen Corp. v. Continental Insurance Company, et al., Case No. BC 216723, pending in the Superior Court of California, County of Los Angeles (the "California Coverage Action").

In the New Jersey Coverage Action, the Debtors seek insurance coverage for environmental liabilities under certain historical comprehensive general liability insurance policies. Specifically, the Debtors contend that their general liability insurance carriers are obligated to pay the costs, expenses and liabilities arising out of claims, demands and suits brought against the Debtors for property damage, bodily injury and personal injury arising out of environmental and related damage allegedly caused by the Debtors or arising out of the Debtors' business operations. The Washington Coverage Action has been resolved and dismissed.

In the California Coverage Action, the Debtors seek coverage under certain other historical comprehensive general liability policies for bodily injury and other claims arising out of product liability toxic tort suits and claims and similar or related claims, losses and liabilities asserted against the Debtors arising out of the Debtors' manufacture, distribution, sale or use of solvent products.

In February 2002, the New Jersey Superior Court issued a Mediation Order which stayed the New Jersey Coverage Action and directed the parties to engage in mediation proceedings. The Mediation Order has been extended several times since its initial entry, and is presently in force. During the pendency of the Mediation Order, the Debtors have reached settlement and have finalized settlement agreements (the "Insurance Settlements") with the following insurance carriers: (a) Royal Indemnity Company, Royal Globe Insurance Company, Globe Indemnity Company, Newark Insurance Company, Royal Insurance Company of America and Royal Insurance Company of Canada (collectively, "Royal"); (b) North Star Reinsurance Corporation ("North Star"); (c) Fireman's Fund Insurance Company, The American Insurance Company and National Surety Corporation (collectively, "Fireman's Fund"); (d) Liberty Mutual Insurance Company ("Liberty Mutual"); and (e) Unigard Insurance Company ("Unigard"). The Debtors have sought Bankruptcy Court approval of the settlement agreements with Royal, North Star and Fireman's Fund, and intend to seek Bankruptcy Court approval of the settlement agreements with Liberty Mutual and Unigard. The settlement agreements with Hartford, CNA, American Centennial and Westport were approved by the Order of

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES – Continued**

the Bankruptcy Court dated October 16, 2002. Prior to the entry of the New Jersey Superior Court's Mediation Order, the Debtors also reached an insurance settlement with Federal Insurance Company.

In addition, the following insurers have entered into settlements-in-principle with the Debtors: (a) Protective Insurance Company ("Protective"); (b) Evanston Insurance Company ("Evanston"); (c) Associated International Insurance Company ("Associated International"); (d) Ranger Insurance Company, International Insurance Company, TIG Insurance Company, United States Fire Insurance Company (collectively, "Fairfax"); (e) Century Indemnity Company, as successor to CCI Insurance Company, as successor to Insurance Company of North America; Century Indemnity Company, as successor to CIGNA Specialty Insurance Company (formerly California Union Insurance Company); Central National Insurance Company of Omaha; Insurance Company of North America; Illinois Union Insurance Company; International Insurance Company; Pacific Employers Insurance Company; and Westchester Fire Insurance Company (collectively, "ACE-CIGNA"); (f) Employers Mutual Casualty Company ("Employers"); (g) American Reinsurance Company ("AmRe") and American Excess Insurance Company ("American Excess"); and (h) Travelers Casualty and Surety Company (f/k/a The Aetna Casualty and Surety Company) ("Travelers"). The Debtors intend to seek Bankruptcy Court approval of the settlement agreements with Protective, Evanston, Associated International, Fairfax, ACE-CIGNA, Employers, AmRe, American Excess and Travelers upon finalizing such settlement agreements.

Mediation also has been ordered in the California Coverage Action, in this instance by the Los Angeles County, California, Superior Court. The Company and the California insurance carrier defendants have participated in an initial mediation session and the mediation continues. Meanwhile, the above-referenced settlements with Hartford and CNA have resolved certain of the Debtors' coverage claims against Hartford, CNA and Fireman's Fund in the California Coverage Action. The Debtors also have negotiated settlements-in-principle with certain other insurance carrier defendants in the California Coverage Action.

The Debtors are continuing to negotiate with a number of other of the insurance carrier defendants in both the New Jersey Coverage Action and in the California Coverage Action, and may enter into additional settlements. Coverage counsel's prior experience in comparable insurance coverage cases suggests that the foregoing settlements, the Debtors' continued litigation efforts in and the court-ordered mediation of the Debtors' respective New Jersey and California coverage actions, and confirmation of the Debtors' Plan of Reorganization likely will encourage settlements by other of the Debtors' insurance carriers, although it cannot be determined precisely when such settlements will be consummated or what sorts and amounts of consideration will be exchanged pursuant to such settlements.

Heritage-Crystal Clean Litigation

On January 6, 2003, a case captioned Heritage-Crystal Clean, LLC, v. Safety-Kleen Corp. and Safety-Kleen Systems, Inc., Case No. 03C0071, was filed against Safety-Kleen and Safety-Kleen Systems, Inc. in the United States District Court for the Northern District of Illinois. The complaint seeks damages in excess of \$400 million in consequential and punitive damages, which the plaintiff, Heritage-Crystal Clean, LLC ("Heritage-Crystal"), claims is subject to trebling under applicable antitrust statutes, as well as injunctive relief. Heritage-Crystal alleges postpetition injuries including causes of action under Section 2 of the Sherman Act (antitrust), violation of the Illinois unfair and deceptive business practices act, tortious interference with prospective business relations, defamation, trade libel and business disparagement, and abuse of process. On or about January 21, 2003, Heritage-Crystal filed an administrative proof of claim for the full amount of damages sought in the Heritage-Crystal litigation.

Similar allegations of unfair and deceptive business practices were made by Safety-Kleen Systems, Inc. against Heritage-Crystal in an action filed in South Carolina state court in December 2001. In that action, the court entered a temporary restraining order prohibiting Heritage-Crystal from engaging in certain unfair business practices. The court later entered a consent restraining order on both parties with respect to business practices. The consent restraining order does not make any findings of unlawful conduct. Since entry of these orders the parties have been actively engaged in discovery on the merits of the case. Safety-Kleen Systems, Inc. has vigorously pursued the South Carolina state court action, which contends that Heritage-Crystal and Heritage Environmental Services, LLC, have engaged in a pattern and practice of conduct designed to

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES – Continued**

induce current and former employees of Safety-Kleen Systems, Inc. to breach non-compete and confidentiality agreements and other contractual, statutory and common law obligations of loyalty and confidentiality. Safety-Kleen and Safety-Kleen Systems, Inc. will vigorously defend the action filed by Heritage-Crystal in federal court in Illinois.

Puerto Rican SKE Plant Litigation

On September 29, 1999, H.B. Zachry Company (International) ("HBZ") and Safety-Kleen Envirosystems Co. of Puerto Rico, Inc. ("SKE") entered into a contract whereby HBZ agreed to construct a dyke and related improvements around a plant owned by SKE in Manati, Puerto Rico ("SKE Plant"). The SKE Plant specializes in the recycling of industrial solvents received from industrial operations in Puerto Rico and the Caribbean and also has a fuels blending operation. HBZ substantially completed physical construction of the dyke and related improvements shortly after the Petition Date but, since it had not been paid for a substantial portion of its work, HBZ ceased all further performance under the contract pending SKE's assumption or rejection of the contract. On November 30, 2001, SKE filed a motion seeking authorization to reject the contract and HBZ filed its objection to the motion.

SKE does not have a use permit for the dyke constructed by HBZ. It is the position of HBZ that SKE's dyke requires a use permit and that SKE cannot obtain such a use permit under applicable Puerto Rican statutes and regulations without a sworn certification by HBZ.

SKE believed applicable rules and regulations do not require HBZ's certification in order to complete the permitting process for the dyke. HBZ then brought an adversary proceeding in the Bankruptcy Court and a civil action in the United States District Court in Puerto Rico. Each action sought a declaratory judgment with respect to whether a use permit was required for the dyke and as to whether the certification of HBZ was required to obtain such use permit. Subsequently, an order was entered by the Bankruptcy Court directing that these issues be determined by an appropriate Puerto Rico forum. HBZ has filed a Motion for Summary Judgment in the United States District Court of Puerto Rico which has not yet been ruled upon.

It is the position of HBZ that, if a use permit is required and if the certification of HBZ is necessary to obtain a use permit, then the Plan of Reorganization with respect to SKE cannot be confirmed without SKE assuming the contract as to SKE because SKE cannot show that it is managing and operating the SKE Plant according to the requirements of Puerto Rico. See 28 U.S.C. § 959(b)(1993). It is also HBZ's position that the lack of a use permit and the operation of the SKE Plant in violation of Puerto Rican law may also violate one or more loan covenants in the DIP Facility and the Exit Facility. SKE disagrees with HBZ and believes that it can complete the permitting process for the dyke without a certification from HBZ. Thus, SKE believes its position will prevail in the appropriate Puerto Rico forum.

**General Environmental**

The Company's hazardous and industrial waste services are continuously regulated by federal, state, provincial and local laws enacted to regulate the discharge of materials into the environment or primarily for the purpose of protecting the environment. This inherent regulation of the Company necessarily results in its frequently becoming a party to judicial or administrative proceedings involving all levels of governmental authorities and other interested parties. The issues that are involved generally relate to applications for permits and licenses by the Company and their conformity with legal requirements and alleged violations of existing permits and licenses. At March 11, 2003, subsidiaries of Safety-Kleen were involved in five proceedings in which a governmental authority is a party relating primarily to activities at waste treatment, storage and disposal facilities where the Company believes sanctions involved in each instance may exceed \$100,000.

The most significant environmental and regulatory proceedings are discussed below:

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES – Continued**

*i. Safety-Kleen (Pinewood), Inc.*

Pinewood owns and operated the Pinewood Facility, a hazardous waste landfill near the Town of Pinewood in Sumter County, South Carolina. By an order dated May 19, 1994 (“Order”), the South Carolina Board of Health and Environmental Control (“Board”) approved the issuance by DHEC of a RCRA Part B permit (the “Permit”) for operation of the Pinewood Facility. The Permit included provisions governing financial assurance and capacity for the facility.

The Order required Pinewood to establish and maintain an EIF in the amount of \$133 million in 1994 dollars (\$152.6 million in 2002 dollars) by July 1, 2004 as financial assurance for potential environmental cleanup and restoration of environmental impairment at the Pinewood Facility. The EIF has two components: (i) the GSX Contribution Fund, which was to be funded by Pinewood in annual cash payments over a ten year period; and (ii) the State Permitted Sites Fund, a legislatively created fund derived from fees on waste disposal at the Pinewood Facility. Under the Order, at the end of the 100-year post-closure care period, funding of the GSX Contribution Fund will be subject to evaluation by an independent arbitrator, who would determine what level of funding, if any, was still required. Pinewood was entitled to seek recovery of any excess amount so determined. Upon termination of the GSX Contribution Fund, any remaining trust assets would revert to Pinewood. In 1993 and 1994, Pinewood paid approximately \$15.5 million cash into the GSX Contribution Fund, which has grown to approximately \$20.9 million as of August 31, 2002.

In June 1995, the South Carolina legislature approved regulations (the “Regulations”) governing financial assurance for environmental cleanup and restoration. The Regulations gave owner/operators of hazardous waste facilities the right to choose from among alternative options for providing financial assurance. The options included insurance, a payment bond, a letter of credit, a cash trust fund and a corporate guaranty, subject to a financial soundness test.

Following extensive litigation, the South Carolina Court of Appeals issued a decision on April 4, 2000 (which became final on June 14, 2000). The Court of Appeals ruled that (1) the S.C. Regulations were invalid due to insufficient public notice during the promulgation procedure and Pinewood was required to immediately comply with the cash financial assurance requirements of the May 19, 1994 Order; and (2) both non-hazardous and hazardous waste disposed of at the landfill from the beginning of waste disposal needed to be counted against the Pinewood Facility’s permitted capacity, thereby leaving the Pinewood Facility with no unused permitted capacity.

On June 9, 2000, DHEC issued an Emergency Order finding that Frontier (the issuer of the bonds used by Pinewood to provide for financial assurance for the costs of closure and post-closure, and third party liability) no longer met regulatory standards for bond issuers. Based on this finding, DHEC ordered Pinewood to cease accepting waste for disposal by August 28, 2000, unless it could provide acceptable alternative financial assurance by June 27, 2000. On December 19, 2001, the United States Court of Appeals for the Fourth Circuit determined that DHEC’s June 9, 2000 Emergency Order was not subject to the automatic bankruptcy stay.

On June 14, 2000, when the Court of Appeals decision became final, DHEC sent notice by letter to the Pinewood Facility directing that Pinewood cease accepting waste for disposal in 30 days and commence steps to affect the permanent closure of the Pinewood Facility.

On June 22, 2000, DHEC notified Pinewood that the Court of Appeals’ decision vacated the Regulations and, therefore, Pinewood had the sole responsibility to provide cash funding into the EIF in accordance with the Order. The DHEC notice also directed Pinewood to provide information to DHEC within 15 days on how Pinewood would comply with the Order including payment into the GSX Contribution Fund. As of August 31, 2002, there was approximately \$20.9 million in the GSX Contribution Fund and approximately \$14.7 million in the State Permitted Sites Fund. In 2002 dollars, the total EIF funding requirement is approximately \$152.6 million. To comply with the financial assurance provisions of the Order, Pinewood would have to contribute \$117.0 million in (2002 dollars) by July 1, 2003, subject to the automatic stay provisions discussed below.

On September 26, 2000, the Pinewood Facility ceased accepting waste for disposal.

On December 4, 2000, DHEC filed proofs of claim against each of (i) Safety-Kleen, (ii) Safety-Kleen Services, Inc., (iii) Pinewood and (iv) Safety-Kleen Systems, Inc. with respect to the EIF. Each proof of claim was filed in the amount of approximately \$ 118.5 million (in 1994 dollars).

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

On December 4, 2000, the South Carolina Public Service Authority (also known as Santee Cooper) also filed proofs of claim against each of (i) Safety-Kleen, (ii) Safety-Kleen Services, Inc., (iii) Pinewood and (iv) Safety-Kleen Systems, Inc. (collectively, the "Santee Cooper Claims"). The Santee Cooper Claims did not set forth an identifiable amount or basis supporting such claims.

On September 14, 2001, Pinewood was served with a Notice of Violation and Enforcement Conference issued by DHEC, alleging four separate violations of the South Carolina Hazardous Waste Management Act at Pinewood's landfill. DHEC and Pinewood resolved these matters by entering into a Consent Order on October 11, 2002, giving DHEC an allowed, general unsecured claim in the amount of \$24,600.

**11. COMMITMENTS AND CONTINGENCIES – Continued**

On November 1, 2001, DHEC filed a motion in the Bankruptcy Court for an allowance of an administrative expense claim in the amount of approximately \$111.0 million against Pinewood, reserving all rights to file additional administrative expense claim motions against other Debtors. On November 8, 2001, the Debtors filed an objection to that motion asserting that no part of the claim is entitled to administrative status. On November 13, 2001, DHEC filed a reply to the Debtors' objection.

On October 15, 2002, the Debtors entered into a Settlement Agreement with DHEC to resolve pending claims relating to the Pinewood landfill and certain other claims. The settlement is subject to Bankruptcy Court approval and a number of other contingencies explained in more detail below.

The principal terms of the settlement are as follows:

1. The Pinewood Facility presently owned by Pinewood will be transferred on the effective date of the Plan of Reorganization (the "Effective Date") to a trust to be created to own and manage the Pinewood Facility through the closure and post-closure period. This trust (called the "Pinewood Site Trust") will have responsibility for completing closure of the Pinewood Facility over the next two years and then undertaking post-closure care over the next 100 years. Pinewood will transfer to the Pinewood Site Trust: (a) real property, including improvements thereto, owned by Pinewood and previously utilized in the operation of the Pinewood Facility; (b) personal property, including vehicles, machines, equipment and supplies, owned by Pinewood and located at the Pinewood Facility as of the Effective Date; (c) leasehold interests of Pinewood, subject to the terms of applicable leases, previously utilized in the operation of the Pinewood Facility; and (d) permits for the Pinewood Facility issued by DHEC.
2. Pinewood will provide specified funding to the Pinewood Site Trust. It will pay to the Pinewood Site Trust approximately \$13.2 million (subject to downward adjustment for work by Pinewood in the interim) on the Effective Date, to cover closure, and will transfer to the Pinewood Site Trust ownership of a single-payment, fully guaranteed annuity to be paid for by Pinewood, which will pay out \$133 million over the next 100 years. The cost of the annuity will depend on interest rates at the time it is purchased. If it were purchased presently, it is estimated that the cost would be approximately \$23 million.
3. Pinewood will propose, subject to DHEC's approval, a person or firm to serve as trustee for the Pinewood Site Trust. The funding to be provided by Pinewood to the Trust will be increased to include compensation for the Trustee and certain other costs to be determined. With these additional costs and the downward adjustments for work already done by Pinewood it is estimated that the payment on the Effective Date will be approximately \$12.0 million and the cost of the annuity would increase at present interest rates to approximately \$24.5 million.
4. A second trust, called the New Environmental Impairment Trust Fund, will be created to provide funds to be used by DHEC in the event of environmental impairment at Pinewood. The funds presently in the GSX Contribution Trust Fund will be transferred to this new trust, and Pinewood will pay another \$14.5 million into it. This trust fund can be utilized by DHEC for any environmental needs at the Pinewood Facility.
5. The two trusts, the Pinewood Site Trust and the New Environmental Impairment Trust Fund, will stay in existence for the next one hundred years, or longer, if necessary, to address continuing risks at the Pinewood Facility. Any funds or property remaining in such Trusts when they terminate will be transferred to DHEC or another state agency to be used for environmentally beneficial purposes.
6. In exchange for the foregoing, DHEC will release all Debtors, including any reorganized companies, from any further responsibility for the Pinewood Facility (except for any new violations arising between October 15, 2002 and the Effective Date). Once the required payments are made to the two trusts, no Debtor will have any further liability to those trusts.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

7. The settlement also resolves, with one exception, the many proofs of claim filed by DHEC including some proofs of claim involving South Carolina facilities other than Pinewood. Many of the proofs of claim filed by DHEC will be withdrawn with prejudice as part of the settlement. A number of other proofs of claim filed by DHEC are resolved by the allowance of general unsecured claims totaling approximately \$1.9 million, as specified in the Settlement Agreement and Exhibit G thereto. Some of these claims had been asserted as administrative expense claims. DHEC also releases Debtors from any other known claims that it has, and the parties agree to dismiss pending litigation between them. The Settlement Agreement does not resolve DHEC's claims for response costs incurred at the Hollis Road site, more extensively detailed in the case, entitled, *South Carolina Department of Health and Environmental Control v. Western Atlas, Inc., f/k/a/ Litton Industrial Automation Systems, Inc. and*

**11. COMMITMENTS AND CONTINGENCIES – Continued**

*successor-in-interest to Litton Business Systems, Inc., David Bright, individually and d/b/a Superior Container Service, Safety-Kleen (TG), Inc., Safety-Kleen Systems, Inc., and Hoover Building Systems, Inc., Case No. 3-00-17 60, currently pending before the United States District Court for the District of South Carolina (“USDCSC”). The Hollis Road site matter was settled in principal, subject to approval by the Bankruptcy Court and the USDCSC.*

8. DHEC will assign and transfer to Pinewood or its designee any and all claims that DHEC may have against Laidlaw or any of its subsidiaries or affiliates.

9. The settlement was contingent on a number of things. First, it only becomes effective when a plan of reorganization is effective. Second, receipt of releases to the Debtors from four other parties previously involved in litigation over Pinewood: the South Carolina Department of Natural Resources, Santee Cooper, Sierra Club, and State Senator Phil Leventis, all of which have been received. Third, the settlement is contingent on finding trustees acceptable to DHEC for the two trusts. One trustee has been approved and the second has been proposed and approval is pending. Finally, the settlement was contingent on receiving a private letter ruling from the Internal Revenue Service that the income on the annuity in the Pinewood Site Trust will not be taxable to the Trust because the Trust is a Qualified Settlement Fund within the meaning of Section 468B of the Internal Revenue Code and the Treasury regulations promulgated thereunder and because the State of South Carolina, the sole beneficiary of the trust, is not a taxable entity which has now been issued by the IRS.

The Debtors believe that the settlements and compromises are in the best interests of the Debtors. As set forth above, DHEC and the Debtors have been involved in significant litigation that the Settlement Agreement will resolve including, among other things, (i) closure and post-closure care of the Pinewood Facility, (ii) the proofs of claim filed by DHEC and Santee Cooper, and (iii) the administrative expense claims filed by DHEC. The Company has not determined the impact this settlement will have on the financial position and results of operations of the Company.

*ii. Marine Shale Processors*

Beginning in the mid 1980's and continuing until July 1996, one of the Debtors former vendors, Marine Shale Processors, Inc., located in Amelia, Louisiana (“Marine Shale”), operated a kiln, which incinerated waste producing a vitrified aggregate as a by-product. Marine Shale contended that its operation recycled waste into a useful product, i.e. vitrified aggregate, and therefore, was exempt from RCRA regulation and permitting requirements as a Hazardous Waste Incinerator.

During the course of its operation, Marine Shale produced thousands of tons of aggregate, some of which was sold as fill material at various locations in the vicinity of Amelia, Louisiana, but most of which is stockpiled on the premises of the Marine Shale facility.

The EPA contended that Marine Shale was a “sham-recycler” subject to the regulation and permitting requirements as a Hazardous Waste Incinerator under RCRA, that its vitrified aggregate by-product is a hazardous waste, and that Marine Shale's continued operation without required permits was illegal. Litigation between the EPA and Marine Shale with respect to this issue began in 1990 and continued until July 1996 when Marine Shale was ordered to shut down its operations by U.S. Fifth Circuit Court of Appeals.

Various unsuccessful attempts have been made by third parties to update and renew operations at the facility. The Debtors were, collectively, one of the largest customers of Marine Shale. As a result of past operations, soil and groundwater contamination may exist at the Marine Shale site and in the event Marine Shale does not operate in the future, the potential exists that the EPA will require cleanup of the Marine Shale site and the stockpiled aggregate under CERCLA. In this event, the Company could be exposed to potential financial liability for remediation costs as a potentially responsible party. In accordance with the CSD sale (see Note 18), the Company believes that Clean Harbors will indemnify the Company for any liability relating to this matter.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES – Continued**

*iii. RayGar Environmental Systems International Litigation*

On November 5, 1999, RayGar Environmental Systems International, Inc. (“RayGar”) filed a complaint in the Circuit Court of Covington County, Mississippi against Safety-Kleen and other defendants. The action was removed to the United States District Court for the Southern District of Mississippi, Hattiesburg Division, Civil Action No. 2:9CV376PG, and on August 7, 2000, RayGar filed its First Amended Complaint against Laidlaw, Laidlaw Investments, Ltd., LTI, LESI (now known as Safety-Kleen), LES, Inc. (a wholly-owned subsidiary of Safety-Kleen now known as Safety-Kleen Services, Inc.), Laidlaw Environmental Services (U.S.), Inc. (an indirect wholly-owned subsidiary of Safety-Kleen and predecessor to Safety-Kleen Services, Inc.), Laidlaw OSCO Holdings, Inc. (a wholly-owned subsidiary of Safety-Kleen now known as Safety-Kleen OSCO Holdings, Inc.), and Laidlaw International, alleging a variety of Federal antitrust violations and state law business torts. RayGar seeks damages it has allegedly sustained as a result of the defendants’ actions in an amount of not less than \$450 million in actual compensatory damages and not less than \$900 million for punitive damages.

The dispute arises from an unsuccessful effort pursuant to an agreement between RayGar and the Company, to obtain RCRA and related permits for the operation of a wastewater treatment facility in Pascagoula, Mississippi. This lawsuit is in the very early stages of discovery. Laidlaw, Laidlaw Investments, Ltd., LTI and Laidlaw International filed motions to dismiss the Complaint for lack of personal jurisdiction and for failure to state a claim upon which relief can be granted. The Court issued an order dismissing the motions as moot because the cases are stayed. This is not a determination on the merits of the motions. The action has not proceeded against the Company due to the filing of the Chapter 11 Cases. RayGar filed a motion to lift the automatic stay in the action. The motion was denied by the Bankruptcy Court.

On October 27, 2000, RayGar filed a proof of claim in the amount of \$1.4 million, attaching a copy of the original complaint. The Debtors believe that RayGar’s claims are not meritorious and intend to vigorously defend themselves against any and all such claims, in all appropriate forums.

*iv. Federated Holdings, Inc. Litigation*

On November 6, 2000, Federated Holdings, Inc. (“FHI”) filed a lawsuit against Laidlaw, Laidlaw Investments, Ltd., LTI, LESI, LES, Inc., Laidlaw OSCO Holdings, Inc., Laidlaw International, and Safety-Kleen in the United States District Court for the Southern District of Mississippi, Hattiesburg Division, Civil Action No. 2:00CV286 alleging a variety of Federal antitrust violations and state law business torts. FHI seeks damages it has allegedly sustained as a result of the defendants’ actions in an amount of not less than \$200 million in actual compensatory damages and not less than \$250 million for punitive damages.

The dispute arises from matters related to an effort pursuant to an agreement between FHI and a Safety-Kleen subsidiary to obtain RCRA and related permits for the operation of a hazardous waste landfill in Noxubee County, Mississippi. The lawsuit is in the very early stages of discovery. Laidlaw, Laidlaw Investments, Ltd., LTI and Laidlaw International filed motions to dismiss the Complaint for lack of personal jurisdiction and for failure to state a claim upon which relief can be granted. By order dated June 21, 2001, this action was consolidated with the RayGar action. The action has not proceeded against the Company due to the filing of the Chapter 11 Cases.

FHI did not file a proof of claim against the Debtors. The Debtors believe that these claims are not meritorious and intend to vigorously defend themselves against any and all such claims.

*v. Hudson County Improvement Authority Litigation*

In July 1999, Hudson County Improvement Authority (“HCIA”) filed suit in the Superior Court, Hudson County, New Jersey against SK Services (East), L.C. (“SK Services East”) (an indirect wholly-owned Safety-Kleen subsidiary), Safety-Kleen, American Home Assurance Company, and Hackensack Meadowlands Development Commission. An Amended Complaint was filed on August 18, 1999, in which HCIA sought damages and injunctive relief evicting SK Services East from a 175 acre site in Kearny, New Jersey owned by HCIA. SK Services East had been using the site pursuant to an Agreement and Lease dated as of February 2, 1997 (the “Agreement and Lease”) for the processing and disposal of processed dredge material. HCIA alleged that certain conditions precedent to SK Services East’s right to continue operations at the site had not occurred, that as a result the Agreement and Lease had automatically terminated, that SK Services East owed HCIA approximately \$11 million in back rent, and that SK Services East was obligated to finish the remediation of the site and its preparation for development as a commercial property. In January 2000, the Court granted HCIA summary judgment on its motion to declare the Agreement and Lease null and void as a result of the failure of the conditions precedent. This ruling effectively terminated the relationship between SK

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES – Continued**

Services East and HCIA leaving only the issue of the determination of the rights and responsibilities of the parties in the unwinding of the relationship. In May 2000, HCIA filed for summary judgment seeking an order declaring that SK Services East is obligated to complete all measures required under the Remedial Action Work Plan for the site. SK Services East filed a brief opposing the motion. In June 2000, HCIA withdrew its pending motion, with the Court's understanding that the motion could be re-filed if the automatic stay in connection with the Company's Chapter 11 Cases was lifted. On July 11, 2001 the Bankruptcy Court entered an Order authorizing the Company's rejection of the executory contracts and the unexpired lease to which SK Services East and HCIA were parties. The Order does not limit, abridge, or otherwise effect HCIA's right to assert and seek remedies regarding its pre- and/or post-petition claims against the Company for damages and other relief. Also on July 11, 2001 the Bankruptcy Court granted HCIA's motion to modify the Bankruptcy Code's automatic stay, and entered an Order permitting the Superior Court of New Jersey, Hudson County, to make its final determination regarding SK Services East contract termination obligations under the Agreement and Lease. On October 3, 2001, the Superior Court ruled that SK Services East was not required to complete all measures under the remedial action work plan and ordered SK Services East and HCIA to meet with the New Jersey Department of Environmental Protection and reach an agreement on reasonable measures that SK Services East should take under the circumstances. Discovery was completed and trial was set for March 3, 2003. Prior to commencement of trial, a tentative settlement, subject to approval of all principals and the Bankruptcy Court, was reached by the parties, providing for mandatory site cleanup, payment of \$2.15 million into an escrow account to fund certain cleanup activities, the cancellation of certain bonds held by American Home (AIG), the grant to American Home (AIG) of an unsecured, non-priority claim against the Safety-Kleen Debtors in the amount of \$2.31 million and releases by all parties. The settlement resolves the suit without payment of any amount by Safety-Kleen, or its related entities.

*vi. Bryson Adams Litigation*

In 1996, a lawsuit was filed in the federal court in Baton Rouge, Louisiana, under the caption *Carleton Gene Rineheart et al. v. CIBA-GEIGY Corporation, et al.*, U.S. District Court for the Middle District of Louisiana, CA #96-517, Section B(2). In October 1999, a substantially similar lawsuit was filed in state court in Lafayette Parish, Louisiana, under the caption of *Bryson Adams, et al. v. Environmental Purification Advancement Corporation, et al.*, Civil Action No. 994879, Fifteenth Judicial District Court, Parish of Lafayette, State of Louisiana. In December 2000, these two cases were consolidated with *Adams* designated as the lead case. In this consolidated litigation, plaintiffs are suing for alleged personal injury and/or property damage arising out of the operation of certain waste disposal facilities near Bayou Sorrel, Louisiana. The initial *Bryson Adams* lawsuit was filed on behalf of 320 plaintiffs against 191 defendants. Plaintiff's counsel has advised the court that they represent 1,100 plaintiffs. The Debtors have been informed that the total number of plaintiffs now exceeds 2,500.

A Safety-Kleen subsidiary, which owned and operated a hazardous waste deep injection well in Bayou Sorrel, Louisiana is named as a defendant. A different Safety-Kleen subsidiary is also named as a defendant for its alleged role as a generator and arranger for disposal or treatment of hazardous waste at certain of the disposal facilities, which are named in the litigation. It is alleged that the Safety-Kleen subsidiary was the operator of the injection well in question from 1974 through the present (however, as a result of the CSD sale, the subsidiary no longer operates the injection well). In addition to the claims asserted by the plaintiffs, there is the potential that the customers of the injection well, who are also defendants, may assert claims for indemnification against the Company.

The action was removed to the United States District Court for the Western District of Louisiana, where it bears the caption *Bryson Adams, et al. v. Environmental Purification Advancement Corporation, et al.*, Civil Action No. 99-1998, U.S.D.C., Western District of Louisiana, Lafayette-Opelousas Division. No substantive discovery commenced prior to the Debtors filing the Chapter 11 Cases. On March 13, 2001, a status conference was held in the consolidated matters.

Both plaintiffs and defendants were ordered to produce any evidence in their possession of migration from the disposal facilities by July 13, 2001, and a trial date was set for November 3, 2003. On June 15, 2001, the plaintiffs filed a motion to lift the automatic stay. On June 18, 2001, the Debtors filed a verified complaint and motion for temporary restraining order against the plaintiffs and on July 3, 2001 filed an objection to the lift stay motion. On September 13, 2001, the Bankruptcy Court approved a stipulation and agreed order with respect to *Bryson Adams, et al. v. Safety-Kleen (Plaquemine), Inc.* modifying the automatic stay solely to permit the Debtors to participate in a limited discovery in connection with the District Court Action.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**11. COMMITMENTS AND CONTINGENCIES – Continued**

*vii. FUSRAP Waste Disposal at Safety-Kleen (Buttonwillow), Inc.*

Safety-Kleen (Buttonwillow), Inc., a subsidiary of Safety-Kleen, owned and operated a hazardous waste landfill in Kern County California (the "Buttonwillow Landfill"). The Buttonwillow Landfill accepted and disposed of construction debris that originated at a site in New York, which was part of the federal Formerly Utilized Sites Remediation Program ("FUSRAP"). The construction debris was low-activity radioactive waste and was shipped to the Buttonwillow Landfill by the U.S. Army Corps of Engineers ("USACE"). FUSRAP was created in the mid-1970s in an attempt to manage various sites around the country contaminated with residual radioactivity from activities conducted by the Atomic Energy Commission and United States military during World War II. The California Department of Health Services ("DHS") has claimed that the Buttonwillow Landfill did not lawfully accept the waste. Both DHS and the Department of Toxic Substances Control ("DTSC") have filed claims in the Debtors' Chapter 11 Cases preserving the right of the agencies to seek penalties and possibly compel removal of the material should an ongoing investigation reveal the subsidiary acted improperly. DHS claimed penalties in the amount of \$0.5 million and potential removal costs of \$15.5 million should DHS have to oversee and/or conduct the removal. The proof of claim filed by the DTSC was in the amount of \$15.0 million for potential penalties plus an unspecified amount for any costs the DTSC may incur should the subsidiary be forced to remove the waste. The subsidiary and the USACE contend the material was properly disposed of and will vigorously resist the imposition of any penalties or any efforts to require that waste be removed. As of March 14, 2003, no regulatory enforcement action has been brought in this matter by any regulatory agency. The Company believes that liability, if any, for this matter has been transferred to Clean Harbors pursuant to the sale of the CSD (see Note 18).

*viii. Safety-Kleen (BDT), Inc.*

On August 14, 2002, a Company subsidiary, originally intended to be sold as part of the sale of the CSD (see Note 18), was damaged extensively by fire. As a result, neither the permit nor the title to the property transferred to Clean Harbors, although Clean Harbors agreed to undertake remedial activities at the site and to fully indemnify the Company as if Clean Harbors had taken title. To avoid putting the facility through closure procedures pursuant to New York Department of Environmental Conservation ("NYDEC") regulations, NYDEC has required the Company and Clean Harbors to enter into a consent decree to transfer the permit. The Company is currently negotiating the transfer of the permit with Clean Harbors and NYDEC.

**12. STOCKHOLDERS' DEFICIT**

**Common Stock Shares**

Safety-Kleen is authorized to issue 250 million shares of its \$1 par value common stock and one million shares of its \$1 par value preferred stock. The Board of Directors determines the terms and conditions of each issue of preferred stock. No preferred stock has been issued. There was no issuance of shares or exercise of stock options in the year ended August 31, 2002.

**Other Comprehensive Income (Loss)**

Other comprehensive income (loss) for all periods presented consists of foreign currency translation adjustments and unrealized gains and losses on investments classified as available for sale under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Accumulated other comprehensive income (loss) consists of the following components (dollars in thousands):

	<b>Foreign currency translation adjustment</b>	<b>Unrealized (loss)/gain on marketable securities</b>	<b>Accumulated other comprehensive income (loss)</b>
Balance at August 31, 2001	\$ (8,483)	\$ 183	\$ (8,300)
Other comprehensive income (loss)	(414)	245	(169)
Disposal of Chemical Services Division	5,723	--	5,723
Balance at August 31, 2002	<u>\$ (3,174)</u>	<u>\$ 428</u>	<u>\$ (2,746)</u>

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**13. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

Carrying amounts reported in the unaudited consolidated balance sheet for cash and cash equivalents, accounts receivable, accounts payable and accrued other liabilities approximate fair value due to the short-term nature of these instruments.

Long-term investments – The fair value of the restricted funds held by trustees approximates carrying value (see Note 3).

Long-term debt – Due to the uncertainty resulting from the Chapter 11 Cases discussed in Note 2, the fair value of the Company's long-term debt as of August 31, 2002 is not determinable.

Fair value estimates are made at a specific point in time based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

**14. IMPAIRMENT**

The accompanying unaudited consolidated statement of operations reflects an element of operating expenses described as "Impairments." Included in this caption are provisions for impairments of assets determined in accordance with SFAS No. 121 and related provisions for closure, post-closure and other liabilities for facilities to be closed, where appropriate.

SFAS No. 121 requires the assessment of long-lived assets for impairment whenever events ("triggering events") occur which may indicate that those assets have become impaired. Triggering events may be events, which directly cause impairment (e. g., decisions to close facilities or the effects of new government regulations) or may be indicators of the existence of other direct causes of impairment (e. g., continuing or increasing losses, declining customer demand, etc.).

In connection with its comprehensive review of its operations, the Company evaluated recoverability of long-lived assets at August 31, 2002 by reference to estimated future cash flows. The impairment and other charges of \$17.7 million in the accompanying statement of operations principally relates to the write-down to fair market value of certain facilities which have been closed during the year. Management based fair value on their best estimate of sales value less cost to sell.

These impairment charges primarily relate to the following:

Software relating to the implementation of a new accounting system	\$ 9.1
Tech center closure	3.9
Branch closures	2.7
Other	2.0
	\$ 17.7

**15. REORGANIZATION ITEMS**

Reorganization items as reported in the accompanying unaudited statement of operations are comprised of income, expense and loss items that were realized or incurred by the Debtors as a direct result of the Company's decision to reorganize under Chapter 11. During the year ended August 31, 2002, reorganization items were as follows (dollars in thousands):

Professional fees directly related to the Chapter 11 filing	\$ 32,682
First DIP Facility commitment fees and amortization of financing costs	9,604
Rejected operating leases	976
Interest earned on cash accumulated during Chapter 11	(782)
Accrued employee retention plan costs	5,760
Other	2,957
	\$ 51,197

The net cash payments made during the year ended August 31, 2002 with respect to the reorganization items listed above were approximately \$8.5 million.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**16. DERIVATIVES AND RISK MANAGEMENT**

During March 2000, the Company's existing derivative contracts were involuntarily terminated from cross-default provisions between the Company's Senior Credit Facility, and its International Swap Dealers Association Master Agreements. As a consequence of these terminations, the Company has a net derivative liability of \$65 million at August 31, 2002, which is reflected in the accompanying consolidated financial statements as a liability subject to compromise (see Note 10) and ranks *pari passu* with amounts due under the Senior Credit Facility.

On December 15, 2000, the Bankruptcy Court approved a multi-year marketing and distribution agreement between the Company and SystemOne. In connection with the agreement, the Company received a warrant with a five-year term to purchase 1,134,615 shares of SystemOne at a price of \$3.50 per share. In accordance with SFAS No. 133, the warrant has been recorded as a derivative asset at its estimated fair market value of \$0.6 million at August 31, 2002. The warrant received does not qualify for hedge accounting, and as such, changes in the fair value from the date of inception are charged to earnings, resulting in a derivative loss of \$0.5 million being recorded during the year ended August 31, 2002.

**17. EMPLOYEE BENEFIT PLANS**

Defined benefit plans

As of August 31, 2002, the Company did not sponsor any significant active defined benefit pension plans. For plans terminated during the year ended August 31, 2000, all accumulated benefits have been distributed to plan participants.

Effective as of October 14, 1997, the Company adopted a Supplemental Executive Retirement Plan (SERP) for certain eligible employees. The SERP is an unfunded plan that provides for benefit payments in addition to those payable under a qualified retirement plan. As of August 31, 2002, a liability of approximately \$2.2 million related to the SERP plan is recorded in other long-term liabilities.

Defined contribution plan

The Company offers to all eligible employees the opportunity to participate in the Company's defined contribution employee benefit plan (the "Safety-Kleen 401(k) Plan"). Employees are allowed to contribute up to 50% of their annual salary subject to the IRS annual maximum to the Safety-Kleen 401(k) Plan, and during the year ended August 31, 2002, the Company made matching contributions limited to 75% of the first 6% of an employee's eligible compensation. Employer contribution expense for the year ended August 31, 2002 was \$2.1 million. On February 10, 2002, the Board of Directors suspended matching contributions indefinitely.

Other

The Company provides medical benefits to approximately 70 former employees of Old Safety-Kleen. At the date of the acquisition of Old Safety-Kleen, the plan was frozen and subsequently terminated. The Company currently provides benefits to those remaining participants as required by the provisions of COBRA.

Effective September 8, 2000, the Company implemented the Senior Executive Retention Plan to provide a financial incentive to certain employees to remain with the Company during the turnaround and restructuring process. Under the terms of this plan, participants must be actively employed by the Company through the retention period, which ended on December 31, 2001. In addition, the Company has entered into retention bonus agreements for certain key executives whereby bonuses are payable upon the occurrence of certain defined events, such as filing of a plan of reorganization or the consummation of the sale of substantially all of the assets of the Company. The Company recognized \$5.8 million of expense related to these arrangements as a reorganization item in the accompanying unaudited consolidated statement of operations.

**18. DISCONTINUED OPERATIONS**

On June 18, 2002, the Bankruptcy Court approved the Company's definitive agreement to sell the CSD, excluding the Pinewood Facility. Accordingly, the unaudited results of operations have been classified as discontinued operations.

Effective September 7, 2002, the Company completed the sale of the CSD's net assets for approximately \$25 million in cash, subject to defined working capital adjustments, and the assumption of certain liabilities, which includes environmental liabilities valued at approximately \$250 million as of August 31, 2002. In accordance with the sale agreement, the parties have exchanged

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**18. DISCONTINUED OPERATIONS – Continued**

financial information regarding the working capital adjustment and purchase price adjustments. The parties are working to resolve their differences concerning these adjustments and neither party has submitted the dispute to binding arbitration for resolution as set forth in Section 1.7 of the sale agreement.

Revenues and unaudited results of operations from this discontinued operation for the year ended August 31, 2002 are as follows:

Revenues	\$ 435,101
Expenses	431,262
Income from operations of CSD	3,839
Loss on disposal of CSD	282,485

**19. CONDENSED COMBINED UNAUDITED FINANCIAL STATEMENTS OF ENTITIES IN BANKRUPTCY**

The following condensed combined unaudited financial statements are presented in accordance with SOP 90-7:

**Condensed Combined Unaudited Consolidating Statement of Operations**  
**Year Ended August 31, 2002**

In thousands	Entities in Reorganization Proceedings	Entities Not in Reorganization Proceedings	Eliminations	Consolidated Totals
Revenues	\$ 809,019	\$ 67,157	\$ (5,907)	\$ 870,269
Operating expenses	960,324	71,733	(5,907)	1,026,150
Operating loss	(151,305)	(4,576)	--	(155,881)
Interest expense, net <sup>(1)</sup>	(5,257)	1,609	--	(3,648)
Other (expense) income	(411)	(1,340)	--	(1,751)
Loss before reorganization items, income				
Taxes and minority interest	(156,973)	(4,307)	--	(161,280)
Reorganization items	(51,197)	--	--	(51,197)
Loss before minority interest	(208,170)	(4,307)	--	(212,477)
Minority interest	(465)	(361)	--	(826)
Loss from continuing operations	(208,635)	(4,668)	--	(213,303)
Discontinued operations, net of tax:				
Income from operations of Chemical				
Services Division	(14,358)	18,197	--	3,839
Loss on Disposal	(271,943)	(10,542)	--	(282,485)
Loss before extraordinary items	(494,936)	2,987	--	(491,949)
Extraordinary items	105	--	--	105
Net loss	\$ (495,041)	\$ 2,987	\$ --	\$ (491,844)

(1) Excluding contractual interest of \$194,342 for Entities in Reorganization Proceedings.

**SAFETY-KLEEN CORP.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**19. CONDENSED COMBINED UNAUDITED FINANCIAL STATEMENTS OF ENTITIES IN  
BANKRUPTCY - Continued**

**Condensed Combined Unaudited Consolidating Balance Sheet  
As of August 31, 2002**

In thousands	Entities in Reorganization Proceedings	Entities Not in Reorganization Proceedings	Eliminations	Consolidated Totals
<b>ASSETS:</b>				
Current assets	\$ 321,705	\$ 19,573	\$ --	\$ 341,278
Intercompany receivables	8,675	--	(8,675)	--
Property, plant & equipment, net	449,385	34,299	--	483,684
Investment in subsidiaries	984,635	(1,828,259)	843,624	--
Intangibles assets, net	1,337,011	2,037	--	1,339,048
Other assets	31,561	--	--	31,561
	<u>\$ 3,132,972</u>	<u>\$ (1,772,350)</u>	<u>\$ 834,949</u>	<u>\$ 2,195,571</u>
<b>LIABILITIES:</b>				
Current liabilities	\$ 293,028	\$ 65,762	\$ --	\$ 358,790
Intercompany payables	8,675	--	(8,675)	--
Non-current liabilities	171,318	21,823	--	193,141
Liabilities subject to compromise	2,474,652	--	--	2,474,652
Minority interest	960	--	--	960
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>				
	184,339	(1,859,935)	843,624	(831,972)
	<u>\$ 3,132,972</u>	<u>\$ (1,772,350)</u>	<u>\$ 834,949</u>	<u>\$ 2,195,571</u>

**20. SUBSEQUENT EVENTS**

On September 21, 2002, the 3E Company Environmental, Ecological and Engineering, now known as Environmental, Ecological and Engineering Company ("3E"), an indirect majority owned subsidiary of Safety-Kleen, completed the sale of substantially all of its assets to New 3E Company Acquisition Corporation ("New 3E"). New 3E was formed and capitalized by the minority shareholders of 3E, Messrs. Jess F. Kraus, IV, Robert M. Ward, Christopher Kraus, Jeremy Kisner and Ms. Linda Allen (collectively the "Minority Shareholders"). 3E was engaged in providing hazardous materials information management and emergency response services for environmental health and safety managers. Coincident with the sale of assets, Safety-Kleen Systems, Inc ("Systems"), an indirect wholly owned subsidiary of Safety-Kleen, completed the acquisition of 24.22% of 3E stock which it did not already own (all of the issued and outstanding shares owned by the Minority Shareholders) for approximately \$0.6 million cash, becoming the sole owner of the stock of 3E.

Pursuant to the terms of the Asset Purchase Agreement dated as of August 27, 2002 by and among 3E, New 3E, the Minority Shareholders, and Systems, as amended, New 3E purchased substantially all of the assets of 3E for approximately \$12.6 million, of which \$3.25 million is a promissory note due to 3E. 3E anticipates realizing again on the sale of assets in excess of \$5 million.

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**APPENDIX F**

**TO**

**DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED  
JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

**LIQUIDATION ANALYSIS**

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## LIQUIDATION ANALYSIS

The Debtors believe that (i) the Plan meets the “best interests of creditors” test of section 1129(a) (7) of the Bankruptcy Code and (ii) the members of each impaired class, other than Classes 8 and 9 which will receive no distribution, will receive at least as much as they would in a Chapter 7 liquidation.

General Notes:

### Intercompany Claims

As stated in Section 6.10 of the Plan, all claims between and among the Debtors shall, at the sole discretion of the applicable Debtor or Reorganized Debtor, be (a) preserved or reinstated, (b) released, waived and discharged, or (c) contributed to the capital of the obligor corporation. For the purposes of these liquidation analyses, all prepetition and postpetition intercompany obligations have been excluded due to the fact that they are subordinate to the DIP claim, the Prepetition Lender Claim, and other miscellaneous secured claims to be paid in full.

A liquidation analysis was performed for each individual debtor and the analyses are summarized below. For the purposes of this liquidation analysis, the DIP Facility Claim and Prepetition Lender Claim were reduced by the available estimated liquidation proceeds, as proceeds were available, in the following order: SKC, SK Services, CSD Subsidiaries, and SK Systems and BSSD Subsidiaries.

#### 1. *SKC*

The Debtors believe that the Plan meets the “best interest of creditors” test of section 1129(a)(7) of the Bankruptcy Code with respect to each Impaired Class of SKC. As of August 31, 2002, the only assets available for distribution pursuant to a Chapter 7 liquidation were cash and cash equivalents of approximately \$274,000, which were subject to the liens of the Class 3 Claimholders. All other impaired classes with respect to SKC would receive no distribution in a Chapter 7 liquidation. Thus, the Debtors believe that the members of each Impaired Class of SKC will receive at least as much as they would receive or retain in a Chapter 7 liquidation. The liquidation analysis for SKC is annexed as part of Appendix F to this Disclosure Statement.

#### 2. *SK Services*

The Debtors believe that the Plan meets the “best interest of creditors” test of section 1129(a)(7) of the Bankruptcy Code with respect to each Impaired Class of SK Services. As of August 31, 2002, the assets available for distribution pursuant to a Chapter 7 liquidation were cash and cash equivalents of approximately \$15.995 million, which were subject to the liens of the Class 3 Claimholders, and estimated proceeds from preference actions of \$3.268 million. All general unsecured impaired classes with respect to SK Services would receive no distribution pursuant to a Chapter 7 liquidation. Thus, the Debtors believe that the members of each general unsecured Impaired Class of SK Services will receive at least as much as they would receive or retain in a Chapter 7 liquidation. The liquidation analysis for SK Services is annexed as part of Appendix F to this Disclosure Statement.

### 3. *CSD Subsidiaries*

The Debtors believe that the Plan meets the “best interest of creditors” test of section 1129(a)(7) of the Bankruptcy Code with respect to each Impaired Class of CSD Subsidiaries. As of August 31, 2002, the only assets with value available for distribution pursuant to a Chapter 7 liquidation were cash, cash equivalents and miscellaneous assets with an estimated liquidation value of approximately \$75,000, which were subject to the liens of the Class 3 Claimholders. All other Impaired Classes with respect to the CSD Subsidiaries would receive no distribution in a Chapter 7 liquidation. Thus, the Debtors believe that the members of each Impaired Class of the CSD Subsidiaries will receive a distribution at least as much as they would receive or retain in a Chapter 7 liquidation. The liquidation analysis for CSD Subsidiaries is annexed as part of Appendix F to this Disclosure Statement.

### 4. *SK Systems and BSSD Subsidiaries*

The Debtors believe that the Plan meets the “best interest of creditors” test of section 1129(a)(7) of the Bankruptcy Code with respect to SK Systems and the BSSD Subsidiaries. The Debtors believe that the members of each Impaired Class of Claims against SK Systems and each of the BSSD Subsidiaries, will receive at least as much as they would receive or retain in a Chapter 7 liquidation. The liquidation analysis for SK Systems and BSSD Subsidiaries is annexed as part of Appendix F to this Disclosure Statement.

The Debtors believe that any liquidation analysis is speculative. To the extent that confirmation of the plan requires the establishment of hypothetical amounts for the liquidation value of the Debtors and the amount of funds available to pay Claims, the Bankruptcy Court will determine those amounts at the Confirmation Hearing.

The liquidation analysis necessarily contains an estimate of the amount of Claims which will ultimately become Allowed Claims. This estimate is based solely upon the Debtors’ incomplete review of Claims filed and the Debtors’ books and records. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected amounts of Allowed Claims set forth in the liquidation analysis. In preparing the liquidation analysis, the Debtors have projected an amount of Allowed Claims that is at the lowest end of a range of reasonableness such that, for purposes of the liquidation analysis, the largest possible liquidation dividend to holders of Allowed Claims can be assessed.

An orderly or forced liquidation would, in all likelihood, take a significant amount of time to complete. Should nominal delays occur, this would only serve to reduce the liquidation proceeds available. Moreover, this analysis does not assume any time discount of money.

For the purposes of this liquidation analysis, no proceeds were assumed for the outstanding PwC Litigation Claim because the PwC Litigation Claim is incapable of estimation.

The estimate of the amount of Allowed Claims set forth in the liquidation analysis should not be relied on for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims under the Plan.

The accompanying notes are an integral part of the Liquidation Analysis

**SAFETY-KLEEN CORP. LIQUIDATION ANALYSIS**

**STATEMENT OF ASSETS**

(\$ in 000s)

	Est. Book Value <i>(unaudited)</i>	Realization Rate	Est. Liquidation Value <i>(unaudited)</i>
Cash and Cash Equivalents (1)	274	100%	\$274
Estimated Proceeds from Laidlaw Litigation (2)	N/A		90,000
Estimated Proceeds from PricewaterhouseCoopers Litigation (3)	N/A		N/A
Total Proceeds (4)			<u><u>90,274</u></u>

**DISTRIBUTION ANALYSIS SUMMARY**

(\$ in 000s)

	Estimated Allowable Claim	Estimated Recovery Value	Estimated Recovery %
Total Estimated Liquidation Proceeds Available for Distribution to Secured Creditors		90,274	
Total Estimated Liquidation Proceeds Available for Distribution to Administrative, Priority, and Unsecured Creditors		<u>0</u>	
Total Estimated Liquidation Proceeds Available to All Creditors		90,274	
Misc. Secured Claims paid in full (5)	658	658	100%
Debtor-in Possession Facility (6)	56,417	56,417	100%
Prepetition Lender Claims (7)	<u>1,562,885</u>	<u>33,199</u>	2%
<b>Total Secured Claims</b>	1,619,960	90,274	
Total Estimated Liquidation Proceeds Available after Secured Claims		0	
<b>Administrative and Priority Claims</b>			
Total Priority Claims (8)	63	0	0%
Administrative Expenses Priority Claims (9)	<u>818</u>	<u>0</u>	0%
<b>Total Administrative and Priority Claims</b>	881	0	
Total Estimated Liquidation Proceeds Available after Administrative and Priority Claims		0	
<b>General Unsecured Claims</b>			
Prepetition Lender Deficiency Claim (10)	1,529,686	0	0%
9 1/4% Senior Notes	236,835	0	0%
9 1/4% Senior Subordinated Notes	340,783	0	0%
Other General Unsecured Claims (11)	<u>167,004</u> (12)	<u>0</u>	0%
<b>Total General Unsecured Claims</b>	<u>\$2,274,308</u>	<u>\$0</u>	
Total Estimated Liquidation Proceeds Available after Total General Unsecured Claims		(\$0)	

**The accompanying notes are an integral part of the Liquidation Analysis**

**NOTES TO SAFETY-KLEEN CORP. LIQUIDATION ANALYSIS**

- (1) Cash and Cash Equivalents are assumed to be realized at 100% of book value.
- (2) Estimated Proceeds from Laidlaw Litigation represents estimated proceeds from \$225 million settlement claim owed to Safety-Kleen Corp. by Laidlaw, based on price indications from market participants.
- (3) Estimated Proceeds from PricewaterhouseCoopers Litigation. This value is contingent upon many factors and thus cannot be estimated. For the purposes of this liquidation analysis, proceeds are assumed to be zero.
- (4) Total Liquidation Proceeds represent the total cash available to creditors after liquidating the assets. For purposes of this liquidation analysis, it does not include any potential recoveries from avoidance claims or litigation actions other than estimates for proceeds from the Laidlaw and PricewaterhouseCoopers litigation; however, this assumption is made only for the basis of presentation and should not be construed as an admission or waiver with respect to any avoidance claims or litigation actions.
- (5) Miscellaneous Secured Claims represents an estimate for the miscellaneous secured claims of all debtor entities which will be paid out in full upon liquidation. These claims include, without limitation: set-off claims, mechanics liens, equipment financing, and secured real property taxes. These claim amounts are subject to change.
- (6) Debtor-in-Possession Facility ("DIP Facility") represents outstanding balance of the DIP Facility as of 1/7/03 which is assumed to be comprised of outstanding L/Cs and drawn amounts on tranche A and tranche B.
- (7) Prepetition Lender Claims are assumed to have a first priority claim to the net liquidation proceeds available after the payment of liquidation costs necessary to liquidate the assets securing the claim, miscellaneous secured claims, and DIP superpriority administrative claims. The claim amount is a reasonable estimation of the secured claims. This number is subject to change and the claims are still subject to objection.
- (8) Total Priority Claims represents an estimate for the following priority claims including, but not limited to, income and franchise tax claims, real estate and personal property tax claims, sales tax claims, and certain environmental claims. These claim amounts are subject to change.
- (9) Administrative Expenses Priority Claims represents an estimated amount outstanding as of 1/7/03. These claim amounts are subject to change.
- (10) Prepetition Lender Deficiency Claim represents the residual claim of the secured creditors after the assets secured by liens on assets are liquidated. For purposes of this Liquidation Analysis, this deficiency claim is treated as a General Unsecured Claim. These claim amounts are subject to change.
- (11) Total General Unsecured Claims represents an estimate for all of the unsecured claims as of 1/7/03. This number is subject to change and all claims are still subject to objection.
- (12) Includes \$27,914 of unknown claims

The accompanying notes are an integral part of the Liquidation Analysis

**SAFETY-KLEEN SERVICES, INC. LIQUIDATION ANALYSIS**

**STATEMENT OF ASSETS**

(\$ in 000s)

	Est. Book Value <i>(unaudited)</i>	Realization Rate	Est. Liquidation Value <i>(unaudited)</i>
Cash and Cash Equivalents (1)	\$15,995	100%	\$15,995
Estimated Proceeds from Preference Actions (2)	N/A		3,268
Total Proceeds (3)			<u>19,263</u>

**DISTRIBUTION ANALYSIS SUMMARY**

(\$ in 000s)

	Estimated Allowable Claim	Estimated Recovery Value	Estimated Recovery %
Total Estimated Liquidation Proceeds Available for Distribution to Secured Creditors		15,995	
Total Estimated Liquidation Proceeds Available for Distribution to Administrative, Priority, and Unsecured Creditors		<u>3,268</u>	
Total Estimated Liquidation Proceeds Available to All Creditors		19,263	
Misc. Secured Claims paid in full (4)		120	100%
Debtor-in-Possession Facility (5)		0	N/A
Prepetition Lender Claims (6)	<u>1,529,686</u>	<u>15,875</u>	1%
<b>Total Secured Claims</b>	1,529,807	15,995	
Total Estimated Liquidation Proceeds Available after Secured Claims		3,268	
<b>Administrative and Priority Claims</b>			
Total Priority Claims (7)	914	12	1%
Canadian Administrative Claim (8)	79,378	1,075	1%
Administrative Expenses Priority Claims (9)	<u>161,070</u>	<u>2,181</u>	1%
<b>Total Administrative and Priority Claims</b>	241,361	3,268	
Total Estimated Liquidation Proceeds Available after Administrative and Priority Claims		0	
<b>General Unsecured Claims</b>			
Prepetition Lender Deficiency Claim (10)	1,513,812	0	0%
9 1/4% Senior Subordinated Notes	340,700	0	0%
Other General Unsecured Claims	<u>28,221</u>	<u>0</u>	0%
<b>Total General Unsecured Claims (11)</b>	\$1,882,733	\$0	
Total Estimated Liquidation Proceeds Available after Total General Unsecured Claims		\$0	

**The accompanying notes are an integral part of the Liquidation Analysis**

NOTES TO SAFETY-KLEEN SERVICES, INC. LIQUIDATION ANALYSIS

- (1) Cash and Cash Equivalents are assumed to be realized at 100% of book value.
- (2) Estimated Proceeds from Preference Actions represents assumed proceeds from preference actions. It is also assumed that all preference claims were paid by Services, and thus claims will be paid at liquidation through the administrative claims at Services. This analysis results in no recovery to the unsecured claims at liquidation.
- (3) Total Liquidation Proceeds represent the total cash available to creditors after liquidating the assets. For purposes of this liquidation analysis, it does not include any potential recoveries from avoidance claims or litigation actions; however, this assumption is made only for the basis of presentation and should not be construed as an admission or waiver with respect to any avoidance claims or litigation actions.
- (4) Miscellaneous Secured Claims represents an estimate for the miscellaneous secured claims of SK Services which will be paid out in full upon liquidation. These claims include, without limitation: set-off claims, mechanics liens, equipment financing, and secured real property taxes. These claim amounts are subject to change.
- (5) Debtor-in-Possession Facility ("DIP Facility") represents outstanding balance of the DIP Facility as of 1/7/03 after the paydown by SKC which is assumed to be comprised of outstanding L/Cs and drawn amounts on tranche A and tranche B.
- (6) Perpetition Lender Claims are assumed to have a first priority claim to the net liquidation proceeds available after the payment of liquidation costs necessary to liquidate the assets securing the claim, miscellaneous secured claims, and DIP superpriority administrative claims after paydown by Safety-Kleen Corp. The claim amount is a reasonable estimation of the secured claims. This number is subject to change and the claims are still subject to objection.
- (7) Total Priority Claims represents an estimate for the following priority claims including, but not limited to, income and franchise tax claims, real estate and personal property tax claims, sales tax claims, and certain environmental claims. These claim amounts are subject to change.
- (8) Canadian Lender Administrative Claims are the obligations owed to the Canadian banks and financial institutions or entities from time to time are parties to the Perpetition Credit Agreement and that certain bilateral agreement between Toronto-Dominion Bank and Safety-Kleen Ltd. which have been assumed by Safety-Kleen Services, Inc. pursuant to the Order Under 11 U.S.C. §§ 105 and 363(b) in Aid of Consummation of the Sale of Substantially All of the Assets and Certain Equity Interest of the Debtors' Chemical Services Division to Clean Harbors, Inc., dated September 6, 2002.
- (9) Administrative Expenses Priority Claims represent an estimated amount outstanding as of 1/7/03. For SK Services, this value is comprised primarily of post-petition trade payables and accrued expenses. These claim amounts are subject to change.
- (10) Perpetition Lender Deficiency Claim represents the residual claim of the secured creditors after the assets secured by liens on assets are met. For purposes of this Liquidation Analysis, this deficiency claim is treated as a General Unsecured Claim. These claim amounts are subject to change.
- (11) Total General Unsecured Claims represents an estimate for all of the unsecured claims as of 1/7/03. This number is subject to change and all claims are still subject to objection.

The accompanying notes are an integral part of the Liquidation Analysis

**SAFETY-KLEEN CSD SUBSIDIARIES LIQUIDATION ANALYSIS**

**STATEMENT OF ASSETS**

(\$ in 000s)

	Est. Book Value <i>(unaudited)</i>	Realization Rate	Est. Liquidation Value <i>(unaudited)</i>
Cash and Cash Equivalents (1)	\$75	100%	\$75
Total Liquidation Proceeds (2)			<u>75</u>

**DISTRIBUTION ANALYSIS SUMMARY**

(\$ in 000s)

	Estimated Allowable Claim	Estimated Recovery Value	Estimated Recovery %
Total Estimated Liquidation Proceeds Available for Distribution to Secured Creditors		75	
Total Estimated Liquidation Proceeds Available for Distribution to Administrative, Priority, and Unsecured Creditors		<u>0</u>	
Total Estimated Liquidation Proceeds Available to All Creditors		75	
Misc. Secured Claims paid in full (3)	3,879	75	2%
Debtor-in-Possession Facility (4)	0	0	N/A
Prepetition Lender Claims (5)	<u>1,513,812</u>	<u>0</u>	0%
<b>Total Secured Claims</b>	1,517,691	75	
Total Estimated Liquidation Proceeds Available after Secured Claims		0	
<b>Administrative Claims</b>			
Total Priority Claims (6)	1,732	0	0%
Administrative Expenses Priority Claims (7)	<u>45,480</u>	<u>0</u>	0%
<b>Total Administrative and Priority Claims</b>	47,212	0	
Total Estimated Liquidation Proceeds Available after Administrative and Priority Claims		0	
<b>General Unsecured Claims</b>			
Prepetition Lender Deficiency Claim (8)	1,513,812	0	0%
9 1/4% Senior Subordinated Notes	340,783	0	0%
Other General Unsecured Claims (9)	<u>105,247</u>	<u>0</u>	0%
<b>Total General Unsecured Claims</b>	\$1,959,842	\$0	
Total Estimated Liquidation Proceeds Available after Total General Unsecured Claims		\$0	

**The accompanying notes are an integral part of the Liquidation Analysis**

NOTES TO SAFETY-KLEEN CSD SUBSIDIARIES LIQUIDATION ANALYSIS

- (1) Cash and Cash Equivalents are assumed to be realized at 100% of book value.
- (2) Total Proceeds represent the total cash available to creditors after liquidating the assets. For purposes of this liquidation analysis, it does not include any potential recoveries from avoidance claims or litigation actions; however, this assumption is made only for the basis of presentation and should not be construed as an admission or waiver with respect to any avoidance claims or litigation actions.
- (3) Miscellaneous Secured Claims represents an estimate for the miscellaneous secured claims of all debtor entities which will be paid out in full upon liquidation. These claims include, without limitation: set-off claims, mechanics liens, equipment financing, and secured real property taxes.
- (4) Debtor-in-Possession Facility ("DIP Facility") represents outstanding balance of the DIP Facility as of 1/7/03 after the paydown by Safety-Kleen Corp. and Safety-Kleen Services, Inc. which is assumed to be comprised of outstanding L/Cs and drawn amounts on tranche A and tranche B.
- (5) Prepetition Lender Claims are assumed to have a first priority claim to the net liquidation proceeds available after the payment of liquidation costs necessary to liquidate the assets securing the claim, miscellaneous secured claims, and DIP superpriority administrative claims after paydown by SKC and SK Services. The claim amount is a reasonable estimation of the secured claims. This number is subject to change and the claims are still subject to objection.
- (6) Total Priority Claims represents an estimate for the following priority claims including, but not limited to, income and franchise tax claims, real estate and personal property tax claims, sales tax claims, and certain environmental claims.
- (7) Administrative Expenses Priority Claims represents an estimated amount outstanding as of 1/7/03. For the CSD entities, this value estimate comprises primarily of Pinewood. These claim amounts are subject to change.
- (8) Prepetition Lender Deficiency Claim represents the residual claim of the secured creditors after the assets secured by liens on assets are met. For purposes of this Liquidation Analysis, this deficiency claim is treated as a General Unsecured Claim. These claim amounts are subject to change.
- (9) Total General Unsecured Claims represents an estimate for all of the unsecured claims as of 1/7/03. This number is subject to change and all claims are still subject to objection.

The accompanying notes are an integral part of the Liquidation Analysis

**SAFETY-KLEEN SYSTEMS, INC. AND BSSD SUBSIDIARIES LIQUIDATION ANALYSIS (1)**

**STATEMENT OF ASSETS**

(\$ in 000s)

	Est. Book Value <i>(unaudited)</i>	Realization Rate	Est. Liquidation Value <i>(unaudited)</i>
Cash and Cash Equivalents (2)	\$2,682	100%	\$2,682
Trade and Other Accounts Receivable, Net (3)	97,810	69%	67,635
Inventories (4)	15,513	19%	2,993
Deferred Tax Assets (5)	32,824	0%	0
Prepaid Expenses (6)	4,508	10%	451
Other Assets (7)	9,120	0%	0
Property, Plant and Equipment (8)	371,142	34%	125,234
Investment in Subsidiaries (9)	2,285,625	0%	0
Goodwill and Other Intangibles (10)	1,331,676	1%	11,250
Total Liquidation Proceeds (11)			<u>210,245</u>

**DISTRIBUTION ANALYSIS SUMMARY**

(\$ in 000s)

	Estimated Allowable Claim	Estimated Recovery Value	Estimated Recovery %
Total Estimated Liquidation Proceeds Available for Distribution to Secured Creditors		210,245	
Total Estimated Liquidation Proceeds Available for Distribution to Administrative, Priority, and Unsecured Creditors		<u>0</u>	
Total Estimated Liquidation Proceeds Available to All Creditors		210,245	
Est. Liquidation Fees and Costs @ 15% (12)		<u>31,537</u>	
Total Estimated Liquidation Proceeds Available to All Creditors after Liquidation Fees and Costs		178,708	
Misc. Secured Claims paid in full (13)	4,216	4,216	100%
Debtor-in-Possession Facility (14)	0	0	N/A
Prepetition Lender Claims (15)	<u>1,513,812</u>	<u>174,492</u>	12%
<b>Total Secured Claims</b>	1,518,028	178,708	
Total Estimated Liquidation Proceeds Available after Secured Claims		0	
<b>Administrative and Priority Claims</b>			
Total Priority Claims (16)	6,900	0	0%
Administrative Expenses Priority Claims (17)	<u>754</u>	<u>0</u>	0%
<b>Total Administrative and Priority Claims</b>	7,654	0	
Total Estimated Liquidation Proceeds Available after Administrative and Priority Claims		0	
<b>General Unsecured Claims</b>			
Prepetition Lender Deficiency Claim (18)	1,339,320	(0)	(0%)
9 1/4% Senior Subordinated Notes	340,783	(0)	(0%)
Other General Unsecured Claims	<u>75,522</u>	<u>(0)</u>	(0%)
<b>Total General Unsecured Claims (19)</b>	\$1,755,625	\$(0)	
Total Estimated Liquidation Proceeds Available after Total General Unsecured Claims		(0)	

**The accompanying notes are an integral part of the Liquidation Analysis**

NOTES TO SAFETY-KLEEN SYSTEMS, INC. AND BSSD SUBSIDIARIES LIQUIDATION ANALYSIS (1)

- (1) BSSD Subsidiaries include all of the direct and indirect debtor subsidiaries of Safety-Kleen Systems, Inc. including: Dirt Magnet, Inc., Safety-Kleen EnviroSystems Company, The Midway Gas & Oil Co., Safety-Kleen EnviroSystems of Puerto Rico, Elgint Corporation, Petrocon Inc., SK Europe, Inc., Philips Acquisition Co., Ecogard, Inc., Safety-Kleen International Inc., Safety-Kleen Oil Recovery Company, Safety-Kleen Oil Recovery Services, Inc., SK Real Estate, Solvents Recovery Service of New Jersey, Safety-Kleen Consulting Inc.
- (2) Cash and Cash Equivalents are assumed to be realized at 100% of book value.
- (3) Through discussions with management, Lazard has analyzed accounts receivable aging to determine an estimated realizable value of 69%.
- (4) Inventories are generally assumed to be realized at 19% of net book value, unless otherwise indicated. Through discussions with management, Lazard analyzed the following inventory balances including, but not limited to: parts, clean and spent solvents, drums, precious metals and route supplies.
- (5) Deferred Tax Assets are generally assumed to be realized at 0% of net book value, unless otherwise indicated.
- (6) Prepaid Expenses are generally assumed to be realized at 10% of net book value, unless otherwise indicated. Lazard, in conjunction with management, analyzed the following including, but not limited to prepaid rents, deposits, prepaid leases, prepaid licenses.
- (7) Other Assets are generally assumed to be realized at 0% of net book value, unless otherwise indicated. Other Asset balances include, among others, long term investments, investment derivatives, and undisposed waste capitalization costs.
- (8) Property, Plant and Equipment are generally assumed to be realized at 34% of net book value, unless otherwise indicated. Lazard, in conjunction with management, analyzed the Company's fixed assets including buildings, land, machinery, work in progress and other fixed assets to determine estimated aggregate liquidation value.
- (9) Investment in Subsidiaries includes investments in remaining BSSD Subsidiaries including Dirt Magnet, Inc., Safety-Kleen EnviroSystems Company, The Midway Gas & Oil Co., Safety-Kleen EnviroSystems of Puerto Rico, Elgint Corporation, Petrocon Inc., SK Europe, Inc., Philips Acquisition Co., Ecogard, Inc., Safety-Kleen International Inc., Safety-Kleen Oil Recovery Company, Safety-Kleen Oil Recovery Services, Inc., SK Real Estate, Solvents Recovery Service of New Jersey, Safety-Kleen Consulting Inc. (all debtors) and Safety-Kleen Canada, Inc. (non-debtor). The asset values for these subsidiaries are not included in the deconsolidated balance sheet shown for SK Systems. The investment in debtor subsidiaries is determined to be 0% on the basis of separate liquidation analyses for each of these entities. For Canada, the value of such investment is 0% because the secured claims at any direct or indirect debtor subsidiary of SK Systems have been estimated to be undersecured whether the assets in Canada are liquidated or are sold on a going-concern basis.
- (10) Goodwill and Other Intangibles are generally assumed to be realized at 1% of net book value, unless otherwise indicated. Other intangibles include, but not limited to, goodwill, permits, customer lists, and computer software.
- (11) Total Liquidation Proceeds represent the total cash available to creditors after liquidating the assets. For purposes of this liquidation analysis, it does not include any potential recoveries from avoidance claims or litigation actions; however, this assumption is made only for the basis of presentation and should not be construed as an admission or waiver with respect to any avoidance claims or litigation actions.
- (12) Est. Liquidation Fees and Costs @ 15% are assumed to be 15% of the liquidation value of the assets. It includes wind-down costs, severance payments, professional fees, brokerage commissions and trustee fees incurred as part of the administration and liquidation process.
- (13) Miscellaneous Secured Claims represents an estimate for the miscellaneous secured claims of pertinent debtor entities which will be paid out in full upon liquidation. These claims include, without limitation: set-off claims, mechanics liens, equipment financing, and secured real property taxes. These claim amounts are subject to change.
- (14) Debtor-in-Possession Facility ("DIP Facility") represents outstanding balance of the DIP Facility as of 1/7/03 after the paydown by SKC, SK Services, and CSD Subsidiaries which is assumed to be comprised of outstanding L/Cs and drawn amounts on tranche A and tranche B.
- (15) Prepetition Lender Claims are assumed to have a first priority claim to the net liquidation proceeds available after the payment of liquidation costs necessary to liquidate the assets securing the claim, miscellaneous secured claims, and DIP superpriority administrative claims after paydown by Safety-Kleen Corp., Safety-Kleen Services Inc., and CSD entities. The claim amount is a reasonable estimation of the secured claims. This number is subject to change and the claims are still subject to objection.
- (16) Total Priority Claims represents an estimate for the following priority claims including, but not limited to, income and franchise tax claims, real estate and personal property tax claims, sales tax claims, and certain environmental claims. These claim amounts are subject to change.
- (17) Administrative Expenses Priority Claims represent an estimated amount outstanding as of 1/7/03. These claim amounts are subject to change.
- (18) Prepetition Lender Deficiency Claim represents the residual claim of the secured creditors after the assets secured by liens on assets are met. For purposes of this Liquidation Analysis, this deficiency claim is treated as a General Unsecured Claim. These claim amounts are subject to change.
- (19) Total General Unsecured Claims represents an estimate for all of the unsecured claims as of 1/7/03. This number is subject to change and all claims are still subject to objection.

**APPENDIX G**

**TO**

**DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED  
JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

**PRO FORMA FINANCIAL PROJECTIONS**

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## **Pro Forma Financial Projections**

The Debtors believe that the Plan meets the Bankruptcy Code's feasibility requirement that Plan confirmation is not likely to be followed by liquidation, or the need for further financial reorganization of the Debtors or any successor under the Plan unless such liquidation is proposed in the Plan. In connection with the development of the Plan, and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtors analyzed their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources. In this regard, management developed and refined the Business Plan and prepared financial projections (the "Projections") for the four-month period ending December 31, 2002 (the "Stub Year") and for the calendar years ending December 31, 2003 through 2007 (the "Projection Period").

The Debtors do not, as a matter of course, publish their business plans and strategies or projections, anticipated financial position or results of operations. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or projections to holders of Claims or Interests after the Confirmation Date, or to include such information in documents required to be filed with the SEC (if any) or otherwise make such information public.

In connection with the planning and development of the Plan, the Projections were prepared by the Debtors to present the anticipated impact of the Plan. The Projections assume that the Plan will be implemented in accordance with its stated terms. The Projections are based on forecasts of key economic variables, such as the demand for solvent and aqueous-based-parts washing, estimated hazardous waste generation, the Debtors' ability to relocate the headquarters in an efficient manner, and the Debtors' ability to acquire and implement new technology tools to drive improved performance. Accordingly, the estimates and assumptions underlying the Projections are inherently uncertain and are subject to significant business, economic and competitive uncertainties. Therefore, such Projections, estimates and assumptions are not necessarily indicative of current values or future performance, which may be significantly less favorable or more favorable than as set forth. The Projections were substantially completed in October 2002, with the exception of the Stub Year which represents the Debtors' unaudited actual performance.

**ALTHOUGH EVERY REASONABLE EFFORT WAS MADE TO BE ACCURATE, THE PROJECTIONS ARE ONLY AN ESTIMATE, AND ACTUAL RESULTS MAY VARY CONSIDERABLY FROM THE PROJECTIONS. IN ADDITION, THE UNCERTAINTIES WHICH ARE INHERENT IN THE PROJECTIONS INCREASE FOR LATER YEARS IN THE PROJECTION PERIOD, DUE TO INCREASED DIFFICULTY ASSOCIATED WITH FORECASTING LEVELS OF ECONOMIC ACTIVITY AND PERFORMANCE AT MORE DISTANT POINTS IN THE FUTURE. CONSEQUENTLY, THE PROJECTED INFORMATION INCLUDED HEREIN SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE DEBTORS, THE DEBTORS' ADVISORS, OR ANY OTHER PERSON THAT THE DEBTORS' WILL ACHIEVE THE PROJECTED RESULTS. THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARDS PUBLIC DISCLOSURE OR COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, THE PUBLISHED GUIDELINES OF THE SECURITIES AND EXCHANGE COMMISSION OR THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS REGARDING PROJECTIONS OR FORECASTS. THE PROJECTIONS HAVE NOT BEEN AUDITED OR REVIEWED BY THE DEBTORS' INDEPENDENT CERTIFIED ACCOUNTANTS. CREDITORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THE FOLLOWING PROJECTIONS IN DETERMINING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN.**

**SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:** The Projections contain statements which constitute "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. "Forward-looking statements" in the Projections include the intent, belief or current expectations of the Debtors and members of their management team with respect to the timing of, completion of and scope of the current restructuring, reorganization plan, strategic business plan, bank financing, and debt and equity market conditions and the Debtors' future liquidity, as well as the assumptions upon which such statements are based. While the Debtors believe that the expectations are based on reasonable assumptions within the bounds of their knowledge of their business and operations, parties in interest are cautioned that any such forward-looking statements are not guarantees of future performance, and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors currently known to management that could

cause actual results to differ materially from those contemplated by the forward-looking statements in the Projections include, but are not limited to, further adverse developments with respect to the Debtors' liquidity position or operations of the Debtors' various businesses, adverse developments in the Debtors' efforts to renegotiate their funding and adverse developments in the bank financing or public or private markets for debt or equity securities, or adverse developments in the timing or results of the Debtors' strategic business plan (including the time line to emerge from chapter 11), the difficulty in controlling industry costs and the ability of the Debtors to realize the anticipated general and administrative expense savings and overhead reductions presently contemplated, the ability of the Debtors to return the Debtors' operations to profitability, the level and nature of any restructuring and other one-time charges, the difficulty in estimating costs relating to exiting certain markets and consolidating and closing certain operations, and the possible negative effects of a change in applicable legislation.

### **Summary of Significant Assumptions**

The Debtors' management developed the Projections based on, among other things: (1) current and projected market conditions in each of the Debtors' respective markets, (2) no material change occurring to existing customer and supplier contracts, (3) the ability of the Debtors to maintain sufficient working capital to self-fund operations or to have access to financing sources to fund any deficiencies, and (4) confirmation of the Plan.

The Projections assume that the Debtors emerge from chapter 11 on May 1, 2003. All costs presented in the restructuring columns of the Projections are assumed to be incurred and paid if applicable on May 1, 2003. However, not all of the costs presented in that column will be paid immediately and may be paid when approved by the Bankruptcy Court, when negotiated or in the ordinary course of the Debtors' business.

The Plan contemplates the conversion of Secured U.S. Lender Claims, and Canadian Lender Administrative Claims into the new equity, the new subordinated debt and preferred equity of the Reorganized Debtors. The Debtors contemplate entering into an Exit Facility, which is assumed to be \$310 million for purposes of the Projections. The Projections reflect this proposed capital structure.

The Projections also contemplate settlements with DHEC and the Laidlaw Debtors. For more detailed information on the proposed settlements, please see Sections XII.C (pg. 66) and XII.B.19 (pg. 64) to the Disclosure Statement, entitled "Chapter 11 Cases - - Compromises and Settlements under the Plan" and "Chapter 11 Cases - - Postpetition Operations and Liquidity," respectively. For purposes of the Projections, it is assumed that the Debtors will consummate the settlement reached with DHEC requiring the Debtors to pay approximately \$50 million to fund the management of the closure and post-closure activities at the Pinewood Facility.

On January 23, 2003, the United States Bankruptcy Court for the Western District of New York entered an order approving the Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code for the Third Amended Joint Plan of Reorganization of Laidlaw USA, Inc. and its Debtor Affiliates. On or about February 27, 2003, the Bankruptcy Court confirmed the Laidlaw Debtors' third amended joint plan. According to the terms of the Laidlaw Debtors' disclosure statement and third amended plan, the Laidlaw Recovery has been estimated at 61.4% or approximately \$140 million in value. Of course, there can be no assurance that there will not be material variances between such estimates and the actual amount of the Laidlaw Recovery. The Projections further assume that the Debtors will be able to convert \$100 million of the value into cash prior to the Effective Date and utilize the cash to pay certain costs related to the confirmation of the Plan.

For purposes of the Projections, no value has been attributed to the litigation filed by Heritage-Crystal or the proof of claim filed by Heritage-Crystal on or about January 23, 2003 asserting an administrative claim for the full amount of damages sought in the Heritage-Crystal litigation.

The Projections incorporate "Fresh Start Reporting" principles, which the Debtors will be required to adopt upon emergence from bankruptcy. Fresh Start Reporting requires, among other things, that the Debtors' assets and liabilities be recorded at fair value on the Effective Date. As a result, the Debtors' Projections reflect reductions in the fixed assets, intangibles and deferred tax accounts to reflect Fresh Start Reporting.

## Balance Sheet Assumptions

Short Term Debt: Short-term debt consists of the DIP Facility prior to confirmation and the Exit Facility post confirmation of the Plan. For purposes of the Projections, a \$310 million revolving credit Exit Facility is assumed.

Accrued Other Liabilities: Projected accrued other liabilities are comprised of accrued interest, accrued salaries, accrued consulting fees, accrued severance and other operating accruals. The Projections assume that approximately \$59 million of consulting fees representing current accrued balances, accrued holdbacks and bonuses will be paid in cash on the Effective Date.

Current Portion of Long-Term Debt: Current portion of long-term debt consists of the Canadian Prepetition Credit Facility. The Projections assume that principal on the Canadian Prepetition Credit Facility is approximately \$65 million (USD) is restructured consistent with the treatment of Class 3 Secured U.S. Lender Claims.

Short and Long-Term Environmental Liabilities: Short and long-term environmental liabilities represent accrued expenses relating to remediation, closure and post-closure obligations. The forecasted decrease over the Projection Period represents the Debtors' expectations of cash expenditures net of incremental accrued liabilities incurred during the Projection Period.

Other Long-Term Liabilities: Other long-term liabilities are mainly comprised of \$250 million of New Notes that are issued in conjunction with the implementation of the Plan.

## Income Statement Assumptions

Revenues: Revenues per day, pricing and product/service mix approximate the daily run rate of fiscal 3rd quarter 2002 for the Stub Year. Revenue is forecasted to increase throughout the Projection Period with the following growth rates:

<u>Stub Year</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
N/A	2%	4%	5%	4%	3%

Product mix is assumed to remain constant from the current year through 2007. The revenue growth projection is predicated on a complete transformation of the field sales and service organization which includes the following: (1) a new organizational structure; (2) improved sales force effectiveness; (3) customer-retention related initiatives; (4) enhanced sales and service training; (5) improved marketing support and (6) technology enablement through hand-held devices, sales-force automation and order entry/billing enhancements.

Operating Expenses: Operating expenses are primarily comprised of disposal costs, labor costs, transportation costs, facility costs and material costs. Most categories are expected to increase throughout the Projection Period corresponding with increases in sales. Increases in operating expenses are forecasted to be less than increases in sales due to cost saving initiatives such as implementation of new handheld computers and enterprise resource planning technology, outsourcing of certain maintenance and logistics costs, renegotiation of transportation leases and right-sizing of the transportation fleet.

Impairments and Other Charges: Impairment and Other Charges represent the write down of intangible assets during the Stub Year to reflect the requirements of FAS 142 regarding impairment of goodwill and intangibles.

Other Income and Expenses: Other income and expenses primarily consist of gain on sale of 3E and other miscellaneous asset sales, forgiveness of debt income associated with the proposed Plan and additional losses incurred on the sale of the Debtors' Chemical Services Division related to post-closing working capital adjustments and recognition of the settlements with DHEC and the Laidlaw Debtors.

Reorganization Items: Reorganization items consist of DIP Facility fees and professional fees related to the Debtors' Chapter 11 Cases. Professional fees are forecasted to continue up to October 31, 2003.

Safety-Kleen  
Sources and Uses of Funds  
(Dollars in Thousands)

**Sources of Funds**

Estimated Cash balance at 4/30/02	\$ 15,000	
Cash portion of Laidlaw Recovery	100,000	
Proceeds from Exit Facility	<u>139,372</u>	
Total Sources of Funds		254,372

**Uses of Funds**

Cash Distribution in respect of Administrative Claims	\$ 64,022	
Cash Distribution on account of DIP facility (not including LOCs)	53,476	
Cash Distribution in respect of Priority Tax Claims	10,600	
Cash Distribution in respect of DHEC Administrative Claim	50,000	
Cash Distribution in respect of Class 1	3,400	
Cash Distribution in respect of Class 2	10,999	
Cash Distribution in respect of Classes 4 and 5	29,000	
Cash Advance in respect of Classes 6 and 7	1,250	
Refinancing Fees and Other Reorganization Costs	16,625	
Borrowing to maintain minimum cash balance	<u>15,000</u>	
Total Uses of Funds		254,372

**Excess Liquidity at Effective Date**

Cash on hand	\$	15,000
Total Exit Facility	310,000	
LOC Issued	(106,417)	
Cash Borrowings at Effective Date	<u>(139,372)</u>	
Sub-total		<u>64,211</u>
Total Excess Liquidity		79,211

**Safety-Kleen**  
**Projected Balance Sheets**  
**(Unaudited)**  
**(Dollars in Thousands)**

<b>Balance Sheets, as of December 31,</b>	<b>Unaudited December Stub 2002</b>	<b>Projected Unadjusted April-03</b>	<b>Projected Reorganization Adjustments</b>	<b>Projected Adjusted April-03</b>	<b>Projected 2003</b>	<b>Projected 2004</b>	<b>Projected 2005</b>	<b>Projected 2006</b>	<b>Projected 2007</b>
<b>Current Assets:</b>									
Cash and Deposits	\$ 59,369	\$ 15,000	\$ -	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Accounts Receivable	139,697	152,284	-	152,284	144,076	141,675	137,938	132,515	122,679
Inventory and Supplies	40,226	45,956	-	45,956	44,044	46,902	49,122	51,057	52,659
Deferred Income Taxes Assets	35,934	35,934	(35,934)	-	-	-	-	-	-
Other Current Assets	61,656	58,306	(19,712)	38,594	37,719	39,074	38,054	39,549	40,786
<b>Total Current Assets</b>	<b>336,881</b>	<b>307,480</b>	<b>(55,646)</b>	<b>251,834</b>	<b>240,839</b>	<b>242,650</b>	<b>240,114</b>	<b>238,120</b>	<b>231,124</b>
Property, Plant and Equipment, net	471,923	494,382	(90,159)	404,223	430,699	485,644	512,601	519,894	509,099
Intangible Assets	338,148	331,826	(206,216)	125,610	120,134	112,081	104,027	95,973	87,919
Other Assets	8,913	3,948	48,745	52,693	51,143	48,818	46,493	44,168	41,843
<b>Total Assets</b>	<b>\$ 1,155,865</b>	<b>\$ 1,137,635</b>	<b>\$ (303,276)</b>	<b>\$ 834,359</b>	<b>\$ 842,815</b>	<b>\$ 889,193</b>	<b>\$ 903,236</b>	<b>\$ 898,156</b>	<b>\$ 869,986</b>
<b>Current Liabilities:</b>									
Short Term Debt	\$ -	\$ 53,476	\$ 85,896	\$ 139,372	\$ 145,736	\$ 144,943	\$ 105,591	\$ 39,613	\$ 328,875
Accounts Payable	39,285	39,518	-	39,518	37,578	39,485	40,894	42,185	43,261
Unearned Revenue	54,780	56,775	-	56,775	56,775	59,352	62,161	64,608	66,635
Current Portion of Environmental Liabilities	12,056	9,519	-	9,519	10,560	9,778	6,924	5,646	5,262
Income Taxes Payable	24,636	23,898	-	23,898	23,898	23,898	23,898	23,898	23,898
Accrued Other Liabilities	140,745	124,458	(73,162)	51,296	50,137	52,335	54,730	56,816	58,543
Current Portion of Long Term Debt	65,029	65,029	(65,029)	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>336,531</b>	<b>372,673</b>	<b>(52,295)</b>	<b>320,378</b>	<b>324,684</b>	<b>329,791</b>	<b>294,197</b>	<b>232,766</b>	<b>526,474</b>
Environmental Liabilities	115,344	113,982	(58,232)	55,750	48,892	40,431	36,896	33,063	28,720
Deferred Income Taxes	58,812	58,812	(58,812)	-	-	-	-	-	-
Other Long Term Liabilities	29,669	32,604	250,000	282,604	299,862	323,915	350,133	378,710	32,604
Liabilities Subject to Compromise	2,474,652	2,468,148	(2,468,148)	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>3,015,008</b>	<b>3,046,219</b>	<b>(2,387,487)</b>	<b>658,732</b>	<b>673,437</b>	<b>694,137</b>	<b>681,226</b>	<b>644,540</b>	<b>587,799</b>
Preferred Equity	-	-	12,000	12,000	13,113	14,686	16,449	18,422	20,633
Common Stockholders' Equity	(1,859,143)	(1,908,583)	2,072,211	163,628	156,265	180,370	205,561	235,194	261,554
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,155,865</b>	<b>\$ 1,137,635</b>	<b>\$ (303,276)</b>	<b>\$ 834,359</b>	<b>\$ 842,815</b>	<b>\$ 889,193</b>	<b>\$ 903,236</b>	<b>\$ 898,156</b>	<b>\$ 869,986</b>



**Safety-Kleen**  
**Projected Income Statements**  
**(Unaudited)**  
**(Dollars in Thousands)**

<b>Income Statement</b>	<b>Unaudited Sep-Dec Stub 2002</b>	<b>Projected Jan-Apr 2003</b>	<b>Projected Reorganization Adjustments</b>	<b>Projected May-Dec 2003</b>	<b>Projected Adjusted 2003</b>	<b>Projected 2004</b>	<b>Projected 2005</b>	<b>Projected 2006</b>	<b>Projected 2007</b>
Revenues	\$ 275,438	\$ 283,024	\$ -	\$ 587,393	\$ 870,417	\$ 909,941	\$ 953,022	\$ 990,553	\$ 1,021,644
Expenses:									
Operating	179,712	185,535	-	371,774	557,308	545,775	564,016	581,719	597,704
Depreciation and Amortization	21,084	24,041	-	32,922	56,963	60,022	74,317	87,146	99,045
Selling, General & Administrative	94,999	82,177	-	136,210	218,387	209,946	211,611	211,096	215,460
Impairments and Other Charges	1,000,369	-	-	-	-	-	-	-	-
Operating Income	(1,020,726)	(8,728)	-	46,487	37,759	94,198	103,078	110,592	109,435
Interest Income (Expense)	(399)	(12,680)	-	(40,550)	(53,230)	(58,633)	(60,914)	(61,020)	(65,311)
Other (Expense) Income	8,786	(9,963)	127,270	(112)	117,195	(173)	(178)	(184)	(189)
Reorganization Items	(12,137)	(17,882)	-	(13,000)	(30,882)	-	-	-	-
Income before Taxes	(1,024,476)	(49,253)	127,270	(7,175)	70,842	35,391	41,985	49,388	43,934
Income Taxes	-	-	-	188	188	11,287	16,794	19,755	17,574
Net Income	<u>\$ (1,024,476)</u>	<u>\$ (49,253)</u>	<u>\$ 127,270</u>	<u>\$ (7,362)</u>	<u>\$ 70,654</u>	<u>\$ 24,105</u>	<u>\$ 25,191</u>	<u>\$ 29,633</u>	<u>\$ 26,361</u>
EBITDA	\$ 727	\$ 15,313	\$ -	\$ 79,409	\$ 94,722	\$ 154,220	\$ 177,395	\$ 197,738	\$ 208,480

Note: Management estimates that the Stub Year 2002 and Calendar Year 2003 include approximately \$33.5 million and \$35.8 million of unusual costs which are non-recurring.

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**APPENDIX H**

**TO**

**DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED  
JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

**CSD SELLING SUBSIDIARIES**

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### CSD Selling Subsidiaries

<b>LEGAL ENTITY</b>	<b>CASE NO.</b>	<b>EID. #</b>
Safety-Kleen (Consulting), Inc.	00-2305	36-3772680
Safety-Kleen (Lone and Grassy Mountain), Inc.	00-2306	73-0774247
Safety-Kleen (Tulsa), Inc.	00-2307	73-1072214
Safety-Kleen (San Antonio), Inc.	00-2308	74-1670248
Safety-Kleen (Wichita), Inc.	00-2309	48-1025760
Safety-Kleen (Delaware), Inc.	00-2310	57-1036619
SK Services (East), L.C.	00-2311	58-2356954
SK Services, L.C.	00-2312	58-2356951
Safety-Kleen (Rosemount), Inc.	00-2313	36-3645772
Safety-Kleen (Sawyer), Inc.	00-2314	76-0306990
Safety-Kleen (PPM), Inc.	00-2315	48-0926641
Ninth Street Properties, Inc.	00-2316	48-1009630
Safety-Kleen (San Jose), Inc.	00-2317	94-2685637
Chemclear, Inc. of Los Angeles	00-2318	76-0292745
USPCI, Inc. of Georgia	00-2319	76-0299932
Safety-Kleen Holdings, Inc.	00-2320	76-0289923
Safety-Kleen (Westmorland), Inc.	00-2321	57-0891474
Safety-Kleen (Buttonwillow), Inc.	00-2322	57-0891472
Safety-Kleen (NE), Inc.	00-2323	02-0335983
Safety-Kleen (Crowley), Inc.	00-2324	72-0989782
Safety-Kleen (LaPorte), Inc.	00-2325	76-0209879
Safety-Kleen (TG), Inc.	00-2326	57-0600257
Safety-Kleen (Roebuck), Inc.	00-2327	57-0811015
Safety-Kleen (TS), Inc.	00-2328	57-0784795
Safety-Kleen (Colfax), Inc.	00-2329	86-0713567
GSX Chemical Services of Ohio, Inc.	00-2330	34-1210390
LEMC, Inc.	00-2331	57-0987727
Safety-Kleen Chemical Services, Inc.	00-2332	04-2308230
Safety-Kleen (Altair), Inc.	00-2333	76-0187429
Safety-Kleen (BDT), Inc.	00-2335	16-1153020
Safety-Kleen (GS), Inc.	00-2336	62-1261102

<b>LEGAL ENTITY</b>	<b>CASE NO.</b>	<b>EID. #</b>
Safety-Kleen (Clive), Inc.	00-2337	73-1311262
Safety-Kleen (WT), Inc.	00-2338	31-0747129
Safety-Kleen OSCO Holdings, Inc.	00-2339	62-1478930
Safety-Kleen (Nashville), Inc.	00-2340	62-1268344
Safety-Kleen (Bartow), Inc.	00-2341	59-2692187
Safety-Kleen (Chattanooga), Inc.	00-2343	57-0853102
Safety-Kleen (Pecatonica), Inc.	00-2344	36-3337048
Safety-Kleen (White Castle), Inc.	00-2346	84-0619137
Safety-Kleen (Puerto Rico), Inc.	00-2347	35-1283524
Safety-Kleen (Bridgeport), Inc.	00-2348	23-1704900
Safety-Kleen (Deer Park), Inc.	00-2349	51-0228884
Safety-Kleen (Baton Rouge), Inc.	00-2350	51-0228882
Safety-Kleen (Plaquemine), Inc.	00-2351	51-1126035
Safety-Kleen (Custom Transport), Inc.	00-2352	51-0277687
Safety-Kleen (Tipton), Inc.	00-2354	43-1495372
Safety-Kleen (Gloucester), Inc.	00-2355	51-0336950
Safety-Kleen (Deer Trail), Inc.	00-2356	76-0167186
Safety-Kleen (Mt. Pleasant), Inc.	00-2357	58-1735252
Safety-Kleen (Minneapolis), Inc.	00-2358	41-1392441
Safety-Kleen (Aragonite), Inc.	00-2359	25-1563807
Safety-Kleen (Sussex), Inc.	00-2360	51-0262487
Safety-Kleen (Encotec), Inc.	00-2361	51-0290240
Safety-Kleen (FS), Inc.	00-2334	51-0268319
Safety-Kleen (California), Inc.	00-2342	65-0121392
Safety-Kleen (Los Angeles), Inc.	00-2353	95-3562319

**APPENDIX I**

**TO**

**DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED  
JOINT PLAN OF REORGANIZATION OF SAFETY-KLEEN CORP.  
AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

**PINEWOOD SITE SETTLEMENT AGREEMENT AND STIPULATED ORDER**

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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

-----x	:	
<b>In re:</b>	:	<b>Chapter 11</b>
	:	
<b>SAFETY-KLEEN CORP.</b>	:	<b>Case No. 00-2303 (PJW)</b>
<u>et al.</u> ,	:	
	:	<b>Jointly Administered</b>
<b>Debtors.</b>	:	
	:	
-----x	:	

**PINEWOOD SITE SETTLEMENT AGREEMENT AND STIPULATED ORDER**

Safety-Kleen Corp. and its direct and indirect subsidiaries, debtors and debtors-in-possession, and the South Carolina Department of Health and Environmental Control (“DHEC”) hereby enter into this Settlement Agreement, dated as of October 15, 2002, in final settlement of claims concerning the Pinewood Facility and other claims as described in this Settlement Agreement existing between Safety-Kleen and DHEC.

***The Pinewood Facility***

WHEREAS, Safety-Kleen (Pinewood), Inc. (“Pinewood”), a debtor and an indirect subsidiary of Safety-Kleen Corp., has operated a hazardous waste treatment, storage and disposal facility in Sumter County, South Carolina (the “Pinewood Facility”), pursuant to a final permit issued by DHEC on March 21, 1994 (the “Permit”). The Pinewood Facility includes a hazardous waste landfill; and

WHEREAS, the Permit required Pinewood to maintain certain financial assurances for closure, post-closure care and liability coverage for the Pinewood Facility; and

WHEREAS, pursuant to applicable law, Pinewood had provided assurances through surety bonds and insurance, including the Frontier Bonds issued by Frontier Insurance Company of Rock Hill, New York ("Frontier"); and

WHEREAS, the U.S. Department of Treasury announced on June 1, 2000 that it had removed Frontier from its Listing of Approved Sureties (Circular 570), and DHEC issued an Emergency Order on June 9, 2000, directing that Pinewood provide alternate financial assurance or commence steps to effect the permanent closure of the Pinewood Facility; and

WHEREAS, the Permit also regulated the capacity of hazardous waste that could be disposed of at the Pinewood Facility; and

WHEREAS, the South Carolina Court of Appeals determined on April 4, 2000 that no further capacity remained at the Pinewood Facility under the Permit, which determination became final on June 14, 2000; and

WHEREAS, DHEC demanded on June 14, 2000 that Pinewood commence steps to effect the permanent closure of the Pinewood Facility; and

***Safety-Kleen Bankruptcy***

WHEREAS, Safety-Kleen filed voluntary petitions for relief in this Court under Chapter 11 of the Bankruptcy Code on June 9, 2000 and are currently debtors and debtors-in-possession; and

WHEREAS, the United States Court of Appeals for the Fourth Circuit determined on December 19, 2001, that DHEC's June 9, 2000 Order was not subject to an automatic bankruptcy stay; and

WHEREAS, Pinewood ceased accepting waste for disposal in the Pinewood Facility landfill on or about September 25, 2000, and ceased any storage or treatment of off-site generated hazardous waste at the Pinewood Facility in 2001; and

WHEREAS, DHEC has informed Pinewood of the need to commence final closure of the Pinewood Facility and Pinewood has commenced certain closure activities; and

***Closure and Post-Closure Care of the Pinewood Facility***

WHEREAS, Pinewood has submitted (1) its revised Closure and Post-Closure Care Plan for the Pinewood Facility and (2) its request for a permit modification incorporating such Closure and Post-Closure Care Plan to DHEC for its approval, after a notice to the public, opportunity for comment and consideration of the comments received; and

WHEREAS, Pinewood has asserted that it lacks financial resources to undertake Closure and Post-Closure Care at the Pinewood Facility; and

WHEREAS, DHEC has asserted that Safety-Kleen entities other than Pinewood are also responsible for funding Closure and Post-Closure Care at the Pinewood Facility; and

WHEREAS, Safety-Kleen has disputed that such Closure and Post-Closure Care obligations run to entities other than Pinewood, and has also asserted that such other entities lack unencumbered assets sufficient to fund Closure and Post-Closure Care; and

WHEREAS, the parties wish to resolve promptly the issues of Closure and Post-Closure Care of the Pinewood Facility; and

***Potential Environmental Impairment at the Pinewood Facility***

WHEREAS, Pinewood and its predecessors have established pursuant to the Permit an environmental impairment trust fund for the Pinewood Facility to cover the cost of clean-up and remediation of environmental impairment at the Pinewood Facility, that has, as of August 31, 2002, a total amount of \$20,716,434.12; and

WHEREAS, South Carolina regulations previously authorized Pinewood to provide financial assurance against environmental impairment through mechanisms other than a cash trust fund, including insurance or corporate guarantees, but the South Carolina Court of Appeals invalidated such regulations on April 4, 2000, as improperly promulgated by DHEC; and

WHEREAS, DHEC has filed a proof of claim in the Bankruptcy Proceedings, alleging that Pinewood and other Debtors must pay \$118,544,715 (in 1994 dollars) into the GSX Contribution Trust Fund, to be used towards any necessary clean-up and remediation of environmental impairment of the Pinewood Facility during the 100 years following closure of that Facility; and

WHEREAS, DHEC has requested that the Bankruptcy Court treat \$111,477,474 of its \$118,544,715 claim as an administrative expense entitled to priority over all other creditors under bankruptcy law, and Debtors have opposed such request; and

WHEREAS, issues relating to an environmental impairment trust fund for the Pinewood Facility have been the subject of intensive litigation over more than a decade; and

WHEREAS, Pinewood has asserted that it lacks financial resources necessary to provide further payments to the GSX Contribution Trust Fund; and

WHEREAS, DHEC has asserted that Safety-Kleen entities other than Pinewood are responsible for funding the GSX Contribution Trust Fund; and

WHEREAS, Safety-Kleen has disputed that such obligation runs to entities other than Pinewood, and has also asserted that such other entities lack unencumbered assets sufficient to provide any significant funding to the GSX Contribution Trust Fund; and

WHEREAS, the parties desire to avoid the expense and uncertainty of continued litigation, and have therefore agreed to compromise and settle the various general unsecured and administrative expense claims of DHEC and certain other persons on the terms set forth herein; and

***Settlement***

WHEREAS, while this Settlement Agreement primarily concerns the Pinewood Facility, the parties also wish to resolve on a broad and final basis certain other claims and disputes between them described in the Settlement Agreement (with the exception of the Hollis Road Claim) of any type, whether or not pending, contingent or quantifiable; and

WHEREAS, to facilitate this Settlement Agreement, the Pinewood Property Prior Owner will transfer ownership of certain parcels of real estate located at the Pinewood Facility to Pinewood; and

WHEREAS, the goal of this settlement is the continuing care and maintenance of the Pinewood facility, subject to DHEC's regulation, for the benefit of DHEC and the public; and

WHEREAS, DHEC agrees that an effective and appropriate means to settle DHEC's claims relating to the Pinewood Facility is the transfer of the Pinewood Facility, and certain related assets as well as certain amounts of cash and an annuity contract as set forth herein, to an irrevocable trust (the Site Trust, as defined below), the sole beneficiary of which is to be DHEC; and

WHEREAS, this Settlement Agreement has been negotiated by the parties in good faith taking into account, among other things, the environmental conditions at the Pinewood Facility; long term responsibility for closure, post-closure, potential clean-up and remediation of environmental impairment at the Pinewood Facility; the parties' legal claims and defenses; the bankruptcy status of the Debtors and their financial condition; and the desire of all parties to avoid protracted, expensive and uncertain litigation over the Pinewood Facility; and

WHEREAS, this Settlement Agreement is fair, reasonable and in the public interest;

NOW, THEREFORE, without the admission or any adjudication of any issues of fact or law, and upon the consent and agreement of the parties to this Settlement Agreement by their attorneys and authorized officials and the Bankruptcy Court, Safety-Kleen and DHEC hereby agree as follows:

## **SECTION 1 DEFINITIONS**

1.01 Capitalized Terms. For all purposes of this Settlement Agreement, the following terms shall have the meanings set forth below:

“Bankruptcy Court” shall mean the United States Bankruptcy Court for the District of Delaware.

“Bankruptcy Proceedings” shall mean the above-referenced proceedings filed by Safety-Kleen Corp. and other Debtors in the United States Bankruptcy Court for the District of Delaware, Case No. 00-2303 (PJW) (jointly administered).

“Closure and Post-Closure Care” shall mean those activities required by the Closure and Post-Closure Care Plan and applicable South Carolina Hazardous Waste Management Regulations.

“Closure and Post-Closure Care Plan” shall mean the plans for closure and post-closure care in the effective Permit and approved permit application, including any future revisions made effective through the permit modification process under the South Carolina Hazardous Waste Management Regulations;

“Debtors” shall mean Safety-Kleen Corp. and its direct and indirect subsidiaries that filed for Chapter 11 bankruptcy protection in the Bankruptcy Proceedings.

“DHEC” shall mean the South Carolina Department of Health and Environmental Control, or its successor.

“Effective Date” shall have the meaning set forth in Section 4.01.

“Environmental Laws” shall mean the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”), 42 U.S.C. § 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq. (“RCRA”); the Clean Water Act, 33 U.S.C. § 1251 et seq.; the South Carolina Hazardous Waste Management Act, S.C. Code Ann. § 44-56-10, et seq.; and all similar federal, state, and local statutes and regulations issued thereunder as well as any administrative order, court order, or other requirement related to the environment, natural resources, or health and safety.

“Frontier” shall mean Frontier Insurance Company of Rock Hill, New York.

“Frontier Bonds” shall mean the surety bonds for closure, post-closure care and third party liability issued by Frontier having the Bond Nos. 113183, 133204 and 113184.

“Funding Completion Date” shall mean the date that the transfers of funds and property to the Site Trust and the New Environmental Impairment Trust Fund have been completed as required by Sections 5.02, 5.05 and 6.03.

“GSX Contribution Trust Fund” shall mean the environmental impairment trust fund presently in existence established pursuant to a trust agreement dated October 5, 1992 between NationsBank of South Carolina, N.A., as Trustee and GSX Services of South Carolina, Inc. as Grantor.

“Hollis Road Claim” shall mean the response costs referenced for the Hollis Road site, more extensively detailed in the case, entitled, *South Carolina Department of Health and Environmental Control v. Western Atlas, Inc., f/k/a Litton Industrial Automation Systems, Inc., and successor-in-interest to Litton Business Systems, Inc., David Bright, individually and d/b/a Superior Container Service, Safety-Kleen (TG), Inc., Safety-Kleen Systems, Inc., and Hoover Building Systems, Inc.*, Case No. 3-00-1760, currently pending before the United States District Court for the District of South Carolina.

“New Environmental Impairment Trust Fund” shall mean the trust established by the New Environmental Trust Fund Agreement.

“New Environmental Impairment Trust Fund Agreement” shall mean the trust agreement to be entered into pursuant to Section 6.01 that shall govern the New Environmental Impairment Trust Fund.

“Permit” shall mean the final South Carolina Hazardous Waste Permit SCD No. 070375985 issued by DHEC on March 21, 1994.

“Pinewood” shall mean Safety-Kleen (Pinewood), Inc.

“Pinewood Facility” shall mean the hazardous waste treatment, storage and disposal facility in Sumter County, South Carolina, that has been operated by Pinewood.

“Pinewood Property Prior Owner” shall mean Dargan P. Elliott Jr., his successors, heirs and assigns.

“Plan of Reorganization” shall mean any plan or plans of reorganization approved for Safety-Kleen as a result of the Bankruptcy Proceedings.

“Safety-Kleen” shall mean Safety-Kleen Corp. and its direct and indirect subsidiaries, and their successors, assigns and any reorganized company.

“Safety-Kleen Corp.” shall mean Safety-Kleen Corp., including its successors, assigns and any reorganized company.

“Site Trust Agreement” shall mean the Pinewood Site Custodial Trust Agreement between Pinewood and the Site Trustee, to be entered into pursuant to Section 5.01.

“Site Trust” shall mean the trust established by the Site Trust Agreement.

“Site Trust Annuity” shall mean the annuity purchased pursuant to Section 5.05(b).

“Site Trustee” shall mean the trustee of the Site Trust.

“Site Trust Estate” shall mean all right, title and interest in and to any and all real property of the Site Trust and any personal property including without limitation notes, securities, cash, funds and/or other assets contributed to the Site Trust by Pinewood or by any other persons or entities.

“Site Trust Fund” shall mean that portion of the Site Trust Estate other than the Site Trust Real Property.

“Site Trust Real Property” shall mean the Pinewood Facility real property previously owned by Pinewood and transferred to the Site Trust pursuant to Section 5.02(a); provided that the proceeds of any sale or other disposition of such real property shall be considered part of the Site Trust Fund.

## **SECTION 2**

### **AUTHORITY**

2.01 The undersigned representatives for Pinewood, for Safety-Kleen and for DHEC certify that, subject to Bankruptcy Court approval, they are fully authorized to execute and bind Pinewood, Safety-Kleen and DHEC, respectively, to this Settlement Agreement. Upon the Effective Date, this Settlement Agreement shall apply to and be binding upon Pinewood, Safety-Kleen and DHEC. The parties agree not to contest the validity of this Settlement Agreement in any subsequent proceeding arising from it.

## **SECTION 3**

### **BANKRUPTCY COURT APPROVAL**

3.01 This Settlement Agreement is expressly subject to the Bankruptcy Court's entry of an order approving the Settlement Agreement. Such order shall also include approval of the Site Trust Agreement and the New Environmental Impairment Trust Fund Agreement, which shall be substantially in the forms attached hereto as Exhibit A and Exhibit D, respectively. If Safety-Kleen has not obtained approval of this Settlement Agreement prior to proposing a Plan of Reorganization, the Plan of Reorganization shall provide that this Settlement Agreement is a material and integral part of such Plan of Reorganization and, if the Bankruptcy Court disapproves the Settlement Agreement at the Plan of Reorganization confirmation hearing, Safety-Kleen agrees that it shall seek to continue such hearing for twenty (20) calendar days to allow DHEC to assert its rights with respect to DHEC's administrative expense claim. In the event that this Settlement Agreement is not approved by the Bankruptcy Court, this Settlement Agreement shall be null and void, shall not be admissible in any pending or subsequent proceeding and the

parties reserve all their rights with respect to the pending claims before the Bankruptcy Court and any other claims between the parties. In such case, the GSX Contribution Trust Fund shall remain in force and effect except as otherwise amended in accordance with its terms.

#### **SECTION 4**

##### **EFFECTIVE DATE OF AGREEMENT AND CONDITIONS PRECEDENT**

4.01 The Effective Date of this Settlement Agreement (“Effective Date”) shall be the effective date for Safety-Kleen’s Plan of Reorganization.

4.02 In the event that each of the condition precedents set forth in this Section 4.02 has not been either satisfied or waived prior to the date set for the hearing on confirmation of the Plan of Reorganization, then this Settlement Agreement shall be null and void, shall not be admissible in any pending or subsequent proceeding and the parties reserve all their rights with respect to the pending claims before the Bankruptcy Court and any other claims between the parties.

(a) The parties shall obtain a ruling from the Internal Revenue Service that the income generated by the Site Trust Fund will be income excluded from gross income and not subject to federal income tax in accordance with Section 115 of the Internal Revenue Code;

(b) If the adjustment required by Section 5.11(a) exceeds the One and One-Half Million Dollar (\$1.5 million) threshold described in Section 5.11(c), then Pinewood shall have given notice of its willingness to make the full adjustment; and

(c) A Site Trustee and a trustee for the New Environmental Impairment Trust Fund shall have been selected pursuant to Sections 5.01 and 6.01, respectively.

## **SECTION 5**

### **PINEWOOD SITE CUSTODIAL TRUST**

5.01 The parties hereby agree to the creation of the Site Trust pursuant to the terms of the Site Trust Agreement. As promptly as practicable following the execution of this Settlement Agreement, Pinewood shall recommend a person to serve as the Site Trustee under the Site Trust Agreement, subject to the approval of DHEC. The parties shall execute the Site Trust Agreement, which shall be substantially in the form attached hereto as Exhibit A, upon the Effective Date of this Settlement Agreement.

5.02 Upon the Effective Date, the following shall be transferred to the Site Trust:

(a) Real property, including improvements thereto, owned by Pinewood and previously utilized in the operation of the Pinewood Facility;

(b) Personal property, including vehicles, machines, equipment and supplies, owned by Pinewood and located at the Pinewood Facility as of the Effective Date;

(c) Leasehold interests of Pinewood, subject to the terms of applicable leases, previously utilized in the operation of the Pinewood Facility; and

(d) Permits for the Pinewood Facility issued by DHEC.

The real property, personal property, leasehold interests and permits to be transferred shall be substantially as set out in Exhibit B hereto. **THE PROPERTY REQUIRED TO BE TRANSFERRED PURSUANT TO THIS SECTION SHALL BE TRANSFERRED "AS IS" AND "WHERE IS" WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.** The parties shall execute all necessary

documents related to such transfers within thirty (30) calendar days following the Effective Date. DHEC shall be the sole beneficiary of the Site Trust. After the transfers, Safety-Kleen shall not be deemed to be a current owner, operator, trustee, partner, principal, agent, shareholder, officer or director of the Pinewood Facility or the Site Trust, and nothing herein, including this sentence, shall be deemed to admit, imply or suggest that any Debtor other than Pinewood has ever been an owner, operator, trustee, partner, principal, agent, shareholder, officer or director of the Pinewood Facility or the Site Trust.

5.03 It is the express intent of the parties that the Site Trust shall be a Qualified Settlement Fund within the meaning of Section 468B of the Internal Revenue Code of 1986, as amended, and the Treasury regulations promulgated thereunder.

5.04 The assets of the Site Trust, including the Site Trust Real Property transferred pursuant to Section 5.02 and the funds and proceeds of the Site Trust Annuity transferred pursuant to Section 5.05, shall be used for compliance with the Permit, including, Closure and Post-Closure Care of the Pinewood Facility, and such other uses allowed by the Site Trust Agreement.

5.05 Pinewood agrees to provide funding to the Site Trust in the following forms and amounts; provided that such amounts shall be subject to adjustment pursuant to Section 5.11:

(a) Upon the Effective Date, Pinewood shall transfer to the Site Trust the following amount: Thirteen Million, One Hundred Sixty Two Thousand, Seven Hundred Sixty Eight Dollars (\$13,162,768).

(b) As promptly as practicable after the Effective Date, and no later than thirty (30) calendar days following the Effective Date, Pinewood will transfer to the Site

Trust the ownership of a single-payment, fully paid guaranteed annuity with a financial institution with a Moody's rating of Aa1 or higher, and a Standard and Poors rating of AA<sup>+</sup> or higher with a payout schedule providing for annual payments to the Site Trust in accordance with the schedule attached hereto as Exhibit C. Such annuity shall be separately guaranteed by another financial institution with at least Fifty Billion Dollars (\$50 billion) in assets. Within fourteen (14) calendar days following the execution of this Settlement Agreement, Pinewood shall provide DHEC a copy of the annuity proposed to be purchased under this Section.

(c) It is the express intent of the parties that any income received by the Site Trust from the Site Trust Annuity or on any of its other investments is income generated for the benefit of the Site Trust's sole beneficiary, DHEC, and should therefore be excluded from gross income and not be subject to federal income tax pursuant to the provisions of Section 115 of the Internal Revenue Code and other applicable legal principles.

5.06 DHEC agrees that the ownership by the Site Trust of the funds to be paid pursuant to Section 5.05(a) and the Site Trust Annuity shall satisfy in full the Site Trust's financial assurance obligations for closure and post-closure care of the Pinewood Facility under DHEC Hazardous Waste Management Regulation R.61-79.264, under the Permit, and under the South Carolina Hazardous Waste Management Act.

5.07 The Site Trust Agreement shall require the Site Trustee to provide DHEC and its representatives, including its contractors, access at all reasonable times to the Pinewood Facility. In addition, DHEC retains all of its access authority and rights under applicable law.

5.08 Provided that Pinewood has given DHEC its written request that the provisions of this Section 5.08 shall become effective, as of the Funding Completion Date, DHEC shall be deemed to have released and consented to the termination of the Frontier Bonds and DHEC shall, within fourteen (14) calendar days following the Funding Completion Date, notify Frontier in writing that such financial assurance is released and no longer required. DHEC shall execute such other documentation as Pinewood may reasonably request to verify this release and termination.

5.09 Upon and after the Funding Completion Date, Safety-Kleen shall have no obligation to provide financial assurance coverage at the Pinewood Facility and shall have no liability for Closure and Post-Closure Care; and nothing herein, including this sentence, shall be deemed to admit, imply or suggest that any Debtor other than Pinewood has ever had any such obligation or liability.

5.10 The Site Trust Agreement shall authorize and require the Site Trustee to grant DHEC a security interest in the Site Trust Fund and Site Trust Annuity as of the Effective Date.

5.11 The amount of the cash payments required to be contributed pursuant to Section 5.05(a) and/or the amounts of the annual payments to be made under the Site Trust Annuity as set forth in Exhibit C (collectively, the "Funding Amounts") shall be subject to adjustment prior to the Effective Date as set forth in subsections (a) and (b) below:

(a) Adjustments.

1. The Funding Amounts shall be increased in an amount equal to a reasonable estimate of the sum (reflecting present value) of (i) the aggregate amount to be paid to the Site Trustee as compensation over the life of the Site

Trust and (ii) the aggregate amount necessary to procure insurance for the Site Trust, in each case pursuant to the terms of the Site Trust Agreement (including compensation terms that may be negotiated with the Site Trustee after the execution of this Agreement).

2. The Funding Amounts shall be decreased in an amount equal to the sum of (i) in the case of work completed by Pinewood prior to the Effective Date with respect to Closure and Post-Closure Care of the Pinewood Facility, the amount of costs and expenses budgeted in the Closure and Post-Closure Care Plan for such work and (ii) in the case of work begun by Pinewood, but still in progress, prior to the Effective Date, an appropriate amount consistent with the budget in the Closure and Post-Closure Care Plan reflecting the work that has been completed as of the Effective Date. With respect to work that Pinewood completes prior to the Effective Date, Safety-Kleen may, in its discretion, submit periodic statements to DHEC of the proposed adjustments to the Funding Amounts arising out of such work. DHEC shall respond in writing within thirty (30) calendar days following its receipt of any such statement as to whether it accepts such adjustments. To the extent that DHEC accepts any such adjustments, it shall be precluded from disputing such adjustments under 5.11(b).

(b) Adjustment Amounts and Procedures. Pinewood shall determine the amount of increase or decrease to be made to the Funding Amounts and in what manner to allocate such increase or decrease among the Section 5.05(a) cash payment and the Site Trust Annuity annual payments. Pinewood shall provide DHEC a written description setting forth its calculation of and basis for such increase or decrease and allocation of such amount, which shall be subject to DHEC's approval. In the event that

the parties have a dispute regarding the amount of any adjustment to be made pursuant to Section 5.11(a)(2), such dispute shall be resolved as follows:

1. If the difference between the adjustment proposed by Pinewood and the adjustment proposed by DHEC is greater than One and One-Half Million Dollars (\$1.5 million), then at DHEC's option, exercised by written notice delivered to Pinewood, this Settlement Agreement shall be null and void, shall not be admissible in any pending or subsequent proceeding and the parties reserve all their rights with respect to the pending claims before the Bankruptcy Court and any other claims between the parties. If DHEC does not exercise its option pursuant to the preceding sentence, then the parties shall resolve the dispute in accordance with Section 5.11(b)(2) below.

2. If the difference between the adjustment proposed by Pinewood and the adjustment proposed by DHEC is less than or equal to One and One-Half Million Dollars (\$1.5 million), then the parties shall submit to binding arbitration, on the sole issue of the difference of the adjustment amounts, under and subject to the commercial Arbitration Rules of the American Arbitration Association ("AAA") then in effect. The arbitration shall be before one arbitrator, who shall be independent from the parties, chosen by the parties from among AAA's Panel of Commercial Arbitrators within seven (7) calendar days of the first filing before the AAA. If the parties cannot agree on an arbitrator, one shall be appointed by the AAA. The parties agree that the decision of the arbitrator shall be enforceable in any court.

(c) Notwithstanding Section 5.11(a)(1), in the event the sum of (i) the amount required by Section 5.11(a)(1) to be added to the cash payment to be contributed

pursuant to Section 5.05(a), and (ii) the increase in the purchase price of the Site Trust Annuity necessitated by the adjustments required by Section 5.11(a)(1) to the annual payments to be made under the Site Trust Annuity, exceeds One and One-Half Million Dollars (\$1.5 million) (reflecting present value), Pinewood shall notify DHEC in writing as to whether Pinewood shall make the full adjustment required by Section 5.11(a)(1). In the event Pinewood is not willing to make the full adjustment, this Settlement Agreement shall be null and void, shall not be admissible in any pending or subsequent proceeding and the parties reserve all their rights with respect to the pending claims before the Bankruptcy Court and any other claims between the parties.

## **SECTION 6**

### **NEW ENVIRONMENTAL IMPAIRMENT TRUST FUND**

6.01 The parties agree to the creation of the New Environmental Impairment Trust Fund pursuant to the terms of the New Environmental Impairment Trust Fund Agreement. As promptly as practicable following the execution of this Settlement Agreement, Pinewood shall recommend a person to serve as the trustee under the New Environmental Impairment Trust Fund Agreement, subject to the approval of DHEC. The parties shall execute the New Environmental Impairment Trust Fund Agreement, which shall be substantially in the form attached hereto as Exhibit D, upon the Effective Date of this Settlement Agreement. The funds in the New Environmental Impairment Trust Fund shall be for the sole benefit of DHEC and shall be used to pay for the costs of (i) clean-up; (ii) restoration of environmental impairment and (iii) addressing other environmental concerns, in each case, associated with the Pinewood Facility.

6.02 It is the express intent of the parties that the New Environmental Impairment Trust Fund shall be a Qualified Settlement Fund within the meaning of Section 468B of the Internal Revenue Code and the Treasury regulations promulgated thereunder.

6.03 The New Environmental Impairment Trust Fund shall be funded as follows:

(a) Pursuant to the terms of the New Environmental Impairment Trust Fund Agreement, the parties shall take all steps necessary to effect the transfer of all funds within the GSX Contribution Trust Fund to the New Environmental Impairment Trust Fund. Simultaneously with such transfer, the GSX Contribution Trust Fund and the GSX Contribution Trust Fund Agreement shall be deemed terminated and the GSX Contribution Trust Fund Agreement shall have no further force or effect and no party thereto shall have any further rights, obligations or liabilities thereunder. It is the parties' intention that the New Environmental Impairment Trust Fund Agreement shall replace and supercede the GSX Contribution Trust Fund Agreement in every way.

(b) Upon the Effective Date, Pinewood shall pay an additional Fourteen and One-Half Million Dollars (\$14.5 million) to the New Environmental Impairment Trust Fund.

6.04 It is the express intent of the parties that any income generated by the New Environmental Impairment Trust Fund will be for the benefit of the New Environmental Impairment Trust Fund's sole beneficiary, DHEC, and therefore will be income excluded from gross income and not subject to federal income tax in accordance with Section 115 of the Internal Revenue Code and other applicable legal principles. In the event that any

such income is determined to be gross income that is subject to federal income tax, any tax due shall be paid by the New Environmental Impairment Trust Fund.

6.05 Provided that Pinewood has given DHEC its written request that the provisions of this Section 6.05 shall become effective, as of the Funding Completion Date, DHEC shall be deemed to have released and consented to the termination or cancellation of each of the following insurance policies, surety bonds or other financial instruments or mechanisms providing coverage with respect to the Pinewood Facility; provided, however, that such termination or cancellation shall not affect coverage for claims that have accrued or arisen prior to such termination or cancellation: Policy Nos. NTL 1632416; 8193628; NTL 1632417; PEC000554401. Within fourteen (14) calendar days following the Funding Completion Date, DHEC shall notify Pinewood and its insurers (Reliance Insurance Company of Illinois, American International Specialty Lines Insurance Company, and Greenwich Insurance Company) in writing that the coverage is released and no longer required. DHEC shall execute such other documentation as Pinewood may reasonably request to verify this release and termination.

6.06 As of and after the Funding Completion Date, Safety-Kleen shall have no obligation to provide insurance coverage at the Pinewood Facility and shall have no liability for any occurrences or environmental impairment at the Pinewood Facility; and nothing herein, including this sentence, shall be deemed to admit, imply or suggest that any Debtor other than Pinewood has ever had any such obligation or liability.

6.07 DHEC agrees that it shall rely in the first instance upon and utilize the funds contributed to the New Environmental Impairment Trust Fund pursuant to Section 6.03(b) and any interest accrued thereon (less any allocated taxes and expenses) for the payment of any and all costs of clean-up and restoration of environmental impairment at

the Pinewood Facility. DHEC shall not bring any legal claims against any third party for the payment of such costs until the full amount of the payment pursuant to Section 6.03(b) (including any interest earned thereon, less any allocated taxes and expenses) has been committed, allocated, budgeted or expended for the purposes described in the preceding sentence.

## **SECTION 7**

### **ALLOWANCE OF CLAIMS**

7.01 DHEC filed claims pursuant to the bar date of December 6, 2000, established by the Bankruptcy Order of August 11, 2000. The claims for the closure, post-closure, and third party liability and the Frontier Bonds for the Pinewood Facility, Trumbull numbers 16049, 16050, 16051, and 16052, shall be deemed withdrawn with prejudice as of the Funding Completion Date, as are all applications for administrative expenses filed with respect thereto. The claims for the GSX Contribution Trust Fund and the environmental cleanup claim for the Pinewood Facility, Trumbull numbers 16108, 16109, 16110, and 16098, shall be deemed withdrawn with prejudice as of the Funding Completion Date, as are all applications for administrative expenses filed with respect thereto.

7.02 Pursuant to the Consent Order 02-22-HW, a general unsecured claim in the amount of Twenty Four Thousand, Six Hundred Dollars (\$24,600) shall be allowed against Pinewood.

7.03 Other claims filed by DHEC, which have been resolved by agreement of the parties, are described in Exhibit G. Each such claim shall be deemed allowed as of

the Effective Date against the particular Debtor listed in Exhibit G, in the amount listed in Exhibit G.

7.04 The parties reserve all of their rights with respect to the Hollis Road Claim.

7.05 The proofs of claim filed by DHEC having Trumbull numbers 16095, 16096 and 16097 shall be deemed withdrawn with prejudice as of the Funding Completion Date as are applications for administrative expenses filed with respect thereto.

## **SECTION 8**

### **RELEASE; COVENANT NOT TO SUE; DISMISSAL OF PENDING LITIGATION; PRESERVATION OF CLAIMS**

8.01 Upon the Funding Completion Date, the following liability of Safety-Kleen to DHEC shall be released and deemed satisfied, and DHEC covenants not to sue or take any other civil judicial or administrative claim or action against Safety-Kleen with respect to the following matters: (a) any and all liability of any kind, in law or in equity, whether or not pending, contingent or quantifiable, relating to the Pinewood Facility, including, without limitation any and all liability (i) for Closure and Post-Closure Care of the Pinewood Facility, (ii) with respect to the establishment and funding of an environmental impairment trust fund, (iii) with respect to response costs of DHEC or natural resource damages incurred at or from the Pinewood Facility, and (iv) for civil or administrative penalties for any alleged violations occurring prior to the Effective Date; and (b) any and all liability of any kind, in law or in equity, whether or not pending, contingent or quantifiable, with respect to conditions or conduct known to DHEC as of the date of the execution of this Settlement Agreement. The release and covenant not to

sue in the foregoing sentence shall not apply to the Hollis Road Claim or any liability arising from activities or conduct by Safety-Kleen that takes place after the Effective Date, or the rights of DHEC to pursue claims or actions against Safety-Kleen to enforce the terms of this Settlement Agreement. Notwithstanding the foregoing release and covenant not to sue in this Section 8.01, DHEC shall have the right to file an administrative expense claim or to take any other appropriate action with respect to any violation of law by Safety-Kleen arising during the period commencing on the date of the execution of this Agreement and ending on the Effective Date other than any alleged violation of law relating to the provision of financial assurances at the Pinewood Facility. Nothing in this Section 8.01 shall be deemed to limit in any manner the effect of any discharge received by Safety-Kleen as a result of the confirmation of the Plan of Reorganization.

8.02 The release, satisfaction and covenant not to sue provisions contained in the preceding Section 8.01 shall also apply to the present and past officers, directors, agents and employees of Safety-Kleen (but only to the extent that such parties' liability arises out of their capacity as present or past officers, directors, agents or employees of Safety-Kleen).

8.03 Upon the Funding Completion Date, DHEC covenants not to sue or take any other civil judicial or administrative claim or action against the Pinewood Property Prior Owner, arising from or relating to the Pinewood Facility, including, without limitation, claims under Environmental Laws; provided, however that the foregoing covenant not to sue shall not apply to any liability arising from activities or conduct by the Pinewood Property Prior Owner that take place after the Effective Date and provided further that the foregoing covenant not to sue shall become null and void if the Pinewood

Property Prior Owner has not transferred the real property listed in Part II of Exhibit B hereto to either Pinewood or the Site Trust as of or prior to the Funding Completion Date.

8.04 Within thirty (30) calendar days following the Funding Completion Date, the parties agree to dismiss with prejudice any pending judicial or administrative litigation between them, except litigation with respect to the Hollis Road Claim. This includes each of the actions or proceedings listed on Exhibit E hereto.

8.05 Safety-Kleen shall have received no later than fourteen (14) calendar days following the execution of this Settlement Agreement, duly signed and executed releases and agreements to dismiss, in the form attached hereto as Exhibit F, from the following parties: the South Carolina Department of Natural Resources, the South Carolina Public Service Authority (also known as Santee Cooper); Sierra Club; and Phil P. Leventis (collectively, the "Releasing Parties"). The release and agreement to dismiss shall provide, in consideration for all of Safety-Kleen's undertakings and agreements under this Settlement Agreement, for the Releasing Parties' release of, and covenant not to sue, Safety-Kleen or any of its past and present officers, directors, agents, or employees, or the Pinewood Property Prior Owner, for any claims or matters, in law or equity, whether or not pending, contingent or quantifiable, arising from or relating to the Pinewood Facility, including, without limitation, any claims under Environmental Laws. It shall also provide for the withdrawal with prejudice of any proof of claim filed by the Releasing Parties in the Bankruptcy Proceedings, and the dismissal with prejudice of the Releasing Parties' claims in any pending judicial or administrative proceeding filed by any Releasing Parties against Safety-Kleen. The release and the withdrawal of any proof of claim shall not become effective until the Funding Completion Date; provided that if the requirements of Sections 5.02, 5.05 and 6.03 are not satisfied, the release and the

withdrawal of any proof of claim shall become null and void. In the event that Safety-Kleen is not timely provided with one or more of the executed forms referred to above, at Safety-Kleen's option, Safety-Kleen shall have the right to (a) withdraw its approval of this Settlement Agreement and any request for approval of this Settlement Agreement from consideration of the Bankruptcy Court and DHEC shall consent to such withdrawal or (b) inform DHEC and the Bankruptcy Court of Safety-Kleen's intent to proceed with the Settlement Agreement notwithstanding the requirements of this Section 8.05. In the event that Safety-Kleen chooses to withdraw its approval of the Settlement Agreement, then this Settlement Agreement shall be null and void, shall not be admissible in any pending or subsequent proceeding and the parties reserve all their rights with respect to the pending claims before the Bankruptcy Court and any other claims between the parties.

8.06 DHEC and Safety-Kleen do not release and expressly reserve all claims, demands and causes of action either judicial or administrative, past or future, in law or equity, which DHEC or Safety-Kleen may have against any person, firm, corporation, or other entity not expressly released pursuant to this Settlement Agreement. Nothing in this Settlement Agreement shall be construed as or result in a release of any claims that DHEC or Safety-Kleen have against any person, firm, corporation, or other entity not expressly released pursuant to this Settlement Agreement.

8.07 Safety-Kleen shall have or retain all rights under federal and state statutory or common law to seek contribution or indemnification against, or protection from contribution or indemnification claims of, any and all other parties or entities not parties to this Settlement Agreement.

8.08 In the event that Safety-Kleen files suit against DHEC and/or a Releasing Party(ies), or their respective employees and agents, in contravention of Section 9.01 of this Settlement Agreement, then Sections 8.01 and 8.03 (in the case of a suit against DHEC or its employees and agents) and/or the release and withdrawal of claims with prejudice executed and delivered pursuant to Section 8.05 (in the case of a suit against a Releasing Party or its employees and agents), shall be null and void.

## **SECTION 9**

### **WAIVER OF CLAIMS**

9.01 In consideration of the entry of this Settlement Agreement, Safety-Kleen (and its officers, directors, agents and employees) release and covenant not to sue or take any other civil judicial or administrative claim or action against DHEC, any Releasing Party who has executed and delivered a release to Safety-Kleen in accordance with Section 8.05, or their respective employees and agents on any claim, counterclaim, or cause of action with respect to the Pinewood Facility, or for claims, counterclaims, or causes of action known by Safety-Kleen at the time of the execution of the Settlement Agreement, other than any claim or action to enforce the terms of this Settlement Agreement. The release and covenant not to sue in the foregoing sentence shall not apply to any liability arising from activities or conduct by DHEC or any such Releasing Party that takes place after the Effective Date. In the event that DHEC or any such Releasing Party files suit against Safety-Kleen (or its officers, directors, agents and employees) in contravention of Section 8 of this Settlement Agreement or such Releasing Party's release, as the case may be, this Section 9.01 shall be null and void as to the party filing such suit.

## **SECTION 10**

### **TRANSFER OF LAIDLAW CLAIMS**

10.01 Upon the Funding Completion Date, DHEC shall assign and transfer to Pinewood or its designee any and all claims that DHEC may have against Laidlaw, Inc. or any of its subsidiaries or affiliates. DHEC agrees to cooperate in all reasonable ways with Pinewood or its designee in its pursuit of any such assigned and transferred claims, and to complete and execute any documents that may be necessary to effectuate such assignment and transfer.

## **SECTION 11**

### **RETENTION OF JURISDICTION**

11.01 The Bankruptcy Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Settlement Agreement, or resolving any disputes arising hereunder until the Bankruptcy Proceedings are closed; provided, however, that nothing herein shall be deemed to prevent any party from seeking to reopen the Bankruptcy Proceedings to resolve a dispute under this Settlement Agreement. Enforcement of the terms of and resolution of any disputes under the Site Trust Agreement or the New Environmental Impairment Trust Fund Agreement, respectively, that do not involve Safety-Kleen as a party, shall not be considered disputes under this Settlement Agreement and shall be resolved in accordance with the terms of each such agreement.

## **SECTION 12**

### **GENERAL MATTERS**

12.01 This Settlement Agreement has been drafted jointly by counsel for all parties to the Settlement Agreement. The parties agree that the Settlement Agreement shall not be construed against any individual party as the drafter of the Agreement.

12.02 This Settlement Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior written and oral agreements, understandings and negotiations. All Exhibits hereto are deemed part of this Settlement Agreement and are incorporated herein and made a part hereof. The headings of this Settlement Agreement are for reference only and shall not be deemed to form part of the text or be used in the construction or interpretation of this Settlement Agreement.

12.03 No amendment, modification, or waiver of this Settlement Agreement shall be effective unless set forth in a written instrument executed by a duly authorized representative of each of the parties hereto and approved by the Bankruptcy Court. This provision shall not apply to the amendment, modification, or waiver of the Site Trust Agreement or the New Environmental Impairment Trust Fund Agreement, each of which may be amended, modified or waived in accordance with its terms.

12.04 Any notices or other correspondence required pursuant to this Settlement Agreement shall be sent to the following addresses and shall be sent by hand, certified mail (return receipt requested) or overnight express or courier service and shall be deemed given (i) at the time delivered, if by hand or (ii) at the time delivered to the courier service, if by overnight express. Written notice as specified herein sent to the last address provided to the sender hereunder shall constitute complete satisfaction of any written notice requirement of this Settlement Agreement.

1 **AS TO SAFETY-KLEEN:**

Safety-Kleen  
General Counsel  
1301 Gervais Street  
Columbia, S.C. 29201

With a copy to be sent to the following address of any notice or other correspondence sent to Safety-Kleen prior to the first anniversary of the Effective Date:

Arnold & Porter  
Thomas H. Milch  
555 12<sup>th</sup> Street N.W.  
Washington, DC 20004

2 **AS TO DHEC:**

South Carolina Department of Health and Environmental Control  
Deputy Commissioner for Environmental Quality Control  
2600 Bull Street  
Columbia, South Carolina 29201

With a copy to be sent to the following address of any notice or other correspondence sent to DHEC prior to the first anniversary of the Effective Date:

South Carolina Department of Health and Environmental Control  
E. Katherine Wells  
Office of General Counsel  
2600 Bull Street  
Columbia, South Carolina 29201

The persons identified in this Section for receipt of notices and correspondence may be changed upon written notice to the other parties.

12.05 This Settlement Agreement is binding upon and shall inure to the benefit of the parties hereto and their successors, assigns, receivers, and subsidiaries.

12.06 This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, but which, when taken together, shall constitute one and the same instrument.

12.07 This Settlement Agreement is being entered into by the parties as a result of a compromise and with the intention to avoid further disputes and litigation between the parties and their attendant inconvenience and expense. Accordingly, nothing in this Settlement Agreement shall be construed or deemed as an admission or acknowledgment by any party of the existence or nonexistence of any violation, culpability, fault, liability or wrongdoing whatsoever.

12.08 The parties to this Settlement Agreement agree to cooperate with one another to effectuate the Settlement Agreement and to take or perform all reasonable steps and acts necessary or appropriate to implement the Settlement Agreement in accordance with its terms.

12.09 The payments required to be made under Sections 5.05(a) and 6.03(b) shall be made in U.S. dollars, either by wire transfer of immediately available funds to the bank account or accounts specified by the recipient or by certified or cashier's check payable to the recipient. Safety-Kleen hereby guarantees the payments required to be made under Sections 5.05(a) and 6.03(b) and the obligation of Pinewood to transfer the Site Trust Annuity pursuant to Section 5.05(b) and shall make such payments and/or satisfy such obligation if Pinewood timely fails to do so.

12.10 All transfers of real and personal property and cash made pursuant to this Settlement Agreement shall be made free and clear of liens, encumbrances and other interests in accordance with Section 363(f) of the Bankruptcy Code and shall not be subject to any transfer taxes in accordance with Section 1146(c) of the Bankruptcy Code.

FOR SAFETY-KLEEN(PINEWOOD), INC:

By: Don M. Spink  
Title: President & Sole Director  
Date: 10-15-02

FOR SAFETY-KLEEN CORP. and other Safety-Kleen entities other than Safety-Kleen  
(Pinewood), Inc.

By: Jack K. Lehr  
Title: General Counsel  
Date: 10/15/02

FOR DHEC:

By: R. Lenni Brown  
Title: Deputy Commissioner  
Date: 10/15/02

SO ORDERED:  
United States Bankruptcy Judge

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## **INDEX OF EXHIBITS**

- Exhibit A      Site Trust Agreement**
- Exhibit B      List of Real Property, Personal Property, Leasehold Interests and Permits  
To Be Transferred**
- Exhibit C      Payout Schedule for Annual Payment to the Site Trust**
- Exhibit D      New Environmental Impairment Trust Fund Agreement**
- Exhibit E      List of Pending Judicial or Administrative Litigation to be Dismissed**
- Exhibit F      Release and Agreement to Dismiss for Specified Third Parties**
- Exhibit G      DHEC Allowed General Unsecured Claims**

## **PINEWOOD SITE CUSTODIAL TRUST AGREEMENT**

This PINEWOOD SITE CUSTODIAL TRUST AGREEMENT (the "Trust Agreement") is entered into this \_\_\_ day of \_\_\_, 2003, by Safety-Kleen (Pinewood), Inc. ("Pinewood") as grantor; \_\_\_\_\_ as trustee (the "Trustee"); and the South Carolina Department of Health and Environmental Control ("DHEC"), as sole beneficiary.

WHEREAS, Pinewood, an indirect subsidiary of Safety-Kleen Corp., has operated the Pinewood Facility (as defined below); and

WHEREAS, Safety-Kleen and DHEC have entered into a Settlement Agreement, dated October 15, 2002 (the "Settlement Agreement"), a copy of which is attached hereto as Attachment 4, to resolve disputes concerning the Pinewood Facility and other claims as described in the Settlement Agreement existing between them, which Settlement Agreement was approved by the United States Bankruptcy Court on \_\_\_\_\_, 2003, and this Trust Agreement is entered into pursuant to that Settlement Agreement; and

WHEREAS, pursuant to the Settlement Agreement, Pinewood has agreed to create a trust to manage the Pinewood Facility, and Pinewood has agreed to transfer specified real and personal property to such trust and to provide funding of such trust through cash payments and the transfer of a fully-funded annuity that will provide long-term income to the trust.

NOW, THEREFORE, Pinewood, DHEC and the Trustee agree as follows:

### **SECTION 1**

#### **DEFINITIONS**

##### **1.01 Capitalized Terms.**

For all purposes of this Trust Agreement, capitalized terms used herein shall have the meanings set forth below:

**“Bankruptcy Court”** means the United States Bankruptcy Court for the District of Delaware.

**“Beneficiary”** shall mean DHEC, as sole beneficiary of the Trust established by this Trust Agreement.

**“Closure and Post-Closure Care”** shall have the meaning ascribed to such term in the Settlement Agreement.

**“DHEC”** shall mean the South Carolina Department of Health and Environmental Control, and any successor agency.

**“Effective Date”** shall have the meaning set forth in Section 3.04.

**“Permit”** shall mean the final South Carolina Hazardous Waste Permit SCD No. 070375985 issued by DHEC on March 21, 1994.

**“Pinewood”** shall mean Safety-Kleen (Pinewood), Inc.

**“Pinewood Facility”** shall mean the hazardous waste treatment, storage and disposal facility in Sumter County, South Carolina, that has been operated by Pinewood.

**“Safety-Kleen”** shall mean Safety-Kleen Corp. and its direct and indirect subsidiaries, and their successors, assigns and any reorganized company.

**“Safety-Kleen Corp.”** shall mean Safety-Kleen Corp., including its successors, assigns and any reorganized company.

**“Trustee”** means the trustee who enters into this Agreement and any successor Trustee.

**“Trust”** shall have the meaning set forth in Section 3.01.

**“Site Trust Annuity”** shall have the meaning ascribed to such term in Section 5.05(b) of the Settlement Agreement.

“Site Trust Estate” “Site Trust Fund” and “Site Trust Real Property” shall have the meaning ascribed to them in Section 1.01 of the Settlement Agreement.

1.02 Incorporation of Certain Definitions. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Settlement Agreement.

## **SECTION 2**

### **AUTHORITY AND BANKRUPTCY COURT APPROVAL**

2.01 This Trust Agreement is expressly subject to approval by the Bankruptcy Court as set forth in Section 3 of the Settlement Agreement. The undersigned representatives for Pinewood, DHEC and the Trustee certify that, subject to Bankruptcy Court approval, they are fully authorized to execute and bind Pinewood, DHEC and the Trustee, respectively to this Trust Agreement. The parties agree not to contest the validity of this Trust Agreement in any subsequent proceeding arising from it.

## **SECTION 3**

### **NAME AND PURPOSE OF TRUST**

3.01 Name. This trust shall be known as “The Pinewood Site Custodial Trust” (the “Trust”).

3.02 Trust Purpose.

(a) The purpose of this Trust is to function for the sole benefit of DHEC, and for the public purpose of maintaining the Pinewood Facility in an environmentally protective manner and in accordance with applicable law. In particular and to that end the Trustee shall (i) receive, hold and maintain custody of the Site Trust Real Property in trust; (ii) receive, hold and manage the Site Trust Fund in trust; and (iii) effect Closure and Post-Closure Care of the

Pinewood Facility in accordance with South Carolina law or other applicable law and with the terms of the Settlement Agreement.

(b) The Trust's receipt, holding and management of the Site Trust Estate, including the Site Trust Real Property, shall be for the benefit and protection of the people of the State of South Carolina. DHEC shall be the sole beneficiary of the Trust.

3.03 Acceptance of Trust. By executing this Trust Agreement, the Trustee hereby accepts the duties, obligations and requirements specifically imposed on it by this Trust Agreement and the fiduciary trust obligations established by this Trust Agreement, and agrees to carry out and perform such duties, obligations and requirements as set forth in this Trust Agreement.

3.04 Date of Establishment of Trust. This Trust shall be established and become effective on the effective date of the Settlement Agreement pursuant to Section 4.01 of the Settlement Agreement (the "Effective Date").

3.05 Authority of DHEC. Nothing in this Trust Agreement shall derogate from the authority of DHEC to have access to and take response action with regard to the Pinewood Facility.

3.06 Tax Status of Trust. It is the express intent of the parties that the Trust shall be a Qualified Settlement Fund within the meaning of Section 468B of the Internal Revenue Code of 1986, as amended, and the Treasury regulations promulgated thereunder. It is also the express intent of the parties that any income received by the Trust on the Site Trust Annuity or on any of its other investments is income generated for the benefit of the Trust's sole beneficiary, DHEC, and should therefore be excluded from gross income and not be subject to federal income tax

pursuant to the provisions of Section 115 of the Internal Revenue Code and other applicable legal principles.

## SECTION 4

### DUTIES OF THE TRUSTEE

#### 4.01 Encumbrance of Trust Property.

(a) The Trustee shall not grant any security interest in, cause any lien to attach to or otherwise encumber the Site Trust Estate except as specifically permitted by this Trust Agreement.

(b) The Trustee is hereby authorized and directed to grant to DHEC a perfected, first priority security interest in the Site Trust Fund and the Site Trust Annuity and to execute such documents as DHEC deems necessary to document such security interest, including a security agreement and any UCC-1 financing statements.

4.02 Site Trust Fund Management. The Trustee shall use as a guide the Investment Guidelines, attached hereto as Attachment 2, consistent with the Trustee's other duties set forth in Section 4. The Trustee shall discharge its duties with respect to the Site Trust Fund solely in the interest of DHEC and the public and with the care, skill, prudence and diligence under the circumstances then prevailing which persons of prudence acting in a like capacity and familiar with such matters would use in the conduct of a like enterprise and with like aims, except that:

(a) No powers conferred upon the Trustee in this Trust Agreement shall be construed to enable the Trustee or any other person or entity to purchase, exchange, or otherwise deal with or dispose of all or any part of the principal or income of the Site Trust Fund for less than an adequate consideration in money or money's worth.

(b) No person other than the Trustee shall have or exercise the power to vote or direct the voting of any shares or other securities of the Site Trust Fund, to control the investment of the Site Trust Fund either by directing investments or reinvestment or by vetoing proposed investments or reinvestment, or to reacquire or exchange any property of the Site Trust Fund by substituting other property of an equivalent value.

(c) The Site Trust Fund shall not acquire or hold securities or other obligations of Safety-Kleen or its affiliates.

4.03 Closure and Post-Closure Care and Other Obligations. The Trustee shall:

(a) receive and hold title to the Site Trust Estate;

(b) perform such measures as are necessary or appropriate to comply with the Permit, including Closure and Post-Closure Care of the Pinewood Facility;

(c) perform other activities for the closure and post-closure care of the Pinewood Facility;

(d) authorize free and unimpeded access to the Site Trust Real Property to DHEC and DHEC's representatives, contractors, and agents;

(e) employ reasonable methods to control access to and prevent unauthorized entry upon, use of, or damage to the Site Trust Real Property; and

(f) comply with all relevant provisions of the Settlement Agreement.

4.04 Commencement of Duties; Use of Initial Funds. The Trustee shall be required to take no action until the initial funding of the Site Trust Fund pursuant to the Settlement Agreement.

4.05 Budgets

(a) Initial Budget. Within thirty (30) calendar days of the Effective Date, the Trustee shall prepare a budget for the remainder of the calendar year in which the Effective Date occurs.

(b) Annual Budgets. By November 30<sup>th</sup> of each year during the life of the Trust, the Trustee shall submit to DHEC a budget for the following calendar year.

(c) Content of Budget. Each budget shall provide adequately for all costs and expenses related to the Closure and Post-Closure Care of the Pinewood Facility during the year in question and other activities as referenced in this Section 4. Each budget shall include an explanation of the expenses that the Trustee believes should be funded, the projected levels of such expenses over time, and the bases for its projections.

(d) Use of Funds and Budgeting Process. The Trustee shall apply the assets in the Site Trust Fund toward the performance of the duties set forth in this Section 4 and as otherwise permitted by this Agreement, in accordance with the then current budget.

4.06 Application for Tax Abatements. It is the express intent of the parties that since the Site Trust Real Property is held by the Trustee for the sole benefit of DHEC and for the public purpose of protecting the environment that the Site Trust Real Property should not be subject to real property taxation. The Trustee shall make all necessary applications for exemption or abatements from property taxation and provide such additional information to Sumter County, South Carolina and the State of South Carolina as is necessary to ensure (to the extent within the control of the Trustee) that such real property is not subject to taxation.

## SECTION 5

### POWERS OF THE TRUSTEE

5.01 Express Powers of Trustee. In addition to the powers conferred by law or elsewhere in this Trust Agreement, the Trustee shall have, solely as a fiduciary, full and ample rights, powers and authority without obtaining court approval to do any and all things which the Trustee shall reasonably deem necessary or advisable to administer and carry out the purpose of the Trust, including the following rights and powers, but subject to any limitations set forth in this Trust Agreement:

- (a) To purchase, lease, sell, convey, exchange, invest and reinvest in any property;
- (b) To compromise, adjust, arbitrate, sue on or defend, abandon, or otherwise deal with and settle claims in favor of or against the Trust as the Trustee deems best;
- (c) To employ and compensate engineers, environmental consultants, project managers, agents, accountants, investment advisers, attorneys, brokers, realtors, tax specialists, and other assistants and advisors deemed by the Trustee needful for the proper administration of the Trust, and the achieving of its purposes and to do so;
- (d) To hold cash awaiting investment or distribution for a reasonable time and without liability for the payment of interest thereon; and
- (e) To obtain property, casualty and liability insurance for the Trust.

5.02 Sale or Disposal of the Trust Property. The Trustee, subject to all requirements and conditions of the Settlement Agreement and this Trust Agreement, may allow such portion of the Trust Estate which may have value for salvage or recycling to be sold, removed or disposed of.

5.03 Authority to Represent Trust Before Agencies. The Trustee shall represent this Trust with regard to any matter concerning this Trust or its purpose before any federal, state or local agency or authority which has authority or attempts to exercise authority over any matter which concerns this Trust.

5.04 Limitation on the Trustee. The Trustee shall not undertake any activity on behalf of the Trust, except as and to the extent the same is deemed by the Trustee to be necessary or proper for the conservation or protection of the Site Trust Real Property, the Site Trust Estate or the Site Trust Fund or for the achieving of the purposes of this Trust Agreement.

5.05 Persons Dealing with Trust. No person dealing with the Trustee shall be required to see to the application of any money or property delivered to the Trustee, or to see that the terms and conditions of this Trust have been complied with.

5.06 Construction and Exercise of Powers. Notwithstanding anything else appearing herein, the powers of the Trustee shall be construed and exercised so as not to jeopardize either (a) the status of this Trust as a Qualified Settlement Fund exempt from income taxation under the provisions of the Internal Revenue Code and other applicable law or (b) the status of the Site Trust Real Property as exempt from real estate taxation under South Carolina law.

## SECTION 6

### ACCOUNTS AND REPORTS

6.01 Separate Records to be Kept. The Trustee shall keep proper books of records and accounts, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions, relating to the Site Trust Estate.

6.02 Annual Reports. On or before each January 31<sup>st</sup>, the Trustee shall submit to DHEC a statement describing the nature and amount of any expenditures made from the Site

Trust Fund during the preceding calendar year. In addition, for each of the first ten years of the Trust's existence, every third year for the next 30 years and every five years thereafter, the statement shall be accompanied by a report of the Trust's independent certified public accountants stating that an audit of such accounts has been made in accordance with generally accepted auditing standards, stating the opinion of such accountants in respect of the accounts and the accounting principles and practices reflected therein and as to the consistency of the application of the accounting principles, and identifying any matters to which such accountants take exception and stating, to the extent practicable, the effect of such exception of such accounts.

6.03 Right to Inspect. DHEC or its designated agents shall have the right at all reasonable times and upon reasonable notice to inspect all records, accounts, budgets and data of the Trustee relating to the Site Trust Estate and the Trustee's performance of its duties hereunder.

## SECTION 7

### CONDITIONS OF TRUSTEE'S OBLIGATIONS

The Trustee accepts the Trust imposed upon it but only upon and subject to the following express terms and conditions:

7.01 Limitation of Liability. For purposes of this Trust Agreement, the Trustee shall be considered a "fiduciary" as that term is defined in Section 107(n) of CERCLA, 42 U.S.C. § 9607(n). In no event shall the Trustee be (a) individually or personally liable pursuant to this Trust Agreement except for its gross negligence or willful acts or omissions in relation to its duties hereunder or (b) individually or personally liable for the acts or omissions of any prior Trustee or successor Trustee. The limitation of liability provided by this Section 7.01 shall not

apply to the Trustee to the extent the Trustee is not acting solely in a fiduciary capacity, such as if the Trustee is engaged in the actual implementation of Closure and Post-Closure Care.

7.02 Trustee's Compensation. The Trustee shall be compensated for the services it performs and reimbursed for expenses it incurs hereunder in accordance with the schedule in Attachment 1.

7.03 Limitation on Financial Liability. No provision of this Trust shall require the Trustee to expend or risk its own individual funds or otherwise incur any personal financial liability in the performance of any of its duties as Trustee hereunder, or in the exercise of any of its rights or powers, nor to take any action pursuant to this Trust, which in the reasonable judgment of the Trustee may conflict with any rule of law or with the terms of the Settlement Agreement.

7.04 Covenant Not to Sue. DHEC covenants not to sue or take any judicial or administrative action against the Trust, other than as specifically set forth in this Trust Agreement or to enforce the terms of this Trust Agreement.

## **SECTION 8**

### **TRUSTEES**

8.01 Resignation of Trustee. The Trustee may resign by giving not less than one hundred eighty (180) calendar days written notice to DHEC, and such resignation shall take effect only upon the appointment of a successor Trustee satisfactory to DHEC in accordance with Section 8.03.

8.02 Removal of Trustee for Cause. DHEC shall have the right to petition the Bankruptcy Court, or such other appropriate court in accordance with Section 11.03, to remove

the Trustee for cause, including a material failure to comply with the Trustee's obligations hereunder.

8.03 Appointment of Successor Trustee. If the Trustee or any successor Trustee dies, gives notice of resignation or is removed, one or more candidates for successor Trustee may be nominated by DHEC by written notice. DHEC shall then apply to the Bankruptcy Court, or such other appropriate court in accordance with Section 11.03, for the appointment of a successor Trustee. The reorganized company to Safety-Kleen shall be given timely notice of such application. Such Court, upon the recommendation of DHEC, after such notice, if any, as the Court shall deem proper, shall appoint a successor Trustee. Each successor Trustee shall qualify upon written acceptance filed with such Court and thereafter shall have the same power, immunities and discretions as the original Trustee.

8.04 Transfer to Successor Trustee. Upon any successor Trustee's qualification, as provided in 8.03, such successor Trustee, without any further act, deed, or conveyance, shall become fully vested with all the estate, rights, powers, trusts, duties and other obligations hereunder of its predecessor; but such predecessor shall nevertheless, upon written request of the successor Trustee, execute and deliver an instrument transferring to such successor Trustee all the estate's rights, powers, and trusts of such predecessor, and every predecessor trustee shall deliver all property of any kind and all securities, provided, however, that before any such delivery is required or made, all reasonable, customary and legally accrued fees, advances and expenses of any such predecessor Trustee shall be paid in full.

8.05 Merger or Consolidation of Trustee. Any corporation or association into which the Trustee or any successor to it may be merged or converted, or with which it or any successor to it may be consolidated, or any corporation or association resulting from any merger,

conversion, or consolidation to which the Trustee or any successor to it shall be a party, shall be a successor Trustee under this Trust Agreement without the execution or filing of any paper or any other act on the part of any of the parties hereto, notwithstanding anything to the contrary herein.

8.06 Performance of Trustee's Duties During Vacancy. If for any reason the Trustee's position becomes vacant, the duties of the Trustee hereunder shall be carried out by DHEC pending the appointment of a successor Trustee pursuant to Section 8.03; provided, however, that DHEC shall not be deemed to be the Trustee.

## **SECTION 9**

### **TERMINATION OF TRUST**

9.01 Termination of Trust. Subject to the right of the parties to amend this Agreement as provided in Section 11.04, this Trust shall be irrevocable and shall continue until terminated. Notwithstanding any provision herein to the contrary, this Trust shall terminate (if it has not previously terminated) and each interest created herein shall vest, and thereupon the property held in this Trust shall be distributed to the beneficiary hereof, on the date that shall end the longest period permissible under the applicable rules governing perpetuities, vesting, accumulations, the suspension of alienation and the like (including any applicable period in gross such as twenty-one (21) years or ninety (90) years). If at any time no funds or assets remain in the Trust, the Trust shall terminate at that time. If any funds or assets remain in the Trust on December 31, 2105, DHEC shall make a determination at that time of the risks posed by the Pinewood Facility. Such determination shall be made utilizing the same procedures as applicable to the issuance or Class III (major) modification of the Permit, including public notice, opportunity for public comment, public hearing, and contested case hearing. If DHEC

determines that the Pinewood Facility continues to pose a risk, or that the monitoring of the site should be continued beyond the 100-year post-closure care period to mitigate the present and future risk to the public health and safety and to the environment, then this Trust shall continue in effect and the funds remaining in this Trust shall be kept and maintained so as to provide for the continued protection of the people of the State of South Carolina and to ensure the adequate availability of funds for (i) monitoring, (ii) clean-up; (iii) restoration of environmental impairment and (iv) addressing other environmental concerns, in each case, associated with the Pinewood Facility. In no event shall any trust funds be expended for things other than the (i) monitoring, (ii) clean-up; (iii) restoration of environmental impairment and (iv) addressing other environmental concerns, in each case, associated with the Pinewood Facility, until and unless there has been a demonstration that the Pinewood Facility does not present a risk to public health, safety or to the environment. If DHEC concludes on December 31, 2105, or at any time thereafter if the Trust continues in effect after December 31, 2105, that there has been a demonstration that the Pinewood Facility does not present such risk, then the Trust shall terminate and any remaining funds and assets, less final trust administration expenses, shall be distributed to DHEC or such other agency of the State of South Carolina as DHEC shall designate, and such funds and assets shall be used only for environmentally beneficial purposes.

## **SECTION 10**

### **SAFETY-KLEEN LIABILITY**

10.01 Notwithstanding anything else appearing herein, upon the completion of the transfer of the property to the Trust and the payments to the Trust as specified in the Settlement Agreement:

(a) neither Safety-Kleen nor any of its present or past officers, directors, agents, or employees shall have any obligations of any kind to the Trust or the Trustee; and

(b) the Trustee shall not have the power to sue Safety-Kleen or any of its present or past officers, directors, agents, or employees.

The foregoing shall not apply to matters arising from activities or conduct by Safety-Kleen or its present and past officers, directors, agents, and employees that take place after the Effective Date.

10.02 Upon transfer of the Site Trust Real Property, Safety-Kleen shall not be considered a current owner or operator of the Site Trust Real Property or the Pinewood Facility for any purpose. Nothing in this Trust Agreement, including the preceding sentence, shall be deemed to admit, imply or suggest that any Debtor other than Pinewood has ever been an owner, operator, trustee, partner, principal, agent, shareholder, officer or director of the Pinewood Facility or the Site Trust Real Property.

## **SECTION 11**

### **MISCELLANEOUS**

11.01 Particular Words. Any word contained in the text of this Trust Agreement shall be read as a singular or plural and a masculine, feminine or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, company or corporation. The descriptive headings for each Section of this Agreement shall not affect the interpretation or the legal efficacy of this Trust Agreement.

11.02 Governing Jurisdiction. The validity, interpretation and performance of this Trust Agreement shall be governed by the laws of the State of South Carolina, without regard to its choice of law rules and, as applicable, the laws of the United States.

11.03 Retention of Jurisdiction. The Bankruptcy Court shall retain jurisdiction of this matter until the Bankruptcy Proceedings are closed for the purposes of resolving any disputes arising hereunder if Safety-Kleen is a party to the dispute. All other matters relating to the interpretation and performance of this Trust Agreement shall be subject to the supervision of a court of competent jurisdiction.

11.04 Amendments. This Trust Agreement may be amended only with the written approval of the Trustee and DHEC. Thirty (30) calendar days notice shall be given to the reorganized company of Safety-Kleen, South Carolina Public Service Authority (also known as Santee Cooper), Sierra Club, South Carolina Department of Natural Resources, Phil P. Leventis, Citizens Asking for a Safe Environment (CASE) and to interested parties who request notice of such amendments from DHEC. Names and addresses of entities named in this Section are set forth in Attachment 3 hereto. No amendment of this Trust Agreement shall affect the obligations of Safety-Kleen without Safety-Kleen's prior written approval.

11.05 Construction of Terms. In the event of any ambiguity or contradiction in the terms of this Trust Agreement, such terms shall be construed so as to conform to the provisions of the Settlement Agreement, where applicable, and so as to fulfill the purposes of this Trust.

## **SECTION 12**

### **NOTICES AND SUBMISSIONS**

12.01 Any notices or other correspondence required pursuant to this Trust Agreement shall be sent to the following addresses and shall be sent by hand, certified mail (return receipt

requested) or overnight express or courier service and shall be deemed given (i) at the time delivered, if by hand or (ii) at the time delivered to the courier service, if by overnight express. Written notice as specified herein sent to the last address provided to the sender hereunder shall constitute complete satisfaction of any written notice requirement of this Trust Agreement.

1 AS TO PINWOOD:

Safety-Kleen  
General Counsel  
1301 Gervais Street  
Columbia, S.C. 29201

With a copy to be sent to the following address of any notice or other correspondence sent to Pinewood prior to the first anniversary of the Effective Date:

Arnold & Porter  
Thomas H. Milch  
555 12<sup>th</sup> Street N.W.  
Washington, DC 20004

2 AS TO DHEC:

South Carolina Department of Health and Environmental Control  
Deputy Commissioner for Environmental Quality Control  
2600 Bull Street  
Columbia, South Carolina 29201

With a copy to be sent to the following address of any notice or other correspondence sent to DHEC prior to the first anniversary of the Effective Date:

South Carolina Department of Health and Environmental Control  
E. Katherine Wells  
Office of General Counsel  
2600 Bull Street  
Columbia, South Carolina 29201

3 AS TO THE TRUSTEE:

The persons identified in this Section for receipt of notices and correspondence may be changed upon written notice to the other parties.

WITNESS the hands and seals of Safety-Kleen (Pinewood), Inc. and [Trustee] by their respective officers duly authorized, and the South Carolina Department of Health and Environmental Control, by its Deputy Commissioner duly authorized as of the date first above written.

Signed, Sealed and Delivered  
in the presence of:

Safety-Kleen (Pinewood), Inc. (Seal)

\_\_\_\_\_

By: \_\_\_\_\_  
Name:

\_\_\_\_\_

Its: \_\_\_\_\_

[Trustee] (Seal)

\_\_\_\_\_

By: \_\_\_\_\_  
Name:

\_\_\_\_\_

Its: \_\_\_\_\_

South Carolina Department of (Seal)  
Health and Environmental Control

\_\_\_\_\_

By: \_\_\_\_\_  
Name:

\_\_\_\_\_

Its: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 )  
COUNTY OF \_\_\_\_\_ )

Probate for Safety-Kleen (Pinewood), Inc.

Personally appeared before me \_\_\_\_\_ and made oath that (s)he saw the within named Safety-Kleen (Pinewood), Inc. by \_\_\_\_\_, its \_\_\_\_\_, sign, seal and as its act and deed deliver the within written Pinewood Site Custodial Trust Agreement for the uses and purposes therein mentioned and that (s)he, together with \_\_\_\_\_ witnessed the execution thereof.

Sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2003

\_\_\_\_\_  
(Seal)  
Notary Public of \_\_\_\_\_

My commission expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 )  
COUNTY OF \_\_\_\_\_ )

Probate for [Trustee]

Personally appeared before me \_\_\_\_\_ and made oath that (s)he saw the within named [Trustee] by \_\_\_\_\_, its \_\_\_\_\_, sign, seal and as its act and deed deliver the within written Pinewood Site Custodial Trust Agreement for the uses and purposes therein mentioned and that (s)he, together with \_\_\_\_\_ witnessed the execution thereof.

Sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2003

\_\_\_\_\_  
(Seal)  
Notary Public of \_\_\_\_\_

My commission expires: \_\_\_\_\_



**Attachment 1 to Site Trust Agreement**

**Trustee Compensation and Reimbursable Expenses**

**Attachment 2**  
**Investment Guidelines**

**Attachment 3**  
**Names and Addresses for Notice**

**Attachment 4**  
**Settlement Agreement**

**EXHIBIT B**

**LIST OF REAL PROPERTY, PERSONAL PROPERTY, LEASEHOLD INTERESTS AND PERMITS TO BE TRANSFERRED**

**Part I: Owned Real Property**

<u>Description of Property (Sumter County Tax Map Number)</u>	<u>Other Description</u>	<u>Acres</u>
<b>Permitted Landfill Property</b>		
111-00-01-015	Landfill Section I	29.86
111-00-01-016	Buffer Zone	9.88
111-00-01-018	Property surrounding cells	93.3
111-00-01-025	Landfill Section III	49.87
111-00-01-026	Landfill Section II	42.81
<b>Property Contiguous to Landfill Property</b>		
111-00-01-021	Access Road	0.84
111-00-01-020	Office Area	62.87
111-00-01-017	White House	1.00
112-00-01-003	Berm Clay	69.17
112-00-01-004	Stockpile	100.26
112-00-01-001	Small Roadway	214 ft.
<b>Property In Clarendon County</b>		
Hills/Labruce Tract	Clay Mine	184.83

**Part II: Real Property to be Purchased from Pinewood Property Prior Owner  
(Acres are approximate)**

<u>Description of Property (Sumter County Tax Map Number, where available)</u>	<u>Other Description</u>	<u>Acres</u>
111-00-01-022		26.11
111-00-01-023		19.21
112-00-01-002	Swamp Lot	0.5
111-00-01-019	Stockpile	26.5
Parcel P on 3/1/94 survey map	Road to Railroad Siding	9.52
Parcel O on 3/1/94 survey map	Railroad Siding	8.43

**Part III: Leased Real Property -- NONE**

**Part IV: Personal Property**

<u>Item</u>	<u>Unit number</u>	<u>Year</u>	<u>Number</u>	<u>Make/model/other description</u>
<u>Trucks</u>				
	50017	1987	1	Mack
	59052	1987	1	Mack
	60002	1990	1	White/GMC
	92039	1992	1	Kenworth
<u>Vehicles</u>				
	59067	1994	1	Mack Vacuum Truck
	59018	1978	1	F800 Boom Truck
	59054	1988	1	GMC 5000 Service Truck
	59046	1985	1	F350 Leachate Service Truck
	GW Van	1996	1	Ford Aerostar XLT
	59026	1985	1	Ford Dump Truck
	59002	1992	1	Chevrolet Fuel Truck
	10X024	1980	1	Ford Vacuum Truck
	59002	1979	1	Mack Vacuum Truck
		1993	1	Ford Explorer
		1995	1	Ford F150XL 4x4
		1993	1	Ford F150 4x4
		1996	1	Ford F150 4x4
	00011	1993	1	Ford F700 Welding Truck
<u>Trailers</u>				

<u>Item</u>	<u>Unit number</u>	<u>Year</u>	<u>Number</u>	<u>Make/model/other description</u>
	92000T	1984		Acro vacuum tanker
	92033T	1985		Acro vacuum tanker
	59001T			Hercules Lowboy
	59003T			50 Ton Lowboy
	60014T			Rolloff Trailer
	92701T	1984		Galbreath Rolloff Trailer
	60030T	1986		Montone Dump Trailer
	60093T	1987		Montone Dump Trailer
<u>Dump Trucks</u>				
	59014	1989	1	Mack Dump Truck
	59015	1989	1	Mack Dump Truck
<u>Equipment</u>				
	506501	1990	1	D4H CAT Dozier
			1	933C CAT L6P Track Loader
	85X001		1	613C CAT Pan
	70P001		1	140G CAT Motograder
	59200X		1	IT28 CAT Forklift
	00013		1	CAT 50 Forklift
			2	613 CAT Waterwagon
	38P001		1	555A FordBackhoe
	25X002		1	WA400 Komatsu Loader
	41X021		1	2040 John Deere
	43X023		1	2040 John Deere
	37X005		1	235 CAT Excavator
			1	D3 CAT Dozier
	59100X		1	M8950 Kubota Tractor
	49X040		1	B5200 Kubota Lawn Tractor
	34X001		1	580E Case Backhoe
			1	325 CAT Excavator
	14999		1	Hardee Tiger Cub Bush Hog
			1	Hardee 12' Bush Hog
	49X066		1	Deweze
	00012		1	CAT 50 Forklift
<u>Generators</u>				
			3	GU-3190-60 Kabota

<u>Item</u>	<u>Unit number</u>	<u>Year</u>	<u>Number</u>	<u>Make/model/other description</u>
			1	Croban GDC100-63E
			1	Large Generator at New Tank Farm
<u>Site Lights</u>				
			6	5140600 - 4mh Portable Light Plant
<u>Primary Sumps Pumps</u>				
			57	2 Hp
			9	5 Hp
			5	7.5 Hp
			3	13 Hp
<u>Secondary Sump Pumps</u>				
			25	1/2 Hp
<u>Construction Area Pumps</u>				
			6	5 Hp
			3	10 Hp
<u>Automated Leachate Collection System</u> (including the following component parts)				
Central Computer and SCADA Software			1	
Central Terminal Unit			1	
Radio System			1	
RTU's			4	
Primary Sump Pump Control Panels			43	
Secondary Sump Pump Control Panels			21	
Flow Meter			6	

<u>Item</u>	<u>Unit number</u>	<u>Year</u>	<u>Number</u>	<u>Make/model/other description</u>
Vaults with Flowmeters				
Primary Sump Top Piping			43	
Primary Sump Instrumentation			43	
Electrical System			1	
Piping System			1	
Piping and Electrical Berms			1	
Leachate generator / switches /wiring			1	
Secondary Sump Instrumentation			21	

**Part V: Permits**

<b>TYPE OF PERMIT</b>	<b>PERMIT NUMBER</b>	<b>REGULATORY AGENCY, ADDRESS, CONTACT NAME, AND PHONE NUMBER</b>	<b>DATE ISSUED</b>
State Air Permit (SCDHEC)	2140-0017-CC	SC Dept. of Health and Environmental Control Bureau of Air Quality 2600 Bull Street Columbia, SC 29201 (803) 896-4000	12/17/90
State Air Permit (SCDHEC)	2140-0017-CD	SC Dept. of Health and Environmental Control Bureau of Air Quality 2600 Bull Street Columbia, SC 29201 (803) 896-4000	08/12/94
State Air Permit (1) (SCDHEC)	2140-0017-CE	SC Dept. of Health and Environmental Control Bureau of Air Quality 2600 Bull Street Columbia, SC 29201 (803) 896-4000	08/12/94
State Air Permit (SCDHEC)	2140-0017-CF	SC Dept. of Health and Environmental Control Bureau of Air Quality 2600 Bull Street Columbia, SC 29201 (803) 896-4000	08/12/94
State Air Permit (SCDHEC)	2140-0017-CG	SC Dept. of Health and Environmental Control Bureau of Air Quality 2600 Bull Street Columbia, SC 29201 (803) 896-4000	08/12/94
State Air Permit (2) (SCDHEC)	2140-0017-CH	SC Dept. of Health and Environmental Control Bureau of Air Quality	08/12/94

TYPE OF PERMIT	PERMIT NUMBER	REGULATORY AGENCY, ADDRESS, CONTACT NAME, AND PHONE NUMBER	DATE ISSUED
		2600 Bull Street Columbia, SC 29201 (803) 896-4000	
State Air Permit (SCDHEC)	2140-0017-CI	SC Dept. of Health and Environmental Control Bureau of Air Quality 2600 Bull Street Columbia, SC 29201 (803) 896-4000	11/01/96
Mining (Mingo I)	416	SC Dept. of Health and Environmental Control Bureau of Solid & Hazardous Waste Management 2600 Bull Street Columbia, SC 29201 (803) 896-4000	10/31/88
Transporter (SCDHEC)	SCD070375985	SC Dept. of Health and Environmental Control Bureau of Solid & Hazardous Waste Management 2600 Bull Street Columbia, SC 29201 (803) 896-4000	11/08/99
NPDES	SC0042170	SC Dept. of Health and Environmental Control Bureau of Solid & Hazardous Waste Management 2600 Bull Street Columbia, SC 29201 (803) 896-4000	06/24/96
Mining (Hills-LaBruce)	1014	SC Dept. of Health and Environmental Control Bureau of Solid & Hazardous Waste Management 2600 Bull Street Columbia, SC 29201 (803) 896-4000	05/20/94
NPDES (3)	SCG730026	SC Dept. of Health and Environmental Control Bureau of Solid & Hazardous Waste Management 2600 Bull Street Columbia, SC 29201 (803) 896-4000	06/01/94
NPDES - Stormwater	SCR000121	SC Dept. of Health and Environmental Control Bureau of Solid & Hazardous Waste Management 2600 Bull Street Columbia, SC 29201 (803) 896-4000	01/15/98
NPDES - Stormwater	SCR000130	SC Dept. of Health and Environmental Control Bureau of Solid & Hazardous Waste Management 2600 Bull Street Columbia, SC 29201 (803) 896-4000	01/15/98
NPDES - Stormwater	SCR001231	SC Dept. of Health and Environmental Control Bureau of Solid & Hazardous Waste Management 2600 Bull Street Columbia, SC 29201 (803) 896-4000	10/01/92
NPDES - Stormwater (4)	SCR100089	SC Dept. of Health and Environmental Control Bureau of Solid & Hazardous Waste Management 2600 Bull Street Columbia, SC 29201 (803) 896-4000	10/01/92

<b>TYPE OF PERMIT</b>	<b>PERMIT NUMBER</b>	<b>REGULATORY AGENCY, ADDRESS, CONTACT NAME, AND PHONE NUMBER</b>	<b>DATE ISSUED</b>
Water	1430006	SC Dept. of Health and Environmental Control Bureau of Solid & Hazardous Waste Management 2600 Bull Street Columbia, SC 29201 (803) 896-4000	09/08/93
Foreign Soil Importer	S-4816		06/06/96
Hazardous Waste	SCD070375985	SC Dept. of Health and Environmental Control Bureau of Solid & Hazardous Waste Management 2600 Bull Street Columbia, SC 29201 (803) 896-4000	03/21/94

**NOTES**

1. Reissued on November 30, 1995.
2. Revision #1 was issued on July 23, 1996.
3. This general permit replaced the individual Hills-LaBruce Permit (SC0046884).
4. Not subject to expiration until landfill construction is completed.
  - \* Application was submitted in September, 1997 for renewal. Final permit not yet received.

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**EXHIBIT C****SITE TRUST ANNUITY PAYOUT SCHEDULE**

<b>Year</b>	<b>Payout</b>
2005	1,942,005.00
2006	2,004,978.00
2007	1,107,228.00
2008	1,083,072.00
2009	1,096,265.00
2010	1,064,287.00
2011	1,088,746.00
2012	1,034,025.00
2013	1,002,605.00
2014	1,220,171.00
2015	952,417.00
2016	931,336.00
2017	942,030.00
2018	900,287.00
2019	923,552.00
2020	892,749.00
2021	935,413.00
2022	876,198.00
2023	895,311.00
2024	1,163,425.00
2025	865,958.00
2026	834,571.00
2027	853,613.00
2028	821,971.00
2029	855,850.00
2030	810,482.00
2031	942,784.00
2032	814,130.00
2033	830,576.00
2034	777,347.00
2035	821,661.00
2036	814,745.00
2037	853,515.00
2038	830,617.00
2039	886,605.00
2040	862,819.00
2041	962,570.00

<b>Year</b>	<b>Payout</b>
2042	896,269.00
2043	915,590.00
2044	849,503.00
2045	910,694.00
2046	900,734.00
2047	946,000.00
2048	916,648.00
2049	982,676.00
2050	952,186.00
2051	1,161,707.00
2052	989,100.00
2053	1,052,030.00
2054	971,038.00
2055	1,043,963.00
2056	1,030,813.00
2057	1,084,436.00
2058	1,047,789.00
2059	1,126,478.00
2060	1,088,410.00
2061	1,230,992.00
2062	1,130,606.00
2063	1,233,891.00
2064	1,135,194.00
2065	1,222,641.00
2066	1,205,968.00
2067	1,270,041.00
2068	1,224,920.00
2069	1,319,279.00
2070	1,272,408.00
2071	1,576,586.00
2072	1,321,738.00
2073	1,465,471.00
2074	1,345,584.00
2075	1,450,822.00
2076	1,430,121.00
2077	1,507,068.00
2078	1,451,939.00

<b>Year</b>	<b>Payout</b>
2079	1,565,495.00
2080	1,508,229.00
2081	1,715,188.00
2082	1,566,701.00
2083	1,752,950.00
2084	1,607,577.00
2085	1,734,478.00
2086	1,709,052.00
2087	1,801,721.00
2088	1,734,640.00
2089	1,871,571.00
2090	1,801,890.00
2091	2,245,704.00
2092	1,871,746.00
2093	2,107,076.00
2094	1,931,001.00
2095	2,084,228.00
2096	2,053,216.00
2097	2,165,030.00
2098	2,083,627.00
2099	2,248,966.00
2100	2,164,407.00
2101	2,466,346.00
2102	2,248,318.00
2103	2,548,439.00
2104	3,627,117.00

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## **NEW ENVIRONMENTAL IMPAIRMENT TRUST FUND AGREEMENT**

This TRUST AGREEMENT (the "Trust Agreement") is entered into this \_\_\_ day of \_\_\_, 2003, by Safety-Kleen (Pinewood), Inc. ("Pinewood") as grantor; National Bank of South Carolina as trustee (the "Trustee"); and DHEC, as sole beneficiary. This Trust Agreement supersedes Document A-3, entitled "Trust Fund for 'GSX Contribution Fund'" dated October 5, 1992 (the "GSX Contribution Trust Fund Agreement"), which is terminated in accordance with the terms hereof as of the Effective Date (as defined below).

WHEREAS, Pinewood, a subsidiary of Safety-Kleen Corp., has operated the Pinewood Facility (as defined below); and

WHEREAS, Safety-Kleen and DHEC have entered into the Pinewood Site Settlement Agreement, dated October 15, 2002 (the "Settlement Agreement"), a copy of which is attached hereto as Attachment E, to resolve claims and disputes concerning the Pinewood Facility and other claims and disputes as described in the Settlement Agreement existing between them, which Settlement Agreement was approved by the United States Bankruptcy Court on \_\_\_\_\_, 2003; and

WHEREAS, DHEC and Safety-Kleen have agreed that, in accordance with the requirement of South Carolina laws, a trust fund should be established containing assets that can be applied as needed to cover the costs of (i) clean-up, (ii) restoration of environmental impairment and (iii) addressing other environmental concerns, in each case, associated with the Pinewood Facility; and

WHEREAS, Pinewood and its predecessors had already established an environmental impairment trust fund for the Pinewood Facility pursuant to the GSX Contribution Trust Fund Agreement for the exclusive benefit of DHEC (the "GSX Contribution Trust Fund"); and

WHEREAS, DHEC and Pinewood have agreed that the assets of the GSX Contribution Trust Fund shall be transferred to a new trust fund and that the GSX Contribution Trust Fund Agreement and the GSX Contribution Trust Fund shall be terminated and replaced with a new trust fund that can be used to cover the costs of clean-up and restoration of environmental impairment associated with the Pinewood Facility; and

WHEREAS, in consideration of DHEC's acceptance of the terms of the Settlement Agreement and this Trust Agreement, Pinewood has agreed to contribute \$14.5 million to a new trust (which amount shall be in addition to the funds transferred from the GSX Contribution Trust Fund); and

WHEREAS, the Trustee agrees to serve as a trustee for a new trust fund and to be bound by the terms hereof; and

WHEREAS, this Trust Agreement is entered into pursuant to the Settlement Agreement to provide for the creation and administration of such new trust fund;

NOW, THEREFORE, Pinewood, DHEC and the Trustee agree as follows:

## **SECTION 1**

### **DEFINITIONS**

For all purposes of this Trust Agreement, the following terms shall have the meanings set forth below.

“Bankruptcy Court” means the United States Bankruptcy Court for the District of Delaware.

“DHEC” shall mean the South Carolina Department of Health and Environmental Control, and any successor agency.

“Effective Date” shall have the meaning set forth in Section 3.04.

“GSX Contribution Trust Fund” shall mean the environmental impairment trust fund presently in existence established pursuant to a trust agreement dated October 5, 1992 between NationsBank of South Carolina, N.A., as Trustee and GSX Services of South Carolina, Inc. as Grantor.

“New Environmental Impairment Trust Fund” shall mean the trust established by this Trust Agreement, and shall also be referred to herein as the “Trust”.

“Permit” shall mean the final South Carolina Hazardous Waste Permit SCD No. 070375985 issued by DHEC on March 21, 1994.

“Pinewood Facility” shall mean the hazardous waste treatment, storage and disposal facility in Sumter County, South Carolina, that has been operated by Pinewood.

“Safety-Kleen” shall mean Safety-Kleen Corp. and its direct and indirect subsidiaries, and their successors, assigns and any reorganized company.

“Safety-Kleen Corp.” shall mean Safety-Kleen Corp., including its successors, assigns and any reorganized company.

“Settlement Agreement” means the Pinewood Site Settlement Agreement between Safety-Kleen and DHEC, as approved by the Bankruptcy Court. A copy of the Settlement Agreement is attached hereto as Attachment E.

“Trustee” means the trustee who enters into this Agreement and any successor Trustee.

## **SECTION 2**

### **AUTHORITY AND BANKRUPTCY COURT APPROVAL**

This Trust Agreement is expressly subject to approval by the Bankruptcy Court as set forth in Section 3 of the Settlement Agreement. The undersigned representatives for Pinewood, DHEC and the Trustee certify that, subject to Bankruptcy Court approval, they are fully authorized to execute and bind Pinewood, DHEC and the Trustee, respectively, to this Trust Agreement. The parties agree not to contest the validity of this Trust Agreement in any subsequent proceeding arising from it.

## **SECTION 3**

### **NAME AND PURPOSE OF TRUST**

3.01 This trust shall be known as the “New Environmental Impairment Trust Fund” (also referred to herein as the “Trust”).

3.02 The purpose of this Trust is to function for the sole benefit of DHEC, and for the public purpose of providing funds for the benefit of DHEC to pay for the costs of (i) clean-up; (ii) restoration of environmental impairment and (iii) addressing other environmental concerns, in each case, associated with the Pinewood Facility.

3.03 By executing this Trust Agreement, the Trustee hereby accepts the duties, obligations and requirements specifically imposed on it by this Trust Agreement and the fiduciary trust obligations established by this Trust Agreement, and agrees to carry out

and perform such duties, obligations and requirements as are set forth in this Trust Agreement.

3.04 This Trust Agreement shall become effective on the effective date of the Settlement Agreement (the "Effective Date").

3.05 On the Effective Date hereof, all assets of the GSX Contribution Trust Fund shall be transferred by the trustee of the GSX Contribution Trust Fund to this Trust. Simultaneously with such transfer, the GSX Contribution Trust Fund and the GSX Contribution Trust Fund Agreement shall be deemed terminated and the GSX Contribution Trust Fund Agreement shall have no further force or effect and no party thereto shall have any further rights, obligations or liabilities thereunder. It is the parties' intention that this Trust Agreement replace and supersede the GSX Contribution Trust Fund Agreement in every way. The parties shall take all actions, including executing all documents, necessary to effect such transfer and termination.

3.06 DHEC shall be the sole beneficiary of the Trust.

3.07 The Trust will consist of (i) the funds transferred from the GSX Contribution Trust Fund, (ii) the payment to be made by Pinewood or Safety-Kleen pursuant to Sections 6.03(b) and/or 12.09 the Settlement Agreement, and (iii) the earnings and profits derived from such accumulated contributions, less (A) any payments or distributions made at the written direction of DHEC as hereinafter provided, (B) any administration expenses incurred by the Trustee pursuant to Section 7 and (C) any compensation of the Trustee pursuant to Section 10.

3.08 The Trustee shall not be responsible for, nor shall it undertake any responsibility for the amount or adequacy of, nor have any duty to collect from Pinewood

or any other Safety-Kleen entity, any payments to be made pursuant to the Settlement Agreement. Upon making the payments to the Trust required by the Settlement Agreement, Safety-Kleen and its present and past officers, directors, agents, and employees shall have no obligations of any kind to the Trust.

## **SECTION 4**

### **DUTIES OF THE TRUSTEE**

4.01 The investment objective of the Trust is to maximize the return on investment while minimizing the risk of principal loss, in investing, reinvesting, exchanging, selling, and managing the Trust. The Trustee shall discharge its duties with respect to the Trust solely in the interest of DHEC and with the care, skill, prudence and diligence under the circumstances then prevailing which persons of prudence acting in a like capacity and familiar with such matters would use in the conduct of a like enterprise and with like aims. The Trustee shall use as a guide the Investment Guidelines, attached hereto as Attachment A, consistent with the Trustee's duties, except that:

- (a) No powers conferred upon the Trustee in this Trust Agreement shall be construed to enable the Trustee or any other person or entity to purchase, exchange, or otherwise deal with or dispose of all or any part of the principal or income of the Trust for less than an adequate consideration in money or money's worth.
- (b) No person other than the Trustee shall have or exercise the power to vote or direct the voting of any shares or other securities held by the Trust, to control the investment of the Fund either by directing investments or reinvestment or by

vetoing proposed investments or reinvestment, or to reacquire or exchange any property of the Trust by substituting other property of an equivalent value.

(c) The Trust shall not acquire or hold securities or other obligations of Safety-Kleen or any of its affiliates.

## **SECTION 5**

### **DHEC ACCESS TO THE TRUST**

5.01 DHEC shall have irrevocable and exclusive access to the Trust, and the Trustee shall pay, upon written demand from the duly authorized representative of DHEC identified in Attachment B hereto, the amounts demanded by DHEC for the costs of (i) clean-up; (ii) restoration of environmental impairment and (iii) addressing other environmental concerns, in each case, associated with or emanating from the Pinewood Facility. DHEC agrees that the Trust assets shall be utilized only for such purposes in connection with the Pinewood Facility and may not be used in connection with any other facility. DHEC shall determine when clean-up or restoration of environmental impairment or other response associated with the Pinewood Facility is required.

5.02 DHEC further agrees that it shall rely in the first instance upon and utilize the funds contributed to the Trust pursuant to Section 6.03(b) of the Settlement Agreement and any interest accrued thereon (less any allocated taxes and expenses) for the payment of any and all costs of clean-up and restoration of environmental impairment at the Pinewood Facility. DHEC shall not bring any legal claims against any third party for the payment of such costs until the full amount of the payment pursuant to Section 6.03(b) of the Settlement Agreement (including any interest earned thereon, less any

allocated taxes and expenses) has been committed, allocated, budgeted or expended for the purposes described herein.

5.03 Notwithstanding any other provision of this Trust Agreement, including Section 5.01 hereof, DHEC may request, in its sole discretion, that the Trustee transfer funds from the Trust to the Site Trust (as defined in the Settlement Agreement) to cover the costs of Closure and Post-Closure Care (as defined in the Settlement Agreement) to the extent other sources of funds to the Site Trust are insufficient and the Trustee shall make such transfers.

## **SECTION 6**

### **EXPRESS POWERS OF TRUSTEE**

6.01 In addition to the powers conferred by law or elsewhere in this Trust Agreement, the Trustee shall have, solely as a fiduciary, the discretionary powers set forth in this Section 6 which may be exercised without court approval for any purpose that the Trustee reasonably deems advisable (subject to the limitations set forth elsewhere in this Trust Agreement):

(a) To retain in the form received any property or undivided interests in property donated to, or otherwise acquired as a part of the Trust regardless of any lack of diversification or risk of non-productivity for as long as the Trustee reasonably deems advisable, and to exchange any security or property for other securities or properties and to retain the items received in exchange, although the property represents a large percentage of all the total property of the Trust.

(b) To invest and reinvest all or any part of the Trust in any property and undivided interests in property, wherever located, including bonds, debentures, notes,

secured or unsecured, real estate or any interest in real estate, interests in trusts, investment trusts, whether of the open or closed fund type, and participation in common, collective or pooled trust funds, annuity contracts for any beneficiary, without being limited-by any statute or rule of law concerning investments by fiduciaries.

(c) Notwithstanding any provision of law, to sell or dispose of or grant options to purchase any property, real or personal, constituting a part of the Trust, for cash or upon credit, to exchange any property of the Fund for other property, at such times and upon such terms and conditions as the Trustee may deem best.

(d) To hold any securities or other property in its own name as Trustee, in the name of a nominee (with or without disclosure of any fiduciary relationship) or in bearer form.

(e) To collect, receive, and receipt for rents, issues, profits, and income of the Trust.

(f) To compromise, adjust, arbitrate, sue on or defend, abandon, or otherwise deal with and settle claims in favor of or against the Trust as the Trustee deems best.

(g) To employ and compensate agents, accountants, investment advisers, attorneys, brokers, realtors, tax specialists, and other assistants and advisors deemed by the Trustee needful for the proper administration of the Trust. For purposes of the administration and custody of the Trust, none of the foregoing agents and professional representatives shall be a Safety-Kleen entity or any of their employees or agents.

(h) To determine what shall be fairly and equitably charged or credited to income and what to principal.

(i) To hold cash awaiting investment or distribution for a reasonable time and without liability for the payment of interest thereon.

(j) In general, to exercise all powers in the management of the Trust which any individual could exercise in his own right, upon the terms and conditions as the Trustee may deem best, and to do all acts which the Trustee may deem necessary or proper to carry out the purposes of this Trust.

6.02 Limitation on the Trustee. Notwithstanding anything else appearing herein, the powers of the Trustee shall be construed and exercised so as not to jeopardize the status of this Trust as an entity exempt from income taxation under the provisions of the Internal Revenue Code and other applicable law.

## SECTION 7

### TAXES AND EXPENSES

7.01 It is the express intent of the parties that the Trust shall be a Qualified Settlement Fund within the meaning of Section 468B of the Internal Revenue Code and the Treasury regulations promulgated thereunder. It is also the express intent of the parties that any income generated by the Trust will be generated for the benefit of the Trust's sole beneficiary, DHEC, and therefore will be income excluded from gross income and not subject to federal income tax in accordance with Section 115 of the Internal Revenue Code and other applicable legal principles. In the event that any such income is determined to be gross income that is subject to federal income tax, any tax due shall be paid by the Trust.

7.02 All taxes and expenses incurred by the Trustee in connection with the administration of the Trust, including brokerage fees, fees for legal and accounting

services rendered to the Trustee, the compensation of the Trustee and all other proper charges and disbursements of the Trustee shall be paid from the Trust.

## **SECTION 8**

### **ANNUAL VALUATION**

8.01 The Trustee shall annually, no later than 30 calendar days following each anniversary of the Effective Date, send to DHEC a statement listing the beginning and ending value of the assets held by the Trustee in the Trust. Any securities in the Trust shall be valued at the market value as of the applicable anniversary of the Effective Date. Within sixty (60) calendar days after the statement has been furnished to DHEC, DHEC may object in writing to the accuracy of the statement or the propriety of the receipts and disbursements from the Trust or the administration expenses incurred by the Trustee. The failure to object shall constitute a conclusively binding assent by DHEC with respect to all such matters and shall bar DHEC from asserting any claim or liability against the Trustee with respect to matters disclosed in the statement.

## **SECTION 9**

### **RECORD KEEPING; ANNUAL AUDIT**

9.01 The Trustee shall keep proper books of records and accounts, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions, relating to the Trust. The Trustee shall annually retain an independent auditor to render an opinion as to whether the Trust's financial statements fairly represent its financial condition in accordance with generally accepted accounting principles. DHEC or its designated agents shall have the right at all reasonable times and upon

reasonable notice to inspect all records, accounts, and data of the Trustee relating to the Trust and the Trustee's performance of its duties hereunder.

## **SECTION 10**

### **TRUSTEE COMPENSATION**

10.01 The Trustee shall be entitled to compensation for the services it performs hereunder in accordance with Attachment C.

## **SECTION 11**

### **SUCCESSOR TRUSTEE**

11.01 A successor trustee shall be appointed in the event of resignation of the Trustee, removal of the Trustee by DHEC or otherwise, or bankruptcy, receivership or insolvency or other cessation of operations of the Trustee. Such resignation, removal or termination shall not be effective until appointment of a successor trustee by DHEC which must be a bank or trust company qualified to do business in South Carolina and which shall not be an affiliate of Safety-Kleen, and until this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer and pay over to the successor trustee the funds and properties then constituting the Trust. If for any reason DHEC cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to the appropriate court of competent jurisdiction for the appointment of a successor trustee or for instructions. The successor trustee shall specify the date on which it assumes administration of the Trust in a writing sent to DHEC and the present Trustee by certified

mail postmarked 10 calendar days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 7. Any successor trustee shall have the same rights, powers, duties and liabilities applicable to the initial Trustee.

## **SECTION 12**

### **INSTRUCTIONS TO THE TRUSTEE FOR DISBURSEMENTS**

12.01 All orders, requests and instructions by DHEC to the Trustee for disbursements from the Trust shall be in writing, signed by the duly authorized representative of DHEC as identified in Attachment B, and the Trustee shall act and shall have no liability for acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of DHEC hereunder has occurred. The Trustee shall have no duty to make disbursements in the absence of such orders, requests and instructions from DHEC, and the Trustee shall be entitled to rely on such orders, requests and instructions without the duty to investigate the propriety of such orders, requests and instructions.

## **SECTION 13**

### **SAFETY-KLEEN LIABILITY**

13.01 Notwithstanding anything else appearing herein, upon the payments being made to the Trust, as specified in the Settlement Agreement, neither Safety-Kleen nor its present and past officers, directors, agents, and employees shall have any obligations of any kind to the Trust or the Trustee. The Trustee shall not have the power to sue, in its

capacity as Trustee, Safety-Kleen or its present and past officers, directors, agents, and employees in any forum. The foregoing sentence shall not apply to matters arising from activities or conduct by Safety-Kleen or its present and past officers, directors, agents, and employees that take place after the Effective Date.

#### **SECTION 14**

##### **AMENDMENT OF AGREEMENT**

14.01 This Agreement may not be amended except by DHEC and the Trustee. Thirty (30) calendar days notice shall be given to the reorganized company of Safety-Kleen, South Carolina Public Service Authority (also known as Santee Cooper), Sierra Club, South Carolina Department of Natural Resources, Phil P. Leventis, Citizens Asking for a Safe Environment (CASE) and to interested parties who request notice of such amendments from DHEC. Names and addresses of entities named in this Section are set forth in Attachment D hereto. Any such amendment must be in writing, and signed by a duly authorized representative of DHEC designated in Attachment B and the Trustee. No amendment of this Trust Agreement shall affect the obligations of Safety-Kleen without Safety-Kleen's prior written approval.

#### **SECTION 15**

##### **IRREVOCABILITY AND TERMINATION**

15.01 Subject to the right of the parties to amend this Agreement as provided in Section 14, this Trust shall be irrevocable and shall continue until terminated. Termination shall take place on the earlier of (a) DHEC's determination on or after December 31, 2105 that the Pinewood Facility poses no risk to the public health and

safety or to the environment (in accordance with the process described below) or (b) the date that all of the assets of the Trust have been expended. Notwithstanding any provision herein to the contrary, this Trust shall terminate (if it has not previously terminated) and each interest created herein shall vest, and thereupon the property held in this Trust shall be distributed to the beneficiary hereof, on the date that shall end the longest period permissible under the applicable rules governing perpetuities, vesting, accumulations, the suspension of alienation and the like (including any applicable period in gross such as twenty-one (21) years or ninety (90) years). On December 31, 2105, if the Trust has not been earlier terminated, DHEC shall make a determination of the risks posed by the Pinewood Facility. Such determination shall be made utilizing the same procedures as applicable to the issuance or Class III (major) modification of the Permit, including public notice, opportunity for public comment, public hearing, and contested case hearing. If DHEC determines that the Pinewood Facility continues to pose a risk, or that the monitoring of the site should be continued beyond the 100-year post-closure care period to mitigate the present and future risk to the public health and safety and to the environment, then this Trust shall continue and the funds remaining in this Trust shall be kept and maintained so as to provide for the continued protection of the people of the State of South Carolina and to ensure the adequate availability of funds for (i) monitoring, (ii) clean-up; (iii) restoration of environmental impairment and (iv) addressing other environmental concerns, in each case, associated with the Pinewood Facility. In no event shall any trust funds be expended for things other than the (i) monitoring, (ii) clean-up; (iii) restoration of environmental impairment and (iv) addressing other environmental concerns, in each case, associated with the Pinewood

Facility, until and unless there has been a demonstration that the Pinewood Facility does not present a risk to public health, safety or to the environment. If DHEC concludes, on December 31, 2105, or at any time thereafter if the Trust continues in effect after December 31, 2105, that there has been a demonstration that the Pinewood Facility does not present such risk, then the Trust shall terminate and any remaining funds and assets, less final trust administration expenses, shall be distributed to DHEC or such other agency of the State of South Carolina as DHEC shall designate, and such funds and assets shall be used only for environmentally beneficial purposes.

## **SECTION 16**

### **CHOICE OF LAW**

16.01 This Agreement shall be administered, construed, and enforced according to the laws of the State of South Carolina, without regard to its choice of law rules and, as applicable, the laws of the United States.

## **SECTION 17**

### **INTERPRETATION**

17.01 Any word contained in the text of this Trust Agreement shall be read as a singular or plural and a masculine, feminine or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, company or corporation. The descriptive headings for each Section of this Agreement shall not affect the interpretation or the legal efficacy of this Trust Agreement.

## SECTION 18

### NOTIFICATION

18.01 Any notices or other correspondence pursuant to this Trust Agreement shall be sent to the following addresses and shall be sent by hand, certified mail (return receipt requested) or overnight express or courier service and shall be deemed given (i) at the time delivered, if by hand or (ii) at the time delivered to the courier service, if by overnight express. Written notice as specified herein sent to the last address provided to the sender hereunder shall constitute complete satisfaction of any written notice requirement of the Trust Agreement.

1 AS TO PINEWOOD:

Safety-Kleen/Pinewood  
General Counsel  
1301 Gervais Street  
Columbia, S.C. 29201

With a copy to be sent to the following address of any notice or other correspondence sent to Pinewood prior to the first anniversary of the Effective Date:

Arnold & Porter  
Thomas H. Milch  
555 12<sup>th</sup> Street N.W.  
Washington, DC 20004

2 AS TO DHEC:

South Carolina Department of Health and Environmental Control  
Deputy Commissioner for Environmental Quality Control  
2600 Bull Street  
Columbia, South Carolina 29201

With a copy to be sent to the following address of any notice or other correspondence sent to DHEC prior to the first anniversary of the Effective Date:

South Carolina Department of Health and Environmental Control

E. Katherine Wells  
Office of General Counsel  
2600 Bull Street  
Columbia, South Carolina 29201

3 AS TO THE TRUSTEE:

NBSC  
Donna J. Nesbitt, Trust Department  
P.O. Box 1457  
Columbia, South Carolina 29202

The persons identified in this Section for receipt of notices and correspondence may be changed upon written notice to the other parties. As to DHEC, such written notice shall be signed by one of the duly authorized representatives named in Attachment B.

**SECTION 19**

**RETENTION OF JURISDICTION.**

19.01 The Bankruptcy Court shall retain jurisdiction of this matter until the Bankruptcy Proceedings are closed for the purposes of resolving any disputes arising hereunder if Safety-Kleen is a party to the dispute. All other matters relating to the interpretation and performance of this Trust Agreement shall be subject to the supervision of a court of competent jurisdiction.

**SECTION 20**

**CONSTRUCTION OF TERMS**

20.01 In the event of any ambiguity or contradiction in the terms of this Trust Agreement, such terms shall be construed so as to conform to the provisions of the Settlement Agreement, where applicable, and so as to fulfill the purposes of this Trust.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers duly authorized as of the date first above written.

Safety-Kleen (Pinewood), Inc.

By: \_\_\_\_\_  
Title

South Carolina Department of Health and Environmental Control

By: \_\_\_\_\_  
Title

National Bank of South Carolina

By: \_\_\_\_\_  
Title

**Attachment A**  
**Investment Guidelines**  
**[TO BE INSERTED]**

**Attachment B**  
**Representatives of DHEC**

**Attachment C**  
**Compensation of Trustee**

2001

2002

**Attachment D**

**Names and Addresses for Notice**

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**EXHIBIT E**

**LIST OF PENDING JUDICIAL OR  
ADMINISTRATIVE PROCEEDINGS TO BE DISMISSED**

*Safety-Kleen (TS), Inc. (Laurel, MD), Safety-Kleen (TS), Inc. (Reidsville, NC), Safety-Kleen (Pinewood), Inc., and Safety-Kleen Corp. v. Douglas E. Bryant, Commissioner of SCDHEC, SCDHEC, and State of South Carolina, Civil Action No. 3-99-3322-10, United States District Court for the District of South Carolina (Columbia Division)*

*In Re: Safety-Kleen Corp., et. al. and Safety-Kleen (Pinewood), Inc. v. State of South Carolina, Bradford W. Wyche, South Carolina Board of Health and Environmental Control, Douglas E. Bryant, Commissioner of SCDHEC and SCDHEC, Adversary Proceeding No. 00-698, Civil Action No. 3:00-2243-10, United States District Court for the District of South Carolina (Columbia Division)*

*South Carolina Department of Health and Environmental Control v. Safety-Kleen (TS), Inc., Reidsville, North Carolina, State of South Carolina Administrative Law Judge Division, Docket No. 00-ALJ-07-005-CC*

*South Carolina Department of Health and Environmental Control v. Safety-Kleen (TS), Inc., Laurel, Maryland, State of South Carolina Administrative Law Judge Division, Docket No. 00-ALJ-07-006-CC*

Request for Class 3 Permit Modification filed by Safety-Kleen (Pinewood) Inc.

Application for RCRA Hazardous Waste Permit Renewal filed by Safety-Kleen (Pinewood) Inc.

Petition of Safety Kleen (Pinewood) Inc. for Rulemaking Pursuant to S.C. Code Section 1-23-126, dated September 26, 2000

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**EXHIBIT F**

**FORM OF RELEASE AND AGREEMENT TO DISMISS**

**WHEREAS**, Safety-Kleen (Pinewood), Inc. (“Pinewood”), a subsidiary of Safety-Kleen Corp., has operated a hazardous waste treatment, storage and disposal facility in Sumter County, South Carolina (the “Pinewood Facility”); and

**WHEREAS**, Safety-Kleen Corp. and its successors, assigns and any reorganized company and their direct and indirect subsidiaries, successors, assigns and any reorganized company (collectively “Safety-Kleen”) filed voluntary petitions for relief in the United States District Court for the District of Delaware (the “Bankruptcy Court”) under Chapter 11 of the Bankruptcy Code on June 9, 2000 (the “Bankruptcy Proceedings”); and

**WHEREAS**, Safety-Kleen and the South Carolina Department of Health and Environmental Control (“DHEC”) have entered into a Settlement Agreement, dated October 15, 2002 (the “Settlement Agreement”) to resolve all disputes between them, which Settlement Agreement is subject to the approval of the Bankruptcy Court;

**NOW, THEREFORE**, in consideration for all of Safety-Kleen’s undertakings and agreements under the Settlement Agreement and such other good and valuable consideration which the undersigned hereby acknowledges:

The undersigned hereby releases, and covenants not to sue, Safety-Kleen, its past and present officers, directors, agents and employees, and/or Dargan P. Elliott, Jr. (and his successors, heirs and assigns) for any claims or matters, in law or equity, whether or not pending, contingent or quantifiable, arising from or relating to the Pinewood Facility, including, without limitation, any claims under the Comprehensive Environmental

Response, Compensation, and Liability Act, 42 U.S.C. § 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; the Clean Water Act, 33 U.S.C. § 1251 et seq.; the South Carolina Hazardous Waste Management Act, S.C. Code Ann. § 44-56-10, et seq.; and all similar federal, state, and local statutes and regulations issued thereunder as well as any administrative order, court order, or other requirement related to the environment, natural resources, or health and safety.

The undersigned also covenants to withdraw with prejudice any proof of claim filed by the undersigned in the Bankruptcy Proceedings, and to dismiss with prejudice the claims of the undersigned in any pending judicial or administrative proceeding filed by the undersigned against Safety-Kleen as well as any request for payment of administrative expenses against Safety-Kleen.

The undersigned does not release and expressly reserves all claims, demands and causes of action either judicial or administrative, past or future, in law or equity, which the undersigned may have against any person, firm, corporation, or other entity not expressly released pursuant to this release. Nothing in this release shall be construed as or result in a release of any claims that the undersigned has against any person, firm, corporation, or other entity not expressly released pursuant to this release.

This release and withdrawal of claims shall not become effective until the payments have been made and the annuity and other property has been transferred as required by the Settlement Agreement; provided that if such payments and transfers are not made, this release and the withdrawal of any proof of claim shall become null and void.

This release and withdrawal of claims shall be null and void in the event that Safety-Kleen files suit against the undersigned in contravention of the Settlement Agreement. Safety-Kleen's release and covenant not to sue or take any other civil judicial or administrative claim or action against the undersigned on any claim, counterclaim, or cause of action with respect to the Pinewood Facility, as set forth in the Settlement Agreement shall be null and void in the event that the undersigned files suit against Safety-Kleen (or its officers, directors, agents and employees) in contravention of this release.

**IN WITNESS WHEREOF**, the undersigned has caused this release to be executed by its duly authorized representative as of \_\_\_\_\_, 2002.

\_\_\_\_\_  
NAME

\_\_\_\_\_  
TITLE

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**EXHIBIT G**

<b>CLAIMS FILED</b>	<b>AMOUNT OF ALLOWED GENERAL UNSECURED CLAIM</b>	<b>DEBTOR</b>	<b>REASON FOR CLAIM</b>
Trumbull #s 16092, 16093, 16094	\$5,000	Safety-Kleen Systems	Consent Order 00-18-HW
16102, 16103, 16104	\$12,043.50	Safety-Kleen Systems	Inspection fees at Lexington facility
16084, 16085, 16086	\$1,436.93	Safety-Kleen Systems	Inspection fees at Lexington facility
16053, 16054, 16055, 16056	\$40,155.34	Safety-Kleen (Roebuck)	Inspection fees
16045, 16046, 16047, 16048	\$10,000.00	Safety-Kleen (Roebuck)	Penalty- Administrative Order 99-079-W
16061, 16062, 16063, 16064	\$15,000.00	Safety-Kleen (Roebuck)	Consent Order 00-24-HW Penalties
16041, 16042, 16043, 16044	\$1,800,000.00	Safety-Kleen Systems	Consent Order 01-24-HW Penalties for Financial Assurance issues

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