

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

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

PINEWOOD SITE SETTLEMENT AGREEMENT AND STIPULATED ORDER

Safety-Kleen Corp. and its direct and indirect subsidiaries, debtors and debtors-in-possession, and the South Carolina Department of Health and Environmental Control ("DHEC") hereby enter into this Settlement Agreement, dated as of October 15, 2002, in final settlement of claims concerning the Pinewood Facility and other claims as described in this Settlement Agreement existing between Safety-Kleen and DHEC.

The Pinewood Facility

WHEREAS, Safety-Kleen (Pinewood), Inc. ("Pinewood"), a debtor and an indirect subsidiary of Safety-Kleen Corp., has operated a hazardous waste treatment, storage and disposal facility in Sumter County, South Carolina (the "Pinewood Facility"), pursuant to a final permit issued by DHEC on March 21, 1994 (the "Permit"). The Pinewood Facility includes a hazardous waste landfill; and

WHEREAS, the Permit required Pinewood to maintain certain financial assurances for closure, post-closure care and liability coverage for the Pinewood Facility; and

WHEREAS, pursuant to applicable law, Pinewood had provided assurances through surety bonds and insurance, including the Frontier Bonds issued by Frontier Insurance Company of Rock Hill, New York ("Frontier"); and

WHEREAS, the U.S. Department of Treasury announced on June 1, 2000 that it had removed Frontier from its Listing of Approved Sureties (Circular 570), and DHEC issued an Emergency Order on June 9, 2000, directing that Pinewood provide alternate financial assurance or commence steps to effect the permanent closure of the Pinewood Facility; and

WHEREAS, the Permit also regulated the capacity of hazardous waste that could be disposed of at the Pinewood Facility; and

WHEREAS, the South Carolina Court of Appeals determined on April 4, 2000 that no further capacity remained at the Pinewood Facility under the Permit, which determination became final on June 14, 2000; and

WHEREAS, DHEC demanded on June 14, 2000 that Pinewood commence steps to effect the permanent closure of the Pinewood Facility; and

Safety-Kleen Bankruptcy

WHEREAS, Safety-Kleen filed voluntary petitions for relief in this Court under Chapter 11 of the Bankruptcy Code on June 9, 2000 and are currently debtors and debtors-in-possession; and

WHEREAS, the United States Court of Appeals for the Fourth Circuit determined on December 19, 2001, that DHEC's June 9, 2000 Order was not subject to an automatic bankruptcy stay; and

WHEREAS, Pinewood ceased accepting waste for disposal in the Pinewood Facility landfill on or about September 25, 2000, and ceased any storage or treatment of off-site generated hazardous waste at the Pinewood Facility in 2001; and

WHEREAS, DHEC has informed Pinewood of the need to commence final closure of the Pinewood Facility and Pinewood has commenced certain closure activities; and

Closure and Post-Closure Care of the Pinewood Facility

WHEREAS, Pinewood has submitted (1) its revised Closure and Post-Closure Care Plan for the Pinewood Facility and (2) its request for a permit modification incorporating such Closure and Post-Closure Care Plan to DHEC for its approval, after a notice to the public, opportunity for comment and consideration of the comments received; and

WHEREAS, Pinewood has asserted that it lacks financial resources to undertake Closure and Post-Closure Care at the Pinewood Facility; and

WHEREAS, DHEC has asserted that Safety-Kleen entities other than Pinewood are also responsible for funding Closure and Post-Closure Care at the Pinewood Facility; and

WHEREAS, Safety-Kleen has disputed that such Closure and Post-Closure Care obligations run to entities other than Pinewood, and has also asserted that such other entities lack unencumbered assets sufficient to fund Closure and Post-Closure Care; and

WHEREAS, the parties wish to resolve promptly the issues of Closure and Post-Closure Care of the Pinewood Facility; and

Potential Environmental Impairment at the Pinewood Facility

WHEREAS, Pinewood and its predecessors have established pursuant to the Permit an environmental impairment trust fund for the Pinewood Facility to cover the cost of clean-up and remediation of environmental impairment at the Pinewood Facility, that has, as of August 31, 2002, a total amount of \$20,716,434.12; and

WHEREAS, South Carolina regulations previously authorized Pinewood to provide financial assurance against environmental impairment through mechanisms other than a cash trust fund, including insurance or corporate guarantees, but the South Carolina Court of Appeals invalidated such regulations on April 4, 2000, as improperly promulgated by DHEC; and

WHEREAS, DHEC has filed a proof of claim in the Bankruptcy Proceedings, alleging that Pinewood and other Debtors must pay \$118,544,715 (in 1994 dollars) into the GSX Contribution Trust Fund, to be used towards any necessary clean-up and remediation of environmental impairment of the Pinewood Facility during the 100 years following closure of that Facility; and

WHEREAS, DHEC has requested that the Bankruptcy Court treat \$111,477,474 of its \$118,544,715 claim as an administrative expense entitled to priority over all other creditors under bankruptcy law, and Debtors have opposed such request; and

WHEREAS, issues relating to an environmental impairment trust fund for the Pinewood Facility have been the subject of intensive litigation over more than a decade; and

WHEREAS, Pinewood has asserted that it lacks financial resources necessary to provide further payments to the GSX Contribution Trust Fund; and

WHEREAS, DHEC has asserted that Safety-Kleen entities other than Pinewood are responsible for funding the GSX Contribution Trust Fund; and

WHEREAS, Safety-Kleen has disputed that such obligation runs to entities other than Pinewood, and has also asserted that such other entities lack unencumbered assets sufficient to provide any significant funding to the GSX Contribution Trust Fund; and

WHEREAS, the parties desire to avoid the expense and uncertainty of continued litigation, and have therefore agreed to compromise and settle the various general unsecured and administrative expense claims of DHEC and certain other persons on the terms set forth herein; and

Settlement

WHEREAS, while this Settlement Agreement primarily concerns the Pinewood Facility, the parties also wish to resolve on a broad and final basis certain other claims and disputes between them described in the Settlement Agreement (with the exception of the Hollis Road Claim) of any type, whether or not pending, contingent or quantifiable; and

WHEREAS, to facilitate this Settlement Agreement, the Pinewood Property Prior Owner will transfer ownership of certain parcels of real estate located at the Pinewood Facility to Pinewood; and

WHEREAS, the goal of this settlement is the continuing care and maintenance of the Pinewood facility, subject to DHEC's regulation, for the benefit of DHEC and the public; and

WHEREAS, DHEC agrees that an effective and appropriate means to settle DHEC's claims relating to the Pinewood Facility is the transfer of the Pinewood Facility, and certain related assets as well as certain amounts of cash and an annuity contract as set forth herein, to an irrevocable trust (the Site Trust, as defined below), the sole beneficiary of which is to be DHEC; and

WHEREAS, this Settlement Agreement has been negotiated by the parties in good faith taking into account, among other things, the environmental conditions at the Pinewood Facility; long term responsibility for closure, post-closure, potential clean-up and remediation of environmental impairment at the Pinewood Facility; the parties' legal claims and defenses; the bankruptcy status of the Debtors and their financial condition; and the desire of all parties to avoid protracted, expensive and uncertain litigation over the Pinewood Facility; and

WHEREAS, this Settlement Agreement is fair, reasonable and in the public interest;

NOW, THEREFORE, without the admission or any adjudication of any issues of fact or law, and upon the consent and agreement of the parties to this Settlement Agreement by their attorneys and authorized officials and the Bankruptcy Court, Safety-Kleen and DHEC hereby agree as follows:

SECTION 1

DEFINITIONS

1.01 Capitalized Terms. For all purposes of this Settlement Agreement, the following terms shall have the meanings set forth below:

"Bankruptcy Court" shall mean the United States Bankruptcy Court for the District of Delaware.

"Bankruptcy Proceedings" shall mean the above-referenced proceedings filed by Safety-Kleen Corp. and other Debtors in the United States Bankruptcy Court for the District of Delaware, Case No. 00-2303 (PJW) (jointly administered).

"Closure and Post-Closure Care" shall mean those activities required by the Closure and Post-Closure Care Plan and applicable South Carolina Hazardous Waste Management Regulations.

"Closure and Post-Closure Care Plan" shall mean the plans for closure and post-closure care in the effective Permit and approved permit application, including any future revisions made effective through the permit modification process under the South Carolina Hazardous Waste Management Regulations;

"Debtors" shall mean Safety-Kleen Corp. and its direct and indirect subsidiaries that filed for Chapter 11 bankruptcy protection in the Bankruptcy Proceedings.

"DHEC" shall mean the South Carolina Department of Health and Environmental Control, or its successor.

"Effective Date" shall have the meaning set forth in Section 4.01.

"Environmental Laws" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 U.S.C. § 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq. ("RCRA"); the Clean Water Act, 33 U.S.C. § 1251 et seq.; the South Carolina Hazardous Waste Management Act, S.C. Code Ann. § 44-56-10, et seq.; and all similar federal, state, and local statutes and regulations issued thereunder as well as any administrative order, court order, or other requirement related to the environment, natural resources, or health and safety.

"Frontier" shall mean Frontier Insurance Company of Rock Hill, New York.

"Frontier Bonds" shall mean the surety bonds for closure, post-closure care and third party liability issued by Frontier having the Bond Nos. 113183, 133204 and 113184.

"Funding Completion Date" shall mean the date that the transfers of funds and property to the Site Trust and the New Environmental Impairment Trust Fund have been completed as required by Sections 5.02, 5.05 and 6.03.

"GSX Contribution Trust Fund" shall mean the environmental impairment trust fund presently in existence established pursuant to a trust agreement dated October 5, 1992 between NationsBank of South Carolina, N.A., as Trustee and GSX Services of South Carolina, Inc. as Grantor.

"Hollis Road Claim" shall mean the response costs referenced for the Hollis Road site, more extensively detailed in the case, entitled, *South Carolina Department of Health and Environmental Control v. Western Atlas, Inc., f/k/a Litton Industrial Automation Systems, Inc., and successor-in-interest to Litton Business Systems, Inc., David Bright, individually and d/b/a Superior Container Service, Safety-Kleen (TG), Inc., Safety-Kleen Systems, Inc., and Hoover Building Systems, Inc.*, Case No. 3-00-1760, currently pending before the United States District Court for the District of South Carolina.

"New Environmental Impairment Trust Fund" shall mean the trust established by the New Environmental Trust Fund Agreement.

"New Environmental Impairment Trust Fund Agreement" shall mean the trust agreement to be entered into pursuant to Section 6.01 that shall govern the New Environmental Impairment Trust Fund.

"Permit" shall mean the final South Carolina Hazardous Waste Permit SCD No. 070375985 issued by DHEC on March 21, 1994.

"Pinewood" shall mean Safety-Kleen (Pinewood), Inc.

"Pinewood Facility" shall mean the hazardous waste treatment, storage and disposal facility in Sumter County, South Carolina, that has been operated by Pinewood.

"Pinewood Property Prior Owner" shall mean Dargan P. Elliott Jr., his successors, heirs and assigns.

"Plan of Reorganization" shall mean any plan or plans of reorganization approved for Safety-Kleen as a result of the Bankruptcy Proceedings.

"Safety-Kleen" shall mean Safety-Kleen Corp. and its direct and indirect subsidiaries, and their successors, assigns and any reorganized company.

"Safety-Kleen Corp." shall mean Safety-Kleen Corp., including its successors, assigns and any reorganized company.

"Site Trust Agreement" shall mean the Pinewood Site Custodial Trust Agreement between Pinewood and the Site Trustee, to be entered into pursuant to Section 5.01.

"Site Trust" shall mean the trust established by the Site Trust Agreement.

"Site Trust Annuity" shall mean the annuity purchased pursuant to Section 5.05(b).

"Site Trustee" shall mean the trustee of the Site Trust.

"Site Trust Estate" shall mean all right, title and interest in and to any and all real property of the Site Trust and any personal property including without limitation notes, securities, cash, funds and/or other assets contributed to the Site Trust by Pinewood or by any other persons or entities.

"Site Trust Fund" shall mean that portion of the Site Trust Estate other than the Site Trust Real Property.

"Site Trust Real Property" shall mean the Pinewood Facility real property previously owned by Pinewood and transferred to the Site Trust pursuant to Section 5.02(a); provided that the proceeds of any sale or other disposition of such real property shall be considered part of the Site Trust Fund.

SECTION 2

AUTHORITY

2.01 The undersigned representatives for Pinewood, for Safety-Kleen and for DHEC certify that, subject to Bankruptcy Court approval, they are fully authorized to execute and bind Pinewood, Safety-Kleen and DHEC, respectively, to this Settlement Agreement. Upon the Effective Date, this Settlement Agreement shall apply to and be binding upon Pinewood, Safety-Kleen and DHEC. The parties agree not to contest the validity of this Settlement Agreement in any subsequent proceeding arising from it.

SECTION 3

BANKRUPTCY COURT APPROVAL

3.01 This Settlement Agreement is expressly subject to the Bankruptcy Court's entry of an order approving the Settlement Agreement. Such order shall also include approval of the Site Trust Agreement and the New Environmental Impairment Trust Fund Agreement, which shall be substantially in the forms attached hereto as Exhibit A and Exhibit D, respectively. If Safety-Kleen has not obtained approval of this Settlement Agreement prior to proposing a Plan of Reorganization, the Plan of Reorganization shall provide that this Settlement Agreement is a material and integral part of such Plan of Reorganization and, if the Bankruptcy Court disapproves the Settlement Agreement at the Plan of Reorganization confirmation hearing, Safety-Kleen agrees that it shall seek to continue such hearing for twenty (20) calendar days to allow DHEC to assert its rights with respect to DHEC's administrative expense claim. In the event that this Settlement Agreement is not approved by the Bankruptcy Court, this Settlement Agreement shall be null and void, shall not be admissible in any pending or subsequent proceeding and the

parties reserve all their rights with respect to the pending claims before the Bankruptcy Court and any other claims between the parties. In such case, the GSX Contribution Trust Fund shall remain in force and effect except as otherwise amended in accordance with its terms.

SECTION 4

EFFECTIVE DATE OF AGREEMENT AND CONDITIONS PRECEDENT

4.01 The Effective Date of this Settlement Agreement ("Effective Date") shall be the effective date for Safety-Kleen's Plan of Reorganization.

4.02 In the event that each of the condition precedents set forth in this Section 4.02 has not been either satisfied or waived prior to the date set for the hearing on confirmation of the Plan of Reorganization, then this Settlement Agreement shall be null and void, shall not be admissible in any pending or subsequent proceeding and the parties reserve all their rights with respect to the pending claims before the Bankruptcy Court and any other claims between the parties.

(a) The parties shall obtain a ruling from the Internal Revenue Service that the income generated by the Site Trust Fund will be income excluded from gross income and not subject to federal income tax in accordance with Section 115 of the Internal Revenue Code;

(b) If the adjustment required by Section 5.11(a) exceeds the One and One-Half Million Dollar (\$1.5 million) threshold described in Section 5.11(c), then Pinewood shall have given notice of its willingness to make the full adjustment; and

(c) A Site Trustee and a trustee for the New Environmental Impairment Trust Fund shall have been selected pursuant to Sections 5.01 and 6.01, respectively.

SECTION 5

PINEWOOD SITE CUSTODIAL TRUST

5.01 The parties hereby agree to the creation of the Site Trust pursuant to the terms of the Site Trust Agreement. As promptly as practicable following the execution of this Settlement Agreement, Pinewood shall recommend a person to serve as the Site Trustee under the Site Trust Agreement, subject to the approval of DHEC. The parties shall execute the Site Trust Agreement, which shall be substantially in the form attached hereto as Exhibit A, upon the Effective Date of this Settlement Agreement.

5.02 Upon the Effective Date, the following shall be transferred to the Site Trust:

(a) Real property, including improvements thereto, owned by Pinewood and previously utilized in the operation of the Pinewood Facility;

(b) Personal property, including vehicles, machines, equipment and supplies, owned by Pinewood and located at the Pinewood Facility as of the Effective Date;

(c) Leasehold interests of Pinewood, subject to the terms of applicable leases, previously utilized in the operation of the Pinewood Facility; and

(d) Permits for the Pinewood Facility issued by DHEC.

The real property, personal property, leasehold interests and permits to be transferred shall be substantially as set out in Exhibit B hereto. THE PROPERTY REQUIRED TO BE TRANSFERRED PURSUANT TO THIS SECTION SHALL BE TRANSFERRED "AS IS" AND "WHERE IS" WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. The parties shall execute all necessary

documents related to such transfers within thirty (30) calendar days following the Effective Date. DHEC shall be the sole beneficiary of the Site Trust. After the transfers, Safety-Kleen shall not be deemed to be a current owner, operator, trustee, partner, principal, agent, shareholder, officer or director of the Pinewood Facility or the Site Trust, and nothing herein, including this sentence, shall be deemed to admit, imply or suggest that any Debtor other than Pinewood has ever been an owner, operator, trustee, partner, principal, agent, shareholder, officer or director of the Pinewood Facility or the Site Trust.

5.03 It is the express intent of the parties that the Site Trust shall be a Qualified Settlement Fund within the meaning of Section 468B of the Internal Revenue Code of 1986, as amended, and the Treasury regulations promulgated thereunder.

5.04 The assets of the Site Trust, including the Site Trust Real Property transferred pursuant to Section 5.02 and the funds and proceeds of the Site Trust Annuity transferred pursuant to Section 5.05, shall be used for compliance with the Permit, including, Closure and Post-Closure Care of the Pinewood Facility, and such other uses allowed by the Site Trust Agreement.

5.05 Pinewood agrees to provide funding to the Site Trust in the following forms and amounts; provided that such amounts shall be subject to adjustment pursuant to Section 5.11:

(a) Upon the Effective Date, Pinewood shall transfer to the Site Trust the following amount: Thirteen Million, One Hundred Sixty Two Thousand, Seven Hundred Sixty Eight Dollars (\$13,162,768).

(b) As promptly as practicable after the Effective Date, and no later than thirty (30) calendar days following the Effective Date, Pinewood will transfer to the Site

Trust the ownership of a single-payment, fully paid guaranteed annuity with a financial institution with a Moody's rating of Aaa or higher, and a Standard and Poors rating of AA+ or higher with a payout schedule providing for annual payments to the Site Trust in accordance with the schedule attached hereto as Exhibit C. Such annuity shall be separately guaranteed by another financial institution with at least Fifty Billion Dollars (\$50 billion) in assets. Within fourteen (14) calendar days following the execution of this Settlement Agreement, Pinewood shall provide DHEC a copy of the annuity proposed to be purchased under this Section.

(c) It is the express intent of the parties that any income received by the Site Trust from the Site Trust Annuity or on any of its other investments is income generated for the benefit of the Site Trust's sole beneficiary, DHEC, and should therefore be excluded from gross income and not be subject to federal income tax pursuant to the provisions of Section 115 of the Internal Revenue Code and other applicable legal principles.

5.06 DHEC agrees that the ownership by the Site Trust of the funds to be paid pursuant to Section 5.05(a) and the Site Trust Annuity shall satisfy in full the Site Trust's financial assurance obligations for closure and post-closure care of the Pinewood Facility under DHEC Hazardous Waste Management Regulation R.61-79.264, under the Permit, and under the South Carolina Hazardous Waste Management Act.

5.07 The Site Trust Agreement shall require the Site Trustee to provide DHEC and its representatives, including its contractors, access at all reasonable times to the Pinewood Facility. In addition, DHEC retains all of its access authority and rights under applicable law.

5.08 Provided that Pinewood has given DHEC its written request that the provisions of this Section 5.08 shall become effective, as of the Funding Completion Date, DHEC shall be deemed to have released and consented to the termination of the Frontier Bonds and DHEC shall, within fourteen (14) calendar days following the Funding Completion Date, notify Frontier in writing that such financial assurance is released and no longer required. DHEC shall execute such other documentation as Pinewood may reasonably request to verify this release and termination.

5.09 Upon and after the Funding Completion Date, Safety-Kleen shall have no obligation to provide financial assurance coverage at the Pinewood Facility and shall have no liability for Closure and Post-Closure Care; and nothing herein, including this sentence, shall be deemed to admit, imply or suggest that any Debtor other than Pinewood has ever had any such obligation or liability.

5.10 The Site Trust Agreement shall authorize and require the Site Trustee to grant DHEC a security interest in the Site Trust Fund and Site Trust Annuity as of the Effective Date.

5.11 The amount of the cash payments required to be contributed pursuant to Section 5.05(a) and/or the amounts of the annual payments to be made under the Site Trust Annuity as set forth in Exhibit C (collectively, the "Funding Amounts") shall be subject to adjustment prior to the Effective Date as set forth in subsections (a) and (b) below:

(a) Adjustments.

1. The Funding Amounts shall be increased in an amount equal to a reasonable estimate of the sum (reflecting present value) of (i) the aggregate amount to be paid to the Site Trustee as compensation over the life of the Site

Trust and (ii) the aggregate amount necessary to procure insurance for the Site Trust, in each case pursuant to the terms of the Site Trust Agreement (including compensation terms that may be negotiated with the Site Trustee after the execution of this Agreement).

2. The Funding Amounts shall be decreased in an amount equal to the sum of (i) in the case of work completed by Pinewood prior to the Effective Date with respect to Closure and Post-Closure Care of the Pinewood Facility, the amount of costs and expenses budgeted in the Closure and Post-Closure Care Plan for such work and (ii) in the case of work begun by Pinewood, but still in progress, prior to the Effective Date, an appropriate amount consistent with the budget in the Closure and Post-Closure Care Plan reflecting the work that has been completed as of the Effective Date. With respect to work that Pinewood completes prior to the Effective Date, Safety-Kleen may, in its discretion, submit periodic statements to DHEC of the proposed adjustments to the Funding Amounts arising out of such work. DHEC shall respond in writing within thirty (30) calendar days following its receipt of any such statement as to whether it accepts such adjustments. To the extent that DHEC accepts any such adjustments, it shall be precluded from disputing such adjustments under 5.11(b).

(b) Adjustment Amounts and Procedures. Pinewood shall determine the amount of increase or decrease to be made to the Funding Amounts and in what manner to allocate such increase or decrease among the Section 5.05(a) cash payment and the Site Trust Annuity annual payments. Pinewood shall provide DHEC a written description setting forth its calculation of and basis for such increase or decrease and allocation of such amount, which shall be subject to DHEC's approval. In the event that

the parties have a dispute regarding the amount of any adjustment to be made pursuant to Section 5.11(a)(2), such dispute shall be resolved as follows:

1. If the difference between the adjustment proposed by Pinewood and the adjustment proposed by DHEC is greater than One and One-Half Million Dollars (\$1.5 million), then at DHEC's option, exercised by written notice delivered to Pinewood, this Settlement Agreement shall be null and void, shall not be admissible in any pending or subsequent proceeding and the parties reserve all their rights with respect to the pending claims before the Bankruptcy Court and any other claims between the parties. If DHEC does not exercise its option pursuant to the preceding sentence, then the parties shall resolve the dispute in accordance with Section 5.11(b)(2) below.

2. If the difference between the adjustment proposed by Pinewood and the adjustment proposed by DHEC is less than or equal to One and One-Half Million Dollars (\$1.5 million), then the parties shall submit to binding arbitration, on the sole issue of the difference of the adjustment amounts, under and subject to the commercial Arbitration Rules of the American Arbitration Association ("AAA") then in effect. The arbitration shall be before one arbitrator, who shall be independent from the parties, chosen by the parties from among AAA's Panel of Commercial Arbitrators within seven (7) calendar days of the first filing before the AAA. If the parties cannot agree on an arbitrator, one shall be appointed by the AAA. The parties agree that the decision of the arbitrator shall be enforceable in any court.

(c) Notwithstanding Section 5.11(a)(1), in the event the sum of (i) the amount required by Section 5.11(a)(1) to be added to the cash payment to be contributed

pursuant to Section 5.05(a), and (ii) the increase in the purchase price of the Site Trust Annuity necessitated by the adjustments required by Section 5.11(a)(1) to the annual payments to be made under the Site Trust Annuity, exceeds One and One-Half Million Dollars (\$1.5 million) (reflecting present value), Pinewood shall notify DHEC in writing as to whether Pinewood shall make the full adjustment required by Section 5.11(a)(1). In the event Pinewood is not willing to make the full adjustment, this Settlement Agreement shall be null and void, shall not be admissible in any pending or subsequent proceeding and the parties reserve all their rights with respect to the pending claims before the Bankruptcy Court and any other claims between the parties.

SECTION 6

NEW ENVIRONMENTAL IMPAIRMENT TRUST FUND

6.01 The parties agree to the creation of the New Environmental Impairment Trust Fund pursuant to the terms of the New Environmental Impairment Trust Fund Agreement. As promptly as practicable following the execution of this Settlement Agreement, Pinewood shall recommend a person to serve as the trustee under the New Environmental Impairment Trust Fund Agreement, subject to the approval of DHEC. The parties shall execute the New Environmental Impairment Trust Fund Agreement, which shall be substantially in the form attached hereto as Exhibit D, upon the Effective Date of this Settlement Agreement. The funds in the New Environmental Impairment Trust Fund shall be for the sole benefit of DHEC and shall be used to pay for the costs of (i) clean-up; (ii) restoration of environmental impairment and (iii) addressing other environmental concerns, in each case, associated with the Pinewood Facility.

6.02 It is the express intent of the parties that the New Environmental Impairment Trust Fund shall be a Qualified Settlement Fund within the meaning of Section 468B of the Internal Revenue Code and the Treasury regulations promulgated thereunder.

6.03 The New Environmental Impairment Trust Fund shall be funded as follows:

(a) Pursuant to the terms of the New Environmental Impairment Trust Fund Agreement, the parties shall take all steps necessary to effect the transfer of all funds within the GSX Contribution Trust Fund to the New Environmental Impairment Trust Fund. Simultaneously with such transfer, the GSX Contribution Trust Fund and the GSX Contribution Trust Fund Agreement shall be deemed terminated and the GSX Contribution Trust Fund Agreement shall have no further force or effect and no party thereto shall have any further rights, obligations or liabilities thereunder. It is the parties' intention that the New Environmental Impairment Trust Fund Agreement shall replace and supercede the GSX Contribution Trust Fund Agreement in every way.

(b) Upon the Effective Date, Pinewood shall pay an additional Fourteen and One-Half Million Dollars (\$14.5 million) to the New Environmental Impairment Trust Fund.

6.04 It is the express intent of the parties that any income generated by the New Environmental Impairment Trust Fund will be for the benefit of the New Environmental Impairment Trust Fund's sole beneficiary, DHEC, and therefore will be income excluded from gross income and not subject to federal income tax in accordance with Section 115 of the Internal Revenue Code and other applicable legal principles. In the event that any

such income is determined to be gross income that is subject to federal income tax, any tax due shall be paid by the New Environmental Impairment Trust Fund.

6.05 Provided that Pinewood has given DHEC its written request that the provisions of this Section 6.05 shall become effective, as of the Funding Completion Date, DHEC shall be deemed to have released and consented to the termination or cancellation of each of the following insurance policies, surety bonds or other financial instruments or mechanisms providing coverage with respect to the Pinewood Facility; provided, however, that such termination or cancellation shall not affect coverage for claims that have accrued or arisen prior to such termination or cancellation: Policy Nos. NTL 1632416; 8193628; NTL 1632417; PEC000554401. Within fourteen (14) calendar days following the Funding Completion Date, DHEC shall notify Pinewood and its insurers (Reliance Insurance Company of Illinois, American International Specialty Lines Insurance Company, and Greenwich Insurance Company) in writing that the coverage is released and no longer required. DHEC shall execute such other documentation as Pinewood may reasonably request to verify this release and termination.

6.06 As of and after the Funding Completion Date, Safety-Kleen shall have no obligation to provide insurance coverage at the Pinewood Facility and shall have no liability for any occurrences or environmental impairment at the Pinewood Facility; and nothing herein, including this sentence, shall be deemed to admit, imply or suggest that any Debtor other than Pinewood has ever had any such obligation or liability.

6.07 DHEC agrees that it shall rely in the first instance upon and utilize the funds contributed to the New Environmental Impairment Trust Fund pursuant to Section 6.03(b) and any interest accrued thereon (less any allocated taxes and expenses) for the payment of any and all costs of clean-up and restoration of environmental impairment at

the Pinewood Facility. DHEC shall not bring any legal claims against any third party for the payment of such costs until the full amount of the payment pursuant to Section 6.03(b) (including any interest earned thereon, less any allocated taxes and expenses) has been committed, allocated, budgeted or expended for the purposes described in the preceding sentence.

SECTION 7

ALLOWANCE OF CLAIMS

7.01 DHEC filed claims pursuant to the bar date of December 6, 2000, established by the Bankruptcy Order of August 11, 2000. The claims for the closure, post-closure, and third party liability and the Frontier Bonds for the Pinewood Facility, Trumbull numbers 16049, 16050, 16051, and 16052, shall be deemed withdrawn with prejudice as of the Funding Completion Date, as are all applications for administrative expenses filed with respect thereto. The claims for the GSX Contribution Trust Fund and the environmental cleanup claim for the Pinewood Facility, Trumbull numbers 16108, 16109, 16110, and 16098, shall be deemed withdrawn with prejudice as of the Funding Completion Date, as are all applications for administrative expenses filed with respect thereto.

7.02 Pursuant to the Consent Order 02-22-HW, a general unsecured claim in the amount of Twenty Four Thousand, Six Hundred Dollars (\$24,600) shall be allowed against Pinewood.

7.03 Other claims filed by DHEC, which have been resolved by agreement of the parties, are described in Exhibit G. Each such claim shall be deemed allowed as of

the Effective Date against the particular Debtor listed in Exhibit G, in the amount listed in Exhibit G.

7.04 The parties reserve all of their rights with respect to the Hollis Road Claim.

7.05 The proofs of claim filed by DHEC having Trumbull numbers 16095, 16096 and 16097 shall be deemed withdrawn with prejudice as of the Funding Completion Date as are applications for administrative expenses filed with respect thereto.

SECTION 8

RELEASE; COVENANT NOT TO SUE; DISMISSAL OF PENDING LITIGATION; PRESERVATION OF CLAIMS

8.01 Upon the Funding Completion Date, the following liability of Safety-Kleen to DHEC shall be released and deemed satisfied, and DHEC covenants not to sue or take any other civil judicial or administrative claim or action against Safety-Kleen with respect to the following matters: (a) any and all liability of any kind, in law or in equity, whether or not pending, contingent or quantifiable, relating to the Pinewood Facility, including, without limitation any and all liability (i) for Closure and Post-Closure Care of the Pinewood Facility, (ii) with respect to the establishment and funding of an environmental impairment trust fund, (iii) with respect to response costs of DHEC or natural resource damages incurred at or from the Pinewood Facility, and (iv) for civil or administrative penalties for any alleged violations occurring prior to the Effective Date; and (b) any and all liability of any kind, in law or in equity, whether or not pending, contingent or quantifiable, with respect to conditions or conduct known to DHEC as of the date of the execution of this Settlement Agreement. The release and covenant not to

sue in the foregoing sentence shall not apply to the Hollis Road Claim or any liability arising from activities or conduct by Safety-Kleen that takes place after the Effective Date, or the rights of DHEC to pursue claims or actions against Safety-Kleen to enforce the terms of this Settlement Agreement. Notwithstanding the foregoing release and covenant not to sue in this Section 8.01, DHEC shall have the right to file an administrative expense claim or to take any other appropriate action with respect to any violation of law by Safety-Kleen arising during the period commencing on the date of the execution of this Agreement and ending on the Effective Date other than any alleged violation of law relating to the provision of financial assurances at the Pinewood Facility. Nothing in this Section 8.01 shall be deemed to limit in any manner the effect of any discharge received by Safety-Kleen as a result of the confirmation of the Plan of Reorganization.

8.02 The release, satisfaction and covenant not to sue provisions contained in the preceding Section 8.01 shall also apply to the present and past officers, directors, agents and employees of Safety-Kleen (but only to the extent that such parties' liability arises out of their capacity as present or past officers, directors, agents or employees of Safety-Kleen).

8.03 Upon the Funding Completion Date, DHEC covenants not to sue or take any other civil judicial or administrative claim or action against the Pinewood Property Prior Owner, arising from or relating to the Pinewood Facility, including, without limitation, claims under Environmental Laws; provided, however that the foregoing covenant not to sue shall not apply to any liability arising from activities or conduct by the Pinewood Property Prior Owner that take place after the Effective Date and provided further that the foregoing covenant not to sue shall become null and void if the Pinewood

Property Prior Owner has not transferred the real property listed in Part II of Exhibit B hereto to either Pinewood or the Site Trust as of or prior to the Funding Completion Date.

8.04 Within thirty (30) calendar days following the Funding Completion Date, the parties agree to dismiss with prejudice any pending judicial or administrative litigation between them, except litigation with respect to the Hollis Road Claim. This includes each of the actions or proceedings listed on Exhibit E hereto.

8.05 Safety-Kleen shall have received no later than fourteen (14) calendar days following the execution of this Settlement Agreement, duly signed and executed releases and agreements to dismiss, in the form attached hereto as Exhibit F, from the following parties: the South Carolina Department of Natural Resources, the South Carolina Public Service Authority (also known as Santee Cooper); Sierra Club; and Phil P. Leventis (collectively, the "Releasing Parties"). The release and agreement to dismiss shall provide, in consideration for all of Safety-Kleen's undertakings and agreements under this Settlement Agreement, for the Releasing Parties' release of, and covenant not to sue, Safety-Kleen or any of its past and present officers, directors, agents, or employees, or the Pinewood Property Prior Owner, for any claims or matters, in law or equity, whether or not pending, contingent or quantifiable, arising from or relating to the Pinewood Facility, including, without limitation, any claims under Environmental Laws. It shall also provide for the withdrawal with prejudice of any proof of claim filed by the Releasing Parties in the Bankruptcy Proceedings, and the dismissal with prejudice of the Releasing Parties' claims in any pending judicial or administrative proceeding filed by any Releasing Parties against Safety-Kleen. The release and the withdrawal of any proof of claim shall not become effective until the Funding Completion Date; provided that if the requirements of Sections 5.02, 5.05 and 6.03 are not satisfied, the release and the

withdrawal of any proof of claim shall become null and void. In the event that Safety-Kleen is not timely provided with one or more of the executed forms referred to above, at Safety-Kleen's option, Safety-Kleen shall have the right to (a) withdraw its approval of this Settlement Agreement and any request for approval of this Settlement Agreement from consideration of the Bankruptcy Court and DHEC shall consent to such withdrawal or (b) inform DHEC and the Bankruptcy Court of Safety-Kleen's intent to proceed with the Settlement Agreement notwithstanding the requirements of this Section 8.05. In the event that Safety-Kleen chooses to withdraw its approval of the Settlement Agreement, then this Settlement Agreement shall be null and void, shall not be admissible in any pending or subsequent proceeding and the parties reserve all their rights with respect to the pending claims before the Bankruptcy Court and any other claims between the parties.

8.06 DHEC and Safety-Kleen do not release and expressly reserve all claims, demands and causes of action either judicial or administrative, past or future, in law or equity, which DHEC or Safety-Kleen may have against any person, firm, corporation, or other entity not expressly released pursuant to this Settlement Agreement. Nothing in this Settlement Agreement shall be construed as or result in a release of any claims that DHEC or Safety-Kleen have against any person, firm, corporation, or other entity not expressly released pursuant to this Settlement Agreement.

8.07 Safety-Kleen shall have or retain all rights under federal and state statutory or common law to seek contribution or indemnification against, or protection from contribution or indemnification claims of, any and all other parties or entities not parties to this Settlement Agreement.

8.08 In the event that Safety-Kleen files suit against DHEC and/or a Releasing Party(ies), or their respective employees and agents, in contravention of Section 9.01 of this Settlement Agreement, then Sections 8.01 and 8.03 (in the case of a suit against DHEC or its employees and agents) and/or the release and withdrawal of claims with prejudice executed and delivered pursuant to Section 8.05 (in the case of a suit against a Releasing Party or its employees and agents), shall be null and void.

SECTION 9

WAIVER OF CLAIMS

9.01 In consideration of the entry of this Settlement Agreement, Safety-Kleen (and its officers, directors, agents and employees) release and covenant not to sue or take any other civil judicial or administrative claim or action against DHEC, any Releasing Party who has executed and delivered a release to Safety-Kleen in accordance with Section 8.05, or their respective employees and agents on any claim, counterclaim, or cause of action with respect to the Pinewood Facility, or for claims, counterclaims, or causes of action known by Safety-Kleen at the time of the execution of the Settlement Agreement, other than any claim or action to enforce the terms of this Settlement Agreement. The release and covenant not to sue in the foregoing sentence shall not apply to any liability arising from activities or conduct by DHEC or any such Releasing Party that takes place after the Effective Date. In the event that DHEC or any such Releasing Party files suit against Safety-Kleen (or its officers, directors, agents and employees) in contravention of Section 8 of this Settlement Agreement or such Releasing Party's release, as the case may be, this Section 9.01 shall be null and void as to the party filing such suit.

SECTION 10

TRANSFER OF LAIDLAW CLAIMS

10.01 Upon the Funding Completion Date, DHEC shall assign and transfer to Pinewood or its designee any and all claims that DHEC may have against Laidlaw, Inc. or any of its subsidiaries or affiliates. DHEC agrees to cooperate in all reasonable ways with Pinewood or its designee in its pursuit of any such assigned and transferred claims, and to complete and execute any documents that may be necessary to effectuate such assignment and transfer.

SECTION 11

RETENTION OF JURISDICTION

11.01 The Bankruptcy Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Settlement Agreement, or resolving any disputes arising hereunder until the Bankruptcy Proceedings are closed; provided, however, that nothing herein shall be deemed to prevent any party from seeking to reopen the Bankruptcy Proceedings to resolve a dispute under this Settlement Agreement. Enforcement of the terms of and resolution of any disputes under the Site Trust Agreement or the New Environmental Impairment Trust Fund Agreement, respectively, that do not involve Safety-Kleen as a party, shall not be considered disputes under this Settlement Agreement and shall be resolved in accordance with the terms of each such agreement.

SECTION 12

GENERAL MATTERS

12.01 This Settlement Agreement has been drafted jointly by counsel for all parties to the Settlement Agreement. The parties agree that the Settlement Agreement shall not be construed against any individual party as the drafter of the Agreement.

12.02 This Settlement Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior written and oral agreements, understandings and negotiations. All Exhibits hereto are deemed part of this Settlement Agreement and are incorporated herein and made a part hereof. The headings of this Settlement Agreement are for reference only and shall not be deemed to form part of the text or be used in the construction or interpretation of this Settlement Agreement.

12.03 No amendment, modification, or waiver of this Settlement Agreement shall be effective unless set forth in a written instrument executed by a duly authorized representative of each of the parties hereto and approved by the Bankruptcy Court. This provision shall not apply to the amendment, modification, or waiver of the Site Trust Agreement or the New Environmental Impairment Trust Fund Agreement, each of which may be amended, modified or waived in accordance with its terms.

12.04 Any notices or other correspondence required pursuant to this Settlement Agreement shall be sent to the following addresses and shall be sent by hand, certified mail (return receipt requested) or overnight express or courier service and shall be deemed given (i) at the time delivered, if by hand or (ii) at the time delivered to the courier service, if by overnight express. Written notice as specified herein sent to the last address provided to the sender hereunder shall constitute complete satisfaction of any written notice requirement of this Settlement Agreement.

1 AS TO SAFETY-KLEEN:

**Safety-Kleen
General Counsel
1301 Gervais Street
Columbia, S.C. 29201**

With a copy to be sent to the following address of any notice or other correspondence sent to Safety-Kleen prior to the first anniversary of the Effective Date:

**Arnold & Porter
Thomas H. Milch
555 12th Street N.W.
Washington, DC 20004**

2 AS TO DHEC:

**South Carolina Department of Health and Environmental Control
Deputy Commissioner for Environmental Quality Control
2600 Bull Street
Columbia, South Carolina 29201**

With a copy to be sent to the following address of any notice or other correspondence sent to DHEC prior to the first anniversary of the Effective Date:

**South Carolina Department of Health and Environmental Control
E. Katherine Wells
Office of General Counsel
2600 Bull Street
Columbia, South Carolina 29201**

The persons identified in this Section for receipt of notices and correspondence may be changed upon written notice to the other parties.

12.05 This Settlement Agreement is binding upon and shall inure to the benefit of the parties hereto and their successors, assigns, receivers, and subsidiaries.

12.06 This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, but which, when taken together, shall constitute one and the same instrument.

12.07 This Settlement Agreement is being entered into by the parties as a result of a compromise and with the intention to avoid further disputes and litigation between the parties and their attendant inconvenience and expense. Accordingly, nothing in this Settlement Agreement shall be construed or deemed as an admission or acknowledgment by any party of the existence or nonexistence of any violation, culpability, fault, liability or wrongdoing whatsoever.

12.08 The parties to this Settlement Agreement agree to cooperate with one another to effectuate the Settlement Agreement and to take or perform all reasonable steps and acts necessary or appropriate to implement the Settlement Agreement in accordance with its terms.

12.09 The payments required to be made under Sections 5.05(a) and 6.03(b) shall be made in U.S. dollars, either by wire transfer of immediately available funds to the bank account or accounts specified by the recipient or by certified or cashier's check payable to the recipient. Safety-Klecn hereby guarantees the payments required to be made under Sections 5.05(a) and 6.03(b) and the obligation of Pinewood to transfer the Site Trust Annuity pursuant to Section 5.05(b) and shall make such payments and/or satisfy such obligation if Pinewood timely fails to do so.

12.10 All transfers of real and personal property and cash made pursuant to this Settlement Agreement shall be made free and clear of liens, encumbrances and other interests in accordance with Section 363(f) of the Bankruptcy Code and shall not be subject to any transfer taxes in accordance with Section 1146(c) of the Bankruptcy Code.

FOR SAFETY-KLEEN(FIREWOOD), INC:

By: Daniel M. Sunkle
Title: President of Safety-Kleen
Date: 10/15/02

FOR SAFETY-KLEEN CORP. and other Safety-Kleen entities other than Safety-Kleen
(Firewood), Inc.

By: Jack K. Lehn
Title: General Counsel
Date: 10/15/02

FOR DEBC:

By: R. Louis Shaw
Title: Deputy Commissioner
Date: 10/15/02

SO ORDERED:
United States Bankruptcy Judge

[Signature]

Aug 1, 2003