

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,

 Plaintiff,
 v.
WASTE MANAGEMENT, INC. and
WM ACQUIRING CORP.,

 Defendants.

Civil Action No. 84-2832
Filed: September 12, 1984

COMPETITIVE IMPACT STATEMENT

The United States, pursuant to Section 2(b) of the Antitrust Procedures and Penalties Act ("APPA"), 15 U.S.C. §16(b)-(h), files this Competitive Impact Statement relating to the proposed Final Judgment submitted for entry in this civil antitrust proceeding.

I

NATURE AND PURPOSE OF THE PROCEEDING

On September 12, 1984, the United States filed a civil antitrust Complaint under Section 15 of the Clayton Act, 15 U.S.C. §25, challenging the proposed acquisition of SCA Services, Inc. ("SCA") by Waste Management, Inc. ("WMI") as a violation of Section 7 of the Clayton Act, 15 U.S.C. §18. Named as defendants in the Complaint were WMI and WM Acquiring Corp. ("WMAC"), a corporation formed by WMI for the purpose of acquiring SCA. The Complaint alleges that the effect of the

acquisition may be substantially to lessen competition in the provision of a number of solid waste collection and disposal services in 20 local geographic markets throughout the United States and substantially to lessen competition in the provision of hazardous waste landfill services in the southeastern United States and portions of the midwestern United States. The Complaint seeks a permanent injunction preventing defendants from consummating the proposed acquisition or any similar plan whereby WMI or WMAC would acquire any securities or assets of SCA.

Plaintiff and defendants have stipulated that the proposed Final Judgment may be entered after compliance with the APPA. Entry of the proposed Final Judgment would terminate this action, except that the Court would retain jurisdiction to construe, modify and enforce the proposed Final Judgment.

II

EVENTS GIVING RISE TO THE ALLEGED VIOLATION

A. The Transaction

On August 13, 1984, WMI announced that it had reached an agreement with SCA Services, Inc. ("SCA") to purchase all the common stock of SCA. Under the terms of the agreement, WMAC would make a cash tender offer for the SCA stock, with funds provided by WMI and Genstar Corporation ("Genstar"). After completion of the tender offer, SCA would be merged into WMAC and the assets of SCA divided between WMI and Genstar Refuse

Services Corporation ("GRS"), a wholly owned subsidiary of Genstar.

WMI is the largest company in the United States in the business of providing waste collection and disposal services, and ranks first in revenues from both solid waste and hazardous waste management. SCA is the third largest company in the United States in the business of providing waste collection and disposal services, and ranks third in revenues from solid waste management and fourth in revenues from hazardous waste management. WMI competes directly with SCA in the collection and disposal of solid waste in many local markets across the country which are either moderately or highly concentrated. WMI and SCA also provide hazardous waste treatment and disposal services to commercial generators at facilities in a number of areas of the United States, and have disposal facilities that compete directly with each other in the Southeast and Midwest.

Genstar is a Canadian corporation with headquarters in San Francisco. It is engaged principally in the manufacture and supply of building materials and services, the development of land and real estate and the provision of financial services. Genstar operates solid waste landfills in the western and southwestern United States, but provides no collection services and does not operate in any geographic area in which WMI or SCA currently provides waste disposal services. Genstar is also a potential entrant into the hazardous waste management business both in Canada and in California, where it is seeking approval

to reopen an idle cement plant and use it in part to incinerate hazardous waste.

Genstar's role in the proposed acquisition is to provide a solution to the antitrust problems that would otherwise be posed by WMI's acquisition of SCA. Under the terms of an Agreement signed between WMI and Genstar on July 13, 1984, and amended August 13, 1984 and September 11, 1984, if WMI determines that its ownership of any SCA business might not be permitted under the antitrust laws, it may designate that business and Genstar will acquire it, through its subsidiary, GRS. Further, under the terms of the Acquisition Agreement reached between WMI, SCA, WMAC, Genstar and GRS on August 13, 1984, WMI is obligated to designate for divestiture all assets or businesses of SCA disposition of which is required in order to secure approval for the tender offer from the Antitrust Division.

B. Solid Waste

Solid waste collection and disposal is the collection of paper, food, construction material and other solid wastes from residential, commercial and industrial customers and the disposal of such wastes in a sanitary landfill. Collection from residential, commercial and industrial customers are distinct services, defined by the different types of service and equipment used for each. For example, residential collection is generally hand-load collection, whereas almost

all commercial collection is containerized service provided by front load and rear load equipment. Industrial customers are generally served by roll-off equipment.

The geographic market for solid waste collection services is generally a local one, essentially defined by transportation economics and political jurisdictions. Within a given local market, collection services may be provided by a number of haulers who compete freely with each other and contract directly with their customers for collection services. Collection may also be provided under a system of municipal franchises or under a municipal contract. In the case of a franchise, a hauler is granted the right, normally exclusive, to collect specified solid wastes generated in specified areas, and is usually paid by the customers serviced. Under a contract, the hauler contracts with a local authority to collect specified wastes in a specified area, and is paid directly by that authority.

Within a given local market there is continuous competition among companies providing collection services directly to residential, commercial and/or industrial customers. In the case of an exclusive contract or franchise, there is no competition for the service covered by the contract or franchise during its term. These contracts or franchises are generally awarded periodically through a competitive bidding procedure, however, and thus there is competition periodically to obtain them. Moreover, a company may bid on a large

municipal contract or franchise even though it is not providing solid waste collection or disposal services in the local market covered by that contract or franchise. Large waste management companies such as WMI and SCA bid on large municipal contracts and franchises throughout the United States.

Solid waste disposal services, like solid waste collection services, are provided in local geographic markets. There are substantial barriers to entry in the provision of solid waste disposal services arising from the regulatory requirements for establishing sanitary landfills, and there is competition for the control of or access to these sites in and around the collection markets. Sanitary landfills may be owned and operated by private companies or by governmental authorities, or may be owned by governmental authorities and operated by a waste management company pursuant to a contract.

WMI and SCA both provide solid waste collection and disposal services in numerous local geographic markets throughout the United States, through various affiliates and subsidiaries. There is substantial direct competition between them in commercial solid waste collection and in industrial solid waste collection in 14 local geographic markets, and there is substantial direct competition between them in residential solid waste collection in 14 local geographic markets, some of which are the same. There is also substantial direct competition between them in the provision of solid waste disposal services in the Fort Worth, Texas and Louisville,

Kentucky geographic markets. All these geographic markets are at least moderately concentrated, with HHIs in excess of 1000, and the acquisition of SCA by WMI would increase the HHIs in each market by at least 100. In addition, WMI and SCA are two of a small number of waste management companies that compete for large municipal collection and disposal contracts and franchises throughout the United States.

C. Hazardous Waste

Hazardous waste management is separate and distinct from solid waste management, and consists of the transportation, treatment, storage and disposal of hazardous waste. Commercial hazardous waste firms offer off-site treatment and disposal services to generators of the waste.

The provision of hazardous waste management services is regulated by the United States Environmental Protection Agency ("EPA") and by the states pursuant to the Resource Conservation and Recovery Act of 1976 ("RCRA"). In addition, treatment and disposal of polychlorinated biphenyls ("PCB"), a cancer-causing compound long used in electrical equipment manufacture but now banned by law, is regulated under the Toxic Substances Control Act ("TOSCA"). Hazardous waste treatment or disposal facilities operate under RCRA permits issued by EPA, or by states that have qualified to manage their own RCRA regulatory programs, or under permits issued under TOSCA to treat or dispose of PCB. Such facilities also require local zoning and

operating approvals. The costs and uncertainties of this pervasive regulatory scheme, as well as long-term liabilities imposed upon disposers of hazardous waste for future adverse environmental effects, constitute substantial entry barriers into commercial hazardous waste management services.

The most common and least expensive method of disposal of hazardous waste in a solid state is burial in a secure chemical landfill. Secure chemical landfills are distinguished from sanitary landfills by higher technological and operating standards, including the use of barriers to separate incompatible wastes, clay or synthetic liners, leachate collection and monitoring systems. For many hazardous wastes there will be no feasible alternative to landfilling in the foreseeable future, and many treatment options produce residues which are themselves hazardous wastes requiring burial in a secure chemical landfill.

In analyzing the effect of the proposed acquisition on competition, we concluded that commercial off-site hazardous waste management is a market separate from on-site management by the companies that generate the waste. We also concluded that within the commercial hazardous waste management business there are definable markets, and that for purposes of measuring the competitive impact of this acquisition landfilling of hazardous wastes and incineration of polychlorinated biphenyls (PCB) are relevant markets. In addition, regulatory costs and

organized local opposition to the permitting of new treatment or disposal sites also constitute substantial barriers to new entry.

At present there are 38 secure chemical landfills in the United States temporarily permitted to accept hazardous waste, and increasingly stringent regulatory requirements make it very likely that many secure chemical landfills now in operation will be closed. WMI operates a secure chemical landfill at Emelle, Alabama. SCA operates a secure chemical landfill at Pinewood, South Carolina. These two facilities are the only landfills in the southeastern United States permitted to accept hazardous waste. They compete for customers throughout the Southeast, but especially in areas of Florida, Georgia and Tennessee where neither enjoys a significant transportation cost advantage over the other and their customers have no feasible landfilling alternatives.

WMI and SCA also compete substantially with one another in providing hazardous waste landfilling services in portions of the midwestern United States. WMI operates a secure chemical landfill near Toledo, Ohio (the Evergreen landfill). SCA operates a secure chemical landfill in Fort Wayne, Indiana (the Adams Center landfill). Evergreen and Adams Center compete with three other landfills for customers in central and eastern Indiana, western Ohio, Michigan, and Kentucky. The HHI in this hazardous waste disposal market is at least 2000. The acquisition of SCA by WMI would increase the HHI by substantially more than 100.

SCA also operates hazardous waste treatment or disposal facilities in Massachusetts, New York and New Jersey. WMI has no facilities in the Northeast. WMI operates treatment and disposal facilities along the Texas and Louisiana gulf coasts and on the West Coast. SCA has no competing facilities in either of these regions.

III

EXPLANATION OF THE PROPOSED FINAL JUDGMENT

Plaintiff and defendants have stipulated that the proposed Final Judgment may be entered by the Court at any time after compliance with the APPA. The proposed Final Judgment constitutes no admission by any party as to any issue of fact or law. Under the provisions of Section 2(e) of the APPA, entry of the proposed Final Judgment is conditioned upon a determination by the Court that the proposed Final Judgment is in the public interest.

A. Divestiture

The proposed judgment is designed to ensure that the acquisition of SCA by WMI does not substantially lessen competition in the provision of solid waste collection or disposal services or in the provision of hazardous waste management services in any geographic area in the country, by requiring that WMAC divest to GRS either the SCA operation or the WMI operation in all cases in which there is substantial

competition between WMI and SCA. Under this decree, GRS will acquire 26 SCA solid waste collection operations, including those in the 19 geographic markets alleged in the complaint. It will acquire five SCA solid waste disposal operations, including the one in the Fort Worth, Texas market, and will acquire the WMI Tyler landfill in the Louisville, Kentucky geographic market alleged in the Complaint. It will also acquire SCA's Pinewood, South Carolina hazardous waste landfill, together with the transfer stations affiliated with it, and WMI's interest in a proposed hazardous waste landfill permit and site in Northwood, Ohio.

Thus, in any local or regional market in which there is currently substantial competition between SCA and WMI, the proposed transaction will result in a new and different competitor, GRS, rather than an increase in concentration. Moreover, because all these operations will be divested to a single, large company which will have waste collection and disposal operations throughout the United States, the new competitor will be a major competitive factor in the waste collection and disposal business. GRS should be in a good position to compete effectively with WMI in bidding for large municipal contracts and franchises throughout the country. It should also be in a good position to compete with WMI in the hazardous waste management business, which has substantial barriers to entry and requires considerable resources. In this connection, the decree also requires divestiture of any

interest SCA may have in Triangle Resources, which has hazardous waste transfer stations and clean-up operations; in SeaBurn Inc., which is a potential entrant into ocean incineration of hazardous waste; and in a proposed hazardous waste treatment/incineration facility in Laurinburg, North Carolina, all of which should enhance GRS' ability to compete with WMI in the future as a full-service hazardous waste management firm.

The decree also provides for the creation of a new, \$3 million solid waste collection business in Orange County, California, which will be divested to GRS. WMI and SCA do not currently compete in Orange County. SCA does business there, however, and in 1983 made an acquisition of a competitor, Toro Disposal Inc., which the Division believes violated Section 7 of the Clayton Act. The two businesses have been merged in a way that makes divestiture impracticable, but the parties have agreed, as part of this judgment, to divest a portion of the existing SCA Orange County operation, approximating Toro in size and service area, to remedy the antitrust problems created by that acquisition.

Under the terms of this judgment, upon consummation of the tender offer GRS will acquire possession and operational control of those assets to be divested to it. Title will pass within 20 days of the consummation of the merger. GRS has the option of refusing to take one or more of the designated businesses if its required capital contribution would thereby

exceed certain agreed-upon limits. It also has the option of disposing of any of the designated businesses, or of disposing of all of them if it fails to realize an agreed-upon return. In the event that it exercises any of these options, GRS is nevertheless obligated to operate and manage the businesses for a period of six months after they are transferred to a trustee for sale.

In the event that GRS elects to refuse or to offer for sale some or all of the businesses it acquires from WMAC, the decree provides that GRS and WMI may attempt to sell those businesses, as ongoing businesses and subject to the approval of the United States. If the businesses have not been sold within six months after such election, they are divested to a court-appointed trustee for sale. Similarly, if Genstar should terminate the Transaction Agreement under the very limited circumstances provided therein, the businesses to be divested to it will be disposed of by a trustee. Under the terms of this Final Judgment, the trustee serves at WMI's expense, and has full power and authority to dispose of those businesses at such price and upon such terms as are then obtainable. The sale must be made in such a manner as to ensure that the businesses will be sold as ongoing businesses, however, and must be approved by the United States or, if the United States objects, by the Court.

All the parties to the tender offer and divestiture are bound to take all reasonable steps to insure that the businesses acquired by GRS are operated independently and separately from WMI. In addition, WMI is prohibited from exercising or attempting to exercise any control over those businesses, either directly or indirectly, and is limited in its access to confidential business information relating to those businesses.

B. Other Provisions

The proposed Final Judgment contains a five-year injunction against further acquisitions by WMI of a significant interest in firms that provide or are seeking to provide PCB incineration services or that provide hazardous waste landfill services. Under this injunction, WMI may not acquire any assets from or more than 5% of the voting securities of such a company without first obtaining approval from the United States or from the Court. Moreover, if the United States objects to the acquisition, WMI has the burden of proving that it will not violate Section 7 of the Clayton Act if it seeks Court approval.

The proposed Final Judgment also requires for a period of 5 years that, if WMI seeks to acquire more than a 5% interest in any company that provides other hazardous waste management services and has annual revenues of \$3 million or more, or in any company with annual revenues of \$3 million or more from solid waste collection or disposal services that compete with

WMI, it must first give the United States 45 days' written notice. This is an important provision from the perspective of future antitrust enforcement in these industries, where concentration has been increasing through acquisitions, many of which are sufficiently small that no pre-merger notification is required under the Hart-Scott-Rodino Antitrust Improvements Act.

The decree also contains a number of provisions designed to allow plaintiff to determine and secure compliance with this Final Judgment.

Genstar and GRS are not defendants in this action and are not parties to this proposed Final Judgment. They are, however, integrally involved in the transaction which is the subject of the Final Judgment, and have agreed to be bound by those sections of it that are relevant to them during the period that their presence is required to implement this proposed Final Judgment. Their agreement and voluntary submission to the jurisdiction of the Court have been filed with the Court. The parties to this proposed Final Judgment and Genstar and GRS have all agreed to be bound from the date of filing.

IV

REMEDIES AVAILABLE TO POTENTIAL PRIVATE LITIGANTS

Section 4 of the Clayton Act (15 U.S.C. §15) provides that any person who has been injured as a result of conduct prohibited by the antitrust laws may bring suit in federal court to recover three times the damages the person has suffered, as well as costs and reasonable attorney fees. Entry of the Final Judgment will neither impair nor assist the bringing of any private antitrust damages actions. Under the provisions of Section 5(a) of the Clayton Act (15 U.S.C. §16(a)), the Final Judgment has no prima facie effect in any private lawsuit that may be brought against the defendants.

V

PROCEDURES AVAILABLE FOR MODIFICATION OF THE PROPOSED FINAL JUDGMENT

As provided by the APPA, any person wishing to comment upon the Final Judgment may within the statutory 60-day comment period submit written comments to John W. Clark, Chief, Special Trial Section, Antitrust Division, United States Department of Justice, Washington, D. C. 20530. These comments and the Department's responses will be filed with the Court and published in the Federal Register. All comments will be given due consideration by the Department, which remains free to withdraw its consent to the Judgment at any time prior to entry. The Judgment provides that the Court retains jurisdiction over this action, and any party may apply to the

Court for any order necessary or appropriate for its modification, interpretation, or enforcement.

VI

ALTERNATIVES TO THE PROPOSED FINAL JUDGMENT

The Complaint alleges violations in two markets in which the relief provided by the proposed Final Judgment is different from the relief the Government originally considered. The Complaint alleges violations in hazardous waste landfilling in portions of the midwestern United States and in solid waste disposal in the Louisville, Kentucky market. In both cases, the Government considered requiring divestiture of the SCA operations, but concluded that our competitive concerns would be satisfied by the divestiture of the competing WMI operations instead.

SCA owns a secure chemical landfill in Fort Wayne, Indiana, called Adams Center, which is situated about 90 miles from the WMI secure chemical landfill near Toledo, Ohio (the Evergreen landfill). There are currently five landfills, operated by five companies, primarily serving hazardous waste generators in parts of Indiana, western Ohio, Michigan and Kentucky. The proximity of the SCA and WMI facilities creates an area for effective competition between them for these customers. Little competition exists now between Evergreen and Adams Center because Evergreen has permit limitations, and only one year of useful life under its present permit. However, WMI has applied

for a new, much broader permit at a 90-acre site adjacent to the present landfill, and there is likely to be substantial competition in the future under that new permit.

WMI has agreed to satisfy our concern for future competition between the sites, by divesting to Genstar the new Evergreen site, its zoning permit, and all work done to date on a RCRA permit application. Officials of US EPA Region V and the Ohio State EPA have assured us that this transfer of ownership will not impact adversely, nor significantly delay, the permitting process.

In the Louisville, Kentucky area, SCA currently owns two sanitary landfills which are the only two close-in sanitary landfills permitted to take putrescible waste in that local market; one of these landfills is scheduled to close in the near future. WMI owns a sanitary landfill, which is the nearest competing facility, about 35 miles from Louisville. Divestiture of the WMI Tyler landfill to Genstar, instead of the SCA one, will result in a change in ownership but no change in concentration, and therefore is a satisfactory solution from an antitrust perspective.

The Government also considered requiring divestiture to GRS of SCA's hazardous waste incinerator, but ultimately determined that there was no violation in that market. The proposed Final Judgment does contain relief designed to limit future concentration in incineration of PCB.

SCA's incinerator in Chicago is one of only four commercial incinerators in the country permitted to burn PCB, and accounts for nearly half of all available capacity. WMI is not presently a competitor in PCB incineration, but it is a potential entrant into the market. It owns two incinerator ships, the Vulcanus I and Vulcanus II, which are capable of burning large volumes of liquid PCB at sea, and for which it is currently seeking permits for ocean incineration. SCA is also a potential entrant into ocean-based incineration, under a joint venture agreement it has with Stolt-Nielsen, Inc. (SeaBurn Inc.), which is a potential entrant.

EPA, which is the authority empowered to issue those permits, last Spring denied WMI a permit and announced it would not consider further applications for such permits until it has final regulations on ocean incineration in place. Those regulations are due to be proposed shortly, but there will necessarily be a considerable time lag between the issuance of the proposed regulations and the final ones. Even if WMI does obtain an EPA permit, it must still obtain a local permit for a loading terminal. It has thus far faced severe local opposition in its efforts to do so. The Government concluded, based on the best information available, that the possibility of WMI obtaining the necessary permits within a year was remote at best.

WMI remains a potential competitor of SCA in PCB incineration. There are a number of other potential competitors, however, and any unique advantage WMI enjoyed by already owning incinerator ships is being eroded by the delay in the permitting process. One other potential entrant into ocean incineration will shortly have two ships available similar to the Vulcanus. There is another potential entrant into ocean incineration which uses a different technology and could be in a position to enter the market within a year of final regulations, and also land-based potential entrants that are at various stages in the permitting process. For all these reasons, the Government concluded that WMI was not in such a position, as a potential competitor, that divestiture of the Chicago incinerator should be required. The decree does provide, however, that any surviving interest of SCA in the SeaBurn joint venture agreement must be divested to GRS, and enjoins WMI for a period of 5 years from acquiring more than a 5% interest in any firm that is engaged in or seeking permits for incinerating PCB, to prevent WMI from increasing its actual or potential share of this concentrated market through acquisition.

Litigation is, of course, always an alternative to a consent decree in a Section 7 case. We are confident in this case, however, that the proposed Final Judgment provides substantially the same relief we could reasonably expect if this matter were litigated.

VII

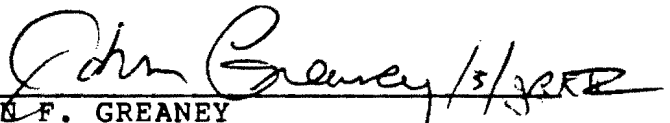
DETERMINATIVE MATERIALS AND DOCUMENTS

The Department considered the attached Transaction Agreement between WMI, WMAC, Genstar and GRS and the attached Acquisition Agreement between WMI, SCA, WMAC, Genstar and GRS, in formulating the Judgment.

Dated: September 12, 1984

Respectfully submitted,


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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing
Competitive Impact Statement upon the following counsel by hand
delivery on September 12, 1984:

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Washington, D. C.

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Shearman & Sterling
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New York, New York 10005



J. Robert Kramer

TRANSACTION AGREEMENT

Among

WASTE MANAGEMENT, INC.,

GENSTAR CORPORATION,

GENSTAR REFUSE SERVICES CORPORATION

and

WM ACQUIRING CORP.

July 13, 1984

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TRANSACTION AGREEMENT

AGREEMENT dated as of July 13, 1984 by and among WASTE MANAGEMENT, INC., a Delaware corporation ("WMI"), GENSTAR CORPORATION, a Canadian Corporation ("Genstar"), GENSTAR REFUSE SERVICES CORPORATION, a Delaware corporation ("GRS") and an indirect wholly-owned subsidiary of Genstar, and WM ACQUIRING CORP., a Delaware corporation ("WMAC") owned by WMI and GRS.

WITNESSETH:

WHEREAS, WMI desires to acquire and operate certain of the assets, businesses and operations of SCA Services, Inc., a Delaware corporation ("SCA"), which are principally those assets, businesses and operations located or operating in the cities, counties, municipalities and other areas set forth on Exhibit A hereto and also includes all additional assets, businesses and operations of SCA which are not distributed to GRS pursuant to the terms of this Agreement;

WHEREAS, GRS desires to acquire and operate certain of the assets, businesses and operations of SCA located or operating in the cities, counties, municipalities and other areas set forth on Exhibit B hereto and such additional assets, businesses and operations of SCA as may be added thereto pursuant to the terms of this Agreement;

WHEREAS, WMI and GRS have determined to acquire such assets, businesses and operations of SCA by causing WMAC to commence a cash tender offer for the outstanding shares of common stock of SCA and, following completion of such tender offer, to effect a subsequent cash merger or other transaction pursuant to which SCA would become a wholly-owned subsidiary of WMAC and, as promptly as practicable thereafter, to divide and distribute to WMI and GRS the assets, businesses and operations of SCA in the manner provided for in this Agreement; and

WHEREAS, the parties hereto are entering into this Agreement to set forth the terms and conditions of such tender offer, merger and division and distribution of the assets, businesses and operations of SCA.

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

ARTICLE I

WM ACQUIRING CORP.

SECTION 1.1. Incorporation; Charter and By-Laws.

WMI has caused the incorporation of WMAC under the laws of the State of Delaware. Copies of the Restated Certificate of Incorporation and By-Laws of WMAC have been heretofore provided by WMI to GRS. Neither of such documents shall be amended or modified by WMAC or WMI without the prior written consent of GRS.

SECTION 1.2. Conduct of WMAC Business. (a) WMI and WMAC represent and warrant to GRS that (i) WMAC has been duly incorporated and is a validly existing corporation under the laws of the State of Delaware, with full corporate power to own and lease its assets and properties and to carry on its business as contemplated by this Agreement (ii) prior to the date hereof, WMAC has conducted no operations and incurred no obligations or liabilities whatsoever, whether or not involving the payment of money or otherwise and (iii) no rights, options, warrants or other agreements or arrangements for the purchase or other acquisition from, or sale or issuance by, WMAC of any shares of its capital stock are outstanding.

(b) WMI covenants that, except with the prior written consent of GRS or as specifically provided for in this Agreement, it shall not permit WMAC to (i) engage in any other business or operations whatsoever or (ii) declare, make or pay any dividend or other distribution in respect of the outstanding capital stock of WMAC. WMI shall also cause WMAC to do all things reasonably necessary to accomplish the purposes and objectives of this Agreement and the transactions contemplated hereby.

SECTION 1.3. Board of Directors. A majority of the Board of Directors of WMAC shall at all times be comprised of representatives or designees of WMI. GRS shall have the right after completion of the Tender Offer to designate two individuals as members of the Board of Directors of WMAC. WMI covenants that at such time, it shall vote, or cause the Class A Common Stock to be voted, in favor of GRS's

designees to the Board of Directors of WMAC. WMI further covenants that, in the event either or both of such designees of GRS shall cease to be members of the Board of Directors of WMAC, such designees shall be replaced by other designees of GRS, and WMI shall vote, or cause the Class A Common Stock to be voted, in favor of such substitute designees.

SECTION 1.4. Capital Investment by WMI and GRS in WMAC. (a) As of the date hereof WMI is the record and beneficial owner of 500 shares of Class A Common Stock, all of which is voting common stock, and GRS is the record and beneficial owner of 500 shares of Class B Common Stock, all of which is non-voting common stock, which together represent all of the issued and outstanding shares of capital stock of WMAC.

(b) WMI and GRS each agree to make such additional contributions of capital to WMAC in respect of their respective investments in WMAC as described in paragraph (a) above, as follows:

(i) WMI agrees to contribute to WMAC in respect of the Class A Common Stock an amount in cash such that the sum of such amount plus the purchase price for the Class A Common Stock referred to in paragraph (a) above will be equal to 60% of the aggregate amount required by WMAC to purchase all outstanding SCA Shares pursuant to the Tender Offer and Merger and to pay the related expenses (the "WMI Initial Investment"), which amount shall be subject to adjustment as hereinafter provided in this Agreement.

(ii) GRS agrees to contribute to WMAC in respect of the Class B Common Stock an amount in cash such that the sum of such amount plus the purchase price of the Class B Common Stock referred to in paragraph (a) above will be equal to 40% of the aggregate amount required by WMAC to purchase all outstanding SCA Shares pursuant to the Tender Offer and Merger and to pay the related expenses (the "GRS Initial Investment"), which amount shall be subject to adjustment as hereinafter provided in this Agreement; provided, however, that except as, and only to the extent, set forth in Section 1.5(d)(i) hereof, GRS shall not be obligated under any circumstances to make any payments in respect of capital investment in WMAC, including payments made by GRS to WMI hereunder, in excess of the aggregate amount of \$200 million plus the Fair Market Value of any SCA Corporate Assets acquired

by GRS pursuant to this Agreement (the "\$200 Million Limitation"), it being agreed, however, that in computing the capital investment subject to the \$200 Million Limitation neither (x) the amount of any interest payable by GRS to WMAC in respect of any such capital investment, nor (y) any payment on account of income taxes imposed on the transfer of any SCA Businesses or SCA Corporate Assets, nor (z) any indemnification payment made to WMI or WMAC hereunder, shall be treated as a capital investment.

(c) The times at which the capital contributions referred to in paragraph (b) above shall be made, and the manner in which they shall be adjusted are as hereinafter provided in this Agreement, it being understood that any direct payment by WMI or GRS on account of the purchase price for SCA Shares acquired otherwise than pursuant to the Tender Offer or Merger, plus interest thereon computed in accordance with Section 4.3 hereof, or any such direct payment of any cost or expense which is included in the Total Cost of Acquisition as determined pursuant to Section 4.3, shall be treated as a capital contribution made as of the date of payment and shall be given effect in computing the amount owing as of any given time by the payor in respect of its then required aggregate capital contribution.

SECTION 1.5. Effect of Calculation of the Total GRS Capital Investment in Excess of the \$200 Million Limitation.

(a) If, after the final determination of the Apportioned Cost of the GRS Businesses and the WMI Businesses pursuant to Section 4.4 hereof, and the determination of such other matters as shall be necessary, the total capital investment required to be made by GRS hereunder is calculated to be in excess of the \$200 Million Limitation, then the provisions of this Section 1.5 set forth below shall apply.

(b) If WMI shall not have added to Exhibit B hereto (pursuant to Section 4.1 hereof) any further businesses of SCA to be included within the meaning of "GRS Businesses" hereunder, then the total capital investment required by GRS attributable to the GRS Businesses shall be automatically reduced to \$200 million without affecting any other provisions of this Agreement.

(c) If WMI shall have added to Exhibit B hereto (pursuant to Section 4.1 hereof) any further businesses of SCA to be included within the meaning of "GRS Businesses" hereunder (the "Additional GRS Businesses"), then WMI shall determine that portion of the Apportioned Cost of the GRS

Businesses which is represented by each of the Additional GRS Businesses (collectively, the "Additional Cost"). To the extent that the total capital investment calculated to be made by GRS less the amount of the Additional Cost exceeds the \$200 Million Limitation, the total capital investment calculated to be made by GRS in respect of the GRS Businesses other than the Additional GRS Businesses shall be reduced to \$200 million.

(d) If, as a result of the addition by WMI of one or more of the Additional GRS Businesses to Exhibit B hereto, the total capital investment calculated to be made by GRS hereunder (after giving effect to any reduction pursuant to paragraph (c) above in respect of the GRS Businesses other than the Additional GRS Businesses) would exceed the \$200 Million Limitation, then GRS shall have the right, in its sole discretion, to take the following action until ten (10) business days after notification of the final determination of the Apportioned Cost of the GRS Businesses pursuant to Section 4.4 hereof:

(i) GRS may accept any one or more of such Additional GRS Businesses, in which case GRS shall increase its total capital investment above the \$200 Million Limitation to the extent, if any, necessary to cover the increase attributable to that portion of the Apportioned Cost of the GRS Businesses which is represented by such Additional GRS Businesses so accepted; and/or

(ii) GRS may reject any increase which would be required in its capital investment attributable to any one or more of such Additional GRS Businesses or any one or more other GRS Businesses, the acceptance of which would otherwise result, based on the portion of the Apportioned Cost of the GRS Businesses represented by such rejected Businesses, in the total capital investment required to be made by GRS to exceed the sum of the \$200 Million Limitation plus any increase over the \$200 Million Limitation required pursuant to clause (i) above. Any GRS Businesses so rejected by GRS shall thereupon be deemed to be included in the "WMI Businesses" for purposes of all calculations and other financial determinations hereunder, including appropriate recalculations of Apportioned Cost of the GRS Businesses and WMI Businesses, which recalculations shall be made for all purposes of this Agreement, but any GRS Business so rejected shall, subject to the provisions of paragraph (e) below, nevertheless be transferred to GRS on the Division Closing Date.

(e) In the event that GRS determines to reject any of the GRS Businesses pursuant to paragraph (d)(ii) above, GRS shall undertake to sell such GRS Businesses to a third party or entity (other than WMI, WMAC or any of their Affiliates) which shall have adequate financial resources to operate such GRS Businesses independently of WMI or WMAC or their Affiliates. GRS and WMI shall cooperate in using all reasonable efforts to dispose of such rejected GRS Businesses in a commercially reasonable manner and, if so directed by WMI, GRS will transfer, in a manner consistent with Section 8.4 hereof, such rejected GRS Businesses to a trust of a type referred to in Section 8.4. The proceeds of any such sales shall be paid over by GRS to WMI promptly following the receipt by GRS thereof. WMI agrees that during the period such rejected GRS Businesses are operated by GRS pending disposition as contemplated above, WMI shall (x) assume, pay, perform, defend, discharge, indemnify and hold harmless GRS, Genstar and their Affiliates against all debts, liabilities, actions or suits, obligations and contracts of any kind, character, description whether known or unknown, direct or indirect, accrued, absolute, liquidated or unliquidated, contingent or otherwise relating to or arising out of the operation of such GRS Businesses or the sale or disposition thereof hereunder; (y) reimburse GRS and its Affiliates for any out-of-pocket expenses arising out of or relating to the operation of such GRS Businesses during such period, including but not limited to all salaries, expenses or benefits accrued by, or on behalf of, any employee of GRS or its Affiliate supervising or managing the operations of such GRS Businesses; and (z) pay to GRS a fee, payable quarterly, in an amount equal to 10% of the revenues generated by such GRS Businesses since the date of rejection referred to in paragraph (d)(ii) above, in consideration for the continued operation of such GRS Businesses by GRS and its Affiliates. GRS agrees that it shall restore to any rejected GRS Business any cash or other assets distributed to it by such GRS Business after the Division Closing Date.

SECTION 1.6. Adjustment to Capital Investments in WMAC; Time of Investments. (a) If the Apportioned Cost of the GRS Businesses determined pursuant to Section 4.4 hereof (plus the Fair Market Value of any SCA Corporate Assets acquired by GRS pursuant to this Agreement) exceeds the amount of the GRS Initial Investment, as such amount may have been previously adjusted, and/or if the Apportioned Cost of the WMI Businesses as so determined (plus the Fair Market Value of any SCA Corporate Assets acquired by WMI and less the amount of the SCA Corporate Liabilities assumed by WMI) exceeds the amount of the WMI Initial Investment, as such

amount may have been previously adjusted, then GRS or WMI or both, as the case may be, shall promptly contribute to WMAC such additional amount of capital in cash as shall be necessary so that the total capital investment by GRS and WMI shall be in an amount equal to the Apportioned Cost of the GRS Businesses and the WMI Businesses, respectively but increased in each case by the Fair Market Value of SCA Corporate Assets acquired and reduced by any SCA Corporate Liabilities assumed; provided, however, that the amount of GRS's total required capital investment hereunder shall be subject to the limitations of Sections 1.4 and 1.5 hereof. Such contributions of additional capital, to the extent of any corresponding reduction in capital contribution by the other party pursuant to paragraph (b) below, shall be made with interest thereon at the Prime Rate from the date of the other party's corresponding overpayment.

(b) If the Apportioned Cost of the GRS Businesses determined pursuant to Section 4.4 hereof (plus the Fair Market Value of any SCA Corporate Assets acquired by GRS pursuant to this Agreement) is less than the amount of the GRS Initial Investment, as such amount may have been previously adjusted, and/or if the Apportioned Cost of the WMI Businesses as so determined (plus the Fair Market Value of any SCA Corporate Assets not acquired by GRS and less the amount of the SCA Corporate Liabilities assumed by WMI) is less than the amount of the WMI Initial Investment, as such amount may have been previously adjusted, then WMAC shall promptly pay in cash to GRS or WMI, as the case may be, an amount equal to such excess amount together with interest thereon at the Prime Rate from the date of such overpayment.

(c) The contributions to WMAC of the WMI Initial Investment and the GRS Initial Investment shall be made substantially simultaneously in two or more installments (each such installment payment by the parties being in the same 60%/40% proportion) at such times as shall be necessary to make payment when due for SCA Shares purchased pursuant to the Tender Offer and Merger and to pay when due related expenses. The final adjustments to such Initial Investments pursuant to paragraphs (a) and (b) above shall be made as promptly as practicable after the appropriate amount of such adjustments shall have been finally determined. If such final adjustments shall not have theretofore been made, interim adjustments to such Initial Investments shall be made on the Division Closing Date, at which time GRS shall pay to WMAC or its successor (unless otherwise agreed by the parties hereto) an amount equal to the Fair Market Value (as

reasonably estimated by GRS at such time) of the SCA Corporate Assets designated by GRS to be acquired by GRS plus an amount equal to 40% of the estimated Total Cost of Acquisition (as reasonably estimated by WMI at such time, giving effect to the foregoing estimate made by GRS), less the amount of the aggregate capital investment theretofore made by GRS hereunder.

ARTICLE II

THE TENDER OFFER

SECTION 2.1. Commencement of Tender Offer. As promptly as advisable, but not more than sixty days after the date hereof or such other date as the parties may agree, WMI will cause WMAC to publicly announce, and within five business days after such announcement to commence (within the meaning of Rule 14d-2(a) under the Exchange Act) the Tender Offer. The Tender Offer shall be commenced pursuant to an Offer to Purchase and related Letter of Transmittal substantially in the form of the drafts thereof dated the date hereof, with such changes and modifications thereto as the parties hereto shall agree. WMAC's obligation to purchase any SCA Shares pursuant to the Tender Offer shall be subject to the condition, among other things, that the number of SCA Shares that shall have been validly tendered and not withdrawn prior to the expiration of the Tender Offer, together with the SCA Shares otherwise owned by the parties hereto, shall represent a majority of the voting power of all the capital stock of SCA outstanding on the date that the SCA Shares are first accepted for payment pursuant to the Tender Offer (the "Minimum Condition"). WMI shall be under no obligation to cause WMAC to commence the Tender Offer if any conditions shall exist which would entitle WMAC under the conditions to the Tender Offer not to purchase or pay for any SCA Shares which might be validly tendered pursuant to the Tender Offer. The parties hereto shall promptly terminate the Tender Offer if this Agreement is terminated for any reason whatsoever prior to the purchase of any SCA Shares thereunder.

SECTION 2.2. Amendments or Modifications to Tender Offer. WMI shall have the right, in its sole discretion, to cause WMAC to amend or modify any terms of the Tender Offer in any manner, or waive any provisions or conditions thereof other than the Minimum Condition and that it be all cash, which conditions may be waived only with the consent of GRS.

SECTION 2.3. Tender Offer Materials. (a) WMAC shall prepare and file with the SEC on the date of commencement of the Tender Offer a Tender Offer Statement on Schedule 14D-1 (the "Schedule 14D-1") under the Exchange Act and the rules and regulations promulgated thereunder and will promptly file, as required, any and all necessary amendments and supplements thereto. The Schedule 14D-1 and the exhibits thereto (including the Offer to Purchase and the related Letter of Transmittal), and any amendments and supplements thereto (including any amendments and supplements to the Offer to Purchase), shall be in form and substance satisfactory to GRS prior to filing. WMI and WMAC shall not disseminate any material in connection with the Tender Offer other than the Schedule 14D-1 and the exhibits thereto (including the Offer to Purchase) and such other materials, if any, as GRS may specifically approve prior to their use. Prior to disseminating or permitting the dissemination of the Schedule 14D-1 and the exhibits thereto and any such other materials in connection with the Tender Offer, or the filing of any of the foregoing with the SEC or with any other person, WMI and WMAC shall submit copies of such material to GRS and give reasonable consideration to the comments of GRS, if any, with respect thereto. In the event that WMI or WMAC disseminates or permits the dissemination of, or files with the SEC or any other person, any material in connection with the Tender Offer (including the Schedule 14D-1 and any exhibits thereto) and any amendment or supplement thereto (i) which has not been submitted to GRS for its comments or (ii) which has been so submitted and with respect to which GRS has made comments (other than comments relating to the financial terms of the Tender Offer or the Merger) to WMI or WMAC, but which comments have not resulted in changes therein to reflect or respond reasonably satisfactorily to the material comments of GRS, then GRS shall have the right to terminate this Agreement and to withdraw from participation in the Tender Offer. Notwithstanding anything to the contrary in this paragraph (a), the financial terms of the Tender Offer shall not be subject to approval by GRS.

(b) WMI and WMAC represent and warrant that the Schedule 14D-1 and the exhibits thereto, and any amendments or supplements thereto, shall comply as to form in all material respects with the applicable requirements of the Exchange Act and the rules and regulations thereunder at the respective dates of filing with the SEC, publication and distribution to holders of SCA Shares and, as of each such date, the Schedule 14D-1, or any amendment or supplement thereto, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated

therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading. GRS and Genstar represent and warrant that any information which is supplied in writing to WMI and WMAC by GRS or Genstar specifically for use in the Schedule 14D-1, and any amendments or supplements thereto, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading.

(c) WMI and WMAC represent and warrant that the Tender Offer, including any related borrowing by WMI, will fully comply with all applicable requirements of law, including applicable regulations of any governmental agency or instrumentality having jurisdiction, and, except as set forth in the Offer to Purchase, no consent, order, authorization, exemption or approval of or filing with any governmental authority, Federal, state, local or foreign, is required in connection with the making or consummation by WMAC or WMI of the Tender Offer or the other transactions contemplated in this Agreement.

(d) GRS and Genstar represent and warrant that, subject to the control of the Tender Offer by WMI and WMAC, Genstar's participation in the Tender Offer, including any related borrowing by either GRS or Genstar, will fully comply with all applicable requirements of law, including applicable regulations of any governmental agency or instrumentality having jurisdiction, and, except as set forth in the Offer to Purchase, no consent, order, authorization, exemption or approval of or filing with any governmental authority, Federal, state, local or foreign, is required in connection with Genstar's participation in the Tender Offer or the other transactions contemplated in this Agreement.

SECTION 2.4. Indemnification. (a) WMI agrees, whether or not the Tender Offer is made or any SCA Shares are purchased pursuant thereto, to indemnify and hold harmless GRS and Genstar, their officers, directors and employees, and any person who controls GRS or Genstar within the meaning of Section 20 of the Exchange Act (GRS, Genstar and each such person to be so indemnified being referred to in this paragraph (a) as an "Indemnified Person"), from and against any and all claims, losses, expenses, damages or liabilities whatsoever, joint or several (including, but not limited to, all legal or other expenses reasonably incurred in connection with the investigation, preparation and defense of any

litigation or proceeding, whether or not resulting in any liability) to which such Indemnified Person may become subject under the Exchange Act or otherwise, (i) caused by, arising out of or based upon any untrue statement of a material fact or alleged untrue statement of a material fact contained in either the Schedule 14D-1 or any other Tender Offer materials, any amendment or supplement thereto, or any press release issued or authorized by WMI or WMAC, or caused by, arising out of or based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein not misleading, in light of the circumstances under which they were made, or (ii) otherwise caused by, arising out of, relating to or in connection with the Tender Offer (other than those out-of-pocket costs or expenses included within the meaning of Total Cost of Acquisition as defined in Section 4.3 hereof), except in each case to the extent any claim, loss, expense, damage or liability (x) arises out of or is caused by a material misstatement contained in, or a material omission from, any information furnished in writing to WMI and WMAC by GRS or Genstar specifically for use in the Schedule 14D-1 or any other Tender Offer materials, or (y) is otherwise primarily attributable to the acts or omissions of GRS or Genstar.

(b) GRS and Genstar agree, whether or not the Tender Offer is made or any SCA Shares are purchased pursuant thereto, to indemnify and hold harmless WMAC and WMI, their officers, directors and employees, and any person who controls WMAC or WMI within the meaning of Section 20 of the Exchange Act (WMI, WMAC and each such person to be so indemnified being referred to in this paragraph (b) as an "Indemnified Person"), from and against any and all claims, losses, expenses, damages or liabilities whatsoever, joint or several (including, but not limited to, all legal or other expenses reasonably incurred in connection with the investigation, preparation and defense of any litigation or proceeding, whether or not resulting in any liability) to which such Indemnified Person may become subject under the Exchange Act or otherwise (other than out-of-pocket costs and expenses included within the meaning of Total Cost of Acquisition as defined in Section 4.3 hereof) and which is (i) caused by, arises out of or is based upon any untrue statement of a material fact or alleged untrue statement of a material fact contained in any of the information furnished in writing to WMI and WMAC by GRS or Genstar specifically for use in the Schedule 14D-1 or any of the other Tender Offer materials, any amendment or supplement thereto, or the

omission or alleged omission therefrom to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, or (ii) otherwise primarily attributable to the acts or omissions of GRS or Genstar.

ARTICLE III

THE MERGER

SECTION 3.1. The Merger. (a) Subject to the terms and conditions hereof and as soon as practicable after completion of the Tender Offer, WMAC shall take such action as may reasonably be necessary to cause a subsidiary of WMAC to be merged (the "Merger") with SCA. The form of the Merger will be selected by WMAC and an appropriate plan of merger, in conformity with the requirements of applicable law and consistent with the terms of this Agreement, will be executed and delivered by and between the corporations participating in the Merger. Upon the consummation of the Merger, (i) each then outstanding SCA Share not owned by WMAC, WMI, GRS or their Affiliates (other than those SCA Shares held in the treasury of SCA or held by stockholders of SCA who properly exercise any dissenters' rights available under applicable law) shall, without any action on the part of the holder thereof, be cancelled and converted into a right to receive in cash such amount per share as WMAC, in its sole discretion, may determine, and (ii) SCA shall become a wholly-owned subsidiary of WMAC.

(b) WMI and WMAC represent and warrant that any proxy statement or information statement used in connection with the Merger will comply fully with all applicable requirements of law. Genstar and GRS represent and warrant that any information respecting Genstar or GRS which is supplied in writing to WMI or WMAC by GRS or Genstar specifically for use in any such proxy statement or information statement will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading.

SECTION 3.2. Consummation of the Merger. As promptly as practicable after the consummation of the Tender Offer and the receipt of any required approval of the stockholders of SCA (or, if such approval is not required, any other corporate action by SCA required as a precondition to effect the Merger), and subject to the terms and conditions hereof, the parties hereto will cause the Merger to be consummated by delivering an appropriate certificate of merger to the Secretary of State of the State of Delaware, all as required by and executed in accordance with the relevant provisions of applicable law.

ARTICLE IV

VALUATION OF SCA BUSINESSES AND APPORTIONMENT OF SCA BUSINESSES BETWEEN WMI AND GRS

SECTION 4.1. Final Determination of GRS Businesses. (a) If WMI determines in good faith that the ownership by WMI of any businesses of SCA (whether subsidiaries of SCA or otherwise) which are not listed on Exhibit B hereto might not be permitted under the antitrust laws, then WMI shall have the right, by giving written notice thereof to GRS as promptly as practicable but in no event later than the Effective Time of the Merger, to add such businesses of SCA to those listed on Exhibit B hereto. The SCA Businesses listed on Exhibit B together with those SCA Businesses added thereto pursuant to this Section 4.1 (subject to the right of GRS to reject SCA Businesses pursuant to Section 1.5 hereof) shall be the "GRS Businesses" for purposes of this Agreement. Subject to the provisions of this Agreement, WMI's determination as to the composition of the GRS Businesses shall be final and binding.

(b) By the later of (i) ten business days after WMI has provided to Genstar the financial description of the SCA Corporate Assets pursuant to Section 4.2 hereof or (ii) the Effective Time of the Merger, GRS shall have the right to designate as included in the GRS Businesses those regional offices, buildings and other facilities or properties, together with related equipment and fixtures which it reasonably deems necessary or desirable for the conduct of the GRS Businesses and which are not reasonably deemed essential by WMI to the operations of the WMI Businesses.

SECTION 4.2. Valuation of WMI Businesses, GRS Businesses and SCA Corporate Assets. (a) As promptly as practicable after the election or designation by WMAC or WMI of a majority of the Board of Directors of SCA, WMI shall prepare a financial description of each individual GRS Business and each individual WMI Business, including a reasonably detailed description of the assets (tangible and intangible) and liabilities included within each such Business. The SCA Corporate Assets and SCA Corporate Liabilities shall be separately described by WMI.

(b) As promptly as practicable thereafter, (i) the parties hereto shall arrive at the valuations of the WMI Businesses, the GRS Businesses and the SCA Corporate Assets in accordance with the procedures, and within the time periods, as set forth in Exhibit C hereto, (ii) WMI shall prepare a good faith best estimate of the Total Cost of Acquisition pursuant to Section 4.3 hereof, subject to later adjustments as the components thereof become finally determined, (iii) WMI shall deliver to GRS all work papers and other relevant financial data used by WMI in connection with the valuations and estimate, such materials to include reasonably detailed balance sheets, income statements and other relevant material respecting each of the GRS Businesses, each of the WMI Businesses and each of the SCA Corporate Assets, and (iv) WMI shall make available to GRS, Genstar and their Affiliates, and their respective officers, accountants, counsel and other representatives during normal business hours all of SCA's (including its subsidiaries') properties, books, and records and shall furnish, or shall cause the officers and other representatives of SCA to furnish, such additional financial and operating data and other information as to the SCA Businesses, SCA Corporate Assets and SCA Corporate Liabilities as GRS or Genstar may from time to time reasonably request in order to review the valuations and estimate arrived at by WMI; provided, however, that, insofar as any such materials to be made available to Genstar or GRS include confidential or proprietary information concerning the WMI Businesses (including such information as is contained in the corporate records of SCA), such information will be made available only as WMI may agree, with appropriate safeguards against misuse by unauthorized personnel, including limiting access to only those persons having a need to know solely for purposes of complying with the valuation provisions of this Agreement.

(c) In preparing the valuations referred to in paragraph (b), neither WMI nor WMAC shall have access to any confidential or proprietary information concerning the GRS

Businesses (including such information as is contained in the corporate records of SCA), except as GRS may agree, with appropriate safeguards against misuse by unauthorized personnel, including limiting access to only those persons having a need to know solely for purposes of complying with the valuation provisions of this Agreement.

(d) The fair market value of each WMI Business and each GRS Business and each SCA Corporate Asset, as determined pursuant to the procedures set forth in Exhibit C shall be the "Fair Market Value" thereof for purposes of this Agreement.

SECTION 4.3. Determination of Total Cost of Acquisition. (a) WMI shall calculate a good faith best estimate of the Total Cost of Acquisition which shall be the sum of the following amounts:

(i) the total cash purchase price paid to SCA stockholders for the SCA Shares purchased pursuant to the Tender Offer and the Merger (together with the amount per share paid pursuant to the Merger in respect of all SCA Shares as to which dissenters' rights have been properly exercised), other than any SCA Shares referred to in clause (ii) or (iii) below which may be so purchased;

(ii) the cash purchase price paid by WMI (or any Affiliate of WMI) for any SCA Shares acquired otherwise than pursuant to the Tender Offer or Merger, including interest on such amount calculated at the Prime Rate from the date of purchase of such SCA Shares to the Effective Time of the Merger;

(iii) the cash purchase price paid by GRS (or any Affiliate of GRS) for any SCA Shares acquired otherwise than pursuant to the Tender Offer or Merger, including interest on such amount calculated at the Prime Rate from the date of purchase of such SCA Shares to the Effective Time of the Merger;

(iv) the excess, if any, of the amount of the SCA Corporate Liabilities as of the Valuation Date, over the fair market value of the SCA Corporate Assets, as determined as of the Valuation Date;

(v) the costs incurred (or reasonably expected to be incurred) as a result of satisfying the rights of any corporate officers and members of the corporate staff of SCA to compensation and such other pre-existing

contractual rights, if any, of such persons, as may arise from the transactions contemplated by this Agreement or in lieu thereof, any economic incentive to remain with SCA and, as to all SCA employees, amounts paid or payable in settlement of outstanding employee stock options, stock appreciation rights and similar rights; and

(vi) the out-of-pocket costs and expenses of WMI, Genstar, GRS and WMAC relating to the Tender Offer, the Merger, this Agreement and the transactions contemplated hereunder and activities since April 1, 1984 in connection with the proposed acquisition of control of SCA, including, but not limited to, fees and expenses of investment banking and financial advisers, accountants, engineers and technical consultants, appraisers and legal counsel, printing costs and transfer taxes resulting from the transactions contemplated hereby (but specifically excluding any interest expense incurred by WMI, Genstar or GRS and any direct or indirect costs of the corporate staff of WMI, Genstar or GRS); provided, however, that from and after the date occurring thirty days after the Division Closing Date, no costs or expenses incurred thereafter (including litigation costs and expenses) shall be so included other than those incurred in connection with the appraisals being made in connection with this Agreement and the exercise of dissenters' rights by SCA stockholders in connection with the Merger;

less the excess, if any, of the Fair Market Value of the SCA Corporate Assets determined as of the Valuation Date over the amount of the SCA Corporate Liabilities as of the Valuation Date.

(b) The final determination of the Total Cost of Acquisition shall be made as promptly as practicable after the several components thereof are determined with reasonable certainty to the satisfaction of WMI and GRS.

SECTION 4.4. Apportionment of Total Cost of Acquisition Between the GRS Businesses and the WMI Businesses. As promptly as practicable after the determination of the Fair Market Value of the WMI Businesses and the GRS Businesses pursuant to Section 4.2 hereof and the final determination of the Total Cost of Acquisition pursuant to Section 4.3(b) hereof, the "Apportioned Cost" of the GRS Businesses, on the one hand, and the WMI Businesses, on the other hand, shall be determined by applying to such Total Cost of Acquisition the ratio of the Fair Market Value of the GRS Businesses or the WMI Businesses, as the case may be, to the combined Fair Market Value of the GRS Businesses and WMI

Businesses. The Apportioned Costs of the GRS Businesses and the WMI Businesses may be subject to recalculation for final determination as a result of the provisions of Section 1.5 hereof. WMI shall give written notice to GRS and Genstar upon its determination of the Apportioned Cost of the GRS Businesses and the WMI Businesses.

SECTION 4.5. Adjustment to Capital Investments in WMAC. Following apportionment of the Total Cost of Acquisition between the GRS Businesses and the WMI Businesses as contemplated in Section 4.4 hereof, the capital investment of WMI and GRS in WMAC shall be adjusted, as required, in accordance with the provisions of Sections 1.6 and 4.6 hereof.

SECTION 4.6. Disposition of SCA Corporate Assets and Corporate Liabilities. (a) During the sixty-day period following the election or designation by WMAC or WMI of a majority of the Board of Directors of SCA, WMI shall identify to GRS any SCA Corporate Assets which are not necessary to the operation by WMI of its businesses and GRS shall be entitled to acquire any such asset, together with the other properties to be received by it at such asset's Fair Market Value. WMI shall acquire at their Fair Market Value all SCA Corporate Assets which are not so purchased by GRS. The capital contribution to WMAC of the party so acquiring any SCA Corporate Asset shall be increased by an amount equal to the Fair Market Value of any such SCA Corporate Asset.

(b) All SCA Corporate Liabilities shall be retained by SCA and assumed by WMI in accordance with the provisions of Article VI hereof. The capital contribution to WMAC of WMI shall be decreased by the amount of such SCA Corporate Liabilities, net of SCA Corporate Assets, as of the Valuation Date.

SECTION 4.7. Allocation of Apportioned Cost to Individual GRS Businesses. As promptly as practicable after the final determination of the Apportioned Cost of the GRS Businesses pursuant to Section 4.4 hereof, WMI, in its sole discretion, shall allocate to each individual GRS Business a portion (the "Allocated Cost") of the Apportioned Cost of the GRS Businesses for purposes of establishing the Minimum Disposition Price thereof, and shall give prompt written notice of such Allocated Costs to GRS. The aggregate amount of all Allocated Costs respecting all GRS Businesses shall equal the Apportioned Cost of the GRS Businesses. WMI's determination of such Allocated Costs for such purpose shall be final and binding.

SECTION 4.8. Final Adjustments. After the Division Closing Date there shall be an equitable adjustment to cover income, expense (including the expenses of SCA respecting the transactions contemplated by this Agreement or related transactions), capital improvement and corporate overhead occurring between the Valuation Date and the Division Closing Date.

ARTICLE V

CONDUCT OF SCA BUSINESSES FROM CONSUMMATION OF TENDER OFFER UNTIL DIVISION CLOSING DATE

SECTION 5.1. Conduct of SCA Businesses. WMI and WMAC on the one hand and GRS and Genstar (with respect to any managerial employees appointed by GRS pursuant to the provisions of Section 5.3 hereof) on the other hand agree that, during the period from the date of consummation of the Tender Offer to the Division Closing Date, except (i) as otherwise consented in writing by GRS or WMI respectively, which consent shall not be unreasonably withheld, or (ii) to the extent SCA otherwise becomes obligated prior to the date WMAC acquires control of SCA following completion of the Tender Offer:

(a) to carry on the SCA Businesses in, and only in, the ordinary course consistent with prior practice (including normal and customary insurance coverage) and use their best efforts to preserve the business and prospects of each of such businesses, and preserve the relationship with customers, suppliers and others having business dealings with such businesses;

(b) not to sell, assign or transfer any assets of such businesses (except for sales of inventory, or sales of equipment that is either replaced by other suitable equipment or the failure to replace which will not materially adversely affect the condition (financial or otherwise), earnings, affairs, business or prospects of any of such businesses, in each case in the ordinary course of business and consistent with prior practice), or any patent, trademark, trade name, copyright, license, franchise, design or other intangible assets or property; and not to mortgage, pledge or grant or suffer to exist any lien or other encumbrances or charge on any material assets or properties, tangible or intangible, except for

(i) liens or encumbrances existing at the date of the completion of the Tender Offer, (ii) liens for taxes not yet delinquent, and (iii) such other liens, encumbrances or charges which do not materially adversely affect the condition (financial or otherwise), earnings, affairs, business or prospects of any of such businesses or waive any rights of material value or cancel any material debts or claims;

(c) not to permit SCA to declare, make or pay any dividend or other distribution in respect of the SCA Shares;

(d) not to permit SCA to make or to commit to, or agree to make, any capital expenditures otherwise than in the ordinary course of business;

(e) not to permit SCA to enter into or amend any agreement or other instrument relating to the borrowing of money or other contracting or payment of indebtedness, including any guarantees thereof otherwise than in the ordinary course of business;

(f) not to permit SCA, with respect to any officer, director or employee of SCA whose employment is primarily related to the GRS Business, to (i) pay, or agree to pay, any severance or termination pay, or make or commit to make any such payment, (ii) grant any increase in compensation or benefits, or (iii) enter into any employment agreement or consulting agreement;

(g) not to permit SCA to enter into any contract, understanding, agreement or transaction with WMI or any Affiliate of WMI otherwise than in the ordinary course of business or as specifically contemplated by this Agreement;

(h) not to permit SCA to take any action which may materially adversely affect the long-term assets or long-term liabilities of SCA;

(i) not to permit SCA to otherwise take any action which would result in the inclusion of an extraordinary item on the financial statements of SCA, as such term is used under generally accepted accounting principles; and

(j) not to authorize or propose any of the foregoing, or enter into any contract, agreement, commitment or arrangement to do any of the foregoing or

otherwise enter into any agreement or transaction which may have a materially adverse effect on the condition (financial or otherwise), earnings, affairs, business or prospects of any of the SCA Businesses.

WMI and WMAC agree that during the thirty-day period beginning after WMAC's acquisition of control of SCA after consummation of the Tender Offer, neither WMI nor WMAC shall terminate or cause the termination of the employment of any of the SCA corporate level personnel, including the administrative and corporate staff of SCA. For 90 days following the acquisition of control of SCA, WMI and WMAC will give at least thirty days' prior written notice to GRS of any such action involving any proposed termination of employees of SCA. WMI and WMAC will inform GRS as soon as practicable of all significant actions affecting SCA corporate level personnel, including any decision to terminate such personnel.

SECTION 5.2. SCA Board of Directors; Executive Officers. At any time following WMAC's acquisition of control of SCA after consummation of the Tender Offer and upon five days' notice to WMI or WMAC, GRS shall have the right to (i) designate two individuals as members of the Board of Directors of SCA which directors shall not constitute a majority of the Board of Directors of SCA, but who shall also constitute a committee to oversee the management and operations of the GRS Businesses, and (ii) appoint such executive officer or officers of SCA as shall have primary responsibility for managing or supervising the GRS Businesses.

SECTION 5.3. Management of SCA; Negotiations with Employees. Following WMAC's acquisition of control of SCA after consummation of the Tender Offer and prior to the Division Closing Date, GRS shall operate the GRS Businesses independently of the WMI Businesses. GRS shall immediately have the right to (i) designate individuals who shall have the right to effectively direct the operations of the GRS Businesses, and (ii) appoint such of the managerial employees of SCA who have primary responsibility for the day-to-day operations of the GRS Businesses. In addition, during such period, GRS shall have the right to negotiate, and WMI shall support such negotiations, with any employee of SCA whose employment is not primarily related to the WMI Businesses with respect to the continued employment of such employees by GRS or its designee from and after the Division Closing Date. WMI and WMAC agree to cooperate fully in the orderly transition of the GRS Businesses to GRS, and to assist GRS in developing a corporate level administrative staff.

SECTION 5.4. Access and Information. WMI shall afford to GRS and to the officers, accountants, counsel and other representatives of GRS full access during normal business hours to all of SCA's (including its subsidiaries') properties, books, and records (other than those primarily relating to the WMI Businesses) and shall cause the officers and other representatives of SCA to furnish to GRS such additional financial and operating data and other information as to the SCA Businesses (other than that primarily relating to the WMI Businesses) as GRS may from time to time reasonably request.

ARTICLE VI

DIVISION OF SCA

SECTION 6.1. Method of Division of SCA. WMAC shall determine whether to file an election under Section 338 taking into account the best **interests** of both WMI and GRS. WMI shall bear and timely pay that portion of the tax liability resulting from such election which is attributable to the WMI Businesses and any SCA Corporate Assets acquired by WMI and GRS shall bear and timely pay that portion of the tax liability resulting from such election which is attributable to the GRS Businesses and any SCA Corporate Assets acquired by GRS. If a Section 338 election is not timely made, the GRS Businesses and any SCA Corporate Assets to be acquired by GRS shall be distributed in a manner mutually agreeable to the parties hereto. Such distribution shall be made at the Division Closing Date, which shall be a date as promptly as practicable following the Effective Time of the Merger, but in no event more than five business days thereafter, unless a preliminary or permanent injunction or other order by a court of competent jurisdiction shall have been issued and remain in effect which would prohibit such distribution; provided, however, that the parties hereto shall have used their best efforts to prevent such injunction or order; and provided, further, that upon lifting, cancellation or dissolution of such injunction or order the distribution of the GRS Businesses shall be consummated as soon as practicable thereafter. In the event that WMAC does not file a Section 338 election, Genstar and GRS will not permit to be taken any action which would result in a "deemed" Section 338 election with respect to the WMI Businesses and WMI will not permit to be taken any action which would result in a "deemed" Section 338 election with respect to the GRS Businesses.

SECTION 6.2. Assets of the GRS Businesses To Be Distributed to GRS. (a) Subject to the terms and conditions hereof, at the Division Closing Date, SCA and WMAC shall distribute, assign, transfer, convey and deliver to GRS, and GRS shall acquire and accept, all of the identifiable assets,

rights, properties and materials, tangible or intangible, of the GRS Businesses which are primarily used in the operations of such GRS Businesses, including, but not limited to, the following:

(i) all machinery, fixtures, equipment, vehicles, furniture, tools, dies, molds and all other tangible personal property;

(ii) all customer lists, vendor lists, catalogs, sales promotion literature, advertising materials, field performance data, formulas, research material, technical information, management information systems, software, inventions, trade secrets, all covenants not to compete, specifications, designs, drawings, processes and quality control data;

(iii) intellectual property rights, including patents, trademarks, trade names, the name "SCA Services, Inc." and any combination of words utilizing or similar to such words, service marks, technology and know-how;

(iv) inventory;

(v) accounts and notes receivable;

(vi) all certificates for outstanding shares of capital stock of any subsidiary of SCA whose assets, businesses and operations are primarily used in the GRS Businesses;

(vii) all rights, title and interest in and to owned or leased real property together with appurtenances, licenses and permits;

(viii) all rights, title and interest in and to the contracts entered into with customers (together with associated bid and performance bonds), suppliers, sales representatives, distributors, agents, personal property lessors, personal property lessees, licensors, licensees, consignors and consignees, including all contracts for the collecting, carting, hauling and disposal of solid waste, and all rights and contracts to operate, manage or maintain solid waste disposal sites;

(ix) all rights under warranties and guarantees, express or implied;

(x) all books, records and files;

(xi) all items of prepaid expense;

(xii) all licenses and regulatory permits;

(xiii) all known and unknown, liquidated or unliquidated, contingent or fixed, rights or causes of action which such businesses have or may have against any third party and all such rights which such businesses have or may have in or to any asset of such businesses; and

(xiv) goodwill related to the foregoing.

(b) With respect to any technology, know-how, processes or intellectual property rights of SCA distributed to GRS as contemplated in paragraph (a) above, GRS covenants and agrees that upon the written request of WMI, GRS will execute a non-exclusive royalty-free license, in form and substance satisfactory to GRS and WMI (which shall not include the right to sublicense), permitting the continued use of such technology, know-how, processes or intellectual property right by WMI for any Affiliate for so long as WMI deems necessary or appropriate.

(c) With respect to any technology, know-how, processes or intellectual property rights of SCA not distributed to GRS as contemplated in paragraph (a) above, WMI covenants and agrees that upon the written request of GRS, WMI will execute a non-exclusive royalty-free license, in form and substance satisfactory to GRS and WMI (which shall not include the right to sublicense), permitting the continued use of such technology, know-how, processes or intellectual property right by GRS or any Affiliate for so long as GRS deems necessary or appropriate.

SECTION 6.3. "As Is" Condition. GRS acknowledges and agrees that it is acquiring the GRS Businesses "as is" and that WMI has not given, and will not give, any warranties or guarantees with respect to the condition (financial or otherwise) of any of the GRS Businesses, including, without limitation, the financial stability of any of the GRS Businesses which are conducted in a corporate capacity or the condition of any assets included in the definition of GRS Businesses at the time of distribution, the fitness of such assets for a particular purpose, or as to the absence of any liens, mortgages, pledges, encumbrances, conditional sales agreements, security interests or title retention devices of any kind or other liabilities (contingent or otherwise) relating to such assets. No

description of, or any assertions concerning, the GRS Businesses or the WMI Businesses contained in this Agreement shall be construed to create any warranty or guarantee relative to any of those businesses.

SECTION 6.4. Liabilities To Be Assumed by GRS; Indemnity. In connection with the distribution of the GRS Businesses, and subject to the provisions of Article VIII hereof, GRS hereby agrees to assume and agrees to pay, perform and discharge, and indemnify and hold harmless, WMI, WMAC and SCA against all debts, liabilities, actions, suits, obligations, taxes and contracts of any kind, character or description, whether known, unknown, direct or indirect, accrued, absolute, liquidated or unliquidated, contingent or otherwise, no matter whether arising before or after the Division Closing Date primarily relating to or arising out of the business, operations, other activities or commitments of the GRS Businesses (excluding from the scope of this Section 6.4 any such Businesses rejected by GRS pursuant to Section 1.5 hereof) including, but not limited to: (a) current liabilities primarily related to the GRS Businesses, to the extent that such liabilities have not been paid, performed or discharged as of the Division Closing Date; (b) obligations and liabilities primarily related to the GRS Businesses for any period subsequent to the Division Closing Date, if and when due, to the extent not paid, performed, defended or discharged as of the Division Closing Date with respect to the GRS Businesses and arising under (i) every lien, mortgage, pledge, encumbrance, conditional sales agreement, security interest or title retention device, (ii) every lease contract or arrangement, (iii) every license, license agreement and permit, (iv) any employee benefit or pension plan, (v) any unfilled supply contract, or (vi) other commitments made or incurred by the GRS Businesses or by SCA in the ordinary course of conducting the GRS Businesses; and (c) all income, property, transfer or other taxes (Federal, state, local or foreign), without regard to the tax period to which they relate or the party against which they are asserted, relating or allocable to the conduct of the GRS Businesses (excluding, however, taxes included as part of the Total Cost of Acquisition). Except as expressly provided in Section 6.1 hereof or as mutually agreed pursuant thereto, GRS shall not assume or pay liabilities for income taxes resulting from the transfer of the GRS Businesses to GRS pursuant to Section 6.1 (or SCA Corporate Assets acquired by GRS pursuant to Section 4.6).

Except as, and only to the limited extent, set forth above in this Section 6.4, GRS shall have no obligation

whatsoever to pay, perform, defend or discharge (or indemnify WMI, WMAC or SCA against) any debts, liabilities, actions, suits or obligations or contracts of any kind, character or description, whether known, unknown, direct or indirect, accrued, absolute, liquidated, unliquidated, contingent or otherwise relating to or arising out of any businesses or operations of SCA.

SECTION 6.5. Liabilities To Be Retained by WMI, WMAC and SCA; Indemnity. WMI and WMAC hereby agree to assume and to pay, perform, defend or discharge, and indemnify and hold harmless GRS and Genstar against, all debts, liabilities, actions, suits, obligations, taxes and contracts of any kind, character or description, whether known, unknown, direct or indirect, accrued, absolute, liquidated or unliquidated, contingent or otherwise, no matter whether arising before or after the Division Closing Date relating to or arising out of any business, operations, other activities or commitments of SCA (other than those primarily and directly related to the GRS Businesses) including, but not limited to: (a) current liabilities of SCA to the extent that such liabilities have not been paid, performed or discharged as of the Division Closing Date; (b) obligations and liabilities of SCA for the period subsequent to the Division Closing Date, if and when due, to the extent not paid, performed, defended or discharged as of the Division Closing Date and which arise under (i) any lien, mortgage, pledge, encumbrance, conditional sales agreement, security interest, or title retention device, (ii) any lease contract or arrangement, (iii) any license, license agreement and permit, (iv) any employee benefit and pension plan, (v) any unfilled supply contract, or (vi) other commitments made or incurred in the ordinary course of such business; and (c) all income, property, transfer or other taxes (Federal, state, local or foreign), without regard to the tax period to which they relate or the party against which they are asserted, relating or allocable to the conduct of the businesses of SCA.

SECTION 6.6. Closing. (a) The transactions contemplated by this Article shall occur on the Division Closing Date, at a closing held at such place as the parties shall agree.

(b) On the Division Closing Date, WMAC and/or SCA shall deliver to GRS, in form and substance satisfactory to GRS, the following:

(i) with respect to any of the GRS Businesses consisting of identifiable assets, all appropriate bills

of sale, deeds, permits, licenses, assignments of contract and any other instruments of sale, conveyance, transfer and assignment;

(ii) with respect to any of the GRS Businesses which are conducted in a corporate capacity, certificates for all of the outstanding capital stock of such corporations owned by SCA, duly endorsed in blank or accompanied by one or more duly executed stock powers, with signatures guaranteed; and

(iii) documents or other instruments which GRS may reasonably require as necessary or desirable to transfer, assign and convey to GRS as of the Division Closing Date all of SCA's right, title and interest in the GRS Businesses and the SCA Corporate Assets acquired by GRS hereunder, together with any insurance policies related thereto.

(c) On or after the Division Closing Date, WMAC shall also take such steps as may be required to put GRS in actual possession and operating control of the GRS Businesses and the SCA Corporate Assets acquired by GRS.

(d) Against delivery of the items specified in clause (b) hereof, on the Division Closing Date GRS shall deliver to WMAC (i) if requested by WMAC a certificate or certificates representing all of the then outstanding shares of Class B Common Stock held by GRS, duly endorsed in blank or accompanied by one or more duly executed stock powers, with signatures guaranteed, which certificates shall thereafter be cancelled and marked as having been redeemed in full in accordance with the provisions of the Delaware General Corporation Law, and (ii) an instrument of assumption of liabilities as contemplated by Section 6.4 hereof in form and substance satisfactory to WMAC.

SECTION 6.7. Passage of Title and Risk of Loss. Legal title, equitable title and risk of loss with respect to the GRS Businesses to be distributed at the Division Closing Date shall pass to GRS at such closing.

SECTION 6.8. Pension Plans. Subject to the provisions of any applicable collective bargaining agreement, the benefits attributable to GRS Employees (which term shall mean employees and former employees of the GRS Businesses) under each pension plan (within the meaning of section 3(2) of the Employee Retirement Income Security Act of 1974, as amended (ERISA)) maintained by SCA which covers GRS Employees

(collectively, the "Old Pension Plans") shall be determined in accordance with this Section 6.8.

(a) As soon as practicable after and effective as of the Division Closing Date, GRS shall or shall cause an Affiliate to adopt or make available pension plans (collectively, the "New Pension Plans") that will provide benefits comparable to those provided under the Old Pension Plans as constituted on the day before the Division Closing Date. Each New Pension Plan shall be equivalent in all material respects to the corresponding Old Pension Plan, shall give full credit for all purposes for service with SCA before the Division Closing Date and shall provide that the benefit which each GRS Employee would receive if the New Pension Plan terminated immediately after the transfer of assets described below shall in no event be less than that which he would have received if the corresponding Old Pension Plan had terminated immediately before the transfer of assets. Nothing herein shall prevent GRS from amending or terminating the New Pension Plans.

(b) As soon as practicable after the expiration of sixty days after the later of (i) filing Form 5310 with the Internal Revenue Service and (ii) receipt of an opinion of counsel for GRS to the effect that the provisions of each New Pension Plan substantially satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code, WMAC shall cause the funding agency under each of the Old Pension Plans to transfer to the funding agency under the corresponding New Pension Plan, in accordance with the requirements of Section 414(l) of the Internal Revenue Code, and the regulations thereunder, such portion of the assets of such Old Pension Plan as is attributable to the GRS Employees (determined as provided below).

(c) In the case of each Old Pension Plan that is a defined contribution plan, the amount to be so transferred shall be equal to the account balances of the GRS Employees determined as of the date of transfer. In the case of each Old Pension Plan that is a defined benefit plan, the amount to be so transferred shall be equal to the present value of the accrued benefits of the GRS Employees participating in that Pension Plan, determined as of the Division Closing Date, plus an additional amount equal to the allocable portion of the excess, if any, of the total value of plan assets on that date over the present value of the accrued benefits of all participants in that plan. Such allocable portion shall be a fraction of such excess, of which the numerator is the present value of the accrued benefits of the

GRS Employees and the denominator is the present value of the accrued benefits of all employees and former employees of SCA participating in the relevant plan.

(d) Such determination of the present value of accrued benefits shall be made on a plan termination basis on the basis of the actuarial assumptions and methods used by the Pension Benefit Guaranty Corporation as of the Division Closing Date, or such other basis as WMAC and GRS may agree to. It shall be made by an actuary appointed by WMAC and shall be submitted to an actuary appointed by GRS with appropriate supporting detail, and shall either be accepted by GRS within ten business days after submission to its actuary or, if disputed, shall be submitted within such period to binding arbitration by a third actuary selected by the actuaries appointed by the parties hereto, whose decision thereon shall be rendered within ten business days after submission and shall be final, and the arbitrator shall determine who shall bear the expenses of such arbitration.

(e) With respect to any pension plan covering the GRS Employees as of the Division Closing Date which is a "multi-employer plan" with the meaning of Section 3(37) of ERISA, GRS shall make such contributions to each such multi-employer plan and furnish such bond or escrow arrangement or obtain a variance of such requirement (all at WMI's cost) as is necessary to satisfy Section 4204(a) of ERISA. In addition, if GRS withdraws in a complete withdrawal or a partial withdrawal with respect to operations (as those terms are used in Section 4204(a) of ERISA) during the first five plan years after the Division Closing Date, WMI shall remain secondarily liable for any withdrawal liability it would have had to the plan with respect to the operations (but for Section 4204(a) of ERISA) if the liability of GRS with respect to the plan is not paid.

SECTION 6.9. Consents. WMAC shall use its reasonable best efforts to obtain and shall deliver to GRS on the Division Closing Date, or as soon thereafter as practicable all necessary and/or desirable leases, permits, licenses and other rights which are a part of the GRS Businesses including all consents that it has been able to obtain authorizing the transfer and assignment to GRS of all contracts relating to and used in connection with the GRS Businesses and being assumed by GRS. GRS shall cooperate with and use reasonable efforts to assist WMAC in obtaining any required consents of third parties to the assignment or novation to GRS by any third party of any contract, lease, permit, license, or other right which is part of the GRS

Businesses. To the extent that the assignment or novation of any such contract, lease, permit, license or other right shall require the consent of any other party and such consent shall not have been obtained on or before the Division Closing Date, the parties hereto shall use all reasonable efforts and shall cooperate in any reasonable arrangement to assure GRS the benefits of such contract, lease, permit, license or other right. To the extent practicable and reasonable under the circumstances, pending the obtaining of any such necessary consent after the Division Closing Date, GRS shall perform all of the obligations of the GRS Businesses after the Division Closing Date under such contract, lease, permit, license or other right in the same manner as though GRS were the contracting party, lessee, licensee, permittee or holder of such right. WMAC and its successor shall be entitled to act and shall act with respect to any contract, lease, permit, license or other right of the GRS Businesses until consent to the assignment or novation therefor is obtained, according to directions of GRS furnished to WMAC; provided, that such directions are consistent with the terms of such contract, lease, permit, license or other right. WMAC shall promptly remit to GRS all collections received by WMAC, and GRS shall promptly reimburse WMAC for all expenses incurred by WMAC, in respect of such contracts, leases, permits, licenses or other rights.

SECTION 6.10. No Breach. It is the intention of WMI and GRS that this Agreement shall not constitute an assignment or attempted assignment of any lease, license, commitment or other contract or agreement if any such assignment or attempted assignment would constitute a breach or violation thereof.

ARTICLE VII

CONDUCT OF GRS BUSINESSES FROM DIVISION CLOSING DATE UNTIL DISPOSITION ADJUSTMENT DATE

SECTION 7.1. Conduct of GRS Businesses. Except as otherwise permitted by this Agreement or as otherwise consented to by WMI in writing, which consent will not be unreasonably withheld, during the nine-month period following the Division Closing Date, or until the Disposition Adjustment Date (with respect to those GRS Businesses which GRS elects not to retain pursuant to Article VIII hereof), GRS agrees and agrees to cause each of such GRS Businesses

(as long as such GRS Businesses are controlled by GRS) to be operated independently of the WMI Businesses, and:

(a) to carry on the GRS Businesses in, and only in, the ordinary course consistent with prior practice (including normal and customary insurance coverage) and use its best efforts to preserve the business and prospects of each of the GRS Businesses, and preserve the relationship with customers, suppliers and others having business dealings with the GRS Businesses; and

(b) not to sell, assign or transfer any assets included within the definition of the GRS Businesses (except for sales of inventory, or sales of equipment that is either replaced by other suitable equipment or the failure to replace which will not materially adversely affect the condition (financial or otherwise), earnings, affairs, business or prospects of any of the GRS Businesses, in each case in the ordinary course of business and consistent with prior practice) or any patent, trademark, trade name, copyright, license, franchise, design or other intangible assets or property; and not to mortgage, pledge or grant or suffer to exist any lien or other encumbrances or charge on any material assets or properties, tangible or intangible, except for (i) liens or encumbrances existing at the Division Closing Date, (ii) liens for taxes not yet delinquent, and (iii) such other liens, encumbrances or charges which do not materially adversely affect the condition (financial or otherwise), earnings, affairs, business or prospects of any of the GRS Businesses or waive any rights of material value or cancel any material debts or claims.

ARTICLE VIII

POST-CLOSING DISPOSITIONS BY GRS OF GRS BUSINESSES

SECTION 8.1. Possible Disposition of GRS Businesses. The parties hereto acknowledge that, although GRS intends to acquire the GRS Businesses for the purposes of owning and operating the GRS Businesses as a going concern, GRS may determine to dispose of one or more of such GRS Businesses to third parties following the acquisition thereof at the Division Closing Date.

SECTION 8.2. Notification and Manner of Disposition. (a) In the event that GRS determines to dispose of any of the GRS Businesses at any time during the nine-month period following the Division Closing Date, GRS shall promptly, and in any event prior to the expiration of such nine-month period, notify WMI in writing of such decision, which notification shall specifically identify any such GRS Businesses proposed to be disposed of (each a "Designated GRS Business").

(b) GRS shall use all reasonable efforts to sell any Designated GRS Business as a going concern in a commercially reasonable manner and for the highest price therefor (which price could be a negative amount as contemplated in the definition of "Actual Disposition Price" contained in Section 15.1 hereof) which is reasonably attainable within a reasonable time.

SECTION 8.3. Notification of Agreement in Principle; WMI Right to Find Substitute Buyer. (a) GRS shall promptly notify WMI in writing of any agreement in principle, or similar understanding, reached with a third party respecting the disposition of any Designated GRS Business (the "GRS Disposition"), advising WMI in such notification of (i) the name of the party to whom GRS proposes to dispose of the Designated GRS Business, (ii) the consideration for which such third party proposes to acquire such Designated GRS Business, and (iii) any other material terms of the GRS Disposition. As soon as the same shall become available, GRS shall furnish to WMI a copy of all written instruments relating to the GRS Disposition.

(b) Upon receipt of the written notification pursuant to paragraph (a) above, WMI shall have the right to attempt to dispose of the Designated GRS Business for consideration in excess of that set forth in such notification to an entity (other than WMI or an Affiliate of WMI) which shall have adequate financial resources to operate the Designated GRS Business; provided, however, that any such disposition by WMI shall be on terms and conditions which are no less favorable to GRS than those relating to the GRS Disposition. WMI shall have the right for the one-month period following receipt of such notification to find such substitute buyer and reach an agreement in principle or similar understanding with such substitute party during such time period. In the event WMI reaches such agreement in principle or understanding during such one-month period, GRS shall, at WMI's direction, dispose of the Designated GRS Business in accordance with the terms thereof.

SECTION 8.4. Failure to Dispose of a Designated GRS Business. If after using all reasonable efforts to dispose of a Designated GRS Business for a period not longer than three months following notification to WMI pursuant to Section 8.2 hereof, GRS has not disposed of or entered into a definitive agreement to dispose of such Designated GRS Business, then WMI shall have the right for a period of three months thereafter to seek to find a buyer (other than WMI or an Affiliate of WMI) with adequate financial resources to operate the Designated GRS Businesses and to give and does give adequate indemnity to GRS with respect to the Designated GRS Businesses sold. GRS shall, at WMI's direction, dispose of such Designated GRS Business to such a buyer. If, at the end of such three-month period, WMI shall not have found a buyer for such Designated GRS Business, WMI shall direct GRS in writing within five days thereafter to dispose of such Designated GRS Business to a suitable trust created by WMI with sufficient financial resources to operate such Designated GRS Business in a responsible manner and without any recourse to GRS or any of its Affiliates. The trustees of such trust shall be bound to (i) keep and operate such Designated GRS Business separately from the WMI Businesses and (ii) sell such Designated GRS Business to a financially responsible party as promptly as practicable.

In the event of any failure of WMI to direct GRS to dispose of the Designated GRS Business to the trust described above (i) the expiration of the five-day period referred to above shall be deemed the date of disposition of such Designated GRS Business for purposes of this Agreement, and (ii) WMI shall assume, agree to pay, perform, defend and discharge, indemnify and hold harmless GRS against all debts, liabilities, actions or suits, obligations and contracts of any kind, character or description whether known or unknown, direct or indirect, accrued, absolute, liquidated or unliquidated, contingent or otherwise relating to or arising out of such Designated GRS Business from and after such deemed date of disposition of such Designated GRS Business.

In the event of any disposition or deemed disposition of a Designated GRS Business pursuant to this Section 8.4 other than to a buyer designated by WMI paying valuable consideration therefor, such Designated GRS Business shall thereupon be deemed for purposes of Sections 8.5 and 8.7 hereof to have been disposed of for no consideration.

SECTION 8.5. WMI Reimbursement Agreement. If any Designated GRS Business which is disposed of pursuant to Section 8.2, 8.3 or 8.4 hereof prior to the Disposition

Adjustment Date is disposed of for an Actual Disposition Price which is less than the Minimum Disposition Price respecting such Designated GRS Business, then in any such event WMI shall become obligated to make the payment provided for in Section 8.7 hereof on the Disposition Adjustment Date.

SECTION 8.6. Disposition of All GRS Businesses.

(a) If, at the end of any interim period for which financial statements are prepared for the entire nine-month period following the Division Closing Date, the financial statements of the GRS Businesses demonstrate that the GRS Businesses have not achieved income equal to (before interest and taxes and before Genstar corporate office charges) at least 10% of revenues for the entire period from the Division Closing Date until the end of the month preceding the notification from GRS to WMI pursuant to this Section 8.6(a), GRS may dispose of all of the GRS Businesses to a buyer with the intent and ability (financial and otherwise) to operate those businesses in the waste services industry. GRS shall promptly, and in any event prior to the expiration of such nine-month period, notify WMI in writing of such decision and WMI shall have the rights provided in Section 8.3 hereof with respect to any proposed disposition pursuant to this paragraph (a). WMI shall be obligated to pay to GRS on the earlier of (i) the date of actual disposition of such GRS Businesses by GRS to such a buyer, or (ii) in the event there is not such an actual disposition, the date which is six months after the notification of GRS to WMI pursuant to this Section 8.6, in either case an amount in cash equal to the excess, if any, of (x) the aggregate of the Minimum Disposition Prices of all the GRS Businesses plus a imputed rate of return of 6.5% per annum on the Apportioned Cost of the GRS Businesses (as reduced from time to time by the amount of any dividends, distributions, or other transfers of assets of the GRS Businesses to GRS since the Division Closing Date and as increased by the amount of any additional investments in the ordinary course of business made by GRS in such businesses during such period) from the Division Closing Date to the date of disposition over (y) the Actual Disposition Prices of the GRS Businesses.

(b)(i) In the event that GRS has not disposed of the GRS Businesses prior to the date which is six months after the notification of GRS pursuant to this Section 8.6, WMI shall direct GRS in writing within five days thereafter to dispose of such GRS Businesses to a suitable trust created by WMI with sufficient financial resources to operate such GRS Businesses in a responsible manner without any recourse to GRS or any of its Affiliates. The trustees of such trust

shall be bound to (x) keep and operate such GRS Businesses separate from the WMI Businesses and (y) sell the GRS Businesses to a financially responsible party as promptly as practicable.

(ii) In the event of any failure of WMI to direct GRS to dispose of the GRS Businesses to the trust described above, (x) the expiration of the five-day period referred to above shall be deemed the date of disposition of such GRS Businesses for purposes of this Agreement, and (y) WMI shall assume, agree to pay, perform, defend and discharge, indemnify and hold harmless GRS against all debts, liabilities, actions or suits, obligations and contracts of any kind, character or description, whether known or unknown, direct or indirect, accrued, absolute, liquidated or unliquidated, contingent or otherwise relating to or arising out of the conduct of such GRS Businesses from and after such date of disposition of such GRS Businesses.

(c) For purposes of this Section 8.6 only, the term "GRS Businesses" shall also include any SCA Corporate Assets acquired by GRS pursuant to this Agreement and shall not include any GRS Businesses disposed of or deemed to have been disposed of pursuant to Section 8.2, 8.3 or 8.4 of this Article VIII.

SECTION 8.7. Payments on Disposition Adjustment Date; Offset. With respect to any Designated GRS Businesses which are disposed of pursuant to Section 8.2, 8.3 or 8.4 hereof, WMI shall make a cash payment to GRS on the Disposition Adjustment Date in an amount determined as follows:

(i) in the case of any Designated GRS Businesses disposed of where the Minimum Disposition Price exceeds the Actual Disposition Price, the aggregate amount of such excess, minus

(ii) in the case of any Designated GRS Businesses disposed of where the Actual Disposition Price exceeds the Minimum Disposition Price, the aggregate amount of such excess.

Thereafter, WMI shall have no further obligation to reimburse GRS in respect of the sales price of any GRS Businesses. The provisions of this Article VIII shall apply to dispositions of GRS Businesses other than to Affiliates of GRS. In respect of the GRS Businesses as to which GRS is indemnified pursuant to Section 8.8, the amount of the excess, if any, of

the Actual Disposition Price over the Minimum Disposition Price of such GRS Businesses paid by GRS pursuant to Section 8.8 hereof shall not be used in the calculations provided for in this Section 8.7, and this Section 8.7 shall not apply to any GRS Business rejected pursuant to Section 1.5 hereof.

SECTION 8.8. Indemnity. Without limiting the generality of the foregoing, in the case of any GRS Business primarily engaged in the collection, treatment or disposal of hazardous chemical waste disposed of pursuant to Section 8.2, 8.3, 8.4 or 8.6 hereof, WMI and WMAC shall specifically assume and agree to pay, perform, defend and discharge, and indemnify and hold harmless GRS and Genstar against all debts, liabilities, actions or suits, obligations and contracts of any kind, character or description whether known or unknown, direct or indirect, accrued, absolute, liquidated or unliquidated, contingent or otherwise relating to or arising out of the conduct of such GRS Business prior to the Division Closing Date or subsequent to the date such GRS Business is disposed of pursuant to the terms of this Article VIII; provided, however, that in the case of those GRS Businesses disposed of pursuant to this Article VIII as to which GRS is indemnified pursuant to this Section 8.8, where the Actual Disposition Price exceeds the Minimum Disposition Price, GRS shall pay such excess to WMI.

ARTICLE IX

ADDITIONAL COVENANTS AND AGREEMENTS

SECTION 9.1. Best Efforts; Cooperation. Subject to the terms and conditions of this Agreement, each of the parties hereto shall use its best efforts to comply promptly with all filing requirements which federal or state law may impose on the parties hereto with respect to the transactions contemplated hereby, use its best efforts to cooperate with and furnish information promptly to the other in connection with any such filing requirements imposed upon it in connection with the transactions contemplated hereby and cooperate with the other party hereto in every way in carrying out the transactions contemplated hereby. Each of the parties hereto shall deliver to the other party any documents or instruments necessary to effectuate the transactions contemplated hereby, including any such documents or instruments necessary to transfer the assets or capital stock of any of the corporations included in the definition of the GRS Businesses, and any other documents or

instruments deemed reasonably necessary or useful to effectuate the transactions contemplated hereby by counsel for any party hereto and shall take all action, and do, or cause to be done, all things necessary, proper or advisable under applicable laws, including obtaining all governmental licenses and consents and making all filings with governmental agencies, foreign or domestic, to consummate and make effective the transactions contemplated by this Agreement, including the conveyance of all of SCA's rights in the GRS Businesses to GRS.

SECTION 9.2. Independent Operation of WMI Businesses and GRS Businesses. It is the intent of the parties to this Agreement that the WMI Businesses and GRS Businesses will be operated independently of each other.

SECTION 9.3. HSR Filings. WMAC, WMI, GRS and Genstar shall file, as promptly as practicable, all required Notification and Report Forms under the HSR Act with the Federal Trade Commission (the "FTC") and the Antitrust Division of the Department of Justice (the "Antitrust Division") with respect to the transactions contemplated hereby and shall use their best efforts to respond as promptly and completely as practicable to requests from the FTC or Antitrust Division for additional information or documentation.

SECTION 9.4. Insurance. Before the Division Closing Date the insurance coverage of the WMI Businesses or the GRS Businesses shall not be terminated or modified without the consent of the parties hereto. WMI and GRS shall use their best efforts to make arrangements to their mutual satisfaction so that each of them will have the benefit, from and after the Division Closing Date, of the appropriate portion of the insurance coverage on the assets and operations of SCA as is in effect on the date WMAC acquires more than a majority of the outstanding capital stock of SCA pursuant to the Tender Offer or otherwise.

SECTION 9.5. Notice of Certain Events. Each of the parties hereto shall give prompt notice to the other of (i) the occurrence, or failure to occur, of any event the occurrence or failure of which would be likely to cause any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date hereof to the Disposition Adjustment Date, and (ii) any material failure by either party, or any officer, director, employee or agent thereof, to comply with or satisfy any covenant, condition or agreement to be complied

with or satisfied by it hereunder; provided, however, that no such notification shall affect the representations or warranties of the parties or the conditions to the obligations to the parties hereunder.

SECTION 9.6. No Public Announcement. Each of the parties hereto agrees that it will not make any press release or other similar public announcement concerning the transactions contemplated by this Agreement without the prior approval of the other party, except to the extent otherwise required by law.

SECTION 9.7. No Solicitation of Other Offers. Each of the parties hereto agrees that it will not prior to the Division Closing Date directly or indirectly (i) initiate contact with any person (except SCA) in an effort to solicit an "acquisition proposal" (as used herein, "acquisition proposal" shall mean any proposal for a merger or other business combination involving SCA or for the acquisition of a substantial interest in the equity or assets of SCA), (ii) authorize or knowingly permit any of the officers, directors or employees or other representatives (including investment bankers, attorneys and accountants) to directly or indirectly initiate any such contact, (iii) cooperate with or furnish or cause to be furnished any non-public information to any person or entity in connection with any possible acquisition proposal, and (iv) promptly advise the other party orally and in writing of any inquiry or proposal which it reasonably expects may lead to such an acquisition proposal.

SECTION 9.8. No Further Purchases of SCA Shares. Neither party hereto will purchase or otherwise acquire any SCA Shares after the date hereof without the prior written consent of the other party hereto.

ARTICLE X

CONDITIONS

SECTION 10.1. Conditions to the Tender Offer. The obligations of WMAC to purchase SCA Shares pursuant to the Tender Offer shall be subject to the fulfillment of the conditions set forth in the Offer to Purchase as it may be amended from time to time pursuant to this Agreement.

SECTION 10.2. Conditions to the Merger and Other Transactions Contemplated by This Agreement. The obligations

of the parties hereto to effect the Merger shall be subject to the following conditions:

(a) WMAC shall have purchased SCA Shares pursuant to the Tender Offer;

(b) The Merger shall have been duly approved by the requisite vote or consent of the holders of SCA Shares, if such approval is required by applicable law;

(c) All applicable waiting periods required by the HSR Act shall have expired or have been terminated; and

(d) No preliminary or permanent injunction or other order by any court of competent jurisdiction shall have been issued and remain in effect which would (i) make illegal the acquisition or holding of SCA Shares by WMAC, WMI or GRS; (ii) otherwise prevent consummation of the Merger; or (iii) impose material limitations on the ability of WMAC, WMI or GRS effectively to acquire or hold or to exercise full rights of ownership to the SCA Shares acquired by WMAC, including, but not limited to, the right to vote the SCA Shares purchased by it on all matters properly presented to the stockholders of SCA; provided, however, that WMAC, WMI and GRS shall have used their reasonable best efforts to prevent such injunctions or other order; provided, further, that upon the lifting, cancellation or dissolution of any such injunction as a result of the best efforts of WMAC, WMI or GRS, the Merger and other transactions contemplated hereby shall be consummated as soon as practicable thereafter.

ARTICLE XI

WMI REPRESENTATIONS AND WARRANTIES

WMI represents and warrants to GRS as follows:

SECTION 11.1. Due Incorporation. WMI has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, and has full corporate power and authority to own, lease and operate its assets, properties and business and to carry on its business as now being and as heretofore conducted.

SECTION 11.2. Due Authorization. WMI has all requisite corporate power and authority to enter into and

perform all of its obligations hereunder, and WMI is duly authorized to execute, deliver and perform this Agreement; this Agreement has been duly executed by WMI, is a valid and binding agreement of WMI, and is enforceable against WMI in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, receivership or other similar laws applicable to creditors' rights and other equitable remedies.

SECTION 11.3. No Violation. The execution, delivery and performance by WMI of this Agreement do not violate or conflict with or result in a breach of or constitute (or with notice or lapse of time or both would constitute) a default under (i) WMI's Restated Certificate of Incorporation or By-Laws, as amended, or any material license or other consent or authorization granted by any governmental authority to which WMI or any of its subsidiaries is a party or is otherwise bound; (ii) (subject to obtaining appropriate waivers from the banks under WMI's revolving credit agreement and the lenders under its insurance company loan agreements, which WMI covenants to use its best efforts to obtain or to replace such credit facilities) any material indenture, mortgage, bond, license, lease, permit, loan agreement or other agreement to which WMI is a party or by which WMI or any of its subsidiaries or properties may be bound; or (iii) any law, rule, regulation, judgment, decree or order of any court applicable to or affecting the business or operations of WMI or any of its subsidiaries.

SECTION 11.4. SCA Shares. As of the date of this Agreement, WMI is the beneficial owner of 625,000 SCA Shares, which shares constitute all of the SCA Shares which WMI beneficially owns on the date hereof.

SECTION 11.5. Securities Laws. No authorization, approval or consent of any court or governmental authority or agency is required in connection with the valid authorization, issuance, sale or delivery of the Class A Common Stock or Class B Common Stock. The offer, issue, sale and delivery of the Class A Common Stock and the Class B Common Stock under the circumstances contemplated by this Agreement constitute exempt transactions under the Securities Act of 1933, as amended, and under any applicable state securities laws, and the registration of the Class A Common Stock and the Class B Common Stock is not required under the circumstances contemplated by this Agreement.

SECTION 11.6. Investment. WMI is acquiring and will acquire the Class A Common Stock for its own account for

investment and not with a view to, or for sale in connection with, any distribution thereof.

SECTION 11.7. No Brokers. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by WMI and GRS without the intervention of any other person or firm as the result of any act of WMI in such manner as to give rise to any valid claim against any of the parties hereto for a brokerage commission, finder's fee or other like payment to any person or entity, except for the payment of an investment banking fee to Merrill Lynch Capital Markets.

ARTICLE XII

GRS REPRESENTATIONS AND WARRANTIES

GRS represents and warrants to WMI as follows:

SECTION 12.1. Due Incorporation. GRS has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, and has full corporate power and authority to own, lease and operate its assets, properties and business and to carry on its business as now being and as heretofore conducted.

SECTION 12.2. Due Authorization. GRS has all requisite corporate power and authority to enter into and perform all of its obligations hereunder and GRS is duly authorized to execute, deliver and perform this Agreement; this Agreement has been duly executed by GRS, is a valid and binding agreement of GRS, enforceable against GRS in accordance with its terms except as such enforceability may be limited by bankruptcy, insolvency, receivership or other similar laws applicable to creditors' rights and other equitable remedies.

SECTION 12.3. No Violation. The execution, delivery and performance by GRS of this Agreement do not violate or conflict with or result in a breach of or constitute (or with notice or lapse of time or both would constitute) a default under (i) GRS's Certificate of Incorporation or By-Laws, or any material license or other consent or authorization granted by any governmental authority to which GRS or any of its subsidiaries is a party or is otherwise bound; (ii) any material indenture, mortgage, bond, license, lease, permit, loan agreement or other

agreement to which GRS is a party or by which GRS or any of its subsidiaries or properties may be bound; or (iii) any law, rule, regulation, judgment, decree or order of any court applicable to or affecting the business or operations of GRS or any of its subsidiaries.

SECTION 12.4. SCA Shares. As of the date of this Agreement, neither GRS nor any of its Affiliates is the beneficial owner of any SCA Shares.

SECTION 12.5. Investment. GRS is acquiring and will acquire the Class B Common Stock for its own account for investment and not with a view to, or for sale in connection with, any distribution thereof.

SECTION 12.6. Waste Services Business. GRS has determined to enter the waste services industry through the acquisition of the GRS Businesses and has the intention of operating those businesses in that industry and does not intend to sell any of the GRS Businesses within the foreseeable future subject to the right of GRS to conduct and manage its businesses, affairs and properties in a manner it deems appropriate or advisable.

SECTION 12.7. No Brokers. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by WMI and GRS without the intervention of any other person or firm as the result of any act of GRS, in such manner as to give rise to any valid claim against any of the parties hereto for a brokerage commission, finder's fee or other like payment to any person or entity, except to the extent as otherwise provided in this Agreement.

ARTICLE XIII

GENSTAR REPRESENTATIONS AND WARRANTIES

Genstar represents and warrants to WMI as follows:

SECTION 13.1. Due Incorporation. Genstar has been duly incorporated and is validly existing as a corporation in good standing under the laws of Canada, and has full corporate power and authority to own, lease and operate its assets, properties and business and to carry on its business as now being and as heretofore conducted.

SECTION 13.2. Due Authorization. Genstar has all requisite corporate power and authority to enter into and perform all of its obligations hereunder, and Genstar is duly authorized to execute, deliver and perform this Agreement; this Agreement has been duly executed by Genstar, is a valid and binding agreement of Genstar, and is enforceable against Genstar in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, receivership or other similar laws applicable to creditors' rights and other equitable remedies.

SECTION 13.3. No Violation. The execution, delivery and performance by Genstar of this Agreement do not violate or conflict with or result in a breach of or constitute (or with notice or lapse of time or both would constitute) a default under (i) Genstar's Restated Articles of Incorporation or By-Laws or any material license or other consent or authorization granted by any governmental authority to which Genstar or any of its subsidiaries is a party or is otherwise bound; (ii) or to any material indenture, mortgage, bond, license, lease, permit, loan agreement or other agreement to which Genstar is a party or by which Genstar or any of its subsidiaries or properties may be bound; or (iii) any law, rule, regulation, judgment, decree or order of any court applicable to or affecting the business or operations of Genstar or any of its subsidiaries.

SECTION 13.4. SCA Shares. As of the date of this Agreement, neither Genstar nor any of its Affiliates is the beneficial owner of any SCA Shares.

SECTION 13.5. No Brokers. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by Genstar without the intervention of any other person or firm as the result of any act of Genstar in such manner as to give rise to any valid claim against any of the parties hereto for a brokerage commission, finder's fee or other like payment to any person or entity, except to the extent as otherwise provided in this Agreement.

ARTICLE XIV

TERMINATION AND WAIVER

SECTION 14.1. Termination. (a) This Agreement may be terminated at any time prior to the purchase of SCA Shares

pursuant to the Tender Offer (i) by WMI in the event that the Tender Offer is not commenced pursuant to this Agreement or in the event that WMI causes WMAC to terminate the Tender Offer without purchasing any SCA Shares thereunder or (ii) by GRS if within six months after the date hereof WMAC has not purchased any SCA Shares pursuant to the Tender Offer, provided that GRS gives at least forty-five (45) days' prior written notice to such effect to WMI.

(b) If the Division Closing Date has not occurred within one year following the purchase of SCA Shares pursuant to the Tender Offer, then GRS, in its sole discretion, may offer the Class B Common Stock to WMI for purchase pursuant to this Section 14.1 and thereby, subject to the following provisions of this Section 14.1, terminate this Agreement.

(c) Within ten days of receipt by WMI of GRS's written notice of the offer of GRS pursuant to paragraph (b) above, WMI may accept such offer by payment to GRS in cash of an amount equal to the sum of the aggregate capital investment made by GRS hereunder, together with interest on such amount (as such amount may have been reduced from time to time by the amount of any dividends, distributions and other transfers of assets to GRS from WMAC) at the Prime Rate from the dates of such investments to the date of WMI's acceptance of GRS's offer less the amount of all dividends, distributions and other transfers of assets of WMAC to GRS. If WMI accepts the offer of GRS, then for a period of one year following the date of such acceptance GRS or one of its Affiliates shall manage and operate the GRS Businesses. WMI and WMAC shall:

(i) assume, pay, perform, defend, discharge, indemnify and hold harmless GRS, Genstar and their Affiliates against all debts, liabilities, actions or suits, obligations and contracts of any kind, character, description whether known or unknown, direct or indirect, accrued, absolute, liquidated or unliquidated, contingent or otherwise relating to or arising out of the operation of the GRS Businesses, (ii) reimburse, or cause SCA and/or one or more of the subsidiaries of SCA to reimburse GRS, Genstar and their Affiliates for all out-of-pocket costs and expenses arising out of or relating to the operation of the GRS Businesses, including but not limited to all salaries, expenses or benefits accrued by, or on behalf of, any employee of GRS, Genstar or their Affiliates supervising or managing the operations of the GRS Businesses, and (iii) pay, or cause SCA and/or one or more of the subsidiaries of SCA to pay to GRS or its Affiliate a fee equal to 10% of the pre-tax profits generated by the GRS Businesses (before Genstar corporate office charges) during such one-year period or

such shorter period as may be applicable under paragraph (d) below, but in no event less than \$1.5 million per annum or pro rata for any period less than a year, in consideration for the operation of the GRS Businesses by GRS or its Affiliate.

(d) During the one-year period of operation of the GRS Businesses by GRS or its Affiliate, WMI may, at any time, instruct GRS or its Affiliate to transfer the GRS Businesses to any person or entity (other than WMI or an Affiliate of WMI) who has the intent and ability (financial and otherwise) to operate the GRS Businesses in the waste services industry without any recourse to GRS, Genstar or their Affiliates, and GRS or its Affiliate shall, at WMI's instruction, so transfer the GRS Businesses and promptly pay over to WMI any proceeds received by GRS in connection with any such transfer.

(e) In the event that during the one-year period of operation of the GRS Businesses by GRS or its Affiliate WMI has not instructed GRS or its Affiliate to transfer the GRS Businesses, GRS shall, upon expiration of such one-year period, transfer the GRS Businesses to a suitable trust created by WMI with sufficient financial resources to operate the GRS Businesses in a responsible manner and without any recourse to GRS or any of its Affiliates. The trustees of such trust shall be bound to (i) keep and operate the GRS Businesses separately from the WMI Businesses and (ii) sell the GRS Businesses to a financially responsible party as promptly as practicable.

(f) In the event that WMI does not accept the offer of GRS within the ten-day period specified in paragraph (c) above, GRS shall have a further ten-day period in which to purchase from WMI the Class A Common Stock of WMAC by payment to WMI in cash of an amount equal to the capital investment made by WMI hereunder less the amount of all dividends, distributions and other transfers of assets of WMAC to WMI.

(g) If, at the end of the ten-day period specified in paragraph (f) above GRS shall not have purchased from WMI the Class A Common Stock of WMAC, then WMI must immediately purchase from GRS the Class B Common Stock of WMAC by payment to GRS in cash of an amount equal to the sum of the aggregate capital investment made by GRS to WMAC, less the amount of all dividends, distributions and other transfers of assets of WMAC to GRS. For a period of one year following the date of the purchase by WMI of the Class B Common Stock pursuant to this paragraph (g) GRS or one of its Affiliates shall manage and operate the GRS Businesses upon the terms set forth in paragraph (c), (d) and (e) above.

(h) In the event of any transfers of the GRS Businesses pursuant to paragraph (d) or (e) of this Section 14.1, WMI and WMAC shall assume, agree to pay, perform, defend and discharge, indemnify and hold harmless GRS, Genstar and their Affiliates against all debts, liabilities, actions or suits, obligations and contracts of any kind, character or description, whether known or unknown, direct or indirect, accrued, absolute, liquidated or unliquidated, contingent or otherwise relating to or arising out of the conduct of the GRS Businesses. For purposes of this Section 14.1, the term GRS Businesses shall include any SCA Corporate Assets acquired by GRS pursuant to this Agreement.

(i) This Agreement may be terminated at any time by GRS if GRS withdraws from the Tender Offer pursuant to Section 2.3(a) hereof.

SECTION 14.2. Effect of Termination. (a) If this Agreement is terminated pursuant to Section 14.1 hereof, the Tender Offer shall thereupon be terminated, this Agreement shall forthwith become void and there shall be no liability on the part of WMI, GRS or WMAC or their respective officers or directors to any other party hereto, except that the agreements contained in Sections 1.5, 2.4, 6.4, 6.5, 14.1, 14.2 and 16.2 and all indemnities provided for in this Agreement shall survive the termination hereof. The parties hereto shall promptly terminate the Tender Offer if this Agreement is terminated for any reason whatsoever prior to the purchase of any SCA Shares thereunder.

(b) If this Agreement is terminated pursuant to Section 14.1(a) hereof and within the period of six months thereafter WMI acquires all or a substantial portion of the WMI Businesses, WMI shall thereupon pay to GRS a termination fee in cash of \$5,000,000.

(c) If within the period of twelve months following the date of this Agreement either party hereto sells any of the SCA Shares owned by it on the date hereof, such party shall share with the other party its Investment Profit realized upon the sale of such SCA Shares in the same proportion as each party's capital investment in WMAC bears to the total equity investment of both parties; provided, however, that WMI shall have no such obligation to GRS if WMI is obligated to pay GRS the termination fee pursuant to Section 14.2(b) above.

SECTION 14.3. Waiver. Any term or provision of this Agreement may be waived in writing at any time by the

party which is entitled to the benefits thereof. Any agreement on the part of a party hereto to any such waiver shall be valid if set forth in an instrument in writing signed on behalf of such party.

ARTICLE XV

DEFINITIONS AND ACCOUNTING TERMS

SECTION 15.1. Certain Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth respectively after each:

"Actual Disposition Price" means (i) a positive amount in the amount of the consideration actually received by GRS or WMI, as the case may be, for the disposition of any Designated GRS Business, (ii) zero in the case of a deemed disposition or other disposition for no consideration or (iii) a negative amount in the amount of the consideration actually paid by GRS or WMI, as the case may be, for the disposition of any Designated GRS Business, in any case less the costs and expenses of disposing of any Designated GRS Business.

"Affiliate" has the meaning in Rule 501 under the Securities Act of 1933, as amended.

"Allocated Cost" means, with respect to each GRS Business, that portion of the Apportioned Cost of all GRS Businesses allocated by WMI to such GRS Business pursuant to Section 4.7 hereof.

"Apportion Date" means the date on which, pursuant to Section 4.4 hereof, the Apportioned Cost of the GRS Businesses on the one hand and the Apportioned Cost of the WMI Businesses on the other, shall be specified.

"Apportioned Cost" means, with respect to the WMI Businesses as a whole and the GRS Businesses as a whole, respectively, that portion of the Total Cost of Acquisition apportioned by WMI pursuant to Section 4.4 hereof, and means, with respect to any SCA Corporate Assets acquired by GRS or WMI pursuant to Section 4.6 hereof, the Fair Market Value thereof.

"Class A Common Stock" means the Class A Common Stock, par value \$1.00 per share, of WMAC.

"Class B Common Stock" means the Class B Common Stock, par value \$1.00 per share, of WMAC.

"Designated GRS Business" means any GRS Business designated by GRS pursuant to Section 8.2 hereof.

"Disposition Adjustment Date" means the date which is 15 months after the Division Closing Date, on which the adjustments pursuant to Section 8.7 shall be made.

"Division Closing Date" means the date which shall be as promptly as practicable after the Effective Time of the Merger, but in no event more than five business days thereafter, and on which date the GRS Businesses and the SCA Corporate Assets acquired by GRS shall be distributed to GRS.

"Effective Time of the Merger" means the time that the Merger becomes effective in accordance with applicable law.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means the fair market value of the WMI Businesses, the GRS Businesses and the SCA Corporate Assets as determined pursuant to the procedures set forth in Exhibit C hereto.

"GRS Businesses" means (i) all the assets, businesses or operations of SCA (whether subsidiaries of SCA or otherwise) located or operating in the locations listed on Exhibit B hereto, and (ii) those assets, businesses or operations of SCA (whether subsidiaries of SCA or otherwise) which shall be identified by WMI pursuant to Section 4.1 hereof. The GRS Businesses shall include all contracts for the collecting, carting, hauling and disposal of waste and all rights and contracts to operate, manage or maintain waste disposal sites that primarily relate to such GRS Businesses. Each such asset, business or operation is herein individually referred to as a GRS Business.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Investment Profits" means, with respect to each party's obligation pursuant to Article XIV hereof to share its profits realized on SCA Shares purchased prior to the date hereof, the price at which such SCA Shares are sold, less:

- (i) the amount paid by such party in purchasing such SCA Shares (the "Purchase Price"); and
- (ii) interest on the Purchase Price at the Prime Rate from the date of purchase of the SCA Shares to the date of sale of such shares.

"Merger" means the merger provided for in Article III hereof.

"Minimum Disposition Price" means, with respect to the sale of any GRS Business or SCA Corporate Asset pursuant to Article VIII, (i) the sum of (a) the Allocated Cost of such GRS Business, or, in the case of an SCA Corporate Asset, the Fair Market Value of such SCA Corporate Asset, (b) an imputed rate of return on the amount of such Allocated Cost or Fair Market Value, as the case may be (as reduced from time to time by the amount of any dividends, distributions or transfers referred to in clause (ii) below and as increased by the amount of any additional investments made by GRS in such businesses or assets) from the Division Closing Date to the date of sale, calculated at a rate of 52% of the Prime Rate as in effect from time to time, (c) the amount of all additional investments made by GRS in such businesses or assets, (d) the reasonable costs of any geological testing respecting the facilities of such GRS Businesses, and (e) an amount equal to the tax liability attributable to such GRS Business or SCA Corporate Asset resulting from a Section 338 election, less (ii) the amount of all dividends, distributions and other transfers of assets of the GRS Business or the SCA Corporate Assets to GRS (or any Affiliate) since the Division Closing Date.

"Prime Rate" means the fluctuating interest rate per annum that shall be in effect from time to time which rate per annum shall at all times be equal to the rate of interest announced publicly by Citibank, N.A. in New York, New York, from time to time as Citibank, N.A.'s base rate.

"SCA Businesses" means the GRS Businesses and the WMI Businesses considered as a whole representing all the assets and liabilities of SCA other than the SCA Corporate Assets and SCA Corporate Liabilities.

"SCA Corporate Assets" means those assets of SCA which are not included as assets of the GRS Businesses or the WMI Businesses. Each of the SCA Corporate Assets will be specifically identified in a list prepared by WMI pursuant to Section 4.2 hereof and agreed to by GRS as constituting an SCA Corporate Asset.

"SCA Corporate Liabilities" means those liabilities of SCA reflected on the consolidated balance sheet of SCA and its subsidiaries (which, for purposes of the determination of the Total Cost of Acquisition, includes all prepayment premiums, redemption costs and other similar costs and charges provided for or required by the instruments relating to such liabilities which are incurred, or reasonably expected to be incurred, as a result of the transactions contemplated hereunder) and which are not included as liabilities of the GRS Businesses or the WMI Businesses. Each of the SCA Corporate Liabilities will be specifically identified in a list prepared by WMI pursuant to Section 4.2 hereof and agreed to by GRS as constituting an SCA Corporate Liability.

"SCA Shares" means the shares of Common Stock, par value \$1.00 per share, of SCA.

"SEC" means the Securities and Exchange Commission.

"Section 338" means Section 338 of the Internal Revenue Code of 1954, as amended.

"Tender Offer" means the all cash offer by WMAC to purchase outstanding SCA Shares as contemplated by this Agreement.

"Total Cost of Acquisition" means the amount determined in accordance with the provisions of Section 4.3 hereof.

"Valuation Date" means the date which shall be the end of the most recently completed calendar month for which financial statements are available prior to the determinations made pursuant to Article IV.

"WMI Businesses" means (i) all the assets, businesses or operations of SCA (whether subsidiaries of SCA or otherwise) located or operating in the locations listed on Exhibit A hereto and (ii) any other assets, businesses or operations of SCA not distributed to GRS pursuant to the terms of this Agreement. The WMI Businesses shall include all contracts for the collecting, carting, hauling, and disposal of waste and all rights and contracts to operate, manage or maintain waste disposal sites that primarily relate to such WMI Businesses. Each such asset, business or operation is herein individually referred to as a WMI Business.

SECTION 15.2. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles then applicable.

ARTICLE XVI

GENERAL PROVISIONS

SECTION 16.1. Survival of Representations, Warranties and Agreements. The representations, warranties and agreements contained in this Agreement and in any document delivered or to be delivered pursuant to this Agreement shall not survive the Disposition Adjustment Date, except that the agreements contained in Sections 1.5(e), 2.4, 6.4, 6.5, 8.4, 8.6, 8.8, 14.2(b), 14.2(c) and 16.2 hereof and all indemnities provided for in this Agreement shall survive such date.

SECTION 16.2. Expenses. If this Agreement is terminated before the Division Closing Date, all costs and expenses incurred by WMI and GRS in connection with this Agreement and the transactions contemplated hereby, including but not limited to fees and expenses of investment banking and financial advisers, engineers and technical consultants, appraisers and legal counsel and printing and mailing costs and other fees, charges and expenses relating to the Tender Offer, the Merger, this Agreement and the transactions contemplated hereby, shall be shared on the basis of 60% by WMI and 40% by GRS; provided, however, that from and after the date occurring thirty days after the Division Closing Date, no costs or expenses incurred (including litigation costs and expenses) shall be so included other than those incurred in connection with the appraisals being made in connection with this Agreement and the exercise of dissenters' rights by SCA stockholders in connection with the Merger.

SECTION 16.3. Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been given or made if in writing and delivered personally or sent by registered or certified mail (postage prepaid, return receipt requested) to the parties at the following addresses:

(a) If to WMI, to:

Waste Management, Inc.
3003 Butterfield Road
Oak Brook, Illinois 60521
Attention: J. Steven Bergerson, Esq.

With a copy to:

Bell, Boyd & Lloyd
Three First National Plaza
Suite 3200
Chicago, Illinois 60602
Attention: John T. McCarthy, Esq.

(b) If to GRS, to:

Genstar Refuse Services Corporation
Suite 3800
4 Embarcadero Center
San Francisco, California 94111
Attention: Leonard Holman

With a copy to:

Shearman & Sterling
53 Wall Street
New York, New York 10005
Attention: Stephen R. Volk, Esq.

(c) If to Genstar, to:

Genstar Corporation
Suite 3800
4 Embarcadero Center
San Francisco, California 94111
Attention: Ross Turner

With a copy to:

Shearman & Sterling
53 Wall Street
New York, New York 10005
Attention: Stephen R. Volk, Esq.

or at such other addresses as shall be furnished by the parties by like notice, and such notice or communication shall be deemed to have been given or made as of the date so delivered or mailed.

SECTION 16.4. Specific Performance. The parties hereto acknowledge and agree that irreparable damage would occur and that the parties hereto would not have an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specifications or otherwise breached. It is accordingly agreed that the parties shall be entitled to, and each hereby

consents to, the entry of an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state thereof having jurisdiction, this being in addition to any other remedy to which they may be entitled at law or in equity.

SECTION 16.5. Severability. If any provision of this Agreement should be or should become fully or partly invalid or unenforceable for any reason whatsoever or should violate any applicable law, this Agreement shall be considered divisible as to such provision and such provision shall be deemed deleted from this Agreement, and the remainder of this Agreement shall be valid and binding as if such provision were not included herein. There shall be substituted for any such provision deemed to be deleted a suitable provision which, as far as is legally possible, comes nearest to what the parties desired or would have desired according to the sense and purpose of this Agreement, had they considered the point when concluding this Agreement.

SECTION 16.6. Entire Agreement. This Agreement, together with the Exhibits hereto, constitutes the entire Agreement among the parties, and supersedes all other agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

SECTION 16.7. Binding Effect; Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and are not intended to confer upon any other person any rights or remedies. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other party.

SECTION 16.8. Bulk Sales Law. WMI and GRS hereby waive compliance with the provisions of Article 6 of the Uniform Commercial Code as it is in effect in the states where any of the GRS Businesses are conducted which, as contemplated hereunder, are to be transferred to GRS.

SECTION 16.9. Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware without giving effect to principles of conflicts of laws.

SECTION 16.10. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be

considered one and the same agreement and each of which shall be deemed an original.

SECTION 16.11. Headings. The headings contained in this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

IN WITNESS WHEREOF, WMI, Genstar, GRS and WMAC 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/s Donald F. Flynn
 Name: Donald F. Flynn
 Title: Senior Vice President
& Chief Financial Officer

GENSTAR CORPORATION

By s/s R.J. Turner
 Name: R.J. Turner
 Title: Chairman & Chief Executive
Officer

GENSTAR REFUSE SERVICES
 CORPORATION

By s/s J.L. Holman
 Name: J.L. Holman
 Title: President

WM ACQUIRING CORP.

By s/s Donald F. Flynn
 Name: Donald F. Flynn
 Title: Vice President & Treasurer

WMI Businesses

Set forth below is a listing of the cities, counties, municipalities and other areas where the businesses or operations of SCA are to be retained by WMI, subject to the terms and conditions of this Agreement. Unless otherwise indicated, all businesses and operations in the locations set forth below are collection operations.

Little Rock, Arkansas
Little Rock, Arkansas (Solid waste landfill)
Pine Bluff, Arkansas
Pine Bluff, Arkansas (Solid waste landfill)

Mobile, Alabama

Tucson, Arizona

Baldwin Park, California
Cathedral City, California
Irvine, California
Oceanside, California
Orange County-Santa Anna, California
Sacramento, California

New Milford, Connecticut
New Milford, Connecticut (Solid waste landfill)

Tallahassee, Florida
Tallahassee, Florida (Solid waste landfill)
Port of St. Lucie, Florida

Dalton, Georgia
Savannah, Georgia

Chicago, Illinois (Chemical waste incinerator)

Fort Wayne, Indiana
Fort Wayne, Indiana (Chemical waste landfill)
Muncie, Indiana

Louisville, Kentucky
Louisville, Kentucky (Solid waste landfill)
Louisville-Campground, Kentucky (Solid waste landfill)

Shreveport, Louisiana

Braintree, Massachusetts (Chemical waste incinerator and transfer station)

Haverhill, Massachusetts (Solid waste landfill)

Lawrence, Massachusetts (Bio-medical/chemical waste incinerator)

Laurel, Maryland (Chemical waste transfer facility)

Shayne (D.C.), Maryland

Portland, Maine

Saginaw, Michigan

St. Louis-Chain of Rock, Missouri (Solid waste landfill)

Londonberry, New Hampshire

Newark, New Jersey (Chemical detoxification plant)

Rio Grande, New Jersey

Vineland, New Jersey

Buffalo, New York (Chemical waste transfer facility)

Model City, New York (Chemical waste landfill)

Utica, New York

Utica, New York (Solid waste landfill)

Reidsville, North Carolina (Chemical waste transfer facility)

Canton, Ohio

Canton, Ohio (Solid waste landfill)

Cleveland, Ohio

Cleveland, Ohio (Solid waste landfill)

Findley, Ohio

Lima, Ohio

Lima, Ohio (Solid waste landfill)

Youngstown, Ohio

Oklahoma City, Oklahoma

Oklahoma City, Oklahoma (Solid waste landfill)

Portland, Oregon

Broomall, Pennsylvania
Elizabethtown, Pennsylvania
Honeybrook, Pennsylvania
Lancaster, Pennsylvania
Philadelphia, Pennsylvania
Pottstown, Pennsylvania
Pottstown, Pennsylvania (Solid waste landfill)
York, Pennsylvania
York, Pennsylvania (Solid waste landfill)

Charleston, South Carolina
Charleston, South Carolina (Solid waste landfill)
Pinewood, South Carolina (Chemical waste landfill)

Greenbriar, Tennessee (Chemical waste transfer facility)
Jackson, Tennessee
Memphis, Tennessee

GRS Businesses

Set forth below is a listing of the cities, counties, municipalities and other areas where the businesses or operations of SCA are to be distributed to GRS, subject to the terms and conditions of this Agreement. Unless otherwise indicated, all businesses and operations in the locations set forth below are collection operations.

Chandler, Arizona
Phoenix, Arizona

Chula Vista, California
Cudahy, California
San Diego, California

Arvada/Denver, Colorado

Tampa, Florida
West Palm Beach, Florida

Atlanta, Georgia

Assonet, Massachusetts
Rowley, Massachusetts
South Boston, Massachusetts

Gaithersburg (D.C.), Maryland

Detroit (Area), Michigan
Grand Rapids, Michigan
Muskegon Heights, Michigan (Solid waste landfill)
Muskegon, Michigan
Southfield, Michigan

O'Fallon, Missouri
St. Louis, Missouri
St. Louis-Milam, Missouri (Solid waste landfill)

Mt. Holly, New Jersey (Solid waste landfill)
Trenton, New Jersey
Trenton, New Jersey (Solid waste landfill)

Akron, Ohio
Dayton, Ohio
Dayton, Ohio (Solid waste landfill)

Dallas, Texas
Fort Worth, Texas
Fort Worth, Texas (Solid waste landfill)

Valuation Procedures(A) Procedure for Valuation of Solid Waste Collection Operations

(1) With respect to those SCA Businesses engaged primarily in the solid waste collection business (the "Collection Businesses"), WMI shall develop a formula for determining the fair market value of each of such Businesses for purposes of this Agreement and shall submit such formula to GRS for its approval by not later than thirty (30) calendar days (or such additional reasonable period of time as to which GRS shall consent, which consent shall not be unreasonably withheld) following the election or designation by WMAC or WMI of a majority of the Board of Directors of SCA. In the event GRS approves such formula, or suggests changes therein which are acceptable to WMI, then, except as provided in paragraph (3) below, the approved formula shall be used for all purposes of this Agreement to determine the Fair Market Value of the Collection Businesses included in the GRS Businesses and the WMI Businesses as of the Valuation Date.

(2) In the event that WMI and GRS are unable to agree on a formula within thirty (30) calendar days following submission of a formula to GRS pursuant to paragraph (1) above, then the formula proposed by WMI pursuant to paragraph (1) shall be submitted by WMI to a "Big Eight" public accounting firm selected by GRS (other than Arthur Andersen & Co. or Coopers & Lybrand), which firm shall determine, as promptly as practicable, the revisions, if any, which it deems appropriate to such formula and the formula, as so revised by such firm, shall be final and WMI, WMAC, GRS and Genstar agree that, except as provided in paragraph (3) below, such formula shall be used for all purposes of this Agreement to determine the Fair Market Value of the Collection Businesses included in the GRS Businesses and the WMI Businesses as of the Valuation Date.

(3) It is understood that, notwithstanding the provisions of paragraphs (1) and (2), there will be certain infrequent instances where, in the reasonable opinion of either WMI or GRS, the formula will not provide an adequate valuation with respect to particular Collection Businesses included in the GRS Businesses and/or the WMI Businesses and in such instances the parties agree that (x) WMI shall submit

a suggested valuation to GRS and (y) such Businesses shall be valued for all purposes of this Agreement at a fair market value as of the Valuation Date as agreed upon by the parties hereto. The values of such particular Collection Businesses so agreed upon shall be the Fair Market Value thereof.

(B) Procedure for Valuation of Solid Waste Disposal Operations and Chemical Waste Service Operations

(1) With respect to those SCA Businesses engaged primarily in the solid waste disposal business or the chemical waste service business (collectively, the "Disposal/Chemical Businesses"), WMI shall prepare a determination of the fair market value of each such Disposal/Chemical Business included in the GRS Businesses and the WMI Businesses and submit such valuations, together with the supporting data, to GRS for its review by not later than sixty (60) calendar days (or such additional reasonable period of time as to which GRS shall consent, which consent shall not be unreasonably withheld) following the election or designation by WMAC or WMI of a majority of the Board of Directors of SCA.

(2) After reviewing the valuations submitted by WMI within the sixty (60) calendar days following submissions thereof to GRS pursuant to paragraph (1) above, GRS may accept all of such valuations by so notifying WMI in writing of such acceptance or, at its election, it may select approximately 20% in number of the aggregate of the GRS Businesses and WMI Businesses which are Disposal/Chemical Businesses for appraisal by Arthur D. Little & Co., or such other independent appraisal firm as GRS and WMI shall mutually agree upon, with instructions to determine, as promptly as practicable, the fair market value, as of the Valuation Date, of each such Business so submitted.

(3) In the event appraisal is elected by GRS pursuant to the provisions of paragraph (2) above, the values assigned by the appraiser shall be reviewed by GRS and WMI and if the aggregate of the appraised values assigned by the appraiser to the businesses appraised is within 10% (plus or minus) of the aggregate of the values assigned such businesses by WMI pursuant to paragraph (1) above, no further appraisal rights shall be available to GRS and each of the

values assigned by WMI pursuant to paragraph (1) above with respect to all Disposal/Chemical Businesses shall be final and WMI, WMAC, GRS and Genstar agree that such final values shall constitute the Fair Market Value of such businesses as of the Valuation Date for all purposes of this Agreement other than Section 4.7 hereof.

(4) In the event the aggregate of the appraised values assigned by the appraiser pursuant to the provisions of paragraph (3) above is not within 10% (plus or minus) of the aggregate of the values assigned such businesses by WMI pursuant to paragraph (1) above, then, unless otherwise agreed among the parties, GRS may select an additional approximate 20% in number of the aggregate of the GRS Businesses and WMI Businesses which are Disposal/Chemical Businesses for appraisal in the manner provided in paragraph (3) and in the event the aggregate of the values assigned by the appraiser to the businesses appraised pursuant to the provisions of this paragraph (4), when added to the aggregate of the values of the businesses assigned by the appraiser pursuant to paragraph (3) above, are within 10% (plus or minus) of the aggregate of the values assigned such businesses by WMI pursuant to paragraph (1) above, then no further appraisal rights shall be available to GRS and, except as provided hereafter in this paragraph (4), each of the values assigned by WMI pursuant to paragraph (1) above with respect to all Disposal/Chemical Businesses shall be reduced or increased, as the case may be, by an amount equal to the percentage difference between such values assigned by the appraiser and those assigned by WMI and shall be final and constitute the Fair Market Value of such business as of the Valuation Date for all purposes of this Agreement other than Section 4.7 hereof; provided, however, that, at its election, WMI may select an additional approximate 20% in number of the aggregate of GRS Businesses and WMI Businesses which are Disposal/Chemical Businesses for appraisal in the manner provided in paragraph (2) and the aggregate of the values assigned by the appraiser to the businesses appraised pursuant to the provisions of this proviso to paragraph (4) when added to the aggregate of the values assigned by the appraiser pursuant to paragraph (3) and the above provisions of this paragraph (4) shall be divided by the aggregate of the values determined for such businesses by WMI pursuant to the provisions of paragraph (1) and each of the values assigned by WMI pursuant to paragraph (1) above with respect to all Disposal/Chemical Businesses shall be reduced or increased, as the case may be, by an amount equal to the percentage difference resulting therefrom and such valuations

shall constitute the Fair Market Value of such businesses as of the Valuation Date for all purposes of this Agreement other than Section 4.7 hereof.

(5) In the event the appraised values determined pursuant to the provisions of paragraph (4) respecting the SCA Business appraised is not within 10% of the values assigned such businesses by WMI pursuant to paragraph (1) hereof WMI and GRS shall agree upon a percentage to be applied to the values so assigned by WMI, which percentage shall be used to determine the fair market value of all of the Disposal/Chemical Businesses included in the SCA Businesses for all purposes of this Agreement other than Section 4.7 hereof, and in the event such percentage cannot be agreed upon within 15 days of receipt of the appraised values under paragraph (4) the appraisal process shall continue as promptly as practicable in increments of approximate 20% in number of the aggregate of such GRS Business and WMI Businesses until such time as a valuation percentage is agreed upon or the entirety of such GRS Businesses and WMI Businesses has been appraised, whichever first occurs, and the resulting valuation shall be final and shall constitute the Fair Market Value of such businesses as of the Valuation Date for all purposes of this Agreement other than Section 4.7 hereof.

(C) Procedure for Valuation of SCA Corporate Assets

(1) With respect to SCA Corporate Assets selected to be acquired by either WMI and GRS, the fair market value thereof shall be determined by the mutual agreement of WMI and GRS. In the event of the failure of such parties to reach agreement as to the fair market value of any such asset within sixty days after the election or designation by WMAC or WMI of a majority of the Board of Directors of SCA, it shall be submitted for appraisal to Arthur D. Little & Co., or such other independent appraisal firm as WMI and GRS shall mutually agree upon, with instructions to determine, as promptly as practicable, the fair market value as of the Valuation Date of each such Business so submitted.

(2) With respect to SCA Corporate Assets which are not selected to be acquired by either WMI or GRS, and the value cannot be agreed upon within ten days, then WMAC shall cause SCA to sell such assets for cash and the consideration paid in connection with such sale shall be the Fair Market Value of such asset for purposes of this Agreement. In the event of the failure to sell any such asset for three months, such asset shall be submitted for appraisal in accordance with paragraph (1) above and the value assigned thereto by the appraiser shall be the Fair Market Value thereof for purposes of this Agreement.