Waste Management, Inc.
3003 Butterfield Road • Oak Brook, Illinois 60521

August 6, 1982

Mr. John G. Davis, Director
Office of Nuclear Material
Safety and Safeguards
U.S. Nuclear Regulatory
Commission
Washington, D.C. 20555

sp-17825

Re: Waste Management, Inc. - Chem-Nuclear Systems, Inc.,
NRC Licenses Nos. 46-13536-02; 46-19524-01

Dear Mr. Davis:

This refers to the Agreement of Merger (the "Agreement") entered into on July 24, 1982, by Waste Management, Inc., a Delaware corporation ("WMI"), and WMI Holdings, Inc., also a Delaware corporation and a wholly-owned subsidiary of WMI ("the Subsidiary"), with Chem-Nuclear Systems, Inc., a Washington corporation ("Chem-Nuclear"). The Agreement and a previous tender offer which the Subsidiary made for Chem-Nuclear stock were the subjects of letters to you dated July 19, July 27 and July 29, 1982, copies of which are attached. As indicated in those letters, the Agreement provides for Chem-Nuclear's merger into the Subsidiary following completion of the tender offer. The tender offer has now been completed and the Subsidiary has acquired 55% of the Chem-Nuclear common stock. Nevertheless, under the terms of the Agreement, WMI will not be able to designate more than one of Chem-Nuclear's three directors prior to September 2, 1982; thereafter, and subject to the receipt of certain agreements and action by appropriate governmental authorities, WMI will be empowered to designate a majority (three out of five) of the directors of Chem-Nuclear. The merger of Chem-Nuclear into the Subsidiary is expected to occur on or prior to November 30, 1982.

The purpose of this letter is to seek the consent of the Nuclear Regulatory Commission (the "Commission"), under Section 184 of the Atomic Energy Act (42 U.S.C. § 2234) and the Commission's implementing regulations (10 CFR §§ 30.34(b), 40.46 and 70.36) to transfers of the above-referenced licenses in each of two steps. The first step relates to the situation which will exist on or after September 2, 1982, when WMI will be empowered to designate a majority of the Board of Directors of Chem-Nuclear. We understand it to be the legal position of the Commission that when WMI acquires that power, a "transfer of control" of the above-referenced licenses will have occurred "indirectly" within the meaning of Section 184 and the implementing regulations, which requires the "consent in writing of the Commission." This portion of the request is made without prejudice to the right of WMI, the Subsidiary or Chem-Nuclear to contest that legal position in or before any court or administrative body or in any other context. The second step will occur on or prior to November 30, 1982, when Chem-Nuclear will be merged into

the Subsidiary and the licenses will be transferred directly to the Subsidiary as part of the merger.

If consent to the transfers, direct and indirect, involved in each of the two steps is granted, it is the intention of the parties to the Agreement to request a pro forma administrative amendment of the licenses authorizing the name of the licensee to be changed to that of the Subsidiary at the time of merger.

The acquisition of Chem-Nuclear's common stock by the Subsidiary and the subsequent merger of Chem-Nuclear with and into the Subsidiary will not result in any substantive change in the obligations and responsibilities of the licensee with respect to the licenses. All of the operations under the licenses will continue to be conducted by the same technical personnel now employed for that purpose by Chem-Nuclear and with the same equipment. All statements, representations and procedures contained or referred to in the applications and correspondence filed by Chem-Nuclear and identified in the licenses will continue to be applicable to and binding upon it. The obligations of the licensee under the license will remain unaffected. In particular:

1. All of the operations under the licenses will continue, after the transfers, to be conducted by the same technical personnel now employed for that purpose by Chem-Nuclear. In the event of personnel changes, as a result of normal attrition or any other causes, replacements will have substantially similiar technical competence and meet all of the requirements of the licenses.

2. The equipment, facilities and procedures of Chem-Nuclear will not be changed as a result of the transfers.

3. The activities conducted under each license will not be changed as a result of the transfers.

4. The obligations of the licensee under the licenses will not be diminished, modified or changed as a result of the transfers. In consequence, it is understood that Chem-Nuclear's obligations under paragraphs 22, 23, 24, 25 and 26 of License No. 46-13536-01, Amendment 20, will continue in full force and effect after step one and continue in such full force and effect as the obligations of the Subsidiary in consequence of the step two transfer.

5. The financial condition and resources of Chem-Nuclear will not be reduced or otherwise changed as a result of step one. The Subsidiary's financial condition and assets will be at least equal to those of Chem-Nuclear following step two. In addition, of course, the Subsidiary will be a part of a much larger enterprise which, as pointed out in WMI's July 19, 1982 letter, has assets, revenues and income several times greater than those of Chem-Nuclear.

6. The directors and principal officers of Chem-Nuclear are and will continue to be, and the directors and principal officers of the Subsidiary are and will continue to be, United States citizens, and neither Chem-Nuclear, the Subsidiary nor WMI is owned, controlled or dominated by an alien, a foreign corporation, or a foreign government.

Since neither of the licenses were issued pursuant to Section 103 of the Atomic Energy Act (42 U.S.C. § 2133), no antitrust review is required in connnection with the consent requested. (42 U.S.C. § 2135).

The issuance of the requested consent is not an action described in 10 CFR § 51.5(a) or (b). Consequently, it does not require the preparation of an environmental impact statement, negative declaration or environmental impact appraisal (10 CFR § 51.5(d)(4)). Since the requested consent does not involve any substantive change in the terms of the licenses, it would not, of course, authorize any change in the types, or any increase in the amounts, of effluents or any increase in the potential for accidental releases under the licenses.

No prior notice is required under the Atomic Energy Act or the regulations thereunder in order for the Commission to issue the requested consent.

We have proposed that the Nuclear Regulatory Commission grant its consent to a transfer which takes place in two steps on subsequent dates so that the Commission may examine the entire transaction at one time. It is hoped that this approach will simplify and expedite the Commission's consideration of the request. We wish to emphasize, however, that it is important to receive the Commission's consent to the first step prior to September 2, 1982. We therefore request that, if consideration of the second step should delay, the Commission consider the two "steps" or "transfers" separately and consent to the first one prior to that date.

Copies of WMI's latest Form 10K, its 1981 Annual Report to Shareholders, its June 29 tender offer and the July 24 Agreement are forwarded herewith.

You'll shortly receive a letter from Chem-Nuclear to the effect that it concurs in this letter and joins in the request for consent to transfer herein contained.

If you have any questions or need additional information, please call Harold P. Reis or Maurice Axelrad of Lowenstein, Newman, Reis & Axelrad, Washington, D.C.

Very truly yours,

WASTE MANAGEMENT, INC.

By _____
Peter H. Huizenga

WMI HOLDINGS, INC.

By _____
Peter H. Huizenga

Enclosures

cc (w/encs.): Mr. Robert L. Fonner, Esq.
Office of the Executive Legal Director
Regulations Division

Mr. Ross A. Scarano, Chief
Uranium Recovery Licensing Branch

Mr. John B. Martin, Director
Division of Waste Management

Neil Corporate
Partner

AGREEMENT OF MERGER

AGREEMENT OF MERGER (the "Agreement") made and entered into on this 24th day of July, 1982 by and among Waste Management, Inc., a Delaware corporation ("WMI"), WMI Holdings, Inc., a Delaware corporation and a wholly owned subsidiary of WMI, (the "Subsidiary"), and Chem-Nuclear Systems, Inc., a Washington corporation (the "Company").

WHEREAS, Subsidiary has commenced a tender offer for up to 4,200,000 of the outstanding common shares, $.05 par value per share (the "Company Common Shares") of the Company at $15.00 per Company Common Share, net to the seller in cash upon the terms and subject to the conditions set forth in Subsidiary's Offer to Purchase dated June 23, 1982 and the related Letter of Transmittal (collectively the "Offer"); and

WHEREAS, the Boards of Directors of WMI, the Subsidiary, and the Company have approved in principle the acquisition of the Company by WMI; and

WHEREAS, the Company has issued an option for 350,000 shares of Class A Preferred Stock, $1 par value per share, of the Company and 350,000 shares of Class B Preferred Stock, $1 par value per share, of the Company to WMI pursuant to the Option Agreement attached hereto; and

WHEREAS, the Board of Directors of the Company has considered the terms and conditions of this Agreement, including the Offer and the Merger pursuant thereto, and has approved this Agreement and recommended acceptance of the Agreement by shareholders of the Company; and

WHEREAS, also in furtherance of such acquisition the Boards of Directors of WMI, the Subsidiary and the Company have, and WMI, the sole stockholder of Subsidiary has, approved a merger (the "Merger") of the Company with and into the Subsidiary in accordance with the Delaware General Corporation Law and Washington Business Corporation Act, pursuant to which each outstanding share of Company Common Shares, except for those held by WMI or any subsidiary thereof, shall be converted into common stock, par value $1.00 per share, of WMI ("WMI Common Stock") in accordance with the provisions of this Agreement following the consummation or termination of the Offer; and

WHEREAS, for federal income tax purposes, it is intended that the Merger shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1954, as amended (the "Code"); and

WHEREAS, WMI, the Subsidiary and the Company desire to make certain representations, warranties and agreements in connection with the Offer and the Merger, and also desire to set forth various conditions precedent to the Merger;

NOW, THEREFORE, in consideration of the premises and the representations, warranties and agreements herein contained, the parties agree as follows:

I. THE OFFER

1.01. Tender Offer, Consent of the Company.

(a) As promptly as practicable, but in no event later than Tuesday, July 27, 1982 WMI shall issue a press release and publish a tombstone advertisement in a daily newspaper of national circulation amending the Tender Offer in the following respects (such amended Tender Offer being hereinafter referred to as the "Offer"):

(i) A new withdrawal period shall be extended and such new withdrawal period shall expire at midnight, Eastern Time, on Thursday, July 29, 1982.

(ii) The Offer to Purchase pursuant to which the Offer is being made shall be amended to reflect the changes contemplated in this Section 1.01 and to disclose therein a summary of the terms of the Merger provided for in this Agreement.

(b) The Company hereby consents to the Agreement and represents that the Board of Directors of the Company has adopted a resolution approving this Agreement recommending acceptance of the Agreement to the Company's shareholders. In connection with the Offer, or any amendment or supplement thereto, the Company shall cause its transfer agent to furnish WMI with mailing labels containing the names and addresses of the record holders of Company Common Shares as of a recent date and shall furnish WMI such information and assistance as WMI may reasonably request in communicating the Offer, or any amendment or supplement thereto, to the Company's shareholders.

1.02. Facilitation of the Offer. The Company, WMI, and the Subsidiary each hereby agree to use its best efforts to

facilitate the Offer and the transactions contemplated herein and further expressly covenant to terminate and dismiss without prejudice all legal or other proceedings, actions, protests, or interventions by it or any of its affiliates or persons acting in concert therewith or at the instigation thereof before any court, tribunal, or any administrative, regulatory, or other governmental body or entity against Waste Management, Subsidiary, Company or any of their affiliates or agents. Each of the Company, WMI, and the Subsidiary shall execute a general release of all claims relating to the Offer, which releases shall be held in escrow by William Wesselhoeft, Esq. and delivered to the released parties upon consummation of the Merger, or returned to the signing parties if the Merger is not consummated.

1.03. Purchase of Shares. Subject to the terms and conditions of the Offer, the Subsidiary agrees to purchase pursuant to the Offer no more than 4,3[redacted]0,000 of the outstanding common shares of the Company as soon as it is legally permitted to do so.

II. THE MERGER

2.01. Effective Time and Rights of Surviving Corporation. The plan of the Merger and the mode of carrying the same into effect shall be as hereinafter set forth.

(a) As promptly as practicable following the consummation or termination of the Offer, subject to the terms and conditions of this Agreement, the Company shall be merged into the Subsidiary in accordance with the Delaware General Corporation Law and the Washington Business Corporation Act, with the Subsidiary being the surviving corporation (sometimes referred to hereinafter as the "Surviving Corporation"), and the separate existence of the Company shall cease, provided that WMI and the Subsidiary shall be under no obligation to consummate the Merger if any condition shall exist which would entitle WMI and the Subsidiary under the conditions to the Merger set forth in Exhibit A hereto not to consummate the Merger. The Merger shall be effective when a properly executed Certificate of Merger (together with any other documents required by law to effectuate the Merger) shall be filed with the Secretary of State of Delaware and the Secretary of State of Washington, which filing shall be made as soon as possible after the closing of the transactions contemplated by this Agreement. When used in this Agreement, the term "Effective Time" shall mean the time when all documents required by law to be filed in order to effectuate the Merger have been so filed. It is antici-

pated that the "Effective Time" shall be on or about November 30, 1982.

(b) The Surviving Corporation shall have the name "Chem-Nuclear Systems, Inc.", and shall possess all of the properties and rights and be subject to all of the liabilities of the Company and the Subsidiary and be governed by the laws of the State of Delaware.

(c) The parties hereto shall take all action necessary in accordance with the applicable law and their respective Certificates or Articles of Incorporation and By-Laws to cause such Merger to be consummated prior to November 30, 1982.

(d) The Certificate of Incorporation of the Subsidiary in effect immediately prior to the Effective Time shall be the Certificate of Incorporation of the Surviving Corporation until amended in accordance with the provisions thereof and the Delaware General Corproation Act, except that at the "Effective Time," Article I of such Certificate of Incorporation shall be amended to read "The name of the Corporation is Chem-Nucler Systems, Inc."

(e) The By-Laws of the Subsidiary in effect immediately prior to the Effective Time shall be the By-Laws of the Surviving Corporation until altered, amended or repealed as provided therein and in the Certificate of Incorporation of the Surviving Corporation.

(f) The directors of the Subsidiary immediately prior to the Effective Time shall be the directors of the Surviving Corporation until their respective successors are duly elected and qualified, unless otherwise agreed by WMI.

2.02. Conversion of Shares. At the Effective Time:

(a) Each share of stock of the Subsidiary which is issued and outstanding immediately prior thereto shall continue to be outstanding at and after the Effective Time without any change therein and shall continue as shares of the Surviving Corporation.

(b) Each share of Company Common Shares which is issued and outstanding immediately prior thereto shall thereupon and without more be converted into and become a number of shares of WMI Common Stock equal to a fraction (the "Conversion Ratio"), the numerator of which is $16.00 and the denominator of which is the average closing price

of WMI Common Stock on the Composite Tape for the ten trading days ending the trading day immediately preceding the Effective Time. Notwithstanding any other provision of this Agreement, any shares of Company Common Shares which are owned by WMI or by any WMI subsidiary or held in the treasury of the Company or of any subsidiary of the Company immediately prior to the Effective Time shall not be converted but shall be cancelled.

(c) The holders of certificates representing Company Common Shares shall cease to have any rights as shareholders of the Company, except such rights, if any, as they may have pursuant to the Washington Business Corporation Act, and, except as aforesaid, their sole rights shall be the right to receive the cash and number of whole shares of WMI Common Stock into which their shares of Company Common Shares have been converted by the Merger as provided in Section 2.02(b) and the right to receive the cash value of any fraction of a share of WMI Common Stock as provided in Section 2.03 hereof and Exhibit B hereto.

(d) Each share of Preferred Stock of the Company which is issued and outstanding immediately prior to the Merger shall be cancelled.

2.03. Conversion of Shares. The conversion of shares pursuant to the Merger shall take place in accordance with the procedure, terms, and conditions set forth in Exhibit B hereto.

2.04. Adjustments. If, between the date of this Agreement and the Effective Time, the outstanding shares of WMI Common Stock or Company Common Shares shall have been changed into a different number of shares or a different class by reason of any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or a stock dividend thereon shall be declared with a record date within said period, the number of shares of WMI Common Stock to be issued and delivered in the Merger in exchange for each outstanding share of Company Common Shares as provided in this Agreement shall be correspondingly adjusted.

III. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to WMI and the Subsidiary that:

3.01. Organization and Corporate Powers of the Company. The Company and each of its subsidiaries is a corporation duly organized, validly existing and in good standing

under the laws of the jurisdiction of its incorporation, and has all requisite corporate power and authority to own, operate and lease its properties and to carry on its businesses substantially as they are being conducted on the date of this Agreement, except where the failure of any such subsidiary to be so organized or existing shall not have a material adverse effect of the Company and its subsidiaries taken as a whole. The Company has all requisite corporate power and authority to enter into this Agreement and, subject to approval by the shareholders of the Company, to consummate the transactions contemplated hereby. This Agreement has been unanimously approved by the Board of Directors of the Company.

3.02. Authorization; Lack of Conflict; Consents.

(a) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate actions on the part of the Company, subject to the approval of the shareholders of the Company. This Agreement has been duly executed and delivered by the Company. This Agreement, subject only (with respect to the Merger) to approval by the shareholders of the Company, constitutes a valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not conflict with or result in any violation of or default or loss of a material benefit under or permit the acceleration of any obligation under any provision of the Articles of Incorporation or By-laws of the Company or any of its subsidiaries or any mortgage, indenture, lease, agreement or other instrument, permit, concession, grant, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company or any of its subsidiaries or their respective properties, other than any such conflict, violation or default which (i) does not have a material adverse effect on the Company and its subsidiaries taken as a whole, or (ii) except as is referred to in the next succeeding sentence or which will be cured or waived prior to the Effective Time, provided that no representation or warranty is hereby given with respect to the antitrust laws of the United States or any state thereof. No consent, approval, order or authorization of, or registration, declaration or filing with, any governmental authority is required in connection with the execution and delivery of this Agreement by the Company or the consummation by the Company of the transactions contemplated hereby, except for (a) the

filing of a premerger notification report by the Company under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR") and the response to the request for additional information under HSR by the Federal Trade Commission ("FTC"), (b) the filing of the Offer Documents (as defined herein) and a Registration Statement/Proxy Statement with the Securities and Exchange Commission ("SEC"), (c) the filing of an appropriate certificate of merger with respect to the Merger with the Secretary of State of Delaware and the Secretary of State of Washington, (d) the approval by the Canadian Government under the Foreign Investment Review Act of transfer of control of the Company's Canadian subsidiaries, (e) the approval of the Nuclear Regulatory Commission ("NRC") to effect a change in control of the Company or to amend NRC permits, licenses, and certificates currently held by the Company or any of its subsidiaries to name the Subsidiary in substitution therefor, or to transfer such permits, licenses and certificates to the Subsidiary, or to thereafter allow the Subsidiary to continue operation of the Company's Barnwell, South Carolina low-level radioactive waste facility, (f) the approval of the Department of Health and Environmental Control of the State of South Carolina ("DHEC") to effect a change in control of the Company or to amend DHEC permits, licenses, and certificates currently held by the Company or any of its subsidiaries or to thereafter allow the surviving corporation to continue operation of the Company's Barnwell facility, (g) the approval of the appropriate regulatory authorities of the States of Oregon and Washington to effect a change in control of the Company or to amend permits, licenses, or certificates held by the Company or any of its subsidiaries relating to the operations of the Company's Arlington, Oregon site and possession of radioactive material in Washington and Oregon, respectively, and (h) the approval of the Interstate Commerce Commission ("ICC") to effect a change in control of the Company or to amend ICC permits, licenses, and certificates currently held by the Company or any of its subsidiaries to name the Subsidiary in substitution therefor, or to transfer such permits, licenses, and certificates to the Subsidiary, or to abandon permits, licenses, or certificates currently held by WMI or its affiliates.

3.03. Capital of the Company. The authorized capital stock of the Company consists of 13,000,000 shares of capital stock, consisting of 12,000,000 Company Common Shares, of which 7,871,786 shares are issued and outstanding, and 230,500 shares are reserved for issuance under stock option plans of the Company, and 1,000,000 shares of Company Preferred

Shares, $1.00 par value, none of which are issued or outstanding. All such issued and outstanding Company Common Shares and Company Preferred Shares are duly authorized, validly issued, fully paid and nonassessable. Except as previously disclosed in writing to WMI there are not outstanding any subscriptions, options, conversion rights, warrants or other agreements or commitments of any nature whatsoever (either firm or conditional) obligating the Company or any of its subsidiaries to issue, deliver, or sell, or cause to be issued, delivered or sold, any additional shares of the capital stock of the Company or any subsidiary or obligating the Company or any of its subsidiaries to grant, extend or enter into any such agreement or commitment.

3.04. Reports and Financial Statements. The Company has filed with the SEC its (i) Annual Reports on Form 10-K for the years ended July 31, 1979, July 31, 1980 and July 31, 1981, (ii) Quarterly Reports on Form 10-Q for the three months ended October 31, 1981, the six months ended January 31, 1982, and the nine months ended April 30, 1982, (iii) proxy statements relating to the Company's meetings of shareholders (whether annual or special) during 1979, 1980 and 1981, and (iv) other reports or registration statements required to be filed by the Company with the SEC since July 31, 1981. As of their respective dates, such reports and statements did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited consolidated financial statements and unaudited interim financial statements of the Company included in such reports have been prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto) and fairly present the financial position of the Company and its consolidated subsidiaries as at the dates thereof and the results of their operations and changes in financial position for the periods then ended subject, in the case of the unaudited interim financial statements, to normal year-end adjustments and any other adjustments described therein. Except as otherwise disclosed by the Company to WMI in writing, since April 30, 1982, neither the Company nor any of its subsidiaries has undergone or suffered any change in its condition (financial or otherwise), properties, assets, liabilities, business, operations or propects which have been, in any case or in the aggregate, materially adverse to the Company and its subsidiaries taken as a whole.

3.05. Compliance with SEC Requirements. None of the information supplied by the Company for inclusion in (i) a Registration Statement on Form S-14 to be filed with the SEC by

WMI for the purpose of registering the shares of WMI Common Stock to be exchanged for shares of Company Common Shares pursuant to the provisions of the Merger (the "Registration Statement"), (ii) the Proxy Statement included as the prospectus in the Registration Statement (the "Proxy Statement"), (iii) the documents pursuant to which the Offer is made, including a Schedule 14D-1, and amendments thereto, an offer to purchase and a related letter of transmittal (the "Offer Documents"), and (iv) the Schedule 14D-9, and amendments thereto, to be filed by the Company in connection with the Offer will, at the respective times (a) such schedules are filed with the SEC, (b) such Registration Statement becomes effective, (c) the Proxy Statement and Offer are mailed, or, (d) in the case of the Proxy Statement or any amendment thereof or supplement thereto, at the time of the meeting of shareholders referred to in Section 6.03 hereof and at the Effective Time, or in the case of the Offer Documents or any amendment thereof or supplement thereto, at any time prior to the purchase of all shares by WMI pursuant to the Offer, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made not misleading, or necessary to correct any statement previously disseminated to the shareholders of the Company made in any Offer Document or any earlier communication with respect to the solicitation of any proxy for the meeting to which the Proxy Statement relates. The Proxy Statement will comply as to form in all material respects with the provisions of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations promulgated thereunder.

3.06. Completeness of Information. The certificates, statements, and other information furnished to WMI in writing by or on behalf of the Company or any of its subsidiaries in connection with the transactions contemplated hereby, taken as a whole, do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company has been informed by each member of its Board of Directors that he intends to vote any Company Common Shares owned by him in favor of the Merger.

IV. REPRESENTATIONS AND WARRANTIES OF WMI AND THE SUBSIDIARY

WMI and the Subsidiary represent and warrant to the Company that:

4.01. Organization and Corporate Powers of WMI and the Subsidiary. WMI and each of its subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and WMI and each of its subsidiaries has all requisite corporate power and authority to own, operate and lease its respective properties and to carry on its businesses substantially as they have been and are being conducted on the date of this Agreement, except where the failure of any such subsidiary to be so organized or existing shall not have a material adverse effect on WMI and its subsidiaries taken as a whole. WMI, and the Subsidiary have all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby.

4.02. Authorization; Lack of Conflicts; Consents.

(a) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of WMI and the Subsidiary. This Agreement has been duly executed and delivered by WMI and the Subsidiary. This Agreement constitutes a valid and binding obligation of WMI and the Subsidiary, enforceable against WMI and the Subsidiary in accordance with its terms.

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not conflict with or result in any violation of or default or loss of a material benefit under or permit the acceleration of any obligation under any provision of the charter or by-laws of WMI or any of its subsidiaries or any mortgage, indenture, lease, agreement or other instrument, permit, concession, grant, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to WMI or any of its subsidiaries or their respective properties, other than any such conflict, violation or default which (i) does not have a material adverse effect on WMI and its subsidiaries taken as a whole, or (ii) except as is referred to in the next succeeding sentence or which will be cured or waived prior to the Effective Time, provided that no representation or warranty is hereby given with respect to the antitrust laws of the United States or any state thereof. No consent, approval, order or authorization of, or registration, declaration or filing with, any governmental authority is required in connection with the execution and delivery of this Agreement by WMI and the Subsidiary or the consummation by WMI and the Subsidiary of the transactions contemplated hereby, except for (a) the filing of the premerger notification report by WMI under HSR and the response to the request for additional information under HSR by

the FTC, (b) the filing of the Offer Documents and the Registration Statement with the SEC, (c) the filing of an appropriate certificate of merger with respect to the Merger with the Secretary of State of Delaware and the Secretary of State of Washington, (d) the approval by the Canadian Government under the Foreign Investment Review Act of transfer of control of the Company's Canadian subsidiaries (e) the approval of the NRC to effect a change in control of the Company or to amend NRC permits, licenses, and certificates currently held by the Company to name the Subsidiary in substitution therefor, or to transfer such permits, licenses, and certificates to the Subsidiary, or to thereafter allow the subsidiary to continue operation of the Company's Barnwell facility, and (f) the approval of the DHEC to effect a change in control of the Company or to amend DHEC permits licenses, and certificates currently held by the Company to thereafter allow the surviving corporation to continue operation of the company's Barnwell facility, (g) the approval of the appropriate regulatory authorities of the States of Oregon and Washington to effect a change in control of the Company or to amend permits, licenses, or certificates held by the Company or any of its subsidiaries relating to the operations of the Company's Arlington, Oregon site and possession of radioactive material in Washington, respectively, and (h) the approval of the Interstate Commerce Commission ("ICC") to effect a change in control of the Company or to amend ICC permits, licenses, and certificates currently held by the Company or any of its subsidiaries to name the Subsidiary in substitution therefor, or to transfer such permits, licenses, and certificates to the Subsidiary, or to abandon permits, licenses, or certificates currently held by WMI or its affiliates.

4.03. Capital of WMI and the Subsidiary. The authorized capital stock of WMI consists of 60,500,000 shares of capital stock, consisting of 60,000,000 shares of WMI's Common Stock, of which, as of June, 30, 1982, 43,210,290 shares were issued and outstanding, 2,358,298 shares were reserved for issuance upon exercise of outstanding stock options, and 500,000 authorized shares of Preferred Stock, $1 par value, of WMI, none of which is issued and outstanding. The authorized capital stock of the Subsidiary consists of 1,000 shares of common stock, par value $1.00 per share, 100 of which shares are owned by WMI on the date hereof and none other of which is issued and outstanding. All outstanding shares of capital stock of WMI and the Subsidiary are duly authorized, validly issued, fully paid and nonassessable. Except as set forth herein or as previously disclosed in writing to the Company, there are not outstanding any offers, subscriptions, options, conversion rights, warrants or other agreements or commitments of any nature whatsoever (either firm or conditional) obligat-

ing WMI or any of its subsidiaries to issue, deliver, or sell, or cause to be issued, delivered or sold, any additional shares of the capital stock of WMI or any subsidiary or obligating WMI or any of its subsidiaries to grant, extend or enter into any such agreement or commitment, except for not more than 3,000,000 shares of WMI Common Stock which may be issued in connection with business acquisitions or upon exercise of outstanding stock options and shares issuable pursuant to this Agreement.

4.04. Reports and Financial Statements. WMI has filed with the SEC its (i) Annual Reports on Form 10-K for the years ended December 31, 1979, December 31, 1980 and December 31, 1981, (ii) Quarterly Reports on Form 10-Q for the three months ended March 31, 1982 (iii) proxy statements relating to WMI's meetings of stockholders (whether annual or special) during 1980, 1981 and 1982, and (iv) all other reports or registration statements required to be filed by WMI or the Subsidiary with the SEC since March 31, 1982. As of their respective dates, such reports and statements did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited consolidated financial statements and unaudited interim financial statements of WMI included in such reports have been prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto) and fairly present the financial position of WMI and its consolidated subsidiaries as at the dates thereof and the results of their operations and changes in financial position for the periods then ended subject, in the case of the unaudited interim financial statements, to normal year-end adjustments and any other adjustments described therein. Except as otherwise disclosed by WMI to the Company in writing, since March 31, 1982, neither WMI nor any of its subsidiaries has undergone or suffered any change in its condition (financial or otherwise), properties, assets, liabilities, business, operations or prospects which have been, in any case or in the aggregate, materially adverse to WMI and its subsidiaries taken as a whole.

4.05. Compliance with SEC Requirements. The (i) Offer Documents, (ii) the Proxy Statement and (iii) the Registration Statement will comply as to form in all material respects with the provisions of the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act, and the rules and regulations promulgated thereunder, and none of the information supplied by WMI or the Subsidiary for inclusion in the Proxy Statement, the Registration Statement, or the Offer Documents, will, at the respective times (a) such schedules are

filed with the SEC, (b) such registration statement become effective, (c) the Proxy Statement and Offer are mailed, or, (d) in the case of the Proxy Statement or any amendment thereof or supplement thereto, at the time of the meeting of shareholders referred to in Section 6.03 hereof and at the Effective Time, or, in the case of the Offer Documents or any amendment thereof or supplement thereto, at any time prior to the purchase of all shares by WMI, directly or indirectly, pursuant to the Offer, contain any untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made not misleading, or necessary to correct any statement previously disseminated to the shareholders of the Company made in any Offer Document or in any earlier communication with respect to the solicitation of any proxy for the meeting to which the Proxy Statement relates.

4.06. Consent of WMI. WMI, as the sole stockholder of the Subsidiary, by executing this Agreement, consents to the adoption of this Agreement by the Subsidiary and agrees that such consent shall be treated for all purposes as a vote duly adopted at a meeting of the stockholders of the Subsidiary held for this purpose.

V. COVENANTS

5.01. Covenants of the Company. During the period from the date of this Agreement to the Effective Time, except as otherwise consented to by WMI in writing, the Company will, and will cause each of its subsidiaries to:

(a) carry on its business in, and only in, the usual, regular and ordinary course in substantially the same manner as heretofore conducted and, to the extent consistent with such business, use all reasonable efforts to preserve intact its existing business organizations, keep available the services of its existing officers and employees, and preserve its relationships with customers, suppliers and others having business dealings with it to the end that its goodwill and going business shall be unimpaired at the Effective Time;

(b) maintain all its material structures, equipment and other tangible personal property in good repair, order and condition, except for depletion, depreciation, ordinary wear and tear and damage by unavoidable casualty;

(c) keep in full force and effect insurance comparable in amount and scope of coverage to insurance now carried by it;

(d) keep in full force and effect all material licenses and permits now held by it;

(e) perform in all material respects all of its obligations under agreements, contracts and instruments relating to or affecting its properties, assets and business;

(f) maintain its books of account and records in the usual, regular and ordinary manner;

(g) comply in all material respects with all statutes, laws, ordinances, rules and regulations applicable to it and to the conduct of its business;

(h) not amend its Articles of Incorporation or By-Laws or change the number of Directors, except to permit the election of directors, if requested, as provided in clause (u) hereof;

(i) not acquire by merging or consolidating with, or by agreeing to merge or consolidate with, or purchase substantially all of the assets of, or otherwise acquire any business or any corporation, partnership, association or other business organization or division thereof other than any acquisition announced prior to June 15, 1982;

(j) not sell, lease or otherwise dispose of any of its assets, except in the ordinary course of business;

(k) not declare, set aside, make or pay any dividend or other distribution in respect of its capital stock or purchase or redeem, directly or indirectly, any shares of its capital stock;

(l) not issue or sell any shares of its capital stock of any class or any options, warrants, conversion or other rights to purchase any such shares or any securities convertible into or exchangeable for such shares, other than not more than an aggregate of 393,228 shares of Company Common Shares issued to employees upon exercise of options outstanding prior to June 1, 1982 or issued pursuant to acquisitions announced prior to June 15, 1982;

(m) not incur any indebtedness for borrowed money or issue or sell any debt securities other than in the ordinary course of business consistent with prior practice;

(n) not mortgage, pledge or subject to any lien, lease, security interest or other charge or encumbrance any of its properties or assets, tangible or intangible,

other than in the ordinary course of business consistent with prior practice;

(o) not grant to any senior executive officer any increase in compensation in any form in excess of the amount thereof in effect as authorized by the Company's Board of Directors at a meeting held on July 19, 1982, or any severance or termination pay, or enter into any employment agreement with any senior executive officer except with the consent of the President or Vice Chairman of the Board of WMI;

(p) not adopt or amend in any material respect, any collective bargaining, bonus, profit-sharing, compensation, stock option, pension, retirement, deferred compensation, employment or other plan, agreement, trust, fund or arrangement for the benefit of employees (whether or not legally binding), other than adoption of the annual bonus plan in a form substantially consistent with, and in an aggregate amount which does not exceed, previous practice and adoption of collective bargaining agreements in connection with any pending acquistion;

(q) not solicit or encourage any inquiries or proposals for the acquisition of the stock, assets or business of the Company or any of its subsidiaries;

(r) promptly advise WMI in writing of any change in the condition (financial or otherwise), properties, assets, liabilities, operations or business of the Company or any of its subsidiaries which is or may be materially adverse to the Company and its subsidiaries taken as a whole;

(s) promptly advise WMI orally and in writing of any inquiry or proposal for the acquisition of the stock, assets or business of the Company or any of its subsidiaries;

(t) promptly advise WMI in writing of any written objection to the Merger received by the Company from any shareholder of the Company and furnish to WMI such relevant information as WMI shall request with respect thereto;

(u) promptly following completion of the Offer and if requested by WMI, promptly take all actions necessary to cause the board of directors of the Company to consist of three persons, one of whom may be designated by WMI, and, following reciept of the agreements referred to in

(or such lesser number as is proportionate to the ownership of Company Voting Shares, as hereinafter defined, by WMI and Subsidiary)

clause (e) of Exhibit A hereto, to cause the board of directors of the Company to consist of five persons, three of whom may be designated by WMI; provided that the Company shall not be required to elect any person a director if such election would violate applicable law;

(v) promptly comply with all filing requirements which federal, state or Canadian law may impose on the Company or any of its subsidiaries with respect to the Offer and the Merger and the solicitation of proxies in connection therewith and cooperate with and promptly furnish information to WMI in connection with any such filing requirements imposed upon WMI or the Subsidiary or on any of their subsidiaries in connection with the Offer and the Merger;

(w) use its reasonable best efforts to obtain any consent, authorization or approval of, or exemption by, any governmental authority or agency required to be obtained or made by it, in connection with the Offer and the Merger or the taking of any action in connection with the consummation thereof.

5.02. Covenants by WMI and the Subsidiary.

(a) WMI shall use its reasonable best efforts to cause the Offer and Merger to be successfully consummated, and will cause all Company Voting Shares owned by it and Subsidiary to be voted in favor of the Merger.

(b) WMI will use its reasonable best efforts to keep available its current assets which are to be used or drawn against to pay for the shares of Company Common Shares tendered in connection with the Offer.

(c) WMI and the Subsidiary will use their respective reasonable best efforts to comply promptly with all filing requirements which applicable federal or state law may impose on them with respect to the Offer and the Merger.

(d) WMI and the Subsidiary will use their respective reasonable best efforts to obtain any consent, authorization or approval of, or exemption by, any governmental authority or agency required to be obtained or made by WMI and the Subsidiary or any of their subsidiaries in connection with the Offer and the Merger or the taking of any action contemplated thereby.

(e) WMI and the Subsidiary will not vote to remove any director of Chem-Nuclear prior to consummation of the Merger, other than as may be contemplated by this Agreement.

VI. ADDITIONAL AGREEMENTS

6.01. Access and Information. WMI, the Subsidiary and the Company shall each afford to the other, and to the other's accountants, counsel and other representatives, full access during normal business hours during the period prior to the Effective Time to all of their respective properties, books, contracts, commitments and records and, during such period, each shall furnish promptly to the other (a) a copy of each report, schedule and other document filed or received by it during such period pursuant to the requirements of federal and state securities laws, and (b) all other information concerning its business properties and personnel as such other party may reasonably request. In the event of the termination of this Agreement, each party shall use its best efforts to hold confidential all information obtained hereunder with respect to the other party which is not otherwise public knowledge; and all documents (including copies thereof) obtained hereunder by either party from the other party shall be returned to such party (unless readily ascertainable from public information sources).

6.02. Registration Statement. As soon as is reasonably practicable, WMI shall prepare and file with the SEC the Registration Statement and thereafter use all reasonable efforts to have the Registration Statement declared effective by the SEC as promptly as practicable after the termination of the Offer. WMI shall also take any action required to be taken under any applicable state blue sky or securities laws in connection with the issuance of the shares of WMI Common Stock to be issued as set forth in this Agreement and the Company shall furnish all information concerning the Company and the holders of Company Common Shares as WMI may reasonably request in connection with any such action.

6.03. Shareholder Approval. The Company shall call a meeting of its shareholders to be held after consummation or termination of the Offer for the purpose of voting upon the Merger and related matters. The Company will use its best efforts to hold such meeting no later than 60 days following the date upon which the Registration Statement becomes effective, and will, through its Board of Directors, use its best efforts, consistent with its fiduciary duties, to solicit the requisite vote of approval.

6.04. Agreements of Affiliates. The Company shall deliver to WMI a letter identifying all persons who are, at the time the Merger is submitted to a vote of the shareholders of the Company, "affiliates" of the Company for purposes of Rule 145 under the Securities Act. The Company shall use its best

efforts to cause each person who is identified as an "affiliate" in the letter referred to above to deliver to WMI on or prior to the Effective Time a written agreement, in form satisfactory to WMI, that such person will not offer to sell, sell or otherwise dispose of any of the shares of WMI Common Stock issued to such person pursuant to the Merger in violation of the Securities Act.

6.05. Stock Exchange Listing. WMI shall use its best efforts to list prior to the Effective Time on the New York Stock Exchange, Inc., subject to official notice of issuance, the shares of WMI Common Stock to be issued to the shareholders of the Company pursuant to the Merger.

6.06. Employee Benefit Plans. After the Effective Time, WMI will maintain all employee pension, profit-sharing, thrift, retirement, insurance and other health and welfare plans and programs of the Company in effect at the Effective Time or to provide similar benefits to Company employees which are no less favorable than those currently provided by the Company.

6.07. Expenses. Whether or not the Merger is consummated, all costs and expenses incurred in connection with the Offer, this Agreement and the transactions contemplated hereby and thereby shall be paid by the party incurring such expense.

6.08. Options. Immediately prior to the Merger, the holder of each employee stock option to purchase shares of Company Common Shares (a "Company Option") which has not been exercised (whether or not currently exercisable) will receive in exchange therefor cash in an amount equal to the difference between the exercise price per share of such option and $16.00, multiplied by the number of shares of Company Common Shares covered by such Company Option.

6.09. Miscellaneous Agreements. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations, to consummate and make effective the transactions contemplated by the Offer, this Agreement and the Merger. The Company and WMI will, and will cause each of their respective subsidiaries to, use their best efforts to obtain consents of all third parties and governmental bodies necessary or, in the opinion of WMI, desirable to the consummation of the transactions contemplated by this Agreement. In case at any time after the Effective Time any further action is necessary or

desirable to carry out the purposes of this Agreement, the proper officers and directors of the Company, WMI or the Subsidiary, as the case may be, shall take all such necessary action. WMI shall vote (or shall cause the Subsidiary to vote) in favor of the Merger all shares of Company Common Shares which it is then entitled to vote, it being understood that such favorable vote shall not in any way limit WMI's rights under Article VII.

6.10. Filings. The Company and WMI shall, as soon as practicable, respond as promptly as practicable to all inquiries received from the FTC for additional information or documentation under HSR. The Company and WMI will take all such action as may be necessary under the federal securities laws applicable to or necessary for, and will file and, if appropriate, use their reasonable best efforts to have declared effective or approved, all documents and notifications with the SEC and other governmental or regulatory bodies which they deem necessary or appropriate for the consummation of the Merger and the transactions contemplated hereby, and each party shall give the other information reasonably requested by such other party pertaining to it and its subsidiaries and affilitates reasonably necessary to enable such other party to take such actions. The Company and WMI shall file in a timely manner all reports and documents required to be so filed by or under the Exchange Act.

6.11. Exchange Act Compliance. In making the Offer, WMI and the Subsidiary shall comply in all material respects with the provisions of the Exchange Act and other applicable laws.

6.12. Subsequent Financial Statements. The Company will deliver to WMI, not later than 45 days after the end of any fiscal quarter other than the fourth fiscal quarter, an unaudited consolidated statement of financial position of the Company and its subsidiaries as at the last day of such fiscal quarter and the consolidated statements of income and changes in financial position of the Company and its subsidiaries for the fiscal period then ended and prepared in conformity with the requirements of Form 10-Q under the Exchange Act. The Company will deliver to WMI, not later than 90 days after the end of any fourth fiscal quarter, an audited consolidated statement of financial position of the Company and its subsidiaries as at the last day of such fiscal quarter and the consolidated statements of income and changes in financial position of the Company and its subsidiaries for the fiscal year then ended and prepared in conformity with the requirements of Form 10-K under the Exchange Act.

6.13. Certain Notifications. At all times throughout the Offer, each party shall promptly notify the other in writing of the occurrence of any event which will or may result in the failure to satisfy the conditions specified in Section 7.02 in the case of events relating to WMI and Section 7.01 in the case of events relating to the Company.

6.14. Brokers and Finders. All negotiations relating to this Agreement and the transactions contemplated hereby have been carried on without the intervention of any person acting on behalf of the Company in such manner as to give rise to any valid claim against any of the parties hereto or any of their subsidiaries for any broker or finder's fee or similar compensation, except for any obligation of WMI to pay a fee to Merrill Lynch White Weld Capital Markets Group, Merrill Lynch Pierce Fenner & Smith and Kidder Peabody & Co. Incorporated in accordance with their agreement dated as of June 27, 1982 and to Boettcher & Company, Inc. in accordance with their agreement dated as of June 25, 1982, and any obligation of Chem-Nuclear to pay a fee to Goldman, Sachs & Co. in accordance with their agreement dated as of June 30, 1982.

Section 6.15. Certain Tax Matters. WMI and Subsidiary agree as follows:

(a) (i) for a period of one year following the Effective Time, WMI and Subsidiary will not redeem, repurchase, or otherwise acquire, or agree to acquire, or to cause any of their subsidiaries to acquire or agree to acquire, any of the WMI Common Stock to be issued to the shareholders of the Company pursuant to the Merger; (ii) except in the ordinary course of business, for a period of three years following the Effective Time, Subsidiary will not sell, or otherwise dispose of businesses or assets of the Company (as constituted at the Effective Time) which either singly or in combination with prior dispositions of such businesses or assets have a value (as determined by reference to the consideration received in such sale or disposition) in excess of $60 million; and (iii) for a period of one year following the Effective Time, Subsidiary will not distribute to its shareholders businesses or assets of the Company (as constituted at the Effective Time) or the proceeds from the disposition of such businesses or assets, which either singly or in combination with prior distributions of such businesses or assets have a value (as determined in good faith by WMI and Subsidiary) in excess of $12 million; unless, in each of the cases referred to in clauses (i), (ii) and (iii) of this Subsection (a), WMI shall have first received a substantially unqualified opinion of the Company's outside counsel

Skadden, Arps, Slate, Meagher & Flom, that such transaction will not cause the Merger to fail to qualify as a reorganization within the meaning of Section 368 of the Code.

(b) except as contemplated by this Agreement from the date hereof through the Effective Time, WMI and Subsidiary will not acquire, nor cause any of their subsidiaries to acquire any of the Company Common Shares; and

(c) WMI and Subsidiaries will file their federal income tax returns for all periods beginning after or including the Effective Time on a basis consistent with the treatment of the Merger as a reorganization within the meaning of Section 368 of the Code, unless prior to the filing of any such return the Internal Revenue Service shall have asserted or it shall have been determined in a final judgment of a court of competent jurisdiction that the Merger may not be so treated.

Section 6.16. Headquarters. WMI agrees that it is its intention to continue to maintain the Surviving Corporation's corporate headquarters at the Company's present location and to operate the Surviving Corporation as a separate division or subsidiary of WMI.

Section 6.17. Employment Agreements. WMI agrees to honor and perform, and to cause Subsidiary and the Company to honor and perform, the employment agreements authorized by the Board of Directors of the Company at a meeting held on July 19, 1982.

Section 6.18. Issuance of Shares. WMI shall, as and when required by the provisions hereof, issue and deliver certificates representing the number of shares of WMI Common Stock into which the shares of Company Common Shares outstanding at the Effective Time shall be converted pursuant to the Merger.

Section 6.19. Directors' and Officers' Liability Insurance. WMI agrees to maintain or provide directors' and officers' liability insurance for past and present directors and officers of the Company and the Surviving Corporation for a period of five years, which insurance shall be substantially similar to the insurance in effect as of the date of this Agreement and for such five year period shall take no action to amend the By-laws of the Surviving Corporation so as to preclude indemnification and insurance of the Company's and the Surviving Corporation's directors and officers.

VII. CONDITIONS

7.01. Conditions to Obligations of WMI and the Subsidiary. The obligations of WMI and the Subsidiary hereunder are subject to the conditions set forth in Exhibit A hereto.

7.02. Conditions to the Company's Obligations. Notwithstanding any other provisions of this Agreement, the Company shall not be obligated to consummate the Merger if any of the following situations exist:

(a) A preliminary or permanent injunction or other order issued by any state or federal court or any order by any federal or state agency or instrumentality which purports to prevent the consummation of the Merger shall have been issued and remain in effect.

(b) The shareholders of the Company shall have failed to approve the Merger.

(c) The Company shall have received an opinion as of the Effective Time from Skadden, Arps, Slate, Meagher & Flom or Bell, Boyd & Lloyd, substantially to the effect that on the basis of facts and representations set forth in such opinion which are consistent with the state of facts existing at the date of the Closing, the Merger (together with the Offer if the Offer and the Merger are treated as a single integrated transaction) will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, and that WMI, Subsidiary and the Company will each be a party to that reorganization within the meaning of Section 368(b) of the Code and that, accordingly, (i) no gain or loss will be recognized to the shareholders of the Company who did not exchange any of their Company Common Shares for cash pursuant to the Offer and who exchange all of their Company Common Shares of WMI Common Stock pursuant to the Merger; (ii) assuming that the Offer and the Merger are treated as a single integrated transaction for federal income tax purposes, no loss will be recognized to the shareholders of the Company who exchange part of their Company Common Shares for cash pursuant to the Offer and part of their Company Common Shares for WMI Common Stock pursuant to the Merger, and gain realized, if any, will be recognized to the extent of the cash received; (iii) the aggregate basis of WMI Common Stock received by shareholders of the Company who did not exchange any of their Company Common Shares for cash pursuant to the Offer and exchange all of their Company Common Shares for WMI Common Stock in

the Merger will be the same as the aggregate basis of the Company Common Shares surrendered in exchange therefor; (iv) assuming that the Offer and the Merger are treated as a single integrated transaction for federal income tax purposes, the aggregate basis of WMI Common Stock received by shareholders of the Company who exchange part of their Company Common Shares for WMI Common Stock in the Merger and part of their Company Common Shares for cash in the Offer will be the same as the aggregate basis of their Company Common Shares surrendered, decreased by the cash received and increased by the amount of gain, if any, recognized on the exchange (including any portion of such gain which is treated as a dividend); (v) the holding period of the WMI Common Stock received will include the period during which the Company Common Shares surrendered in exchange therefor was held, provided such Company Common Shares was held as a capital asset on the date of the exchange; and (vi) in the case of a shareholder all of whose Company Common Shares (including Company Common Shares deemed to be owned by him under Section 318 of the Code) is exchanged solely for cash in the Offer, gain or loss will be recognized and such gain or loss will constitute capital gain or loss provided such Company Common Shares was held by such shareholder as a capital asset. In rendering any such opinion, counsel may rely on certificates of officers of the Company and WMI and upon the representations and agreements of WMI and Subsidiary contained herein. Such opinion may provide that it is not applicable to stock acquired upon the exercise of employee stock options or otherwise as compensation or to the treatment of cash received in lieu of fractional shares.

VIII. TERMINATION, AMENDMENT AND WAIVER

8.01. Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval by the shareholders of the Company:

(a) by mutual consent of the Board of Directors of WMI, and the Board of Directors of the Company;

(b) by either WMI or the Company if the Merger shall not have been consummated on or before January 31, 1983; or

(c) by either WMI or the Company if the Offer and any extension thereof terminates and no shares are purchased pursuant thereto.

8.02. Effect of Termination. In the event of termination of this Agreement by either WMI or the Company, as

provided above, this Agreement shall forthwith become void and there shall be no liability on the part of either WMI or the Company or their respective officers or directors, except that the provisions contained in Section 5.01 and 6.07, and Article IX herein shall continue in full force and effect.

8.03. Amendment.

(a) This Agreement and the Exhibits hereto may be amended by the parties hereto, by action taken by their respective Boards of Directors at any time before or after approval hereof by the shareholders of the Company but, after any such approval, no amendment shall be made which changes the ratio at which Company Common Shares are to be converted into cash and shares of WMI Common Stock as provided in the Merger Agreement or in any way adversely affects the rights of Company shareholders without the further approval of such shareholders. This Agreement and the Exhibits hereto may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

(b) No amendment to nor termination of this Agreement on the part of the Company shall be effective in the event WMI has designated any person or persons to serve as directors of the Company pursuant to Section 5.01(u) hereof unless it is approved by a majority of the directors not so designated by WMI.

8.04. Waiver. Any term or provision of this Agreement (other than the requirement for shareholder approval) may be waived in writing at any time by the party which is, or, in the case of the Company, whose shareholders are, entitled to the benefits thereof.

IX. RESTRICTIONS ON CERTAIN ACTIONS IN THE EVENT THE MERGER IS NOT CONSUMMATED; REPURCHASE OF COMPANY COMMON SHARES BY COMPANY

9.01. Applicability of Restrictions. WMI and Subsidiary agree that in the event Subsidiary acquires any Company Common Shares pursuant to the Offer and the Merger is not consummated, then, for a period of three years following the termination of this Agreement, neither WMI nor Subsidiary will, without the prior consent of the Company's Board of Directors, take any action inconsistent with the provisions of this Article IX.

9.02. Acquisition of Additional Company Securities. Neither WMI nor Subsidiary will acquire, directly or indirectly, any additional Company Common Shares or any

other secuirities of the Company entitled to vote generally for the election of directors or securities convertible into such securities (the Company Common Shares and such other securities being hereinafter collectively referred to as "Company Voting Securities") other than pursuant to an offer to acquire all outstanding Company Voting Securities owned by persons other than WMI and its affiliates in a transaction which has been approved by the Board of Directors of the Company and the financial terms of which have been determined to be fair to the holders of such Company Voting Securities by a nationally recognized investment banking firm.

Section 9.03. Disposition of Company Voting Securities. Neither WMI nor Subsidiary will sell or otherwise dispose of any Company Voting Securities, directly or indirectly, owned by them, except as follows:

(a) to any direct or indirect wholly owned subsidiary of WMI which agrees to be bound by the terms of this Article IX;

(b) in a firm commitment fully underwritten public offering registered under the Securities Act;

(c) in compliance with Rule 144 under the Securities Act;

(d) under the circumstances described in Section 9.05.

In connection with subsection 9.03(b) above, the Company agrees, upon WMI's written request, to file with the SEC on the appropriate form at least once each year at its expense and within 30 days following WMI's request, a registration statement covering any or all Company Common Shares owned by WMI and to use its best efforts to cause such registration statement to become effective; provided, however, if the filing of such registration statement would interfere with any financing plans of the Company existing at the time of such WMI request, the Company may postpone its obligations under this paragraph for a period not to exceed ninety days. In connection with any such offering under subsection 9.03(b) above, the Company agrees that it will enter into an underwriting agreement containing representations and agreements similar to those contained in the underwriting agreement the Company entered into in connection with the Company's public offering of Company Common Shares in January, 1981.

Section 9.04. Voting. WMI and Subsidiary agree to cause all Company Voting Securities owned directly or indirectly

by them to be represented for quorum purposes at every meeting of the stockholders of the Company and to be voted for the election of the Company's nominees to its Board of Directors.

Section 9.05. Right of First Refusal. If WMI or Subsidiary or any other direct or indirect wholly owned subsidiary of WMI (collectively the "WMI Group") desires to sell all or any part of the Company Common Stock acquired pursuant to the Offer, it shall give the Company the opportunity, in the following manner, to purchase such shares:

(a) the member of the WMI Group desiring to make such sale shall notify the Company of its intention to sell specifying the identity of the proposed purchaser, the number of Company Common Shares proposed to be sold, the proposed price, and the material terms of any agreement relating thereto;

(b) the Company shall have the right, exercisable by written notice given to and received by the member of the WMI Group desiring to make such sale within 60 days after receipt of such notice of intention to sell (or, in the case of a proposed sale pursuant to a tender or exchange offer for Company Common Shares, by written notice given by the Company to and received by the member of the WMI Group desiring to make such sale at least two business days prior to the earlier of the initial proration date or the initial expiration date of such tender or exchange offer) to commit to purchase all, but not a part, of the Company Common Shares specified in such notice of intention to sell at the price and otherwise on the same terms and conditions as set forth in such notice; if the purchase price specified in the notice of intention to sell given to the Company includes any property other than cash, such purchase price shall be deemed to be the amount of any cash included in the purchase price plus the fair market value at the date of such notice (as such value is agreed by the Company and WMI or, if they are unable to agree, as determined by a nationally recognized investment banking firm selected by WMI and approved by the Company, which approval shall not be unreasonably withheld, and the fees of which shall be shared equally by WMI and the Company) of such other property included in such price;

(c) if the Company exercises its right of first refusal hereunder, the closing of the purchase of the Company Common Shares with respect to which such right has been exercised shall take place within five business days after the notice of such exercise (or, in the case of a tender or exchange offer, by one business day prior to the

earlier of the initial proration date or the initial expiration date); and payment for the Company Common Shares to be purchased shall be made by the Company by delivery of immediately available funds or by a certified or bank cashier's check;

(d) if the Company does not exercise its right of first refusal hereunder within the time specified for such exercise, the member of the WMI Group desiring to make such sale shall be free for 60 days following the expiration of such time for exercise to sell or enter into an agreement to sell to the purchaser specified in the notice of intention to sell, the Company Common Shares specified therein at the price specified therein or at any price in excess thereof and otherwise on substantially the same terms and conditions set forth therein; provided that if such sale shall not be consummated within such 60-day period, then the provisions of this Section 9.05 shall again be applicable to the sale of such Company Common Shares.

9.06 Purchase of Company Common Stock by Company. In the event WMI shall not consummate the Merger contemplated herein because the condition set forth in section (e) of Exhibit A has not been fulfilled, the Company shall have the right, for a period of ~~twelve~~ months from WMI's written notification to the Company that it elects not to consummate the Merger because such condition has not been fulfilled, to purchase from WMI and the Subsidiary, and WMI and the Subsidiary shall sell to the Company, all Company Common Shares held by them at a price per share of $15.00, together with interest at the average of the prime commercial lending rate of Continental Illinois National Bank and Trust Company of Chicago from the date of first purchase of the Company Common Shares by WMI pursuant to the Offer to the date of purchase by the Company pursuant to the provisions of this section and the reimbursement of expenses (including the fees of legal counsel) incurred by WMI in connection with the Offer. Any payment of the purchase price by the Company shall be to the order of WMI and be by certified or bank cashier's check. At the time of receipt of the payment by WMI, WMI and Subsidiary shall deliver to the Company certificates representing all Company Common Shares held by them properly endorsed for transfer to the Company.

X. GENERAL PROVISIONS

10.01. Non-Survival of Representations, Warranties and Agreements. All representations, warranties and agreements

in this Agreement of WMI, the Subsidiary and the Company or in any instrument delivered by WMI, the Subsidiary and the Company pursuant to this Agreement shall not survive the Merger, except for the Agreements contained in Sections 6.06, 6.09, 6.15, 6.16, 6.17, 6.18 and 6.19.

10.02. Closing. The closing of the transactions contemplated by this Agreement shall take place as promptly as practicable following approval of the Merger by the shareholders of the Company, at the offices of Jones, Grey & Bayley, P.S., 36th Floor, One Union Square, 600 University, Seattle, Washington 98101.

10.03. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to WMI or the Subsidiary:

3003 Butterfield Road
Oak Brook, Illinois 60511
Attention: President

and

Bell, Boyd & Lloyd
Three First National Plaza
70 West Madison Street
Chicago, Illinois 60602
Attention: John T. McCarthy

(b) if to the Company:

10602 N.E. 38th Place
Kirkland, Washington 98033
Attention: Chairman of the Board

and

Jones, Grey & Bayley, P.S.
36th Floor, One Union Square
600 University
Seattle, Washington 98101
Attention: John L. West

10.04. Miscellaneous. This Agreement (including the exhibits, documents and instruments referred to herein or therein) (a) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof; (b) is not intended to confer upon any other person any rights or remedies hereunder; (c) shall not be assigned by operation of law or otherwise; and (d) shall be governed in all respects, including validity, interpretation and effect, by the laws of the State of Delaware. This Agreement may be executed in two or more counterparts which together shall constitute a single agreement.

IN WITNESS WHEREOF, WMI, the Subsidiary and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

WASTE MANAGEMENT, INC.

By: /s/
Vice Chairman of the Board

WMI HOLDINGS, INC.

By: /s/
Executive Vice President

CHEM-NUCLEAR SYSTEMS, INC.

By: /s/
Chairman of the Board,
President and Chief
Executive Officer

EXHIBIT A

CONDITIONS

Notwithstanding any other provision of this Agreement, the obligation of WMI and Subsidiary to effect the Merger shall be subject to the fulfillment, at the Effective Time, of the following conditions:

(a) the Merger and this Agreement shall have been validly approved and adopted by the requisite vote of the shareholders of the Company;

(b) the Registration Statement covering the shares of WMI Common Stock to be issued in the Merger shall have become effective, and no stop order suspending such effectiveness and no proceedings for that purpose shall have been instituted or threatened;

(c) the waiting period applicable to the consummation of the Merger under HSR shall have expired or been terminated;

(d) no preliminary or permanent injunction or other order by any federal or state court in the United States or any order by any federal or state agency or instrumentality which purports to prevent the consummation of the Merger shall have been issued and remain in effect;

(e) all material permits and licenses now held by the Company and its subsidiaries relating to the Barnwell, South Carolina facility shall continue to be valid and in full force and effect at the Effective Time of the Merger, and the appropriate governmental agencies shall have agreed in writing (which agreements shall not have been withdrawn) that such licenses and permits may be transferred, with no material impediments or conditions, to the Surviving Corporation at or following consummation of the Merger.

EXHIBIT B

EXCHANGE OF SHARES

(a) Promptly after the Effective Time, WMI shall make available for exchange or conversion in accordance with Article II hereof, by transferring to the Surviving Corporation or the Exchange Agent (as hereinafter defined) for the benefit of the shareholders of the Company, such number of shares of WMI Common Stock as shall be issuable in exchange for outstanding shares of Company Common Shares pursuant to Section 2.02 hereof (such shares of WMI Common Stock shall be net of the aggregate number of fractional shares of WMI Common Stock in lieu of which cash will be paid pursuant to paragraph (g) of this Exhibit B). In addition, WMI will from time to time, upon the request of the Exchange Agent, make available to the Exchange Agent such cash as may be necessary to make the cash payments in respect of fractional shares of Company Common Stock as provided in paragraph (g) of this Exhibit B.

(b) As soon as practicable after the Effective Time, such bank or trust company as WMI may determine, acting as Exchange Agent to effect the exchange of certificates (the "Exchange Agent"), shall mail to each holder of record (other than WMI, the Subsidiary, the Company or any subsidiary of the Company) of a certificate or certificates which immediately prior to the Effective Time represented outstanding shares of Company Common Shares (the "Certificates"), (i) a form letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent), and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing WMI Common Stock. Upon surrender of a Certificate for cancellation to the Exchange Agent or to such other agent or agents as may be appointed by WMI, together with such letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor [redacted] a certificate representing that number of shares of WMI Common Stock into which the shares of Company Common Shares theretofore represented by the Certificate so surrendered shall have been converted pursuant to the provisions of Article II hereof and the Certificate so surrendered shall forthwith be cancelled.

(c) No dividends or other distributions declared after the Effective Time with respect to WMI Common Stock and payable to the holders of record thereof after the

Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of WMI Common Stock represented thereby until the holder of record shall surrender such Certificate. Subject to the effect, if any, of applicable law, after the subsequent surrender and exchange of a Certificate, the holder thereof shall be entitled to receive any such dividends or other distributions, without any interest thereon, which theretofore became payable with respect to shares of WMI Common Stock represented by such Certificate. All dividends or other distributions declared, after the Effective Time with respect to WMI Common Stock and payable to the holders of record thereof after the Effective Time which are payable to holders of Certificates not theretofore surrendered and exchanged for certificates representing shares of WMI Common Stock and cash pursuant to this Exhibit B shall be paid or delivered by WMI to the Exchange Agent, in trust, for the benefit of such holders. All such dividends or other distributions held by the Exchange Agent for payment on delivery to the holders of unsurrendered Certificates and unclaimed at the end of one year from the Effective Time shall be repaid or redelivered by the Exchange Agent to WMI, after which time any holder of Certificates who has not theretofore surrendered such Certificates to the Exchange Agent, subject to applicable law, shall look as a general creditor only to WMI for payment or delivery of such dividends or distributions, as the case may be. Any shares of WMI Common Stock delivered or made available to the Surviving Corporation or the Exchange Agent pursuant to this Exhibit B and not exchanged for Certificates within one year after the Effective Time pursuant to this Exhibit B shall be returned by the Surviving Corporation or the Exchange Agent, as the case may be, to WMI, which shall thereafter act as Exchange Agent subject to the rights of holders of unsurrendered Certificates under Article II hereof.

(d) If any certificate representing shares of WMI Common Stock is to be issued in a name other than that in which the Certificate surrendered in exchange therefor is registered, it shall be a condition of the issuance thereof that the Certificate so surrendered shall be properly endorsed and otherwise in proper form for transfer and that the person requesting such exchange shall pay to the Exchange Agent any transfer or other taxes required by reason of the issuance of a certificate representing shares of WMI Common Stock in any name other than that of the registered holder of the Certificate surrendered, or otherwise required, or shall establish to the satisfaction of the Exchange Agent that such tax has been paid or is not payable.

(e) All shares of WMI Common Stock and rights to receive cash, if any, into and for which shares of Company Common Shares shall have been converted and exchanged pursuant to Article II hereof shall be deemed to have been issued in full satisfaction of all rights pertaining to such converted and exchanged shares of Company Common Shares.

(f) After the Effective Time, there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Common Shares which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates representing such shares are presented to the Surviving Corporation, they shall be cancelled and exchanged for certificates representing shares of WMI Common Stock and cash as provided in Article II hereof.

(g) No certificates or scrip representing fractional shares of WMI Common Stock shall be issued upon the surrender for exchange of Certificates, no dividend or distribution of WMI shall relate to any fractional share, and such fractional share interests will not entitle the owner thereof to vote or to any rights of a stockholder of WMI. In lieu of any such fractional share, the Exchange Agent or the Surviving Corporation, as the case may be, shall pay to each holder of Company Common Shares who otherwise would be entitled to receive a fractional share of WMI Common Stock an amount of cash (without interest) determined by multiplying (i) the per share market value of WMI Common Stock (based on the average of the closing prices of WMI Common Stock on the Composite Tape on each of the ten trading days immediately preceding the day of the Effective Time) times (ii) the fractional share interest (subject to adjustment pursuant to Section 2.04 hereof) to which such holder would otherwise be entitled.

ending on the trading day

2/81

OPTION AGREEMENT

This Option Agreement (the "Option Agreement") is made and entered into on July 24, 1982 by and among CHEM-NUCLEAR SYSTEMS, INC., a Washington corporation (the "Company"), WASTE MANAGEMENT, INC., a Delaware corporation ("WMI"), and WMI HOLDINGS, INC., a Delaware corporation ("Subsidiary").

W I T N E S S E T H:

WHEREAS, the Company, WMI and Subsidiary propose to enter into an Agreement (the "Agreement") of even date herewith providing for the merger of the Company into Subsidiary (the "Merger"); and

WHEREAS, to induce WMI and Subsidiary to enter into the Agreement, the Company has agreed to grant Subsidiary the option set forth herein to purchase up to 350,000 shares of Class A Preferred Stock, $1.00 par value, of the Company (the "Class A Shares") and 350,000 shares of Class B Preferred Stock, $1.00 par value, of the Company (the "Class B Shares") (collectively, the "Preferred Shares").

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and provisions contained herein, the parties hereto agree as follows:

1. Grant of Option. The Company hereby grants to Subsidiary an option (the "Option") to purchase for $15 per share up to 350,000 Class A Shares and up to 350,000 Class B Shares. The resolutions of the Board of Directors of the Company providing for the issuance of such Preferred Stock are attached hereto as Exhibit A (Class A Shares) and Exhibit B (Class B Shares).

2. Exercise of Option. The Option may be exercised by Subsidiary, in whole or in part, but only once as to each of the Class A Shares and the Class B Shares, at any time or from time to time, on or after the date of this Agreement and prior to 12:00 midnight, Chicago time, on January 31, 1983. In the event Subsidiary wishes to exercise the Option, Subsidiary shall give written notice (the "Notice") to the Company specifying the number and class or classes of Preferred Shares it will purchase pursuant to the Option and a place and date not later than 60 days from the date such Notice is given to the Company for the closing of such purchase. Upon payment of the purchase price for the Preferred Shares covered by a Notice, the Option shall be deemed exercised, to the extent of the Shares specified in the Notice, as of the date such Notice is given to the Company.

3. Lapse of Option; Repurchase of Shares. The Option shall become null and void if (i) the Agreement is terminated pursuant to Section 8.01 thereof, or (ii) Subsidi-

ary shall not have purchased any shares of Common Stock of the Company pursuant to its Tender Offer dated June 29, 1982, and such Tender Offer, as amended or extended, shall have been terminated.

As to any Preferred Shares purchased pursuant to this Option, if the Agreement is terminated pursuant to Section 8.01 thereof, the Company shall have the right to repurchase not less than all such Preferred Shares for a period of 60 days thereafter for $15.00 per share, plus any accrued or accumulated dividends thereon, by payment in full to Subsidiary in immediately available funds by wire transfer to a bank designated by the Subsidiary, and the Subsidiary will deliver to the Company the certificates for such Preferred Shares duly endorsed for transfer to the Company.

4. Payment of Purchase Price and Delivery of Certificates for Shares. At any closing hereunder, (a) Subsidiary will make payment to the Company of the aggregate price for the Preferred Shares so purchased in immediately available funds by wire transfer to a bank designated in writing by the Company and (b) the Company will deliver to Subsidiary a duly executed certificate or certificates representing the number of Preferred Shares so purchased.

5. Representations and Warranties of the Company. The Company hereby represents and warrants to WMI and Subsidiary as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington.

(b) The Company has all requisite corporate power and authority to enter into and perform all of its obligations under this Option Agreement. The execution, delivery and performance of this Option Agreement and all of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company. This Option Agreement has been duly executed and delivered by the Company.

(c) The Company has taken all necessary corporate action to authorize and reserve for issuance upon exercise of the Option 700,000 authorized but unissued Preferred Shares, and the resolutions attached hereto as Exhibit A and B have been duly adopted by the Company's Board of Directors.

(d) The Preferred Shares to be issued upon due exercise, in whole or in part, of the Option, when paid for as provided herein, will be duly authorized, validly issued, fully paid and non-assessable.

(e) Neither the execution and delivery of this Option Agreement nor the consummation of the transactions contemplated hereby will result in a breach or violation of, conflict with or constitute a default under, the

Company's Articles of Incorporation or By-laws, or any of the provisions of any indenture, agreement or other instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound.

6. Assignment. Without the prior written consent of the Company, this Option Agreement shall not be assigned by Subsidiary except to WMI or any affiliate of WMI.

7. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given (and shall be deemed to have been duly received if so given) if personally delivered or sent by registered or certified mail, postage prepaid, addressed to the respective parties as follows:

If to the Company:

Chem-Nuclear Systems, Inc.
10602 N.E. 38th Place
Kirkland, WA 98033

Attention: Bruce Johnson
Chairman and President

If to WMI or Subsidiary:

Waste Management, Inc.
3003 Butterfield Road
Oak Brook, IL 60521

Attention: Dean L. Buntrock
Chairman of the Board
and President

or to such other address as either party may have furnished to the other in writing in accordance herewith.

8. Governing Law. This Option Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

9. Counterparts. This Option Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, this Option Agreement has been executed by duly authorized officers of each of the parties hereto all as of the day and year first above written.

CHEM-NUCLEAR SYSTEMS, INC.

By_____

WASTE MANAGEMENT, INC.

By_____

WMI HOLDINGS, INC.

By_____

2/100

EXHIBIT A

RESOLUTION ESTABLISHING SERIES A PREFERRED STOCK AND FIXING THE RELATIVE RIGHTS AND PREFERENCES WITH RESPECT THERETO

RESOLVED, by the Board of Directors of Chem-Nuclear Systems, Inc., a Washington corporation (the "Company"), that pursuant to authority expressly vested in the Board by the provisions of the Articles of Incorporation of the Company, the Board authorizes the issuance of a series of Preferred Stock of the Company and hereby fixes the designation, preferences and relative, participating, optional and other special rights, and the qualification, limitations and restrictions thereof, in addition to those set forth in the Articles of Incorporation, as follows:

1. Number of Shares; Designation. 350,000 shares of Preferred Stock of the Company are hereby constituted as a series of Preferred Stock designated as "Series A Preferred Stock," which shall be a portion of the 500,000 authorized shares of Class A Preferred Stock of $1.00 par value per share Preferred Stock of the Company.

2. Voting Rights. The shares of Series A Preferred Stock shall entitle the holders thereof to one vote for each share upon all matters upon which shareholders have the right to vote, voting together as a class, and the right to vote as a class, with two-thirds approval by the class needed, on any amendments to

the Articles of Incorporation that would affect the rights or preferences of the Series A Preferred Stock and on any merger, consolidation, liquidation, recapitalization or sale of all or substantially all assets of the Company.

3. Rights on Liquidation. The preferential amount which the holders of Series A Preferred Stock of the Company shall be entitled to receive upon liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, before any distribution may be made to the holders of any stock junior to the Series A Preferred Stock, including the Common Stock of the Company, shall be $15.00 per share, plus an amount equal to all dividends accumulated but unpaid thereon to the date of final distribution to such holders.

4. Dividend Rights. The holders of the Series A Preferred Stock shall be entitled to receive preferential cash dividends at the annual rate of $2.25 per share from the start of the twelve-month period beginning with the date of their issue and cumulative from and after that date, whether or not earned, and payable quarterly on the 15th day of January, April, July and October in each year.

5. Redemption at the Option of Holder. The holders of the Series A Preferred Stock shall be entitled upon 10 days written notice to the Company to have all or any part of their shares redeemed by the Company at a price of $15.00 per share plus an amount equal to all dividends accumulated but unpaid thereon to the date of such redemption.

6. Miscellaneous. The Series A Preferred Stock shall not be entitled to any preemptive or conversion rights, nor shall the Company have any rights to redeem such stock solely at the Company's option. In any event, the Series A Preferred Stock may be repurchased by the Company to the extent legally permissible.

EXHIBIT B

RESOLUTION ESTABLISHING SERIES B PREFERRED STOCK AND FIXING THE RELATIVE RIGHTS AND PREFERENCES WITH RESPECT THERETO

RESOLVED, by the Board of Directors of Chem-Nuclear Systems, Inc., a Washington corporation (the "Company"), that pursuant to authority expressly vested in the Board by the provisions of the Articles of Incorporation of the Company, the Board authorizes the issuance of a series of Preferred Stock of the Company and hereby fixes the designation, preferences and relative, participating, optional and other special rights, and the qualification, limitations and restrictions thereof, in addition to those set forth in the Articles of Incorporation, as follows:

1. Number of Shares; Designation. 350,000 shares of Preferred Stock of the Company are hereby constituted as a series of Preferred Stock designated as "Series B Preferred Stock," which shall be a portion of the 500,000 authorized shares of Class B Preferred Stock of $1.00 par value per share Preferred Stock of the Company.

2. Voting Rights. The shares of Series B Preferred Stock shall entitle the holders thereof to one vote for each share upon all matters upon which shareholders have the right to vote, voting together as a class, and the right to vote as a class, with two-thirds approval by the class needed, on any amendments to

the Articles of Incorporation that would affect the rights or preferences of the Series B Preferred Stock and on any merger, consolidation, liquidation, recapitalization or sale of all or substantially all assets of the Company.

3. Rights on Liquidation. The preferential amount which the holders of Series B Preferred Stock of the Company shall be entitled to receive upon liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, before any distribution may be made to the holders of any stock junior to the Series B Preferred Stock, including the Common Stock of the Company, shall be $15.00 per share, plus an amount equal to all dividends accrued thereon to the date of final distribution to such holders.

4. Dividend Rights. The holders of the Series B Preferred Stock shall be entitled to receive preferential cash dividends at the annual rate of $2.25 per share from the start of the twelve-month period beginning with the date of their issue, whether or not earned, and payable quarterly on the 15th day of January, April, July and October in each year. Such dividends shall be non-cumulative.

5. Redemption at the Option of Holder. The holders of the Series B Preferred Stock shall be entitled upon 10 days written notice to the Company to have all or any part of their shares redeemed by the Company at a price of $15.00 per share, plus an amount equal to all dividends accrued thereon to the date of such redemption.

6. Miscellaneous. The Series B Preferred Stock shall not be entitled to any preemptive or conversion rights, nor shall the Company have any rights to redeem such stock solely at the Company's option. In any event, the Series B Preferred Stock may be repurchased by the Company to the extent legally permissible.

Offer to Purchase for Cash

up to

4,200,000 Common Shares

of

CHEM-NUCLEAR SYSTEMS, INC.

at

$15.00 Net Per Share

by

WMI Holdings, Inc.

a wholly-owned subsidiary of

WASTE MANAGEMENT, INC.

THE PRORATION DATE IS 12:00 MIDNIGHT, EASTERN TIME, ON THURSDAY, JULY 8, 1982. THE WITHDRAWAL DEADLINE IS 12:00 MIDNIGHT, EASTERN TIME, ON TUESDAY, JULY 20, 1982. THE OFFER EXPIRES AT 12:00 MIDNIGHT, EASTERN TIME, ON TUESDAY, JULY 27, 1982, UNLESS EXTENDED.

The Offer is for up to 4,200,000 common shares of Chem-Nuclear Systems, Inc., and is not conditioned upon any minimum number of Shares being tendered. The Purchaser reserves the right to purchase additional Shares in the event the Offer is over-subscribed. See Sections 1 and 16.

IMPORTANT

Any Shareholder wishing to accept the Offer should either (1) complete and sign the Letter of Transmittal or a facsimile thereof, have the signature guaranteed as required by Instruction 1 of the Letter of Transmittal and forward such Letter of Transmittal with the Share certificates and any other required documents to the Depositary or the Forwarding Agent or (2) request a broker, dealer, commercial bank, trust company or nominee to effect the transaction. Shareholders having Shares registered in the name of a broker, dealer, commercial bank, trust company or nominee must contact such person if they desire to tender their Shares.

Questions and requests for assistance or for additional copies of the Offer to Purchase and the Letter of Transmittal may be directed to the Dealer Managers, the Depositary, the Information Agent, or to brokers, dealers, banks or trust companies.

The Dealer Managers for the Offer are:

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Kidder, Peabody & Co.
Incorporated

June 29, 1982

To the Shareholders of
Chem-Nuclear Systems, Inc.:

WMI Holdings, Inc., a Delaware corporation (the "Purchaser"), and a wholly-owned subsidiary of Waste Management, Inc., a Delaware corporation ("Waste Management"), hereby offers to purchase up to 4,200,000 common shares, $.05 par value per share, (representing approximately 53% of the shares outstanding as of May 31, 1982) of Chem-Nuclear Systems, Inc., a Washington corporation (the "Company"), at $15 net per share to the Seller in cash.

This Offer to Purchase, together with the related Letter of Transmittal, is referred to herein as the "Offer," and the outstanding common shares of the Company, $.05 par value, are referred to herein as the "Shares."

The Offer is not conditioned upon any minimum number of Shares being tendered, but is subject to other conditions, including certain regulatory approvals. See Section 16.

Tendering Shareholders will not be required to pay brokerage commissions, fees or, subject to Instruction 7 of the Letter of Transmittal, transfer taxes on the purchase of Shares by the Purchaser. The Purchaser will pay all charges and expenses of Harris Trust and Savings Bank (the "Depositary"), Chemical Bank (the "Forwarding Agent"), and Georgeson & Co. Inc. (the "Information Agent").

As of June 29, 1982, Waste Management owned 41,000 Shares (representing approximately one-half of one percent of all Shares reported to be outstanding as of May 31, 1982).

The Purchaser may purchase pursuant to the Offer more than 4,200,000 Shares if more than such number of Shares is properly tendered and not withdrawn. However, any purchase of such additional Shares is within the sole discretion of the Purchaser and any purchase of significantly more than 4,200,000 Shares would require modification or waiver of certain covenants of Waste Management in loan agreements with certain banks and insurance companies and an increase in the amount of credit available to Waste Management. Waste Management intends to seek such modifications or waivers and increase in credit. There can be no assurance that such modifications or waivers or that such increase in credit can be obtained. See Section 9.

1. **Number of Shares; Proration.** Upon the terms and subject to the conditions set forth in the Offer, the Purchaser will purchase at the time or times and in the manner set forth in Section 3 up to 4,200,000 Shares which are properly tendered and not properly withdrawn, as provided in Section 2, prior to 12:00 Midnight, Eastern Time, on July 27, 1982 (the "Expiration Date"), unless the Purchaser shall, in its sole discretion, have extended the Offer, in which event the term "Expiration Date" shall mean the latest time and date on which the offer as so extended by the Purchaser shall expire.

In the event the Offer is over-subscribed, the Purchaser may purchase such additional Shares and may purchase any and all Shares pursuant to the Offer in its discretion, although the purchase of significantly more than 4,200,000 Shares would require consent of Waste Management's lenders, and an increase in the amount of credit available to Waste Management. Waste Management intends to seek such consents and additional credit, but there can be no assurance it will be successful. If more than 4,200,000 Shares (or such greater number as the Purchaser shall elect to purchase) shall be properly tendered by 12:00 Midnight, Eastern Time, on Thursday, July 8, 1982 (the "Proration Date"), and not properly withdrawn, then the Purchaser will, on the terms and subject to the conditions of the Offer, purchase 4,200,000 Shares (or such greater number as the Purchaser shall elect to purchase) on a pro rata basis (with adjustments to avoid purchases of fractional Shares) according to the number of Shares properly tendered by each Shareholder prior to the Proration Date and not properly withdrawn, and Shares tendered after the Proration Date will not be purchased (unless the Offer is amended). If fewer than 4,200,000 Shares (or such greater number as the Purchaser shall elect to purchase) are properly tendered by the Proration Date, and not properly withdrawn, all Shares so tendered and not withdrawn will, subject to the terms and conditions of the Offer, be purchased, and any Shares properly tendered thereafter and prior to the Expiration Date (as hereinafter defined) and not properly withdrawn will be purchased in the order in which they are tendered up to 4,200,000 Shares (or such greater number as the Purchaser shall elect to purchase).

According to the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 1982, there were 7,871,786 Shares outstanding on May 31, 1982. According to the Company's Annual Report on Form 10-K for the year ended July 31, 1981 (the "1981 10-K"), options to purchase 34,500 Shares, as adjusted, were outstanding. According to the Dow Jones New Service, on June 4, 1982, the Company announced an agreement in principle to acquire Chemical Processing, Inc. in exchange for 230,000 Shares.

2. **Withdrawal Rights.** Shares tendered pursuant to the Offer may be withdrawn at any time prior to 12:00 Midnight, Eastern Time, on Tuesday, July 20, 1982. In addition, if a bidder other than the Purchaser or the Company should commence a tender offer for Shares and the Purchaser has received notice or otherwise has knowledge of the commencement (otherwise than by press release) of such other offer and the Shares have not been accepted for payment as provided for herein, then such Shares tendered pursuant to the Offer may be withdrawn on the date and until the expiration of ten business days following the date of commencement of such other offer. To be effective a written or telegraphic notice of withdrawal must be timely received by the Depositary (not the Forwarding Agent), at its address shown below. Any notice of withdrawal must specify the name of the person who deposited the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder, if different from that of the tendering Shareholder. If certificates for Shares have been delivered or otherwise identified to the Depositary or the Forwarding Agent, then prior to the release of such certificates, the tendering Shareholder must also submit the name of the registered holder as set forth in such certificates and the certificate numbers shown on the particular certificates evidencing the Shares. Shares may also be withdrawn, if not previously purchased by the Purchaser, at any time after August 27, 1982, in accordance with such procedure. All questions as to the form and validity, including time of receipt, of notices of withdrawal will be determined by the Purchaser, whose determinations will be final and binding. Except as provided in this Section 2, all tenders are irrevocable. None of the Purchaser, Waste Management, the Depositary, the Forwarding Agent, the Information Agent, the Dealer Managers or any other person will be under any duty to give notification of any defects or irregularities on any notice of withdrawal or incur any liability for failure to give such notification.

3. **Purchase and Payment; Tax Consequences.** Upon the terms and subject to the conditions of the Offer, the Purchaser will purchase by accepting for payment, and will pay for, all Shares properly tendered by, and not properly withdrawn prior to, 12:00 Midnight, Eastern Time, on Tuesday, July 27, 1982. Such purchase and payment will be made by the Purchaser as promptly as practicable and permitted by law after the latest of (i) the proper tender of such Shares, (ii) 12:00 Midnight, Eastern Time, on Tuesday, July 27, 1982, (iii) the expiration of the waiting period applicable to the consummation of the Offer under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "Hart-Scott Act") (see Section 11), and (iv) the obtaining of such regulatory approvals or transfers as the Purchaser shall deem material (see Section 11), provided that (1) Shares entitled to withdrawal rights during an additional withdrawal period (as explained in Section 2) will, subject to the terms and conditions of the Offer, be purchased and paid for promptly after the expiration of such additional withdrawal period and (2) the Purchaser shall be entitled, in its sole discretion (but shall have no obligation), to purchase Shares pursuant to the Offer at any time after 12:00 Midnight, Eastern Time, on Tuesday, July 20, 1982 provided the expiration of the waiting period applicable to the consummation of the Offer under the Hart-Scott Act has by then expired, no withdrawal rights are then exercisable with respect to such Shares under Section 2 and the Purchaser determines that it is otherwise legally permitted to do so. Upon the same terms and subject to the same conditions, the acceptance and purchase of Shares properly tendered during any extension of the Offer (if the Offer is extended—see Section 15) will be made promptly after the latest of (A) the proper tender of such Shares, (B) the expiration of the applicable waiting period under the Hart-Scott Act, (C) the obtaining of such regulatory approvals or transfers as the Purchaser shall deem material, and (D) with respect to Shares entitled to a withdrawal period (see Section 2), the expiration of that period.

For purposes of the Offer, the Purchaser shall be deemed to have purchased tendered Shares if, as and when the Purchaser gives oral or written notice to the Depositary, as agent for the tendering Shareholders, of its acceptance of such Shares for payment pursuant to the Offer. The Depositary will transmit payments to tendering Shareholders promptly following receipt of payment from the Purchaser. If any tendered Shares

are not purchased pursuant to the terms and subject to the conditions of the Offer (see Section 16), or if certificates are submitted for more Shares than are tendered, certificates for the unpurchased Shares will be returned, without expense to the tendering Shareholder, as promptly as practicable after the expiration or termination of the Offer.

The Purchaser reserves the right to transfer to any direct or indirect subsidiary of the Purchaser or of Waste Management the right to purchase Shares tendered pursuant to the Offer, but any such assignment shall not relieve the Purchaser of its obligations under the Offer and shall in no way prejudice the rights of tendering Shareholders to receive payment for Shares properly tendered and accepted for payment.

Sales of Shares pursuant to the Offer will generally be taxable transactions for federal income tax purposes (and may also be taxable transactions under applicable state and local tax laws). The tax consequences of such sales may be affected by subsequent transactions involving the Company and Waste Management, the Purchaser, a subsidiary of the Purchaser or any other subsidiary of Waste Management. As noted in Section 10, the Purchaser expects to propose a transaction or series of transactions in which Shares not owned by the Purchaser would be acquired on such terms, and for debt or equity securities or such other consideration, as Waste Management may deem appropriate. Whether any such transaction will occur, as well as the form and tax status of any transaction which may occur, cannot be determined at the present time. If such subsequent transactions do not include or constitute a tax-free reorganization as defined in Section 368(a) of the Internal Revenue Code, sales of Shares pursuant to the Offer will result in capital gain or loss to the Shareholder, assuming the Shares sold are capital assets in his hands. However, a subsequent tax-free reorganization occurring at a time when a Shareholder who has sold Shares pursuant to the Offer owns (actually or constructively) stock of the Company may result in part or all of such Shareholder's gain on the sale of Shares pursuant to the Offer being treated as ordinary income and in non-recognition of any loss which may be realized by such Shareholder on the sale of Shares pursuant to the Offer.

The federal income tax discussion set forth above is included for general information only. In view of the individual nature of tax treatment, each Shareholder is urged to consult his own tax advisor as to the specific tax consequences to him of the federal tax laws, and of the effect of state, local, foreign and other tax laws.

If the Purchaser varies the terms of the Offer prior to its expiration by increasing the consideration to be paid for Shares, the Purchaser will pay such increased amount or amounts for all Shares purchased pursuant to the Offer whether or not such Shares have been tendered or purchased prior to such variation in the terms of the Offer (and cause the Offer to be extended, if necessary, so that it will remain open for at least ten business days from the date notice of such increase is first publicized).

4. **Acceptance of the Offer; Tendering Shares.** Except as set forth below, for a holder of Shares to accept the Offer, certificates for his Shares, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other required documents, must be transmitted to and received by the Depositary or the Forwarding Agent at their respective addresses as set forth herein by the Expiration Date. **Signatures on all Letters of Transmittal must be guaranteed by a commercial bank or trust company having an office or correspondent in the United States or by a firm which is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc. (an "Eligible Institution"), unless the signature is that of an Eligible Institution.** If certificates for Shares are registered in the name of a person other than the signer of the Letter of Transmittal, such certificates must be endorsed or accompanied by stock powers signed by the registered holder with the signatures on the endorsement or stock powers guaranteed as aforesaid. **The method of delivery of certificates for Shares and all other required documents is at the election and risk of the owner, but if sent by mail, it is recommended that they be sent by registered mail, return receipt requested, and properly insured.**

For the convenience of holders of Shares whose certificates are not immediately available, tenders may be made without the concurrent deposit of certificates if such tenders are made by or through an Eligible Institution. In such cases (i) a properly completed and duly executed Letter of Transmittal (or a facsimile

thereof), with the signature thereon guaranteed as required by Instruction 1 of the Letter of Transmittal, must be received by the Depositary or the Forwarding Agent by the Expiration Date, (ii) a guaranty of delivery executed by an Eligible Institution, must be received by the Depositary by the Expiration Date, stating that the certificates for all tendered Shares and all other documents required by the Letter of Transmittal will be received by the Depositary within eight New York Stock Exchange ("NYSE") trading days after the date of execution of the guaranty of delivery and (iii) the certificates for all tendered Shares and all other documents required by the Letter of Transmittal must be received by the Depositary within eight NYSE trading days after the date of execution of the guaranty of delivery.

If a Shareholder desires to accept the Offer and time will not permit such Shareholder's Letter of Transmittal, certificates and other required documents to reach the Depositary or the Forwarding Agent by the Expiration Date, such Shareholder's tender may be effected if (i) a properly completed and duly executed Letter of Transmittal (or a facsimile thereof), with the signature thereon guaranteed as required by Instruction 1 of the Letter of Transmittal, together with certificates for all tendered Shares and any other documents required by the Letter of Transmittal, have been deposited with an Eligible Institution, (ii) prior to the Expiration Date the Depositary (*not*, for these purposes, the Forwarding Agent) has received a telegram, facsimile transmission or letter from an Eligible Institution (a) setting forth the name and address of the Shareholder and the number of Shares tendered and (b) stating that the tender is being made thereby pursuant to the terms of the Offer, (c) guaranteeing that, within eight NYSE trading days after the date of execution of such guaranty, the Letter of Transmittal together with certificates for all tendered Shares and any other documents required by the Letter of Transmittal, will be deposited by such Eligible Institution with the Depositary, (d) if such telegram, facsimile transmission or letter is being used to assure timely delivery of Shares that have previously been transmitted for tender by another method, so stating, and (e) representing that the Shareholder on whose behalf the tender is being made is deemed to "own" the Shares being tendered within the meaning of Rule 10b-4 under the Securities Exchange Act of 1934 (the "Exchange Act"), and (iii) such Letter of Transmittal, together with certificates for all tendered Shares and other required documents, is received by the Depositary within eight NYSE trading days after the date of execution of such guaranty.

All arrangements between a Shareholder and an Eligible Institution with respect to the tender of Shares pursuant to the Offer are the responsibility of such Shareholder and Eligible Institution and the Purchaser assumes no responsibility with respect to any such arrangements.

Acceptance of the Offer pursuant to one of the procedures described above will constitute an agreement between the tendering Shareholder and the Purchaser, upon the terms and subject to the conditions of the Offer.

In all cases, payment for Shares tendered and purchased pursuant to the Offer will be made only after receipt by the Depositary of the certificates therefor, a properly completed and duly executed Letter of Transmittal and any other required documents.

By executing the Letter of Transmittal as set forth above, the tendering Shareholder irrevocably appoints designees of the Purchaser as proxies, to the extent of said Shareholder's rights, with respect to Shares tendered by such holder and purchased by the Purchaser and any and all other shares of capital stock or other securities issued or issuable in respect of such Shares on or after June 25, 1982. Such appointment is effective upon purchase of such Shares by the Purchaser. Upon such purchase, all prior proxies given by such Shareholder will be revoked and such designees will be empowered to exercise all voting and other rights of such Shareholder as they in their discretion may deem proper in respect of any meeting (whether annual or special and whether or not an adjourned meeting) or written consent of Shareholders of the Company or otherwise.

All questions as to the form of all documents and the validity (including time of receipt), eligibility and acceptance of tenders of Shares will be determined solely by the Purchaser, and its determination shall be final and binding. The Purchaser reserves the absolute right to reject any and all tenders not in proper form or the

payment for which would, in the opinion of the Purchaser's counsel, be unlawful or to waive any of the conditions of the Offer or any defect or irregularity in the tender of any Shares, and the Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final. No tender of Shares will be deemed to have been made until all defects and irregularities have been cured or waived. Neither the Purchaser, Waste Management, the Depositary, the Forwarding Agent nor any other person shall be under any duty to give notification of any defects or irregularities in tenders or shall incur any liability for failure to give any such notification.

5. **Price Range of Shares.** The Shares are traded in the over-the-counter market, and quotations are reported on National Association of Securities Dealers Automated Quotation System ("NASDAQ"). The following table sets forth the closing high and low bid prices per share reported on NASDAQ (as compiled by the National Quotation Bureau Incorporated), adjusted to give effect to a 2-for-1 stock split paid on January 29, 1982 and a 3-for-2 stock split paid on December 1, 1980 and rounded to the nearest ⅛.

Calendar Period	Closing Bid Prices	
	High	Low
1980		
First Quarter	$ 8⅜	$ 6¼
Second Quarter	7⅜	5⅞
Third Quarter	12⅜	6⅞
Fourth Quarter	18	11⅛
1981		
First Quarter	16⅛	13⅞
Second Quarter	21⅝	16¼
Third Quarter	20	15
Fourth Quarter	20¼	15⅞
1982		
First Quarter	16¼	10
Second Quarter (through June 22, 1982)	13¼	8⅞

These prices represent quotations by dealers and do not include retail mark-ups, mark-downs or commissions and do not necessarily represent actual transactions.

On June 25, 1982, the last full trading day prior to announcement of the Offer, the reported highest bid and lowest asked prices at 4:00 P.M., Eastern Time, for the Shares on NASDAQ were $9⅜ and $9½, respectively. Shareholders are urged to obtain current price quotations for the Shares.

6. **Effect of the Offer on Market and NASDAQ Reporting; Exchange Act Registration.** It is possible that the number of Shares purchased pursuant to the Offer, if any are purchased, could give rise to a question as to whether the Shares will continue to meet the requirements of NASDAQ for transactions in the Shares to be reported in that system. Published guidelines of NASDAQ indicate the Shares would be ineligible for such reporting if (i) the number of Shares held publicly (*i.e.*, by persons other than officers and directors of the Company and beneficial owners of 10% or more of its Shares) falls below 100,000, (ii) the number of Shareholders of record falls below 300, (iii) there ceases to be any registered market maker for the Shares, or (iv) disclosure obligations or asset or capitalization surplus minimums are not met. According to the 1981 10-K, there were approximately 2,568 Shareholders of record as of July 31, 1981.

Reporting of quotations on the NASDAQ National OTC List is dependent upon satisfaction of the following alternative tests: (i) 350,000 publicly held Shares, $2,000,000 market value of publicly held Shares, maintenance of a minimum bid price of $3 per Share and net income requirements, (ii) 800,000 publicly held Shares, $8,000,000 market value of publicly held Shares, incorporation for four years and maintenance of net worth requirements. The purchase of Shares pursuant to the Offer could possibly cause the Shares to fall

below the standards required for reporting of Shares quotations on the National OTC List, although the Purchaser does not expect that the purchase of up to 4,200,000 Shares pursuant to the Offer will cause such standards not to be met. However, in the event that the Offer is over-subscribed and the Purchaser elects to purchase a significantly greater number of Shares (see Section 1), such a failure to meet National OTC List quotation standards may occur. If transactions in the Shares were not so reported by the NASDAQ National OTC List, it is possible that, depending on the average weekly dollar trading volume of the Shares, quotations could be continued on the NASDAQ Additional OTC List or, if not, depending on the number of holders of such Shares remaining following the Offer, the interest in maintaining a market for such Shares and other factors, such Shares would trade in the over-the-counter market and price quotations would be available through the "pink sheets" of the National Quotation Bureau Incorporated or other sources.

If there were fewer than 300 record holders of the Shares, registration of the Shares under the Exchange Act may be terminated by the Purchaser. Termination of such registration would reduce the information required to be furnished by the Company to Shareholders and to the Commission and would make certain of the provisions of the Exchange Act, such as the "short-swing profit" recovery provisions of Section 16(b), the requirement of furnishing a proxy statement in connection with meetings of Shareholders, or an information statement with respect to Shareholder action without soliciting proxies or consents, and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, no longer applicable to the Company. Further, persons holding "restricted securities" of the Company may lose the ability to dispose of such securities under Rule 144 under the Securities Act of 1933. In addition, the Shares might no longer be eligible for continued inclusion on the Federal Reserve Board's list of "margin stocks".

The Purchaser currently believes terminating Exchange Act registration of the Shares, if it is able to do so, will reduce costs and is unaware of any advantages to Purchaser of maintaining such registration and anticipates seeking termination by the Company of Exchange Act registration if available upon consummation of the Offer. The Purchaser does not expect the purchase of up to 4,200,000 Shares pursuant to the Offer to reduce the number of Company Shareholders sufficiently to make such termination available subsequent to the Offer, but in the event that the Offer is over-subscribed and the Purchaser elects to purchase a significantly greater number of Shares (see Section 1), such termination may be available. See Section 10 for information regarding the Purchaser's intended actions with respect to the Company.

7. **Certain Information Concerning the Company.** The Company's 1981 10-K states that the address of its principal executive offices is P.O. Box 1866, Bellevue, Washington 98009, and that the Company is principally engaged in providing low-level radioactive waste disposal services, principally for utilities with nuclear reactors, including collection and treatment of waste at customers' facilities, transportation of waste to a burial site and operation of a licensed burial site in Barnwell, South Carolina (the "Barnwell Facility"). The Company also engages in decommissioning and support services for nuclear power plants and the design and engineering of waste disposal systems and operates chemical waste disposal sites.

The Company files reports and other information with the Commission under the Exchange Act relating to its business, financial statements and other matters. Information, as of particular dates, concerning the Company's directors and officers, their remuneration, the principal holders of the Company's securities and any material interest of such persons in transactions with the Company is required to be disclosed in proxy or information statements distributed to the Company's Shareholders and filed with the Commission. Such reports, proxy and information statements and other information may be inspected at the Commission's office in Room 6101, 1100 "L" Street, N.W., Washington, D.C., and should be available for inspection at the Commission's regional offices in New York, Chicago and Los Angeles, and copies may be obtained upon payment of the Commission's customary charges by writing to the Commission's office at 500 North Capitol Street, N.W., Washington, D.C. 20549.

Set forth below is certain summary consolidated financial information from the Company's 1981 10-K and from the Company's Quarterly Report on Form 10-Q for the nine months ended April 30, 1982 (the "April 10-Q"), as adjusted. Such summary financial information should be considered in conjunction with the more comprehensive financial information in publicly-available financial reports issued by the Company.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY

(Amounts in thousands except per share data, adjusted for 2-for-1 stock split paid on January 29, 1982)

	Years Ended July 31,		
	1981	1980	1979
Net Sales from Operations	$61,291	$46,390	$26,588
Income before Extraordinary Charge	$ 7,980	$ 4,479	$ 2,982
Net Income	$ 7,455	$ 4,479	$ 2,982
Income Per Share Before Extraordinary Charge	$ 1.09	$ 0.68	$ 0.46
Net Income Per Share	$ 1.02	$ 0.68	$ 0.46
Weighted Average Number Of Shares Outstanding (1)	7,336	6,620	6,578
At Year-End:			
Total Assets	$51,163	$27,455	$18,113
Long-Term Obligations	$ 771	$ 1,183	$ 2,050

	Nine months ended April 30 (unaudited)	
	1982	1981
Net Sales from Operations	$43,026	$44,897
Income before Extraordinary Charge	$ 4,771	$ 5,015
Net Income	$ 4,771	$ 4,490
Income Per Share before Extraordinary Charge	$ 0.60	$ 0.70
Net Income Per Share	$ 0.60	$ 0.63
Weighted Average Number of Shares Outstanding (1)	7,910	7,138
At End of Period:		
Total Assets	$57,571	$46,447
Long-Term Obligations	$ 5,715	$ 859

(1) Reflects dilutive effects of stock options.

The information concerning the Company contained above in this Section 7 has been taken from or is based upon documents and records on file with the Commission. Although the Purchaser and Waste Management do not have any knowledge that would indicate that any statements contained herein based upon such documents and records are untrue, the Purchaser and Waste Management do not take any responsibility for the accuracy or completeness of the information contained in such documents and records, or for any failure by the Company to disclose events that may have occurred and may effect the significance or accuracy of any such information but which are unknown to the Purchaser and Waste Management.

Reference is made to Section 12 for certain financial projections concerning the Company supplied to Waste Management.

8. **Certain Information Concerning the Purchaser and Waste Management.** The Purchaser is a wholly-owned, inactive Delaware subsidiary of Waste Management. Waste Management has agreed to contribute to the capital of the Purchaser an aggregate of $66,000,000 in cash for the purpose of purchasing the Shares and paying related expenses.

Waste Management and its subsidiaries are engaged primarily in the waste management business. They provide integrated solid and chemical waste management services, consisting of storage and collection, transfer, interim processing and disposal, to commercial, industrial and municipal customers, as well as to other waste management companies, and integrated solid waste management services to residences. Waste

Management is developing solid and chemical waste resource recovery operations where economically feasible. Since 1977, when a joint venture (in which a subsidiary of Waste Management has a majority interest) entered into a five-year contract for development and operation (until November, 1982) of a department of streets and sanitation for the City of Riyadh, Saudi Arabia, Waste Management has been involved in the business of providing cleaning services to foreign cities. At June 1, 1982, Waste Management subsidiaries had interests in a majority of the profits in joint ventures performing city cleaning services for Jeddah, Saudi Arabia, Cordoba and portions of Buenos Aires, Argentina and Caracas, Venezuela, in addition to the Riyadh project.

The principal executive offices of the Purchaser and Waste Management are located at 3003 Butterfield Road, Oak Brook, Illinois 60521 (312-654-8800).

Waste Management files reports and other information with the Commission under the Exchange Act relating to its business, financial statements and other matters. Such reports and other information, including proxy statements and annual reports, may be inspected, and copies may be obtained, at the Commission's offices in the manner set forth with respect to the Company in Section 7 above. Such material is also available for inspection at the library of the NYSE, 20 Broad Street, New York, New York.

The name, citizenship, business address and principal occupation or employment of each of the directors and executive officers of the Purchaser and Waste Management are set forth in Annex I to this Offer to Purchase.

Neither the Purchaser, Waste Management, nor, to the best of their knowledge, any of the other persons listed in Annex I hereto or any subsidiary of the Purchaser, Waste Management or any of the persons so listed, beneficially owns or has a right to acquire any Shares, and neither the Purchaser, Waste Management, nor, to the best of their knowledge, any of the other persons referred to above or any of the executive officers, directors or subsidiaries of any of such persons has effected any transactions in the Shares during the past 60 days other than as set forth below. Neither the Purchaser, Waste Management, nor, to the best of their knowledge, any of the persons listed in Annex I hereto has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies. Neither the Purchaser, Waste Management, nor, to the best of their knowledge, any of the persons listed in Annex I hereto, has since August 1, 1978, had any transaction with the Company or any of its executive officers, directors or affiliates that would require disclosure under the rules of the Commission. Except as set forth in Section 12, there have been no contacts, negotiations or transactions since August 1, 1978, between the Purchaser, Waste Management, nor, to the best of their knowledge, any of the persons listed in Annex I hereto or any subsidiary of Waste Management, and the Company or its affiliates, including any contacts, negotiations or transactions concerning: a merger, consolidation or acquisition; a tender offer or other acquisition of securities; an election of directors; or a sale or other transfer of a material amount of assets.

On June 9, 1982, Waste Management purchased 40,000 Shares (representing approximately one-half of one percent of the outstanding Shares) in an over-the-counter transaction at a price of $9½ per Share (excluding commissions) and on June 11, 1982, purchased 1,000 Shares in a similar transaction at the same price.

Set forth below is certain summary consolidated financial information from Waste Management's Annual Report to the Commission on Form 10-K for the fiscal year ended December 31, 1981 and its Quarterly Report on 10-Q for the three months ended March 31, 1982. Such summary financial information should be considered in connection with the more comprehensive financial information in publicly available

financial reports issued by Waste Management and incorporated by reference in the Schedule 14D-1 filed with the Commission by the Purchaser and Waste Management in connection with the Offer.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF WASTE MANAGEMENT

(Amounts in thousands except per share data)

(Per share data adjusted for 3-for-1 stock split in the form of a dividend in 1981)

	Years Ended December 31,		
	1981	1980	1979
Revenues	$772,690	$665,966	$486,100
Net Income from continuing operations	$ 84,033	$ 58,978	$ 41,908
Net Income	$ 84,033	$ 58,978	$ 44,764
Net Income per common share and common equivalent share from continuing operations	$ 1.95	$ 1.44	$ 1.07
Net Income per common share and common equivalent share	$ 1.95	$ 1.44	$ 1.14
Average number of common shares and common equivalent shares outstanding	43,172	41,063	39,179
At Year-End:			
Property and Equipment, Net	$491,271	$415,799	$326,562
Total Assets	$832,701	$662,138	$496,250
Long-Term Obligations	$128,099	$132,090	$112,279
Stockholders' Equity	$417,637	$344,391	$237,222

	Three Months Ended March 31 (Unaudited)	
	1982	1981
Revenues	$219,000	$180,905
Net Income	$ 23,427	$ 17,571
Net Income per common share and common equivalent share	$ 0.54	$ 0.41
Average Number of common shares and common equivalent shares outstanding	43,632	42,933
At Period-End:		
Property and Equipment, Net	$521,176	$428,875
Total Assets	$858,793	$674,433
Long-Term Obligations	$122,379	$131,781
Stockholders' Equity	$438,241	$358,451

9. **Source and Amount of Funds.** The total amount of funds required by the Purchaser to purchase Shares pursuant to the Offer and to pay related fees and expenses is estimated at approximately $66,000,000, assuming 4,200,000 Shares are purchased. The Purchaser will obtain all such funds as a capital contribution from Waste Management.

Waste Management will obtain such funds from bank borrowings and internally generated sources. Bank borrowings are available under Waste Management's revolving credit agreement, as amended, with six banks, including Continental Illinois National Bank and Trust Company of Chicago ("Continental"), as Agent, Bank of America National Trust & Savings Association, Citibank, N.A., The Toronto-Dominion Bank, Security Pacific National Bank and Barnett Bank of Broward County, for an aggregate of $20,000,000, none of which is currently utilized, on an unsecured basis, and under a commitment dated June 28, 1982 from Continental to increase credit available from Continental by an additional ten-year, unsecured term loan of $30,000,000, with interest payable based on one of three alternative formulas selected by Waste Management (Continental's prime rate plus ¼%, the London Interbank Offered Rate plus ⅞%, or a certificate of deposit rate plus 1⅛%) and a ⅜% commitment fee, subject to the negotiation of a definitive loan agreement. In connection with the commitment, Waste Management has agreed to indemnify Continental from and against

certain liabilities in connection with the Offer. The revolving credit agreement provides for conversion of current loans into six-year term loans on June 30, 1982 (subject to extension to June 30 of any second subsequent calendar year by agreement of Waste Management and the respective banks), payable in 24 approximately equal quarterly installments of principal. Interest on current loans is at 105% of the prime rate of Continental and on term loans is at such prime rate plus ¼%. There is a commitment fee of ½% per annum on the daily average of the unused commitment of the banks. There are no compensating balance requirements or any informal arrangements for such in connection with current loans under the agreement. On term loans, a 15% compensating balance is required.

Waste Management intends to seek additional funds to finance the purchase of additional Shares. Purchase of significantly more than 4,200,000 Shares would also require modification or waiver of certain covenants of Waste Management in loan agreements with certain banks and insurance companies. There can be no assurance that such modifications, waivers or additional financing will be obtained, but they will be sought.

Waste Management currently has no plans or arrangements to refinance or repay such borrowings other than from internally generated sources.

10. **Purpose of the Offer.** The purpose of the Offer is to acquire 4,200,000 Shares and control of the Company as a first step in acquiring the entire equity interest in the Company.

It is the present intention of Waste Management that, following consummation of the Offer, it will seek representation on the Board of Directors of the Company commensurate with the equity interest held by it at the earliest practicable opportunity. According to the Company's Proxy Statement for its 1981 Annual Meeting of Shareholders, the Company's Board of Directors is comprised of ten directors, divided into three staggered classes, one class of directors being elected annually for a three year term.

However, if the Purchaser acquires a majority of the Shares, under Washington law and the Company's by-laws, the Purchaser would have the power to call a special meeting of Shareholders for the purpose of removing the entire Board of Directors, with or without cause. After such removal, at any such special meeting, the owner of a majority of the Shares would be able to elect all directors of the Company.

Upon consummation of the Offer, the Purchaser is currently contemplating proposing a transaction or series of transactions in which the Shares not owned by the Purchaser would be acquired on such terms, and for cash, debt or equity securities, or such other consideration, as the Purchaser may deem to be appropriate, which transaction might take the form of a merger or other similar business combination to be effected between the Company and the Purchaser or a direct or indirect subsidiary of Waste Management. Any such transaction could involve consideration having a value equal to $15.00 per Share or a higher or lower value. The terms (including the type and amount of consideration, timing, structure and other details of any such transaction) would necessarily depend on a variety of factors, such as general economic conditions and prospects and the number of Shares acquired or anticipated to be acquired by the Purchaser. There is no assurance that any such transaction would be proposed or, if proposed, consummated, or as to the terms thereof, and the Purchaser reserves the right to act with respect to these matters in accordance with its judgment. In addition, depending upon the number of Shares purchased pursuant to the Offer and other factors relevant to the Purchaser's equity position in the Company, the Purchaser may, subsequent to the consummation of the Offer, seek to acquire additional Shares through open market purchases, privately negotiated transactions, a tender offer or exchange offer, or otherwise, on such terms and at such prices as it shall determine. The Purchaser also reserves the right to dispose of Shares after expiration or termination of the Offer in the open market or in private transactions, or otherwise, although the Purchaser has no current intention of so disposing of Shares.

As noted in Section 12, Waste Management proposed to the Company a negotiated transaction whereby Waste Management would acquire the Company in a part cash-part stock transaction pursuant to which Shareholders would receive $15.00 per Share in cash or one-half share of Waste Management Common Stock for each Share owned immediately prior thereto. Waste Management remains willing to negotiate with the Company in an attempt to reach an agreement with the Company.

Under Washington law, if the Purchaser owns two-thirds of each class of the outstanding shares of the Company, it may effect a merger solely by its vote at a meeting of Shareholders called for that purpose. Shareholders objecting to such merger would have the right to dissent from the merger and seek the "fair value" of their shares, subject to compliance with procedures specified in the Washington Business Corporation Act, a copy of which would be sent to all Shareholders of record in connection with such merger. Under such procedures, holders of Shares asserting dissenters' rights might receive more, less or the same amount as that received by holders of Shares not so objecting. Such a merger may also be subject to review by the Washington courts of its "business purpose" and "fairness."

The Commission has adopted Rule 13e-3 under the Exchange Act which is applicable to certain "going private" transactions. Rule 13e-3 might be applicable to an acquisition transaction following the successful completion of the Offer in which the Purchaser and Waste Management are seeking to acquire the remaining Shares not held by them. Rule 13e-3 requires, among other things, the disclosure of certain financial and other information relating to the fairness of the proposed transaction and the consideration offered to minority Shareholders prior to consummation of the transaction.

If the Purchaser acquires control of the Company, it anticipates it will cause the Company not to pay dividends.

Except as noted above, the Purchaser and Waste Management do not have any current plans or proposals which relate to or would result in an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries, a sale or transfer of a material amount of assets of the Company or any of its subsidiaries, any change in the Board of Directors or management of the Company, any changes in the Company's present capitalization or any other material changes in the Company's corporate structure or business.

11. **Certain Legal Matters.** (a) *General.* Based on its examination of publicly-available information with respect to the Company, the Purchaser is not aware, except as noted below, of any licenses or other regulatory permits which appear to be material to the business of the Company and which appear likely to be adversely affected by the acquisition of Shares by the Purchaser pursuant to the Offer, or any approval or action by any domestic (Federal or state) or foreign governmental or administrative agency which might be required prior to the acquisition of Shares by the Purchaser pursuant to the Offer or otherwise. Should any such approval or other action be required, it is currently contemplated that it would be sought. There is no assurance that any such approval or action, if needed, would be obtained or that adverse consequences might not result to the Company's business, or that certain parts of the Company's business might not have to be disposed of or held separate or other substantial conditions complied with in order to obtain such approval or other action.

(b) *Licensing.* (i) Interstate Commerce Commission: Acquisition of control of an Interstate Commerce Commission ("ICC") licensed motor carrier by another ICC licensed carrier is subject to the approval of the ICC after application and notice. Waste Management is currently the indirect sole owner of Warner Transportation Company, an ICC licensed motor carrier and, based upon publicly available information, Waste Management believes that the Company is, or owns, an ICC licensed carrier. Consequently, acquisition of control of the Company by Waste Management would be subject to the approval of the ICC. Waste Management currently intends to apply to the ICC for an order revoking the ICC licenses held by its subsidiary so as to make such approval unnecessary. However, if Waste Management is unable to obtain such revocation in a timely fashion, the acquisition of Shares pursuant to the Offer could be precluded or delayed. See Section 16.

(ii) Nuclear Regulatory Commission: The Purchaser is currently examining what approvals and amendments of licenses may need to be obtained in connection with the Offer pursuant to regulation by the Nuclear Regulatory Commission ("NRC") of the transportation and disposal of low-level radioactive waste. The Purchaser believes that it will be required to obtain NRC approval of the acquisition of control of the Company. The Purchaser intends promptly to seek all NRC approvals and comply with all NRC regulations necessary to the continued operation of the Company's Barnwell facility subsequent to consummation of the Offer. However, if Waste Management is unable to obtain such approval, acquisition of Shares could be

precluded or delayed. Similar approval is required in South Carolina and may be required in certain other states. See Section 16.

(iii) Federal and State Environmental Regulations: Based upon publicly-available information, the Purchaser believes that the Company holds or has applied for Environmental Protection Agency permits and holds state environmental, landfill, transportation and waste-related permits and licenses in South Carolina, Michigan, Washington, California, Oregon, and possibly other states. The Purchaser intends to seek any approvals and transfers of such permits and licenses as may be material to the continued operation of the Company's facilities. However, if Waste Management is unable to obtain such approvals, acquisition of Shares could be precluded or delayed. See Section 16.

(c) *Antitrust.* On June 28, 1982, Waste Management filed pursuant to the Rules of the Federal Trade Commission ("FTC") under the Hart-Scott Act a Notification and Report Form together with certain supplemental material with the Department of Justice and the FTC with respect to the Offer. No purchases of Shares will be made until after expiration of the applicable waiting period under the Hart-Scott Act. Assuming the filing is in substantial compliance with the Hart-Scott Act and the Rules, the waiting period will expire at 11:59 P.M., Eastern Time, on July 13, 1982, unless earlier terminated by the Department of Justice and the FTC. However, if either the Department of Justice or the FTC requests additional information or documents on or prior to July 13, 1982, the initial waiting period may be extended for an additional ten days from the date of substantial compliance with such request.

The Department of Justice and the FTC frequently scrutinize the legality under the antitrust laws of transactions such as the Purchaser's acquisition of an interest in the Company. The Purchaser's obligation under the Offer to purchase Shares is subject to the condition, among others, that no action or proceeding shall be threatened, instituted or pending challenging the Purchaser's acquisition of Shares. See Section 16. Accordingly, if any such action or proceeding by the Department of Justice, the FTC or any other person should be threatened, instituted or pending, the Purchaser could decline to purchase any Shares tendered. In addition, at any time before or after the Purchaser's purchase of Shares, the Department of Justice or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the purchase of Shares pursuant to the Offer or seeking divestiture of Shares purchased by the Purchaser. Based upon examination of the available information with respect to the Company, the Purchaser and its counsel believe that the acquisition by the Purchaser of the Shares will not violate the antitrust laws. However, there can be no assurance that a challenge to the Offer on antitrust grounds will not be made or that, if such a challenge is made, it would be unsuccessful. If such a challenge were successful, depending on the timing of the decision, it could result in the Offer being enjoined before it is consummated or the Purchaser being ordered to divest the Shares purchased pursuant to the Offer or, if a merger referred to in Section 10 has been consummated, the Purchaser's being ordered to divest the Company. The impact of such decision on the securities of the Company cannot be predicted, but it should be recognized that it might be adverse.

(d) *State Takeover Laws.* Waste Management has challenged the validity of the South Carolina Take-Over Bid Disclosure Act (the "South Carolina Statute"), which purports to govern the Offer, in litigation commenced by it against the Company and the South Carolina Secretary of State on June 28, 1982 in federal district court in Greenville, South Carolina, alleging that the federal regulation of tender offers preempts the South Carolina Statute, and that the South Carolina Statute is an undue burden on interstate commerce, and is thus unconstitutional. On the same date, that court entered a temporary restraining order enjoining the defendants for a period of ten days from taking any action to seek to enforce or apply the South Carolina Statute (as well as from commencing any legal proceeding in any other court) asserting any of the claims, defenses, or counterclaims asserted in the litigation or required to be asserted therein against Waste Management or those acting on its behalf in connection with the Offer. If Waste Management is unsuccessful in obtaining an extension of this order or similar permanent injunctive relief in this litigation and the South Carolina Statute is held to apply to the Offer, the Offer could be enjoined before it is consummated, or the Purchaser might be ordered to divest the Shares purchased pursuant to the Offer. In case the South Carolina

Statute is determined to be applicable to the Offer, the Purchaser may not be obligated to purchase the Shares tendered. See Section 16.

Publicly-available information with respect to the Company indicates that the Company (or its subsidiaries) maintains facilities in various other states which have takeover laws regarding the acquisition of one company by another. Based on such information, the Purchaser does not believe that the presence of these facilities in such states confers jurisdiction over the Offer on such states. In the event that one or more of such laws are deemed applicable to the Offer, the Purchaser may be required to file certain information with, or receive approvals of, the relevant state authorities, and the Purchaser might be unable to make, or purchase Shares pursuant to, the Offer, or might be delayed in making or consummating the Offer. See Section 16. The Purchaser also reserves the right to challenge the constitutionality of such laws in legal proceedings such as that described above.

(e) *Foreign Investment Review Act of Canada.* According to publicly-available information, the Company has a majority-owned Canadian subsidiary. The Purchaser understands that the Foreign Investment Review Act of Canada ("FIRA") requires that notice of "acquisition of control" of Canadian business enterprises by foreign corporations be furnished to the Canadian Foreign Investment Review Agency (the "Agency") and that such acquisitions be reviewed by the Minister (as defined in FIRA) and be approved by the Governor in Council. If the Agency successfully takes the position that the acquisition of Shares by the Purchaser pursuant to the Offer constitutes a transaction subject to review under FIRA and if such acquisition were not allowed or deemed to have been allowed by the Governor in Council, the Minister could apply to a Canadian superior court to make such order as, in the opinion of the court, is required in the circumstances, possibly including, without limitation, the revocation and suspension of the Company's voting rights with respect to its stock interests in its Canadian subsidiary or the involuntary sale of such interest, or both, on terms and conditions imposed by the court.

The Purchaser intends to file a notice with the Agency with a view to obtaining approval of the transaction. Such notice and any decision of the Agency may not be effected before the Purchaser purchases Shares tendered under the Offer, but the obtaining of such is not a condition of the Offer.

(f) *Other Foreign Takeover Laws.* Publicly-available information with respect to the Company indicates that the Company (or its subsidiaries) may maintain facilities or provide services in various other countries which have takeover laws regarding the acquisition of one company by another. Based on such information, the Purchaser does not believe that these facilities or services in such countries confer jurisdiction over the Offer on such countries. In the event that one or more of such laws is deemed applicable to the Offer, the Purchaser may be required to file certain information with, or receive approvals of, the relevant foreign authorities, and the Purchaser might be unable to make, or purchase Shares pursuant to, the Offer, or be delayed in making or consummating the Offer. The Purchaser also reserves the right to challenge the applicability of such laws in legal proceedings. In any such case, the Purchaser may not be obligated to purchase the Shares tendered. See Section 16.

12. **Past Contacts with the Company; Background of the Offer; Position of the Company.** In July of 1981, Donald F. Flynn (Senior Vice President, Chief Financial Officer, Treasurer and Director of Waste Management) and H. Wayne Huizenga (Vice Chairman of the Board of Directors of Waste Management) met with Lloyd J. Andrews (Vice Chairman of the Board of Directors and Secretary of the Company) and discussed in general terms the possibility of a combination of their respective companies. In the months thereafter, there were intermittent and continuing telephone conversations between Flynn and Huizenga and Andrews and Bruce W. Johnson (Chairman of the Board of Directors, President and Chief Executive Officer of the Company).

In February of 1982, Huizenga, Flynn, Johnson, and Andrews met again briefly in South Carolina and again in Seattle in late February of 1982. Huizenga and Flynn met with Johnson and Irving L. Becker (Vice President and then Chief Financial Officer of the Company) to discuss the operations and prospects of the Company. In late May, Huizenga contacted Andrews to discuss current plans of the Company and met with Andrews in Oklahoma City, Oklahoma to discuss Company projects. During the

course of the discussions, Andrews, Johnson and Becker supplied Waste Management with certain financial projections concerning the Company which are summarized below:

(Amounts in thousands except per share data)

	Three Months Ended July 31, 1982	Fiscal Year Ended July 31, 1982	Year Ended January 31, 1983
Revenues	$16,042	$58,714	$64,042
Net Income	$ 2,509	$ 7,675	$ 9,599
Net Income Per Share	$ 0.32	$ 0.97	$ 1.21

During these discussions, Waste Management was provided with projected results for the three-month period ended April 30, 1982. Revenues as reported in the Company's quarterly report on Form 10-Q for the quarter ended April 30, 1982 exceeded the projections by 2%, while net income and net income per share as reported were 17% less than that shown on the projections. In other informal conversations, a representative of the C ,pany estimated revenues for fiscal years 198? 1983 and 1984 at $65 million, $80 million and $100 million, respectively, and net income at $7.7 million, $12 million and $15 million.

Because projections are inherently subject to significant uncertainties and contingencies, all of which are difficult to predict and most of which are beyond the control of the Company, and because Waste Management was not informed as to the method of calculating the projections and the assumptions on which they are based, the Purchaser and Waste Management do not assume any responsibility for the accuracy of the projections and are not able to assess their reliability. Actual results may be significantly better or worse than those forecast.

Numerous telephone and face to face meetings occurred between the aforementioned individuals and other representatives of both of the companies in June, 1982. On June 24, 1982, Waste Management advised Johnson of Waste Management's desire to negotiate an agreement for the sale of preferred shares of the Company to Waste Management, and the merger of the companies in a part cash-part stock transaction pursuant to which Shareholders would receive $15.00 per Share in cash or one-half share of Waste Management Common Stock for each share owned immediately prior thereto and indicated Waste Management's desire to continue current management of the Company. Waste Management understands that such a transaction was considered at a special meeting of the Company's Board of Directors on June 25, 1982. Subsequent to the Board meeting, representatives of Waste Management have had informal discussions with representatives of the Co pany in an attempt to continue negotiations for an agreed transaction. These contacts have not led to further negotiations.

On June 28, 1982 the following item appeared over The Reuters News Service:

"CHEM-NUCLEAR (CHME) APPROACHED ON ACQUISITION.

"BELLEVUE, WASH., JUNE 28—CHEM-NUCLEAR SYSTEMS, INC. SAID IT WAS APPROACHED BY A NEW YORK STOCK EXCHANGE LISTED COMPANY CONCERNING ITS POSSIBLE ACQUISITION.

"BUT CHEM-NUCLEAR SAID IT DOES NOT CONTEMPLATE FURTHER ACTION.

"NO DETAILS OF THE CONTRACT [sic] WAS [sic] GIVEN.

"REUTER 1006."

13. **Dividends and Distributions.** If after June 25, 1982, the Company should split, combine or otherwise change its Shares, then, subject to Section 16, the Purchaser, in its sole discretion, may make such adjustments as it deems appropriate in the purchase price and other terms of the Offer.

If after June 25, 1982, the Company should declare any cash or stock dividend, stock split or other distribution on, or issue any rights with respect to, the Shares, payable or distributable to holders of Shares of record on a date occurring after June 25, 1982 and prior to the transfer into the name of the Purchaser or its nominee or transferee on the Company's stock records of Shares purchased pursuant to the Offer, then, subject to Section 16, (i) the purchase price per Share payable by the Purchaser for the Shares pursuant to the Offer will be reduced by the amount of any such cash dividend or distribution payable on the Shares, and (ii) any other such dividend, distribution or rights shall be received by the tendering Shareholder and promptly remitted and transferred by the tendering Shareholder to the Depositary for the account of the Purchaser,

accompanied by appropriate documentation of transfer. Pending such remittance, the Purchaser shall be entitled to all rights and privileges as owner of any such other dividend, distribution or rights and may withhold the entire purchase price or withhold from the purchase price the amount or value thereof, as determined by the Purchaser in its sole discretion.

14. **Solicitation and Other Fees.** The Purchaser will not pay any fees or commissions to any broker or other person for soliciting tenders pursuant to the Offer, except as described herein.

Merrill Lynch White Weld Capital Markets Group ("Merrill Lynch") and Kidder, Peabody & Co. Incorporated ("Kidder") are acting as Dealer Managers in connection with the Offer. For their services in connection therewith and as financial advisors, Waste Management and the Purchaser have agreed to pay to each of Merrill Lynch and Kidder a fee of (i) $200,000 each upon commencement of the Offer; (ii) $200,000 each upon acquisition of 50% of the Shares; and (iii) $200,000 each upon acquisition of 90% of the Shares. The Purchaser has also agreed to reimburse Merrill Lynch and Kidder for their reasonable out-of-pocket expenses, and to indemnify them against certain liabilities in connection with the Offer.

Boettcher & Company ("Boettcher") has also acted as a financial advisor to Waste Management and Waste Management will pay Boettcher an advisory fee of $300,000 upon closing of the acquisition of more than 50% of the Shares, and has agreed to indemnify Boettcher against certain liabilities in connection with an acquisition of the Company and to reimburse Boettcher for its out-of-pocket expenses up to $25,000 if no acquisition occurs.

Merrill Lynch and Kidder have each rendered various investment banking and other financial advisory services to Waste Management in the past and are expected to continue to render such services, for which they have received and will continue to receive customary compensation.

Georgeson & Co. has been retained by the Purchaser as Information Agent for advisory and other services in connection with the Offer. The Information Agent may contact and provide information to Shareholders by mail, telephone, telegraph or personal interview and may request brokers, dealers and nominees to forward certain materials to beneficial owners. Such firm, the Depositary, and the Forwarding Agent will each receive customary compensation from the Purchaser for services relating to the Offer and will be reimbursed for certain out-of-pocket expenses in connection therewith.

Brokerage firms, commercial banks and trust companies will be reimbursed by the Purchaser for customary mailing and handling expenses incurred by them in forwarding material to their customers.

15. **Extension of Tender Period; Termination; Amendments.** The Purchaser reserves the right, at any time or from time to time, to extend the period of time during which the Offer is open by giving oral or written notice of such extension to the Depositary. The Purchaser reserves the right to terminate the Offer and not to purchase or pay for any Shares not theretofore purchased or paid for upon the occurrence of any of the conditions specified in Section 16 of the Offer, by giving oral or written notice of such termination to the Depositary. Any such extension or termination will be followed as promptly as practicable by public announcement thereof. The Purchaser reserves the right to amend the Offer by public announcement of any amendment. Without limiting the manner in which the Purchaser may choose to make any such public announcement, the Purchaser shall have no obligation to publish, advertise or otherwise communicate any such public announcement, other than by making a release to the Dow Jones News Service. Any announcement of the extension of the Offer will include disclosure of the approximate number of Shares deposited to date and will be issued no later than 9:00 A.M., Eastern Time, on the next business day after the scheduled Expiration Date of the Offer.

16. **Certain Conditions of the Offer.** Notwithstanding any other provision of the Offer, the Purchaser shall not be required to purchase or pay for any Shares tendered, or may terminate or amend the Offer as provided in Section 15, if, after June 1, 1982 and at or before the time of payment for any such Shares, any of the following shall occur:

(a) there shall have been instituted or threatened or shall be pending any action or proceeding by or before any court or governmental agency or other regulatory or administrative agency or commission,

(i) challenging the acquisition by the Purchaser of any Shares or otherwise directly or indirectly relating to the Offer, or (ii) otherwise adversely affecting Waste Management, the Purchaser or the Company or any of their respective subsidiaries or affiliates;

(b) there shall have been any action taken or there shall have been any rule or regulation promulgated or deemed applicable to the Offer by any government or governmental agency, domestic or foreign, that might (i) result in delay in the ability of the Purchaser to purchase or pay for some or all of the Shares, (ii) render the Purchaser unable to purchase or pay for some or all of the Shares, (iii) make such purchase or payment illegal or (iv) otherwise adversely affect Waste Management, the Purchaser or the Company or any of their respective subsidiaries or affiliates;

(c) any required governmental approvals or licenses or permits relating to the acquisition of the Shares which, in the sole judgment of the Purchaser, are or may be material to the future operations of the Company or Waste Management, shall not have been obtained (see Section 11; this condition shall not apply to any action or inaction under FIRA);

(d) any change shall have occurred or be threatened in the business, financial condition, operations or results of operations of the Company and its subsidiaries or any damage, disruption or loss (whether or not covered by insurance) to the Company and its subsidiaries which, in the sole judgment of the Purchaser, is or may be materially adverse, or the Purchaser shall have become aware of any existing facts which, in the sole judgment of the Purchaser, have or may have material adverse significance with respect to the value of the Shares;

(e) there shall have occurred (i) general suspension of, or limitation on prices for, or trading in, securities on the NYSE, (ii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (iii) a commencement of a war, armed hostilities or other international or national calamity or emergency directly or indirectly involving the United States or (iv) a material change in United States or any other currency exchange rates or a suspension of, or limitation on, the markets therefor; or, in the case of any of the foregoing existing at the time of the commencement of the Offer, a material acceleration or worsening thereof;

(f) the Company shall have (i) issued, or authorized or proposed the issuance of, additional shares of capital stock of any class (including the Shares) or securities convertible into Shares or rights, warrants or options to acquire Shares or other convertible securities, except for the issuance of shares pursuant to acquisitions by the Company publicly announced prior to June 15, 1982 or under employee stock options outstanding on June 1, 1982 (not to exceed 300,000 Shares in the aggregate), (ii) issued or authorized or proposed the issuance of any other securities in respect of, in lieu of, or in substitution for the Shares outstanding on June 1, 1982, (iii) declared or paid any dividend or distribution on any Shares, or (iv) authorized, recommended or proposed or announced its intention to authorize, recommend or propose any offer, merger, consolidation, acquisition of assets, disposition of substantial assets or Shares or other securities of the Company or material change in its capitalization, or any comparable event, not in the ordinary course of business;

(g) another offer shall have been made or publicly proposed by any other person or entity to purchase or exchange for cash or other consideration any substantial portion of the Shares;

(h) it shall have been publicly disclosed or the Purchaser shall have learned that more than 5% of the outstanding voting securities of the Company shall have been acquired, other than in transactions for arbitrage purposes, only, by a person other than Waste Management or an affiliate of Waste Management (including, but not limited to the Company and including a "group" as defined in Section 13(d) of the Exchange Act) other than as disclosed on Schedule 13D or Schedule 13G (or an amendment thereto) on file with the Commission on June 1, 1982 or in the Company's proxy statement for its 1981 annual meeting of shareholders; or

(i) Waste Management or an affiliate shall have entered into a definitive agreement or announced an agreement in principle with respect to a merger or other business combination with the Company;

which, in the sole judgment of the Purchaser and Waste Management in any such case, and regardless of the circumstances (including any action or inaction by the Purchaser or Waste Management) giving rise to any such condition, makes it inadvisable to proceed with such purchase or payment, or advisable to terminate or amend the Offer.

Any determination by the Purchaser or Waste Management concerning any events described in this Section shall be final and binding upon all parties. The foregoing conditions are for the exclusive benefit of the Purchaser and Waste Management and may be asserted by the Purchaser or Waste Management regardless of the circumstances (including any action or inaction by the Purchaser) giving rise to any such condition or may be waived by the Purchaser in whole or in part.

17. **Miscellaneous.** The Offer is not being made to, nor will any tenders be accepted from or on behalf of, holders of Shares in any jurisdiction in the United States or in any other jurisdiction in which the making or acceptance thereof would not be in compliance with the securities, blue sky or any other laws of such jurisdiction. In any jurisdiction the securities or blue sky laws of which require the Offer to be made by a licensed broker or dealer, the Offer is made on behalf of the Purchaser by one or more of the Dealer Managers or registered brokers or dealers which are licensed under the laws of such jurisdiction.

The Purchaser has filed with the Commission a statement on Schedule 14D-1 pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act furnishing certain additional information with respect to the Offer. Such statement may be examined and copies may be obtained at the same place and in the same manner as set forth with respect to the Company in Section 7.

No person has been authorized to give any information or make any representation on behalf of the Purchaser other than as contained in this Offer to Purchase and in the Letter of Transmittal and, if given or made, such information or representation must not be relied upon as having been authorized.

ANNEX 1

to

OFFER TO PURCHASE

The following table sets forth the name and the principal occupation or employment of the directors and executive officers of the WMI Holdings, Inc. and Waste Management. Each person listed below is a United States citizen.

Name	Principal Occupation or Employment
Lawrence Beck	Director and Senior Vice President of Waste Management.
J. Steven Bergerson	General Counsel of Waste Management.
Dean L. Buntrock	Chairman of the Board and President of Waste Management. Director and President of WMI Holdings, Inc.
Orell T. Collins	Director of Waste Management. President and Chief Executive Officer of Nalco Chemical Company. Nalco is principally engaged in the business of manufacturing chemicals and chemical additives used in water treatment and processing.
John J. Cull	Controller of Waste Management.
Olin Neill Emmons	Director of Waste Management and financial advisor to businesses.
Donald F. Flynn	Director and Senior Vice President and Chief Financial Officer and Treasurer of Waste Management. Director and Executive Vice President-Finance of WMI Holdings, Inc.
Harold Gershowitz	Senior Vice President of Waste Management.
H. Wayne Huizenga	Vice Chairman of the Board of Waste Management. Director of WMI Holdings, Inc.
Peter H. Huizenga	Director, Vice President and Secretary of Waste Management. Director and Secretary of WMI Holdings, Inc.
Ronald M. Jericho	Director of Finance of Waste Management. Treasurer of WMI Holdings, Inc.
Peer Pedersen	Director of Waste Management. Senior partner in the law firm of Pedersen & Houpt, 180 North LaSalle Street, Chicago, Illinois.
James R. Peterson	Director of Waste Management. President, Chief Executive Officer and Director of The Parker Pen Company, Janesville, Wisconsin. Parker is principally engaged in the business of manufacturing and distributing writing instruments and supplying temporary help services.
Philip B. Rooney	Director and Senior Vice President of Waste Management. Director and Executive Vice President of WMI Holdings, Inc.

The Letter of Transmittal and certificates for your Shares should be sent or delivered by you or your broker, dealer, bank, trust company or nominee to the Depositary or Forwarding Agent as follows:

Depositary:

Harris Trust and Savings Bank

By Mail:

Corporate Trust Operations
P.O. Box 830
Chicago, Illinois 60690

By Wire:

(Telecopier 312-461-6840)
Telex: 25-4157
Attention: Corporate Trust
311-11
For Information Call:
312-461-6847
(Collect)

By Hand:

Corporate Trust Operations
11th Floor
311 West Monroe Street
Chicago, Illinois

Forwarding Agent:

Chemical Bank

By Hand:

55 Water Street
North Building (Second Floor)
New York, New York

Any questions or requests for assistance or additional copies of the Offer to Purchase and the Letter of Transmittal may be directed to the Depositary, the Information Agent or to the Dealer Managers. Shareholders may also contact their brokers, dealers, banks or trust companies for assistance concerning the Offer.

Information Agent:

Georgeson & Co. Inc.

20 North Clark Street
Chicago, Illinois 60602
Call Collect: 312-346-7161

Wall Street Plaza
New York, New York 10005
Call Collect: 212-440-9800

606 South Olive Street
Los Angeles, California 90014
Call Collect: 213-489-7000

Dealer Managers:

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Liberty Plaza
165 Broadway
New York, New York 10080
Call Collect: 212-637-2466

Kidder, Peabody & Co.
Incorporated
10 Hanover Square
New York, New York 10005
Call Collect: 212-747-8846

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

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

For the Fiscal Year Ended
December 31, 1981

Commission File
Number 1-7327

WASTE MANAGEMENT, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	36-2660763
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

3003 BUTTERFIELD ROAD, OAK BROOK, ILLINOIS 60521
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code: (312) 654-8800

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $1 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 X No ____

The aggregate market value of the voting stock of the registrant held by stockholders who were not affiliates (as defined by regulations of the Securities and Exchange Commission) of the registrant was approximately $1,300,600,000 at February 1, 1982 (based on the closing sale price on the New York Stock Exchange Composite Tape on such date, as reported by The Wall Street Journal (Midwest Edition)).

At March 24, 1982, the registrant had issued and outstanding an aggregate of 43,051,703 shares of its common stock.

Documents Incorporated By Reference

Those sections or portions of the registrant's 1981 Annual Report to Stockholders and of the registrant's proxy statement for the Annual Meeting of Stockholders to be held on May 28, 1982, described in Parts I, II and III hereof are incorporated by reference in this report.

PART I

ITEM 1. Business.

General

Unless the context indicates to the contrary, as used in this report the terms "Company" and "Waste Management" refer to Waste Management, Inc., its subsidiaries and its predecessors.

Waste Management is engaged primarily in the waste management business. It provides integrated solid and chemical waste management services, consisting of storage and collection, transfer, interim processing and disposal, to commercial, industrial and municipal customers, as well as to other waste management companies, and integrated solid waste management services to residences. The Company is developing solid and chemical waste resource recovery operations where economically feasible. Since January 1977, when a joint venture in which a wholly-owned subsidiary of the Company has a majority interest entered into a contract pursuant to which it has developed and is operating a department of streets and sanitation for the City of Riyadh, Saudi Arabia, the Company has been involved with international city cleaning projects and at March 1, 1982, had interests in projects in Riyadh and Jeddah, Saudi Arabia, Buenos Aires and Cordoba, Argentina and Caracas, Venezuela. See "Business—International Projects." See Note 8 to Waste Management's Consolidated Financial Statements incorporated by reference into this report. The Company intends to pursue other foreign business opportunities and will, from time to time, bid on waste management projects in foreign countries. The Company is also engaged in the sale of industrial minerals (including lime, aggregates and coal) which are mined and processed from its reserves in Pennsylvania.

At December 31, 1981, Waste Management had solid and chemical waste management operations in twenty-nine states and the Province of Ontario, Canada (the "North American Operations"). During 1979, 1980 and 1981, operations in Florida and Illinois together accounted for approximately 34%, 35% and 34%, respectively, of the Company's North American Operations revenue, and operations in no other jurisdiction accounted for as much as ten percent of such revenue during any of such periods. During those periods no domestic customer accounted for as much as 2% of North American Operations revenue.

Fees paid to Waste Management by its collection customers (including charges for interim processing and disposal) accounted for approximately 73% of its North American Operations revenue during 1981, 75% during 1980 and 77% during 1979. Transfer, interim processing and disposal services provided to municipalities, counties and other waste management companies accounted for approximately 26% of such revenue in 1981, 24% in 1980 and 22% in 1979.

Developments in environmental and ecological areas may require companies engaged in the waste management business, including Waste Management, to modify, supplement or replace equipment and facilities at costs which may be substantial. Because the business in which the Company is engaged is intrinsically connected with the discharge of materials into the environment and the protection of the environment, a material portion of the Company's capital expenditures is, directly or indirectly, related to such items.

Unless the context indicates to the contrary, all statistical and financial information under the "Business" and "Properties" captions of this report is given as of December 31, 1981, relates only to Waste Management's North American Operations, and does not include any data relating to the industrial minerals operations of Warner Company, a wholly-owned subsidiary of Waste Management. See "Business—Industrial Minerals" and "Properties—Industrial Minerals."

Solid Waste

Storage and Collection

Waste Management provides storage and collection services to approximately 194,000 commercial and industrial customers. Collection services are also provided to approximately 2,081,000 homes and apartment units. Waste Management's revenue from commercial, industrial and apartment collection services during each of the past three years accounted for approximately 80% of its total solid waste collection revenue.

Commercial and Industrial

Many of Waste Management's commercial and industrial customers utilize containers to store solid waste. These containers, ranging from 1 to 45 cubic yards in size, are usually provided to the customer as part of the Company's services. Stationary compactors, which reduce the volume of the stored waste prior to collection, are frequently installed on the premises of large volume customers and are usually provided to these customers in conjunction with the Company's collection services. Containerization enables Waste Management to service most of its commercial and industrial customers with collection vehicles operated by a single employee. Compaction serves to decrease the frequency of collection.

Commercial and industrial storage and collection services are generally performed under agreements or arrangements cancellable on short notice by either party and fees are determined by such factors as collection frequency, type of equipment furnished and the type and volume or weight of the waste collected. Apartment buildings are generally serviced under short-term agreements with the owner and fees are based primarily on frequency and type of service. Waste Management employs approximately 2,410 persons in its commercial and industrial collection operations.

Residential

Most of the Company's home collection services are performed under contracts with, or franchises granted by, municipalities giving the Company exclusive rights to service all or a portion of the homes in their respective jurisdictions, and such contracts or franchises usually range in duration from one to five years. The fees received by Waste Management are based primarily on frequency and type of service and are either paid by the municipalities out of tax revenues or by the residents receiving the service. Waste Management employs approximately 1,245 persons in providing residential collection services.

Transfer

In order to reduce costs of transportation from collection points to disposal sites, Waste Management operates 13 transfer stations. Approximately 180 persons are employed in such activities.

A transfer station is a facility where solid waste is received from collection vehicles and then transferred to and compacted in large, specially-constructed trailers for transportation to disposal or resource recovery facilities. This procedure reduces costs by improving utilization of collection personnel and equipment.

Waste Management operates five transfer stations in Milwaukee, Wisconsin; four in the Chicago, Illinois area; and one each in Toronto, Ontario, New Orleans, Louisiana, Erie, Pennsylvania, and South Bend, Indiana. The services of these facilities are provided to municipalities or counties and in most instances are also used by Waste Management and by other collection companies. Fees are generally based upon such factors as the type and volume or weight of the waste transferred.

Interim Processing and Resource Recovery

Interim processing involves changing the characteristics of solid waste, by such means as shredding and incineration, to facilitate disposal or resource recovery. Resource recovery involves the reclamation of marketable materials from solid wastes, including ferrous and non-ferrous metals,

paper and glass, or the conversion of solid waste into usable forms of energy feedstock, such as methane gas or refuse-derived fuel. Many advanced resource recovery operations require that the solid waste be shredded prior to further processing and energy conversion.

The Company currently operates two solid waste shredding facilities and is participating in a variety of resource recovery projects. It believes resource recovery opportunities will continue to increase and intends to monitor these opportunities, carefully selecting those which, in its judgment, can be successfully developed into economically feasible businesses.

The Company operates a solid waste reduction center at its Pompano Beach, Florida sanitary landfill site. At the center, collection vehicles unload solid waste in an enclosed storage building. The solid waste is then transferred by conveyor to a shredder, which grinds and reduces the solid waste into milled material suitable for surface spreading. This processing reduces the need for excavation of the landfill site and thus helps avoid contamination of underground water sources, a particular problem in this area of Florida because of the high water table.

The Company is also exploring the feasibility of recovering, purifying and marketing the methane gas generated in selected sanitary landfill sites which it operates. An arrangement has been made with an independent organization pursuant to which it has constructed, at its cost, a plant to purify methane gas recovered from one of the Company's Chicago area sanitary landfills. This plant began operation in January 1981, and under the arrangement the Company shares in any revenues received from the sale of such gas.

In late 1976, reduction and disposal operations commenced at the Company's Recovery 1 resource recovery facility in New Orleans, Louisiana, where it receives at least 650 tons of municipal solid waste per day for shredding and landfill disposal. The facility extracts ferrous and non-ferrous metals from the waste stream, and recovered materials are sold pursuant to contracts.

In late 1978, the Company became the exclusive North American licensee for System Vølund, a Danish mass combustion/energy recovery technology which significantly reduces the volume of waste requiring disposal while generating valuable energy in the form of steam or hot water. The Company believes this technology should provide it with additional opportunities in resource recovery and is currently negotiating with two cities for the construction and operation of such facilities.

The Company employs approximately 55 people in its interim processing and resource recovery operations.

DISPOSAL

Waste Management owns or leases 59 operating solid waste sanitary landfill facilities in 19 states and the Province of Ontario, Canada. Of this number, 35 are owned by Waste Management and the remainder are leased from others. Additional facilities are in various stages of development. All of the sanitary landfills are subject to governmental regulation. See "Business—Regulation."

A solid waste sanitary landfill is a disposal facility located on approved types of land and operated under prescribed procedures. In order to be considered a sanitary landfill, a site must have geological and hydrological properties which limit the possibility of water pollution, directly or by leaching. Carefully planned excavation and continuous spreading and compacting of waste, followed by covering with earth or other inert materials at least once a day, maintain sanitary conditions, insure optimum utilization, and prepare the site for ultimate use for other purposes.

Suitable landfills have become increasingly difficult to obtain because of land scarcity, local resident opposition and expanding governmental regulation. The scarcity of sites and increased

volume of wastes have resulted in more intensive use of existing sanitary landfills. As its existing sites become filled, the solid waste disposal operations of the Company are and will continue to be materially dependent on its ability to purchase or lease such sites and obtain the necessary permits from regulatory authorities to operate them. There can be no assurance that additional sites can be obtained or that existing sites can continue to be operated. However, management believes that sites currently available to the Company are sufficient to meet the needs of its current operations for the foreseeable future.

In varying degrees, Waste Management utilizes its own landfills to accommodate its disposal requirements for collection and transfer and interim processing operations. For the past three years, approximately one-half of the solid waste collected by Waste Management has been disposed of in landfills operated by it. Usually these facilities are also used by other companies and government agencies on a noncontract basis for fees determined by such factors as the type and volume or weight of the wastes.

The Company employs approximately 450 people in its solid waste disposal operations.

Chemical Waste

From December 1, 1977 through December 31, 1981, Waste Management acquired a number of companies which, together with the facilities it has developed in the Midwest over the past eight years, enable it to provide integrated nonnuclear chemical waste management services consisting of collection, interim processing and disposal. Such services are usually performed pursuant to agreements cancellable on short notice by either party and fees are determined by such factors as the chemical composition and volume or weight of the waste involved, frequency of collection, and the type of transportation equipment utilized and distance to the disposal site. In most cases, prior to entering into an agreement with a customer, the chemical wastes in question (which may be either in a solid or liquid state) are analyzed in one of the ten Company-owned laboratories or in independent laboratories so that the best method of transportation, processing and disposal may be determined. The Company services customers in most parts of the country, as certain chemical wastes are currently transported longer distances than are non-chemical solid wastes because of the limited number of acceptable disposal sites. The Company also processes and disposes of chemicals collected by other chemical waste service companies.

Chemical waste is transported by the Company in specially-constructed tankers and trailers, including stainless steel and rubber or epoxy-lined tankers and vacuum trucks and drum transporting trailers designed to comply with applicable regulations and specifications of the federal Department of Transportation relating to the transportation of hazardous waste. Such waste is also transported by barge and rail.

Interim processing of chemical waste is accomplished in many instances by a process in which sulfuric, chromic, other common acids and certain organic and inorganic chemicals are treated and transformed into inert material which may then be readily disposed of in conventional solid waste landfills. The Company also subjects certain oil-based wastes to a reclamation process in which the oil residue portion thereof is transformed into a product similar to fuel oil which is then sold by the Company. Other methods of processing include that of solar evaporation where water-based waste is discharged into ponds and, through exposure to the sun and pumping and other mechanical operations, the water portion of the waste evaporates leaving only the remaining solid to be disposed of or further treated and then disposed.

Chemical waste is disposed of by various methods including burial, in some instances enclosed in containers, in landfill sites which have permits to receive such material, high temperature incineration and deep well injection. A landfill which is proper for the disposal of chemical waste is designed, constructed and operated in a manner so as to provide long-term containment of such waste.

Geological and hydrological conditions in certain parts of the country effectively preclude disposal of certain chemicals in landfills in such areas, at least at the present time.

The chemical waste service operations of the Company are subject to extensive governmental regulation (see "Business—Regulation"). It is more difficult to obtain permits for landfills which may accept chemical waste than permits for solid waste landfills and in most instances extensive geological studies and testing are required before permits may be issued. The chemical waste services performed by the Company expose it to risks, in kind and degree, not associated with its solid waste management operations, such as the potential for chemical substances escaping into the environment and causing hazards or injuries which could be substantial. In addition, at such time as the Company may be required to monitor and maintain closed solid or chemical landfill sites, or to undertake corrective measures at operating or closed disposal sites, the costs could be substantial.

In October 1980, the Company acquired Ocean Combustion Service BV, the Netherlands, a company with extensive experience in disposing of a broad spectrum of chlorinated liquid wastes on its incineration vessel "Vulcanus." While the Vulcanus has been primarily serving the European market, it successfully completed a burn of PCB's in U.S. waters in late 1981, with destruction and combustion efficiencies exceeding required levels. Construction is underway on a second incineration vessel, "Vulcanus II," with delivery scheduled for November 1982.

The Company has four processing and 16 disposal sites which have received the necessary permits to accept chemical waste, although some of such sites may only accept certain chemicals. Nine of the 16 chemical waste disposal sites are sanitary landfills which are used to dispose of solid waste but which also have the necessary permits to, and do, process and dispose of certain chemical wastes.

Approximately 905 employees are employed by the Company in its chemical waste service operations, including approximately 50 performing analytical or engineering services.

Competition

Waste Management is the largest company engaged on a national scale primarily in the waste management business. The Company believes that no company accounts for a material portion of the total domestic solid waste management market.

Waste Management encounters intense competition, primarily in the pricing and rendering of services, from various sources in all phases of its solid waste management operations. In the storage and collection phase, competition is encountered, for the most part, from national, regional and local collectors as well as from municipalities or counties (which, through use of tax revenues, may be able to provide such services at lower direct charges to the customer than can Waste Management) and some large commercial and industrial companies which handle their own waste collection.

In the transfer, interim processing and resource recovery and disposal phases of its operations, competition is encountered primarily from municipalities, counties, local governmental agencies, other national or regional waste management companies and certain large corporations not previously involved in the solid waste business.

The Company believes the chemical waste management market is still in its formative stages as generators of chemical waste attempt to comply with evolving standards under environmental laws and regulations. Competition is encountered from a number of sources, including national, regional and local waste management firms, firms specializing primarily in chemical waste management and certain large corporations which generate chemical wastes and which attempt to process and dispose of such waste themselves. The basis of competition is primarily price and the availability of suitable disposal facilities. The Company does not believe that any firm accounts for a material portion of the domestic chemical waste management market.

The Company anticipates that it will encounter intense competition in seeking additional foreign business.

Regulation

The waste management industry is subject to extensive and expansive regulation by federal, Canadian, state and local authorities. See also "Business—Chemical Waste" and "Business—International Projects." Operating permits are generally required at the local level for collection vehicles and transfer stations, and at the state and local level for landfills, and may be subject to revocation, modification or denial. In the collection phase, regulation takes such forms as licensing of collection vehicles, truck safety requirements, vehicular weight limitations and, in certain localities, limitations on rates, area and time and frequency of collection. Zoning and land use restrictions are encountered in the transfer and interim processing and resource recovery phases as well as in the disposal phase for both solid and chemical waste, where regulations also govern such matters as operating procedures, water pollution, fire prevention and pest control. Air and noise pollution regulations may also affect the Company's operations. Governmental authorities have the power to enforce compliance and violators are subject to injunctions or fines, or both. Private individuals may also have the right to sue to enforce compliance. Safety standards under the Occupational Safety and Health Act are also applicable.

The Resource Conservation and Recovery Act of 1976 ("RCRA"), administered by the federal Environmental Protection Agency, authorizes the establishment of a national plan for the regulation of chemical and other hazardous wastes, including the issuance of permits for sites where such material is disposed. States having standards relating to hazardous wastes at least as stringent as those to be promulgated by the EPA may be authorized by that agency to administer RCRA on behalf of the EPA. RCRA provides, among other items, for the upgrading or phasing-out of open dumps over a period not more than five years from the time all open dumps are identified by the EPA and authorizes the grant of federal funds to state and other local governmental entities which adopt solid waste management plans containing specifications at least as detailed as those set forth in minimum guidelines to be established by the EPA.

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("Superfund"), enacted in December 1980 and administered by the EPA, attempts to allocate pollution control costs among parties involved in the generation, transfer and disposal of certain hazardous substances. Superfund provides for, among other things, EPA coordinated response to releases of hazardous substances into the environment and imposes strict liability for costs associated with such releases upon several parties associated with the release, including owners and operators of waste disposal facilities (and waste transportation vehicles) from which a release occurs, persons who owned such facilities at the time the hazardous substances were disposed, waste transporters who select facilities for treatment or disposal of hazardous substances and generators of such substances.

The extent to which any federal, Canadian, state or local legislation or regulation which may be enacted or enforced may affect the Company's operations cannot be predicted.

Energy

The Company has not experienced difficulty in obtaining adequate fuel for use in operations. In the past, favorable fuel allocation administration priorities for the sanitation industry have been established by federal authorities. The Company is unable to predict the effect of future modification of energy policy.

Employees

Waste Management employs approximately 7,290 persons, of whom approximately 575 are employed as managers or executives, approximately 5,245 are employed in collection, transfer, interim processing and resource recovery and disposal activities, and approximately 1,470 are employed in sales, clerical, data processing and other activities. At December 31, 1981, approximately 2,025 of

Waste Management's employees were represented by various labor unions under collective bargaining agreements expiring on various dates through 1985. Agreements covering an aggregate of approximately 1,260 employees expire in 1982. The Company has not experienced a significant work stoppage and considers its employee relations to be good.

Acquisitions

Since the beginning of August 1971, the Company has acquired a number of companies, and certain assets of other companies, engaged in various phases of the waste management business. The total consideration furnished by the Company for all such acquisitions (including foreign acquisitions) through December 31, 1981, has consisted of approximately $59,102,000 in cash and notes and 21,648,311 shares of its common stock. The amounts and types of consideration have been determined by direct negotiations with the owners of the businesses acquired. In all but two instances, the owners of the acquired businesses were small in number and, usually, certain key former owners have continued to operate the businesses following acquisition by the Company.

The Company grew significantly as a result of acquisitions in 1972 and 1973. While the Company intends to continue to consider the acquisition of other companies in the solid and chemical waste management and related fields, it does not anticipate that its acquisition activity in the foreseeable future will be as extensive as it was in the 1972–1973 period.

International Projects

At December 31, 1981, the Company, through its subsidiaries, had interests in city cleaning contracts in Riyadh and Jeddah, Saudi Arabia, Buenos Aires and Cordoba, Argentina and Caracas, Venezuela.

Riyadh, Saudi Arabia—A department of streets and sanitation was established and is being operated under the service portion of a contract which commenced in January 1978 and will continue through November 1982. Riyadh is the capital of Saudi Arabia and has a population of about 1,000,000. The contract, which is with a Saudi Arabian government ministry, provides for payment (in Saudi Arabian riyals) of an aggregate of approximately $242,000,000, based on exchange rates in effect at the time of execution of the contract, the largest portion of which ($179,000,000) is for cleaning services and is payable in 60 equal monthly installments during the service portion of the contract. The cleaning services consist principally of manual and mechanical street cleaning and daily collection of refuse from residential, industrial, commercial and governmental locations, and transfer and disposal of collected refuse in a sanitary landfill. The balance of the payments under the contract ($63,000,000) were for construction of facilities and equipment procurement, both of which have been substantially completed. At December 31, 1981, approximately 88% of the scheduled payments under the contract had been received, including 3 percent representing the unearned portion of an advance payment of approximately 20% of the contract price made by the government ministry to the contracting entity at the beginning of the contract. See Note 1 to Waste Management's Consolidated Financial Statements incorporated by reference into this report for a description of the accounting treatment being accorded the contract. In February 1982 the Company learned that the venture in which it has an interest had not been the successful bidder on the five-year extension of the service portion of the contract and thus services by the venture under this contract will cease in Riyadh in November 1982.

Jeddah, Saudi Arabia—Activities similar to those under the Riyadh contract, but more expansive in that they include street maintenance, the cleaning of public buildings, abandoned car removal and rodent control, are to be performed in the city of Jeddah, with a population of about 1,500,000, under the service portion of a contract scheduled to be completely operational by April 1982 and to continue for a period of approximately five years thereafter. Payments aggregating approximately $378,000,000 (consisting of $45,000,000 for facilities construction, $34,000,000 for equipment, $212,000,000 for

cleaning services and $87,000,000 for street maintenance services) are to be made under the contract (in U.S. dollars) by a Saudi Arabian government ministry. The Company believes this to be the largest contract of its kind (on an annual basis) ever awarded. As the rates to be charged for the service portion of the contract will be subject to adjustment annually (unlike the Riyadh project) to reflect the service area and such factors as population density and type of structures and kilometers serviced, the aggregate of the monthly payments to be received is based upon estimates and descriptions of the areas to be serviced prepared by the city of Jeddah, as well as on exchange rates at the time of execution of the contract. Payment for facilities to be constructed is to be on a progress basis while payment for the mobile and other equipment required to perform the cleaning services is due upon delivery in Jeddah and acceptance by the government ministry. Title to facilities and equipment passes to the ministry upon their completion or delivery and acceptance, respectively.

Buenos Aires, Argentina—Street cleaning and solid waste collection and transfer services are being provided in an area covering about one-half of the Federal District in Buenos Aires, with a population of approximately 2,000,000. The necessary equipment has been obtained under a four-year operating lease, with an option to purchase, from an Argentine bank. Performance of the contract commenced in February 1980 and is to continue for a period of approximately 10 years thereafter. The contract requires monthly payments (in Argentine pesos) based on the tonnage of solid waste delivered to two transfer stations during the preceding month; prices are adjusted quarterly pursuant to a formula reflecting variations in an index published by the Argentina National Institute of Statistics and Census. At December 31, 1981, payments under the contract over its remaining term were expected to aggregate approximately $375,000,000, based on service levels, estimated tonnages and exchange rates in effect at that date. See Note 1 to Waste Management's Consolidated Financial Statements incorporated by reference into this report for a description of foreign exchange losses primarily resulting from devaluations of the Argentine peso.

Cordoba, Argentina—Street cleaning, solid waste collection and disposal of collected refuse in a landfill are being performed under a five-year contract which commenced in December 1981. Monthly payments (in Argentine pesos) are to be made based upon tonnage handled and kilometers serviced during the preceding month, with charges adjusted monthly according to a formula reflecting such factors as minimum wage and labor rates and the cost of living. For the first year of the contract, payments are expected to aggregate $13,000,000, based on estimated tonnages and kilometers to be serviced and the exchange rate in effect in August 1981; revenues for subsequent years will vary according to the tonnage of solid waste handled, which is difficult to estimate, and other factors.

Caracas, Venezuela—A city cleaning contract for an eight-year period, with an option exercisable by the city of Caracas to extend the contract for an additional four-year period, commenced in October 1981. Payments under the contract are to be made monthly in Venezuelan bolivars, and will reflect the tonnage of waste handled during the preceding month and, in addition, are subject to indexing to reflect changes in the rate of inflation. Revenues under the contract are estimated at $9,000,000 a year based on estimated tonnages and the exchange rate in effect in October 1981.

Revenue and income from operations from these projects and the Company's Canadian and ocean incineration operations accounted for approximately one-fifth of consolidated revenue and income from operations in the years ended December 31, 1980 and 1981. See Note 8 to Waste Management's Consolidated Financial Statements incorporated by reference into this report.

Prior to 1977, the Company had no experience in conducting operations in foreign countries, with the exception of its Canadian activities. Although the Company has since gained considerable experience in mobilizing for and managing foreign projects, its foreign operations continue to be subject generally to such risks as currency fluctuations, the need to recruit and retain suitable labor forces and to control and coordinate operations in remote areas, changes in foreign laws or governmental policies or attitudes concerning their enforcement, political changes and international

tensions. Moreover, federal legislation in the United States could impair the profitability of the contracts for the Company, and provisions of the Export Administration Act could impair the ability of the contracting entities to perform in certain cases.

City cleaning contracts typically require letters of credit or performance bonds to assure satisfactory performance, and may provide, in addition, for substantial monetary penalties for unsatisfactory performance (including the right to offset penalties against payments due under the contract), unilateral termination of the contract without cause by the governmental entity, indemnification for losses from unsatisfactory performance, and binding resolution of questions of contract interpretation and disagreements by a local governmental agency. Price adjustment provisions based on certain formulas or indices may not accurately reflect the actual impact of inflation or currency fluctuations on the cost of performance. Where a contract is for a fixed price, such factors as inflation, population growth and increases in industrial and commercial activity in the area to be serviced during the contract term may impair its profitability, as has occurred to some extent in the case of the Riyadh project.

The Company's subsidiaries participate with others in the ownership and management of the contracting entities for each project. The interests of the other participants in the profits from the projects range from 40% to 45%. In addition, in the majority of cases, the Company's subsidiaries receive management fees in amounts ranging up to 5% of project revenues.

With respect to both the Riyadh and Jeddah projects, the other participants are Pritchard Services Group Limited, a corporation of the United Kingdom which has had international experience in the area of commercial and industrial cleaning and maintenance, and His Highness, Prince Abdulrahman Bin Abdullah Bin Abdulrahman Al-Saud, a citizen of Saudi Arabia. Pritchard Services provides assistance in support services such as catering, laundry and maintenance, and His Highness consults and advises on such matters as the manner of conducting operations and business in Saudi Arabia, personnel, purchasing and securing real estate. In addition, with respect to the Jeddah contract His Highness will be involved with the street maintenance program. The other participant in the Buenos Aires and Cordoba projects is Impresit Sideco, S.A., a privately owned company which has had extensive business experience in Argentina in the areas of general construction and road building. Impresit is responsible during the terms of the contracts for coordination of financial and administrative activities in Argentina, including procuring equipment financing, handling public and labor relations, obtaining necessary licenses and permits from regulatory authorities, purchasing supplies and cash management.

Industrial Minerals

GENERAL

The Company is also engaged in the extraction, processing and sale of industrial minerals (including lime, aggregates and coal) through its wholly owned subsidiary, Warner Company. These operations were acquired as part of the acquisition of EMW Ventures, Incorporated in February 1981. See Note 2 to Waste Management's Consolidated Financial Statements incorporated by reference into this report.

Lime products are extracted and processed at two locations in Pennsylvania. At one site dolmitic (high magnesium) lime is obtained which is used primarily for steel fluxing, masonry mortar and acid waste treatment. A deep mine at the other location yields a metallurgical limestone that is processed into high-calcium lime products which are used by the glass industry, as well as for steel fluxing in basic oxygen furnaces, steel wire drawing and acid waste neutralization.

Aggregates are produced from mineral reserves located in Pennsylvania and New Jersey; two quarries in Pennsylvania supply hardrock for railroad ballast and highway construction; while a third Pennsylvania quarry supplies construction material products; and a sand and gravel operation north of Philadelphia serves ready-mix concrete producers and local contractors. In Millville, New Jersey,

the Company owns approximately 5,000 acres and operates a dredging and drying complex supplying silica sand to the foundry, container, and fiberglass industries. In addition, a blast furnace slag operation provides products for pre-cast concrete manufacturers, highway pavers and the glass industry. A pelletizing system has been installed and is operating at the blast furnace operation, reducing sulfur emission as well as providing a premium lightweight aggregate ("Warnerlite") for concrete block.

The Company mines bituminous coal at two locations in central Pennsylvania. This coal has a low sulfur content (less than 2%) and is classified as high-grade for utility and industrial users. The Company's coal operations are used primarily to meet the needs of its lime plants which currently take approximately 108,000 tons a year. In addition, limited quantities of coal are sold to utilities.

Marketing and Competition

All phases of the industrial minerals operations are highly competitive. The industrial mineral products sold are relatively fungible and competition is based largely on sales efforts and customer service. The industrial mineral products are marketed principally in the eastern United States where the products are sold directly to customers or through distributors. Transportation costs from the point of supply to customers' locations tend to be significant, and can affect the ability to obtain a specific order.

No customer accounted for as much as 5% of the 1981 net industrial minerals sales. The industrial minerals business is cyclical in nature and is affected by cycles in the steel and construction industries. It is the nature of the markets not to have long-term contracts for the sale of most of the industrial mineral products.

The industrial minerals operations are somewhat seasonal, with sales being strongest between March and November of each year. A large portion of the industrial minerals business can be negatively affected by adverse weather conditions.

Regulation

The industrial minerals business, especially mining, is subject to comprehensive regulation by federal, state and local authorities regarding such matters as land reclamation following surface mining, health, safety, conditions of service, environmental protection and energy. Each mining operation in Pennsylvania and New Jersey must obtain a permit from the appropriate state authorities. All required mining permits for the mines and quarries in both states have been obtained. The Company does not anticipate significant difficulty or unusual expense in obtaining future governmental permits or otherwise complying with regulatory requirements. However, the extent to which any federal, state or local legislation which may be enacted or enforced may affect the Company's operations cannot be predicted.

Employees

The Company employs approximately 520 persons in its industrial minerals operations. Approximately 75% of these employees are paid on an hourly basis. Many of these hourly employees are represented by unions under collective bargaining agreements expiring on various dates through July 1983.

ITEM 2. Properties.

Waste Operations

The principal fixed assets of the Company consist of vehicles and equipment (which include, among other items, approximately 3,800 collection and transfer vehicles, 265,500 containers and 3,300 stationary compactors). At December 31, 1981, vehicles and equipment represented approximately 39% of the net book value of the Company's assets utilized in its North American Operations.

Waste Management owns or leases real property in each state in which it is doing business (and in the Province of Ontario, Canada). Forty-one landfills, aggregating approximately 7,200 acres, are owned by Waste Management and the remainder (25), aggregating approximately 4,600 acres, are leased from parties not affiliated with the Company under leases expiring from 1982 to 1993. Real estate holdings represented approximately 26% of the net book value of the Company's assets utilized in its North American Operations at December 31, 1981.

The Company's headquarters are located in approximately 90,000 square feet of leased premises at 3003 Butterfield Road, Oak Brook, Illinois 60521, under a lease with an initial term expiring December 31, 1990. The lease provides for two consecutive five-year renewal options, and options to purchase expiring from 1984 through 1986.

As of December 31, 1981, aggregate annual rental payments on real estate approximated $3,782,000.

Industrial Minerals

The Company owns approximately 16,800 acres and leases approximately 11,250 acres located in Pennsylvania and New Jersey in connection with its industrial minerals operations. The recoverable mineral reserves located on these sites are estimated to be as follows: limestone—41 million tons, aggregates—116 million tons and coal—1 million tons. The 1981 extraction rate for each of these categories was limestone—1.06 million tons, aggregates—2.82 million tons and coal—135,000 tons. Extraction of some of these reserves requires additional government approvals. Most of the industrial mineral properties include office space as well as facilities for crushing, sizing, and cleaning the material extracted. On two sites there are kilns and other facilities for manufacturing and packaging chemical grade lime products. The Company also owns one plant designed to process air-cooled slag, which has been modified also to permit the processing of pelletized slag.

ITEM 3. Legal Proceedings.

The Company is a party to several environmental protection proceedings instituted by federal, state or local authorities, which, at December 31, 1981, included two proceedings alleging non-compliance with regulatory requirements regarding waste disposal facilities. Because the business in which the Company is engaged is inextricably related to the environment, proceedings of this nature arise from time to time in the ordinary course of business and the Company views the costs associated therewith to be part of its cost of doing business. The Company believes that the proceedings described above are not individually or in the aggregate material to its business or financial condition.

In February 1981, the United States Department of Justice filed a suit in the Federal District Court for the Southern District of New York alleging that the Company's acquisition of EMW Ventures, Incorporated was in violation of the federal antitrust laws, including Section 7 of the Clayton Act, and seeking to enjoin the acquisition. The court denied the government's request for a temporary restraining order and the trial on the government's complaint to set aside the transaction has been concluded, but no decision has been rendered. Based upon advice of counsel and its own evaluation of the case and the facts, the Company does not believe that the results of the proceeding will have a material adverse effect on the Company.

ITEM 4. Security Ownership of Certain Beneficial Owners and Management.

Reference is made to the table, including the footnotes thereto, set forth under the caption "Election of Directors" on page 2 in the Company's proxy statement, dated March 31, 1982 ("Proxy Statement") for certain information respecting ownership of common stock of the Company (which table and footnotes are incorporated herein by reference).

Executive Officers of the Registrant

The following table sets forth the names and ages (at January 1, 1982) of the Company's executive officers and the positions they hold with the Company. All officers hold their positions until the annual meeting of the Board of Directors or until their respective successors are selected and qualify.

Name	Age	Position
Dean L. Buntrock*	50	Chairman of the Board and President and Director
H. Wayne Huizenga*	44	Vice Chairman and Director
Lawrence Beck*	53	Senior Vice President and Director
Harold Gershowitz	43	Senior Vice President
Phillip B. Rooney*	37	Senior Vice President and Director
Donald F. Flynn*	42	Senior Vice President, Treasurer and Chief Financial Officer and Director
Peter H. Huizenga*	42	Vice President, Secretary and Director
Peter Vardy	51	Vice President—Environmental Management
David C. Coleman	43	Vice President—Labor Relations
James G. DeBoer	56	Vice President—Midwest Region
Robert A. Paul	43	Vice President—Administration
William R. Katzman	39	Vice President—Northern Region
Jerome D. Girsch	36	Vice President
John J. Cull	49	Controller
J. Steven Bergerson	39	General Counsel

*Member of the Executive Committee of the Board of Directors.

Dean L. Buntrock has served as a director of the Company and as its chief executive officer and as Chairman of the Board since 1968. In addition, he has served as President of the Company since September 1980. He has been employed by Waste Management since 1956. Mr. Buntrock was founder and first president of the National Solid Wastes Management Association, an organization with a membership of nearly 2,000 private contractors. He currently serves as a director and secretary-treasurer of the Association. In addition, he is a past president of the Detachable Container Association. Messrs. Buntrock and Peter H. Huizenga are brothers-in-law.

H. Wayne Huizenga has been a director and officer of the Company since 1971, serving as President from May 1977 until September 1980, and as Vice Chairman since then. He founded

Southern Sanitation Service, Inc. in 1962 and served as its chief executive officer until it was acquired by Waste Management in 1971. He is a former officer and director of the Detachable Container Association. Messrs. H. Wayne Huizenga and Peter H. Huizenga are first cousins.

Lawrence Beck, Senior Vice President of the Company since April 1973, founded Atlas Refuse Disposal, Inc. in 1953 and served as its chief executive officer until it was acquired by Waste Management in 1971, when he first became an officer and director of the Company. In 1981, he was appointed president of Chemical Waste Management, Inc., a subsidiary of the Company.

Harold Gershowitz commenced employment with the Company in October 1972, as an officer, and became Senior Vice President in September 1974.

Phillip B. Rooney, Senior Vice President of the Company since March 1978, commenced employment with the Company in March 1969. He first became an officer of the Company in 1971 and was elected a director in August 1981. In 1981, he was appointed president of Waste Management of North America, Inc., a subsidiary of the Company.

Donald F. Flynn, Senior Vice President and Chief Financial Officer of the Company since May 1975, and Treasurer since 1979, has been an officer of the Company since 1972 and was elected a director in August 1981.

Peter H. Huizenga, Vice President and Secretary of the Company, has served as Vice President since May 1975, and as Secretary and a director since September 1968.

Peter Vardy has been Vice President—Environmental Management of the Company since November 1978, and an officer of the Company since 1973.

David C. Coleman, Vice President—Labor Relations of the Company, joined the Company in January 1973, as Director of Industrial Relations and has held his present position since October 1974.

James G. DeBoer, Vice President—Midwest Region of the Company since December 1975, has served as an officer and manager of a subsidiary of the Company since September 1972.

Robert A. Paul, Vice President—Administration since December 1976 and an officer of the Company since 1971, is a certified public accountant.

William R. Katzman, Vice President—Northern Region of the Company since October 1979, has been employed by the Company or its subsidiaries for more than five years.

Jerome D. Girsch joined the Company as its Controller in May 1976 and held such position until May 1981 when he assumed his present position.

John J. Cull, a certified public accountant, commenced employment with the Company as its Controller in May 1981. From September 1977 until he was employed by the Company, he served as a financial consultant to businesses and for more than 5 years prior to September 1977, he was a partner in Arthur Andersen & Co.

J. Steven Bergerson has been General Counsel of the Company since January 1974.

PART II

ITEM 5. Market for the Registrant's Common Stock and Related Security Holder Matters.

Reference is made to the last paragraph in the left column on page 51 of the Company's Annual Report to Stockholders for 1981 ("Annual Report"), including the table and the sentence immediately following such table, as well as to the line in the Consolidated Selected Financial Data for the Ten Years Ended December 31, 1981 on page 2 of said Annual Report which reflects dividends per share paid, and to the last paragraph of Note 3 to the Company's Consolidated Financial Statements on page 46 of the Annual Report (all of which is incorporated herein by reference) for a discussion of certain matters relating to the registrant's common stock, dividends and dividend restrictions.

ITEM 6. Selected Financial Data.

Reference is made to the Consolidated Selected Financial Data (only for the five years ended December 31, 1981) set forth on page 2 of the Annual Report and incorporated herein by reference.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Reference is made to Management's Discussion and Analysis of Financial Condition and Results of Operations set forth on pages 32 through 38 of the Annual Report and incorporated herein by reference.

ITEM 8. Financial Statements and Supplementary Data.

(a) The Consolidated Balance Sheets as of December 31, 1980 and 1981, Consolidated Statements of Income, Stockholders' Equity and Changes in Financial Position for each of the three years ended December 31, 1981, and Notes to Consolidated Financial Statements set forth on pages 39 through 50 of the Annual Report, and the Auditors' Report, dated February 4, 1982, of Arthur Andersen & Co. on page 51 of the Annual Report, are incorporated by reference herein.

(b) Selected Quarterly Financial Data (Unaudited) is set forth in Note 11 to the Consolidated Financial Statements referred to in Item 8(a) above and incorporated by reference herein.

PART III

ITEM 9. Directors and Executive Officers of the Registrant.

Reference is made to the last 3 paragraphs on page 2 and the first 7 paragraphs on page 3 of the Company's Proxy Statement (incorporated herein by reference) for a description of the directors of the Company. See also Part I of this report for certain information concerning the Company's executive officers.

ITEM 10. Management Remuneration and Transactions.

Reference is made to the information set forth under the caption "Remuneration of Directors and Officers" on pages 4 through 8 of the Company's Proxy Statement, all of which is incorporated by reference herein.

PART IV

ITEM 11. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Financial Statements, Schedules and Exhibits

I. Financial Statements. Incorporated herein by reference to the Company's Annual Report.

(i) Report of Independent Public Accountants;

(ii) Consolidated Balance Sheets—December 31, 1980 and 1981;

(iii) Consolidated Statements of Income for the Three Years Ended December 31, 1981;

(iv) Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 1981;

(v) Consolidated Statements of Changes in Financial Position for the Three Years Ended December 31, 1981; and

(vi) Notes to Consolidated Financial Statements.

II. Schedules.

(i) Report of Independent Public Accountants on Schedules;

(ii) Schedule II—Amounts Receivable from Officers and Employees;

(iii) Schedule V—Property and Equipment;

(iv) Schedule VI—Accumulated Depreciation and Amortization of Property and Equipment;

(v) Schedule VIII—Reserves; and

(vi) Schedule X—Supplementary Income Statement Information.

All other schedules have been omitted since the required information is not significant or is included in the financial statements or the notes thereto, or is not applicable.

III. Exhibits.

The exhibits to this Report are listed in the Exhibit Index elsewhere herein.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by the Company with the Securities and Exchange Commission during the last calendar quarter of 1981.

WASTE MANAGEMENT, INC. AND SUBSIDIARIES

FINANCIAL STATEMENT SCHEDULES

($000's omitted in all tables)

Schedule II—Amounts Receivable from Officers and Employees

Name of Debtor	Balance Beginning of Year	Additions	Deductions: Amounts Collected	Deductions: Amounts Written Off	Balance End of Year
1979					
W. Katzman	$100	$ —	$(100)	$ —	$ —
1980					
P. Rooney	$ —	$126	$ —	$ —	$126
I. Sabbagh	—	100	—	—	100
1981					
L. Beck	$ —	$117	$ —	$ —	$117
D. Buntrock	—	437	—	—	437
E. Eberlin	—	105	—	—	105
D. Flynn	—	145	—	—	145
H. Gershowitz	—	169	—	—	169
H. W. Huizenga	—	134	—	—	134
J. Melk	—	104	—	—	104
P. Rooney	126	—	(126)	—	—
I. Sabbagh	100	—	—	—	100

The Company's general policy is not to advance monies to officers or employees except for relocation or temporary situations. It has, however, adopted a policy of making interest-free loans available to employees whose exercise of non-qualified stock options results in ordinary income to them in excess of $10,000 at the time of such exercise.

Schedule V—Property and Equipment

	Balance Beginning of Year	Assets of Purchased Companies	Additions at Cost	Retirements or Sales	Other	Balance End of Year
1979						
Land, primarily disposal sites	$ 68,897	$ 5,671	$ 16,102	$ (4,344)	$ (950)	$ 85,376
Buildings	50,111	412	4,671	(23,049)	37	32,182
Vehicles and equipment	266,840	10,065	85,354	(29,412)	15	332,862
Leasehold improvements	5,348	140	1,970	(366)	898	7,990
Total	$391,196	$16,288	$108,097	$(57,171)	$ —	$458,410
1980						
Land, primarily disposal sites	$ 85,376	$12,520	$ 29,888	$ (1,854)	$ 178	$126,108
Buildings	32,182	650	8,440	(1,184)	331	40,419
Vehicles and equipment	332,862	11,843	85,642	(22,786)	(160)	407,401
Leasehold improvements	7,990	21	4,889	(570)	(349)	11,981
Total	$458,410	$25,034	$128,859	$(26,394)	$ —	$585,909
1981						
Land, primarily disposal sites	$126,108	$ 350	$ 30,621	$ (1,472)	$5,644	$161,251
Buildings	40,419	78	15,321	(788)	(1,893)	53,137
Vehicles and equipment	407,401	5,648	86,775	(24,185)	615	476,254
Leasehold improvements	11,981	—	6,019	(424)	(4,366)	13,210
Total	$585,909	$ 6,076	$138,736	$(26,869)	$ —	$703,852

Schedule VI—Accumulated Depreciation and Amortization of Property and Equipment

	Balance Beginning of Year	Provision Charged to Income	Retirements or Sales	Other	Balance End of Year
1979					
Landfill improvements	$ 3,257	$ 1,934	$ (95)	$ (407)	$ 4,689
Buildings	5,152	2,331	(1,559)	15	5,939
Vehicles and equipment	103,988	39,798	(25,081)	15	118,720
Leasehold improvements	1,622	825	(324)	377	2,500
Total	$114,019	$44,888	$(27,059)	$ —	$131,848
1980					
Landfill improvements	$ 4,689	$ 3,430	$ (388)	$ 35	$ 7,766
Buildings	5,939	1,855	(907)	40	6,927
Vehicles and equipment	118,720	50,560	(17,194)	(20)	152,066
Leasehold improvements	2,500	1,358	(452)	(55)	3,351
Total	$131,848	$57,203	$(18,941)	$ —	$170,110
1981					
Landfill improvements	$ 7,766	$ 4,752	$ (446)	$2,196	$ 14,268
Buildings	6,927	2,340	(184)	(892)	8,191
Vehicles and equipment	152,066	54,889	(19,654)	37	187,338
Leasehold improvements	3,351	1,187	(413)	(1,341)	2,784
Total	$170,110	$63,168	$(20,697)	$ —	$212,581

Schedule VIII—Reserves

	Balance Beginning of Year	Charged to Income	Accounts Written Off	Other(A)	Balance End of Year
1979—Reserve for doubtful accounts	$2,246	$2,038	$(2,036)	$101	$2,349
1980—Reserve for doubtful accounts	$2,349	$2,843	$(2,563)	$195	$2,824
1981—Reserve for doubtful accounts	$2,824	$2,702	$(2,363)	$ 86	$3,249

(A) Reserves of companies accounted for as purchases.

Schedule X—Supplementary Income Statement Information

During 1979, 1980 and 1981, maintenance and repairs charged to costs and expenses in the Consolidated Statements of Income were $68,028,000, $88,425,000 and $100,928,000, respectively.

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 in Oak Brook, Illinois on the 31st day of March, 1982.

WASTE MANAGEMENT, INC.

By DEAN L. BUNTROCK
Dean L. Buntrock, *Chairman of the Board and President*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
DEAN L. BUNTROCK Dean L. Buntrock	Director, Chairman of the Board and President and Chief Executive Officer	March 31, 1982
H. WAYNE HUIZENGA H. Wayne Huizenga	Director	
LAWRENCE BECK Lawrence Beck	Director	
PETER H. HUIZENGA Peter H. Huizenga	Director	
DONALD F. FLYNN Donald F. Flynn	Director, Senior Vice President and Chief Financial Officer	
PHILLIP B. ROONEY Phillip B. Rooney	Director	
OLIN NEILL EMMONS Olin Neill Emmons	Director	
PEER PEDERSEN Peer Pedersen	Director	
JAMES R. PETERSON James R. Peterson	Director	
ORELL T. COLLINS Orell T. Collins	Director	
JOHN J. CULL John J. Cull	Controller and Principal Accounting Officer	

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULES

To Waste Management, Inc.:

In connection with our examination of the consolidated financial statements of Waste Management, Inc. and Subsidiaries included in the Waste Management, Inc. Annual Report to Stockholders for 1981 and incorporated by reference in this report on Form 10-K, we have also examined the supporting schedules included on pages 17 and 18 of this report on Form 10-K.

In our opinion, these schedules present fairly, when read in conjunction with the related consolidated financial statements, the financial data required to be set forth therein, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
February 4, 1982.

WASTE MANAGEMENT, INC.

EXHIBIT INDEX

Number and description of exhibit*		Sequential Page Number**
1.	Inapplicable	
2.	Inapplicable	
3.1	Restated certificate of incorporation of registrant, as amended as of June 10, 1981 (incorporated by reference to exhibit 20 to registrant's report on form 10-Q for the quarter ended June 30, 1981)	
3.2	By-laws of registrant, as amended as of August 10, 1981 (incorporated by reference to exhibit 20 to registrant's report on form 10-Q for the quarter ended September 30, 1981)	
4.1	Note Agreement dated April 13, 1977 between registrant and four insurance companies (incorporated by reference to exhibit 1 to registrant's report on form 10-Q for the quarter ended June 30, 1977)	
4.2	Amendment No. 1 to Note Agreement dated April 13, 1977 (incorporated by reference to exhibit 1(iii) to registrant's report on form 10-Q for the quarter ended June 30, 1978)	
4.3	Amendment No. 2 to Note Agreement dated April 13, 1977 (incorporated by reference to exhibit (iii) to registrant's report on form 10-Q for the quarter ended September 30, 1979)	
4.4	Amendment No. 3 to Note Agreement dated April 13, 1977 (incorporated by reference to exhibit 4.4 to registrant's 1980 annual report on form 10-K)	
4.5	Amendment dated as of July 31, 1977 to registrant's domestic revolving Credit Agreement (incorporated by reference to exhibit 2 to registrant's report on form 10-Q for the quarter ended June 30, 1977)	
4.6	Amendment No. 1 to Credit Agreement dated as of July 31, 1977 (incorporated by reference to exhibit 1(i) to registrant's report on form 10-Q for the quarter ended June 30, 1978)	
4.7	Amendment No. 2 to Credit Agreement dated as of July 31, 1977 (incorporated by reference to exhibit 1(ii) to registrant's report on form 10-Q for the quarter ended June 30, 1978)	
4.8	Amendment No. 4 to Credit Agreement dated as of July 31, 1977 (incorporated by reference to exhibit (i) to registrant's report on form 10-Q for the quarter ended September 30, 1979)	
4.9	Amendment No. 5 to Credit Agreement dated as of July 31, 1977 (incorporated by reference to exhibit (ii) to registrant's report on form 10-Q for the quarter ended September 30, 1979)	

*In the case of incorporation by reference to documents filed under the Securities Exchange Act of 1934, the registrant's file number under that Act is 1-7327.

**This information appears only in the manually signed original of the report.

	Number and description of exhibit*	Sequential Page Number**
4.10	Amendment No. 6 to Credit Agreement dated as of July 31, 1977 (incorporated by reference to exhibit 1 to registrant's report on form 10-Q for the quarter ended June 30, 1980)	
4.11	Amendment No. 7 to Credit Agreement dated as of July 31, 1977 (incorporated by reference to exhibit 2 to registrant's report on form 10-Q for the quarter ended June 30, 1980)	
4.12	Amendment No. 8 to Credit Agreement dated as of July 31, 1977 (incorporated by reference to exhibit 4.12 to registrant's 1980 annual report on form 10-K)	
5.	Inapplicable	
6.	Inapplicable	
7.	Inapplicable	
8.	Inapplicable	
9.	Inapplicable	
10.1	Supplemental Agreement dated February 3, 1981 among registrant, a subsidiary and EMW Ventures Incorporated, including Agreement and Plan of Merger between parties dated same date (incorporated by reference to exhibit 2.1 to registration statement no. 2-70775 filed by registrant)	
10.2	Waste Management, Inc. 1974 Stock Option Plan as amended through November 16, 1981	
10.3	Officer Performance Bonus Plan of registrant (incorporated by reference to exhibit (i) to registrant's report on form 8-K for the month of May 1976)	
11.	Inapplicable	
12.	Inapplicable	
13.	Registrant's Annual Report to Stockholders for 1981 (for the information of the Securities and Exchange Commission and not deemed "filed" with the commission, except for those portions expressly incorporated by reference in this report)	
14.	Inapplicable	
15.	Inapplicable	
16.	Inapplicable	
17.	Inapplicable	
18.	Inapplicable	
19.	Inapplicable	
20.	See Exhibit Numbers 10.2, 13 and 22	
21.	Inapplicable	
22.	List of subsidiaries of registrant	

*In the case of incorporation by reference to documents filed under the Securities Exchange Act of 1934, the registrant's file number under that Act is 1-7327.

**This information appears only in the manually signed original of the report.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our Report dated February 4, 1982, relating to Waste Management, Inc. and its subsidiaries and contained in the Waste Management, Inc. Annual Report to Stockholders for 1981, in the Waste Management, Inc. Registration Statement on Form S-8 relating to its 1974 non-qualified stock option plan (registration No. 2-67825).

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
March 31, 1982.