

**T** *RADITION*  
*AND*  
*COMMITMENT*

1988

Annual

Report



OHM Corporation

## TABLE OF CONTENTS

Letter to Shareholders	4
Operations Review	6
Corporate Facilities	20
Quarterly Financial Information	21
Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Consolidated Financial Statements and Notes	24
Five-Year Financial Summary	35
Directors and Officers	36

## FINANCIAL HIGHLIGHTS

*(In Thousands, Except Per Share Data)*

Years Ended December 31	1988	1987	1986	1985	1984
Gross Revenues	\$171,024	\$137,027	\$101,420	\$82,790	\$55,786
Net Revenues	131,913	98,432	76,289	67,062	45,804
Operating Income	17,289	5,637	9,367	10,441	6,594
Income Before Extraordinary Credit	7,885	2,418	2,509	5,401	3,251
Net Income	7,885	2,418	2,785	7,014	3,411
Net Income Per Share	0.64	0.20	0.23	0.61	0.36
Total Assets	168,439	122,409	114,394	58,312	32,279
Stockholders' Equity	51,079	36,970	34,677	28,933	12,001

**T**hat we live in a very small world is often easy to overlook, but events sometimes have a way of reminding us of that fact with alarming impact.

A near-forgotten landfill is suddenly discovered to be leaking a highly toxic substance. An industrial accident threatens the water supply of thousands or even millions of people. Or we learn how a common, everyday product that we've come to take for granted is creating serious environmental hazards in its manufacture, use or disposal.

To each generation falls new and different challenges. Ever since we've become an industrialized society, potentially hazardous wastes have been an inevitable by-product of our growth, our standard of living, our very way of life.

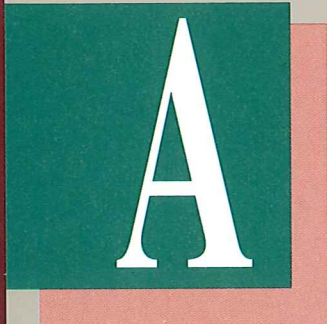
And for decades, we've been able to postpone the consequences of these materials by simply putting them somewhere else, to worry about some other day.

Now, some other day has come.

And the answers lie not in rhetoric, but in the rational assessment of the risks we face, and in realistic, reasonable, and results-oriented solutions to these very real problems.

It is to this challenge and to this generation of Americans in both the public and private sectors, who together will confront and conquer it, that we have dedicated this annual report and our company.





*TRADITION  
OF  
LEADERSHIP*

**To Our Shareholders:**

From a financial standpoint, we're pleased with our operating results for 1988, with net revenues reaching a record \$131,913,000, a 34% increase over 1987. More gratifying was that our 1988 net income of \$7,885,000, or \$.64 per share, is three times our 1987 earnings. These results reflect the significant improvements we have made in our management, organization and operational systems as well as the dedication and commitment of our employees and the support of their families.

The numbers alone, however, tell only a small part of our story, as we continued to aggressively move forward to not only capitalize on current opportunities, but to provide the basis for exciting new growth opportunities in the years ahead.

Some of the noteworthy accomplishments and achievements of 1988 include:

- The Environmental Protection Agency granted a national operating permit for our mobile infrared hazardous waste incinerator under the Toxic Substances Control Act of 1976, the only mobile incinerator of its type currently permitted.
- Our historic leadership position in the field of emergency response was highlighted in early 1988 when our company was called upon to manage the Ashland Petroleum spill in Pittsburgh. Under extremely adverse conditions, including sub-zero temperatures and unusually high water, OHM's outstanding performance received praise from client management and federal officials alike.
- Our Analytical and Data Management operations showed consistent performance improvement throughout the year, reflecting the strengthening of our laboratory network capabilities.
- The EPA granted extensions of our ERCS contracts for emergency response and remediation services throughout 21 states, the District of Columbia, Puerto Rico and the Virgin Islands. These contracts represent potential revenue of \$44.5 million in 1989, and extensions in the next two years, if granted, would provide an additional \$92.8 million in potential revenue.

At the same time, through our long-range program of responding to the evolving needs of our clients by a combination of internal development and selective acquisitions, we continued to extend both the scope and depth of our on-site remediation services in several key areas:

- Recognizing the growing needs of our clients for integrated, single-source service, we greatly expanded our engineering and design capabilities with the creation of the Engineered Projects and Technology group, staffed with solid, experienced professionals in the environmental engineering disciplines. The formation of this group greatly enhances the ability of our company to effectively participate in larger, technically complex remediation projects.
- We acquired National Surface Cleaning, Inc., a Boston-based asbestos abatement company. NSC brings us an experienced management team, a solid reputation, and the capability to satisfy the increasing demand for this service from our existing client base.



Ultimately, however, this nation's hazardous waste problems must be dealt with by the innovative application of both new and existing technologies to minimize, detoxify, stabilize or reclaim hazardous materials produced in ongoing manufacturing processes. In 1988, we affirmed our commitment to be a leader in this field as well:

- In June, we acquired Solvent Processors and Reclaimers, Inc., (SPaR), a developing company with a unique mobile treatment technology for re-processing and reclaiming a wide range of spent solvents and other wastes at the point of origin.
- In December, we entered the fixed-base treatment field with the acquisition of a facility near Atlanta, Georgia, for the treatment and recycling of both organic and inorganic solids and liquids.
- We are continuing to seek new opportunities to expand our capabilities and our presence in this segment of the business, as we foresee a growing demand for sound, cost-effective waste minimization, recycling and recovery of wastes.

Each of these activities will be discussed in greater detail later in this report. I would, however, like to call attention to one other notable event. In November, we elected William E. Swales to our Board of Directors. Former president of Marathon Oil Company and currently Vice Chairman-Energy of USX Corporation, Mr. Swales brings a valuable insight and a wealth of practical experience to our Board.

As we look ahead to 1989 and beyond, we enter our third decade in the environmental services industry as a stronger company than ever before, and with a new name — OHM Corporation — that is recognized for the rich tradition and legacy that has brought us to where we are today.

It was 20 years ago that O.H. Materials Corp. was originally formed, and the company quickly became a recognized leader in its field.

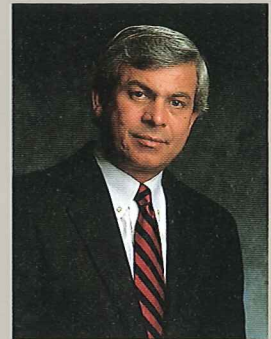
We began as a service business. We grew and prospered and gained a nationwide reputation for excellence because clients knew they could depend on us to get the job done — efficiently, safely and cost-effectively.

Through the years, the needs of our clients have changed and evolved to become increasingly complex and sophisticated, and we as a company have grown and evolved with these needs. As a service business, our continuing growth and success is based on providing high standards of performance for our clients — both public and private — with the safest, most efficient and most effective solutions to their environmental needs.

Today, more than ever before in our history, we as a nation are accepting our responsibility to the world in which we live, and OHM Corporation is committed to leading the way in meeting this challenge.



James L. Kirk  
Chairman, President and Chief Executive Officer



## A

*That we have serious environmental issues to deal with is no longer a question for political debate. The fact that, in the last presidential election, both candidates made the environment a major issue of their campaigns simply underscores the growing public awareness of the significance of these problems.*



A number of specific events in 1988 will have a profound impact on the environmental industry in the years ahead:

■ July 1, 1988, was the first major reporting deadline for emissions regulated by the Superfund Amendments and Reauthorization Act of 1986 (SARA). Under this legislation, over 17,000 industrial facilities reported emissions of over 325 toxic chemicals. This not only provides a basis for expanded future regulatory enforcement, but has also created, through increased public awareness, pressure for these industries to implement waste reduction and minimization technologies.

■ Revelations of serious environmental hazards at the nation's DOD and DOE production facilities seem likely to result in massive corrective measures involving a wide range of both radioactive and chemical contaminants.

■ The extension of the Resource Conservation and Recovery Act (RCRA) land disposal ban regulations to include the "first third" of the EPA's hazardous materials list — which includes many common industrial solvents and by-products — means that these materials now require some form of processing or treatment prior to landfill disposal. This

year, the land ban will be extended to the second third, with the final third being implemented in 1990.

On an immediate basis, these regulations offer significant opportunities for the application of our technologies and increased demand for analytical and data management, on-site remediation, and recycling, recovery and waste minimization services.

Perhaps more important, though, are the long-term implications of these regulations. Present methods of disposing of untreated industrial wastes through indiscriminate landfill dumping are either being banned entirely or subjected to additional restrictions and processing requirements.

Many new proposals seem to set the stage for further, more aggressive actions in the months and years ahead:

■ An underground storage tank program proposed by the EPA last year would affect over 2 million leaking underground storage tanks at over 75,000 facilities nationwide. The proposal specifies the standards for the detection, inspection and cleanup of these tanks.

■ The EPA also proposed additional municipal solid waste landfill regulations that set minimum technology standards, increase ground-water monitoring requirements and provide for corrective actions at leaking facilities. These regulations would affect over 6,000 municipal solid waste landfills.

■ The EPA proposed the National Contingency Plan to establish regulations for the implementation of NPL site cleanups, which would greatly accelerate the implementation of state regulations.

■ Some form of environmental requirements affecting the transfer of commercial real property are now in effect in 25 states. While this results in a great demand for analytical and testing services, this process is also expediting a growing amount of remediation work, from asbestos abatement in office buildings to the decontamination of major industrial facilities. Even in those states without such legislation, a growing number of buyers, lawyers and financial institutions are implementing environmental safeguards to protect themselves from future liabilities associated with such transactions.

While governmental activity continues to provide the major impetus for environmental action by levying penalties and forcing settlements, there is also a growing acceptance of environmental responsibilities — and potential liabilities — among the nation's businesses. One leading U.S. firm, for example, recently announced that it will establish a \$30 million reserve for hazardous waste cleanup at eleven facilities.

We believe that public pressure will force companies to make financial commitments to remediate existing environmental hazards and reduce future hazards through better management of wastes as they are produced.

*Present methods of disposing of untreated industrial wastes through indiscriminate landfill dumping are either being banned entirely or subjected to additional restrictions and processing requirements.*

*OHM Corporation is dedicated to providing its clients a single source for integrated environmental services that combines sophisticated analytical, data management and engineering expertise with two decades of experience in solving environmental problems.*





The magnitude of the existing environmental hazards is enormous, and the solutions are complex and costly, but the issues now are no longer whether we will act to remedy these problems, but how soon.

Meeting these needs efficiently and cost-effectively demands not only a thorough understanding of every aspect of the problem, but practical experience with a wide range of prospective solutions as well — capabilities that few firms today possess.

With 20 years experience in the environmental services field, OHM Corporation has pioneered the development of many of the techniques and technologies that have become standards for the industry.

More importantly, we have created an organization consisting of 1,882 employees dedicated to the sole purpose of serving the environmental needs of our clients, present and future. OHM Corporation is a planned combination of the capabilities and resources required to meet today's needs, with a continuing investment in the engineering, development, and commercialization of technologies that will sustain our leadership in the years to come.

OHM Corporation is dedicated to providing its clients a single source for integrated environmental services that combines sophisticated analytical, data management and engineering expertise with two decades of experience in solving environmental problems:

■ *to identify, analyze and evaluate environmental risks;*

■ *to design and coordinate practical, cost-effective solutions to environmental hazards;*

■ *to manage and perform systematic on-site remedial action programs safely, efficiently and cost-effectively; and*

■ *to develop and commercialize advanced technologies to minimize or eliminate hazardous wastes as they're produced.*



## Glossary of Terms

**CERCLA:** Comprehensive Environmental Responsibility, Compensation and Liability Act (1976); also **Superfund:** Federal law creating joint and several liability for generators, transporters and disposers of hazardous waste.

**CWA:** Clean Water Act of 1972; federal law regulating the discharge of pollutants into surface waters.

**ECRA:** The 1983 State of New Jersey Environmental Cleanup and Responsibility Act requires that all commercial properties be investigated and hazardous wastes remediated before property transfers.

**HSWA:** Hazardous and Solid Waste Amendments; 1984 amendments to RCRA establishing a timetable for landfill disposal bans.

**In situ:** Treatment of contaminated areas without excavation removal.

**NPL:** National Priorities List; official list of hazardous waste sites determined through application of the hazard ranking system as necessary to be addressed by SARA.

**PCB:** Polychlorinated biphenyl; a compound used as a heat-transfer agent; regulated under the Toxic Substances Control Act and subject to RCRA land disposal bans.

**RCRA:** Resource Conservation and Recovery Act (1980); regulates management and disposal of hazardous wastes currently being generated, treated, stored, disposed or distributed; the so-called cradle-to-grave system for hazardous waste management.

**RI/FS:** Remedial Investigation and Feasibility Study; an EPA, state or private party investigation at a hazardous waste site to assess contamination and actual and potential releases.

**SARA:** Superfund Amendments and Reauthorization Act (1986); the federal 5-year reauthorization and expansion of the jurisdiction of CERCLA.

**SARA Title III:** A new section added to SARA in 1986 mandating public disclosure of chemical information and development of emergency response plans.

**TSCA:** The Toxic Substances Control Act of 1976; empowered EPA to gather data on and regulate chemical substances imminently hazardous or presenting an unreasonable risk of injury to the public or the environment.

*...TO IDENTIFY,  
ANALYZE AND  
EVALUATE  
ENVIRONMENTAL  
RISKS*

Environmental Testing and Certification Corp., OHM Corporation's analytical and data management group, provides not only the careful scientific analysis of hazardous wastes, but brings to this service a host of advanced and highly specialized capabilities that have established us as a leader in the industry.

With a nationwide network of six fixed-base laboratories, the analytical and data management group encompasses a broad range of capabilities and facilities. Each of our laboratories is equipped with the most advanced analytical instrumentation available, and all procedures are performed in accordance with EPA and appropriate state procedures. All of these laboratories have been created to comply with RCRA, CERCLA, CWA, TSCA and ECRA requirements.

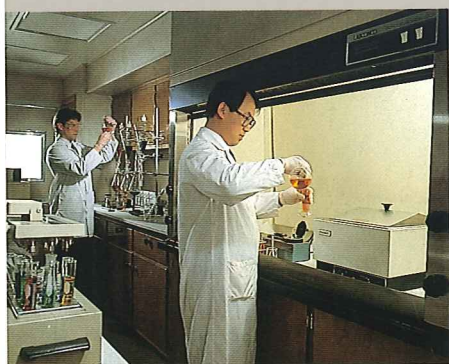
At the same time, we are taking advantage of the unique expertise and capabilities of each individual lab to provide a far broader range of services ranging from the support of remediation projects to performing major site assessments. Often, these reflect specialized areas of expertise specific to a particular region or industry. Through our analytical network, a client with multiple, nationwide locations can utilize a single source for consistent, high-quality analytical and data management services, yet still have the full support of specialists in the unique problems of each region.

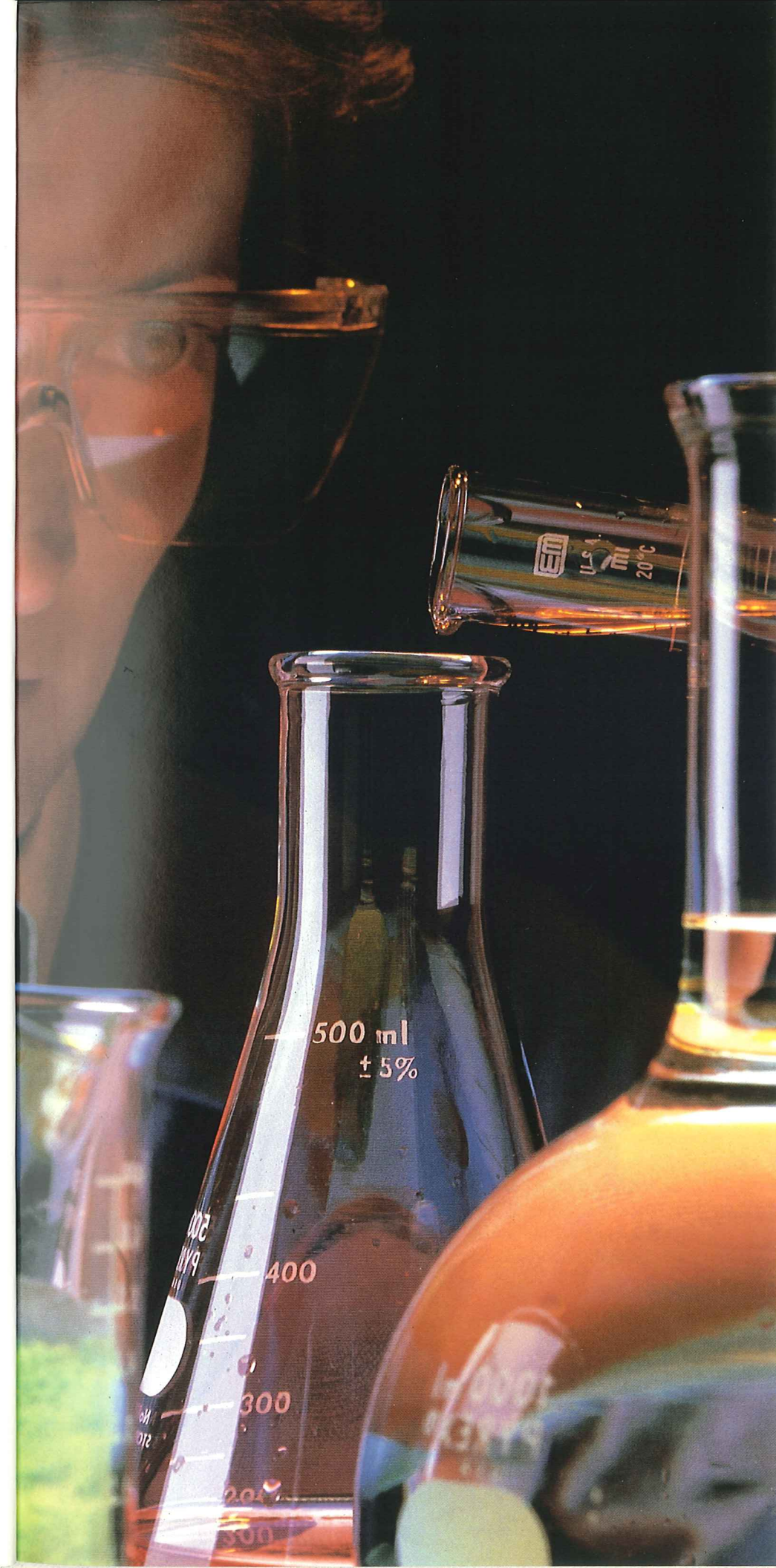
As considerable as the capabilities of each individual lab are, the greatest value comes from the combined resources of all of them together. In 1988, we moved closer to realizing this full potential by integrating these individual facilities into a true nationwide network. By establishing uniform procedures, techniques and standards, we can utilize better the capacities of all of these facilities to provide consistent, high-quality analytical services. By linking the extensive data management capabilities of each facility, we've also created a consistent nationwide data base for clients, to help them assess and evaluate various elements of risk.

Within and between labs, rigorous quality assurance and quality control procedures guarantee both the integrity and the defensibility of the data we generate. Experts in the requirements of each type of legislation work closely with clients to develop sampling, analysis and computerized modeling programs to accurately assess the scope and nature of the environmental risk at each site and to comply fully with all reporting and monitoring requirements.

The results of all chemical analyses are subsequently stored in our centralized, restricted-access data base. The extensive computerized data management capabilities provide the tools to efficiently manage sites, wastes and chemicals.

During 1988, we continued an initiative begun in 1986 to extend our data management services far beyond the storage and management of our own analytical results. We now work





*Through our analytical*

*network, a client with*

*multiple nationwide loca-*

*tions can utilize a single*

*source for consistent, high-*

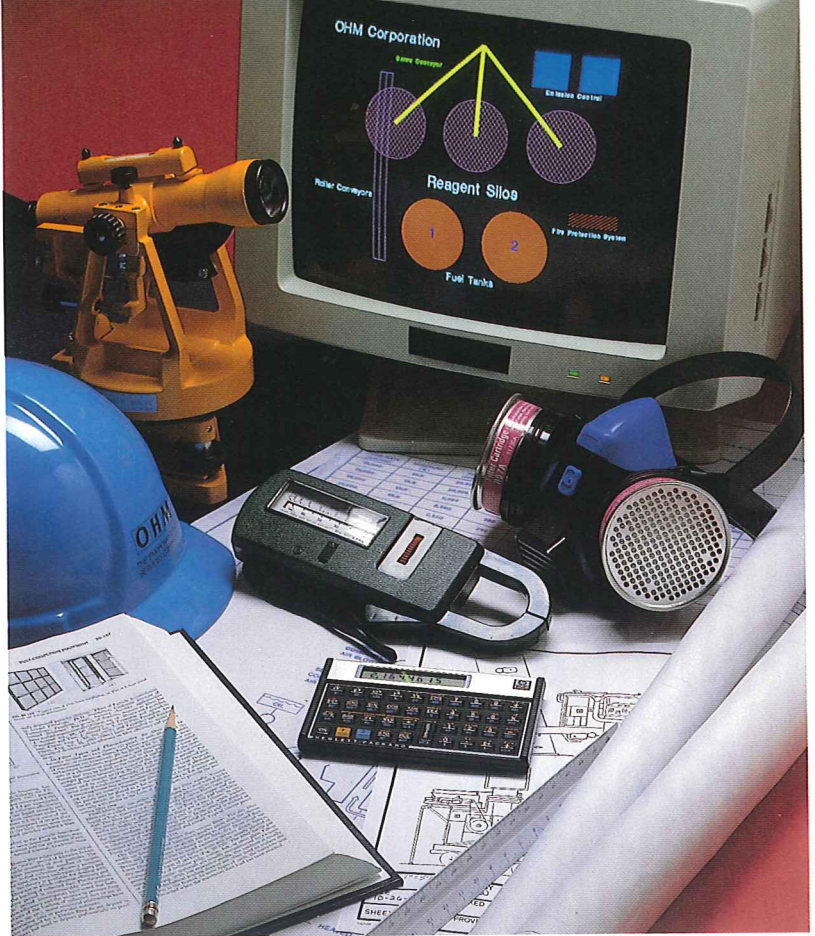
*quality analytical and data*

*management services.*

with clients to design data management programs, organize their historical information to create and continually update their data bases regardless of the source of the information. Secured access to clients is provided through a variety of means, including electronic downloading, on-line interactive access from remote locations and the production of hard copy output.

Extending our analytical services is our fleet of nine mobile laboratories, all designed and built in our fabrication facilities. These mobile laboratories are equipped to meet the requirements of each unique remediation project; as a result, any analytical work that can be performed in a fixed lab can be duplicated in a field setting. This is particularly important at remediation projects where continuous monitoring and analysis is required throughout the scope of the project.

*...TO DESIGN AND  
COORDINATE  
PRACTICAL,  
COST-EFFECTIVE  
SOLUTIONS TO  
ENVIRONMENTAL  
HAZARDS*



When a potential environmental hazard has been identified, designing and developing the optimum solution to this hazard requires a broad, interdisciplinary approach that encompasses a practical, working knowledge of all aspects of remediation processes, and the specialized skills of such diverse fields as chemistry, microbiology, hydrogeology, geotechnical engineering, chemical and process engineering and thermal technology.

Today, OHM Corporation brings to our clients a comprehensive engineering capability, backed by some of the leading engineering professionals in the environmental

services field, our advanced development of new and proprietary technologies and systems, and, perhaps most important, our extensive experience in remediation services.

The scope of these services includes remedial investigation services for site and waste characterization, groundwater assessments, and geotechnical investigations; health risk and environmental audits; and air and groundwater monitoring programs in conjunction with our analytical and data management group. In addition, our permitting and regulatory liaison capabilities have become an increasingly important resource to many of our clients.

With the formation of our Engineered Projects and Technology group in 1988, we now offer this expertise and capability for the management



of an entire project from conceptualization through implementation.

Supplementing this expertise is our ongoing commitment to the development and commercialization of promising new technologies for the treatment of hazardous wastes. We are constantly evaluating new technologies and techniques through conceptual engineering and laboratory feasibility studies. Based on these assessments, we then conduct further evaluations to determine if these advances are commercially viable. Finally, we often develop prototype units in our own fabrication facilities that enable us to test a new procedure or technique under actual field conditions.

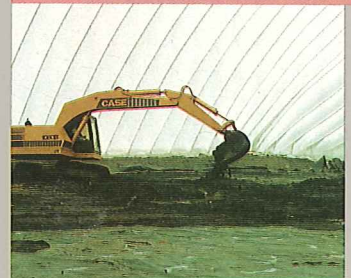
Work we did at a National Priorities List site in Florida in 1988 is a case in point with regard to the commercialization of promising new technologies. We completed the first successful commercial application of

mobile, infrared incineration technology to remove PCBs from soils, and the incinerator was subsequently granted the first national operating permit under TSCA for that type of technology. The project illustrates our extensive capabilities, which included the design and construction of a lined 15,000-square-foot vault, covered with a dome for containing the PCB-contaminated soils. The completion of this project and our success in securing the national operating permit places us in a leading position to manage and direct the application of technology for completing total cleanup programs at other PCB-contaminated sites throughout the country.

OHM has pioneered the development of proprietary technologies and has successfully applied techniques and systems used in other industries to on-site remediation projects. This approach has advanced the state of the art in environmental services while reducing direct costs and the time required for remediation projects.

Perhaps of most importance, by consolidating analytical, engineering and remediation services within our own company we bring to our clients a true single-source responsibility that enhances confidentiality, increases project efficiency, and can significantly reduce both remediation costs and potential liabilities.

*O*HM Corporation brings  
to our clients a comprehensive engineering capability,  
backed by some of the  
leading engineering professionals in the environmental services field.



In recent years, much of the activity in the environmental services field has focused on the investigative aspects of the industry. This has been particularly true since the preliminary phases of government action have centered on the up-front investigations, analyses, quantification and prioritization of problem areas.

With stronger enforcement of environmental legislation and regulations, we believe we will see a rapid shift to the active phase, with an emphasis on producing measurable results. Few companies, however, possess the experience and capabilities required to adequately address these issues. In fact, we believe that in the years to come the success of companies performing remediation services may be directly proportional to their practical, hands-on experience in applying a multitude of technologies to a broad array of environmental problems. The difficulties encountered by many of the companies that have attempted to enter the on-site remediation field in the last few years clearly demonstrate the underlying validity of this statement.

With our two decades of experience in the environmental services industry, no company

in America today is better equipped to deliver on-site remediation services than OHM Corporation. From our 19 service centers located throughout the United States and in Canada, a highly-skilled staff of employees stands ready to respond to the needs of our clients, whether they be a major multi-year facilities decontamination project or an overnight emergency.

Our trained and experienced field personnel are one of our most important assets. Ongoing training programs continue to meet the ever-changing needs of our clients, while our safety procedures and systems have become a model for the industry.

Equally important are the specialists in the various technologies employed in remediation services. Our staff includes degreed professionals in such diverse fields as hydrogeology and geotechnical engineering, chemistry, microbiology, chemical and process engineering, thermal technology, and certified industrial hygienists.

Supporting these efforts is a formidable array of specialized mobile equipment, representing not only a significant capital investment, but years of development, refinement and modification. Since standard construction is often inadequate or unavailable for the special needs of handling hazardous materials, much of this equipment has either been built or specially modified to our demanding specifications at our unique in-house fabrication facility.

The most common services provided by OHM include:

- Decontamination of industrial facilities;
- Contaminated groundwater plume assessment, characterization and treatment;
- Asbestos abatement in industrial and commercial facilities;
- Surface impoundment restoration, including volume reduction, stabilization and closure of contaminated lagoons;
- Management of underground storage tanks;
- Design, engineering, fabrication, installation and operation of on-site treatment equipment;
- Specialized hazardous waste site safety and industrial hygiene services; and
- Emergency response to virtually any kind of industrial or transportation-related accident involving hazardous materials or wastes.

Wherever possible, our remedial activities focus on permanent solutions to problems through physical, biological, chemical or thermal destruction. When this is not possible or is cost-prohibitive, we employ a number of technologies for the volume reduction and stabilization of contaminants to minimize wastes and liabilities.

Frequently, through the application of one or more remedial technologies, we are able to restore the natural balance in a once-contaminated site, and return it to its full economic value, with no future exposure or liability.

Perhaps nowhere is this more important than in the recovery and treatment of contaminated ground water. Ground water is the most important resource our nation possesses and a source of



nearly half of our population's drinking water. In dealing with ground water contamination, our remediation services group utilizes a wide range of advanced on-site technologies, including physical and chemical filtration systems, in situ containment barriers and natural or synthetic caps to reduce infiltration.

When the contaminants are organic, the most efficient and cost-effective solutions are often produced by biological treatment that essentially lets nature restore her own balance. OHM has been a leader in the application of bioremediation technologies for more than a decade.

In most cases, indigenous microorganisms are already at work in the natural destruction of organic contaminants. When a contamination occurs, the type of contaminant and its concentration as well as the characteristics of the soil and ground water are factors affecting the capability of the indigenous microflora to bioremediate the problem.

In our microbiology laboratory, we evaluate these factors to determine the most appropriate treatment alternatives for optimizing the growth of these microorganisms on the contaminant.

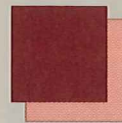
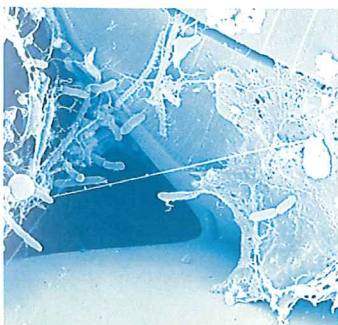
In one such project in 1988, we applied our unique, continuous-flow, submerged fixed-film biological reactors at an industrial manufacturing site to remediate 200,000 cubic yards

of soil and ground water contaminated with methyl ethyl ketone (MEK), methyl isobutyl ketone (MIBK), tetrahydrofuran (THF), cyclohexanone, benzene and toluene. Laboratory studies demonstrated that the naturally occurring microflora could be used immediately to remediate all solvent contamination except for THF. These studies also demonstrated that one to two months would be required before the indigenous microflora became acclimated. Following a laboratory evaluation in site matrix ground water, a strain of THF-acclimated microorganisms developed in our laboratory was used as a seed during start-up of our biological reactors at the site. The result was removal of all contaminants in the mixed-solvent wastes.

A closed-loop system was designed and installed to bioremediate the contaminated soil and ground water. By successfully removing the contaminants where the problem occurred, we were able to avoid removing the huge volumes of contaminated soil to an off-site treatment or disposal location.

Bioremediation offers not only an accepted, environmentally sound method for on-site destruction of spilled contaminants, but also a method that is cost-effective and results in minimal disturbance to existing operations. It is being applied to a growing number of ground water projects either in whole or as part of a balanced system incorporating multiple treatment methods.

*We began Savannah River Plant M-Basin closure in March 1988.*



*In the years to come, the*

*success of companies per-*

*forming remediation*

*services will be directly*

*related to their practical,*

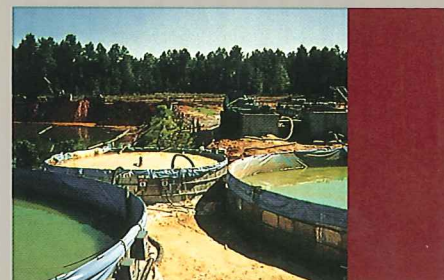
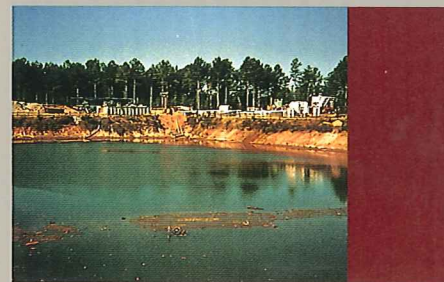
*hands-on experience in*

*applying a multitude*

*of technologies to a broad*

*array of environmental*

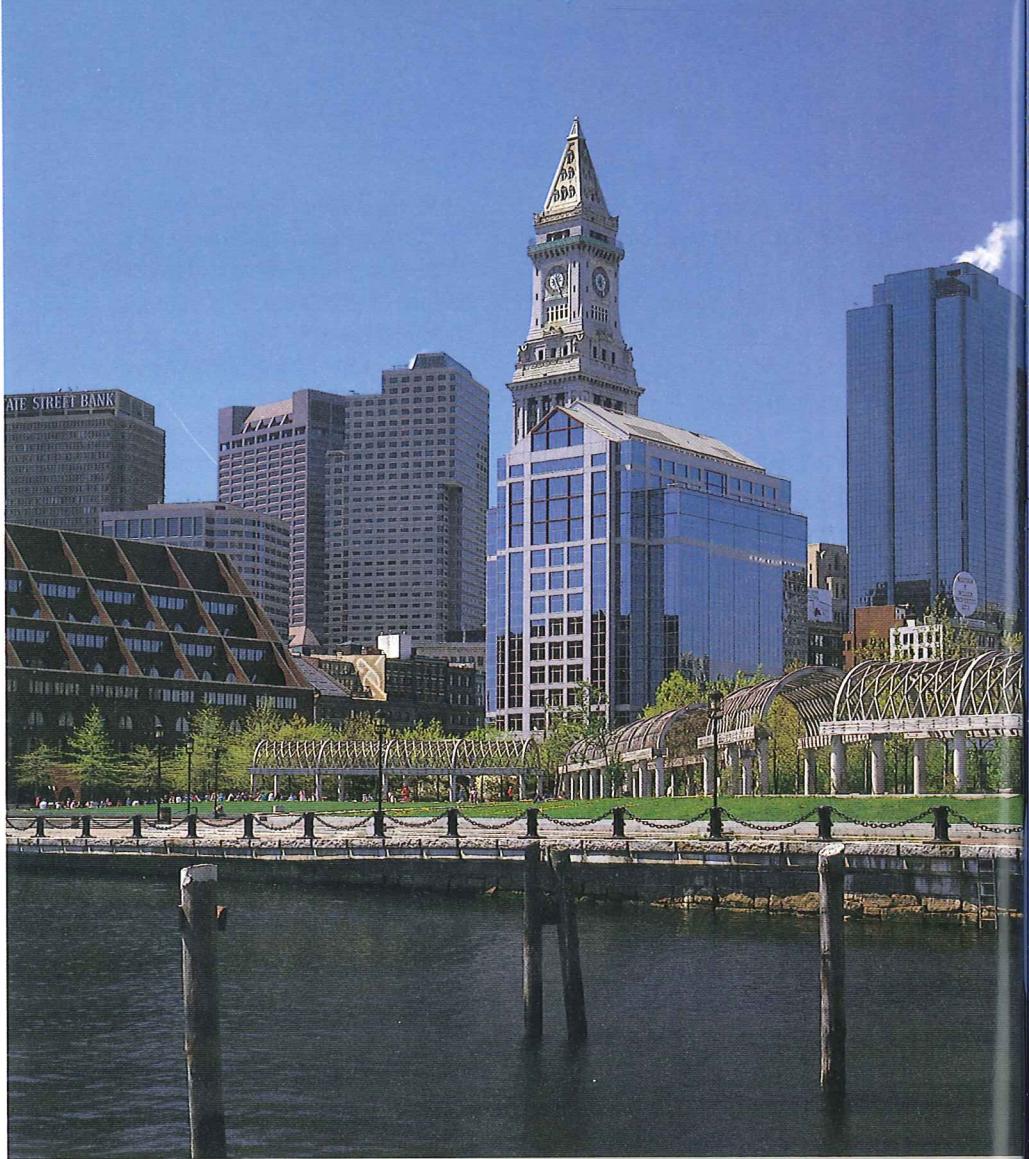
*problems.*





Similarly, in 1988, enhancements in the treatment of large surface impoundments demonstrated dramatic improvements over conventional methodologies in terms of efficiency, speed and economy. One such application was the closure of a large chemical plant lagoon with 30,000 tons of acrylonitrile sludge.

By applying a unique technology, we achieved a stabilized product with roughly one-third of the anticipated volume produced by conventional methodologies. In addition, this method allows us to process the sludge two to three times faster than other means.



Of course, each individual environmental hazard presents new and unique challenges and problems, and it is only through the innovative application of a wide range of advanced technologies that we can provide our clients with the optimum remediation solutions to their particular environmental problems.

Sometimes experience, management and organizational skills are more critical than a particular technology. A good example of this is in the area of asbestos removal. From

the end of World War II until finally banned in 1972, an estimated 900,000 tons of asbestos were produced annually in the U.S., primarily as an insulation product. To date, only a small percentage of this asbestos has been removed, and we foresee this to be a large and growing business for a number of years.





◀ We provide asbestos abatement services to large commercial clients such as Equitable Real Estate Investment Management which owns a major high rise tower located in downtown Boston.

We enhanced our ability to compete successfully in this market with the acquisition in 1988 of National Surface Cleaning, Inc. Headquartered near Boston, this company is one of the leaders in asbestos abatement in major commercial facilities. NSC brings to OHM an outstanding record of solid results, a strong and loyal client base and a significant potential for growth in the years ahead.

A single large remediation project, however, will frequently present a broad range of problems, requiring a unique combination of solutions and technologies. These are the projects that benefit most from OHM's comprehensive capabilities and interdisciplinary approach.

Typical of this kind of project is a major, multi-million dollar decontamination of a large industrial facility begun in 1988. Although the facility produced toluene diisocyanate, many other hazardous materials were also used in the process, and a variety of contaminants was found on site.

The entire property was over 100 acres, with the actual facility covering 43 acres and containing more than 100 buildings. Fifteen of these buildings, including several four-story structures, were decontaminated. Over 5,500 cubic yards of asbestos insulating materials were removed. Approximately 20 miles of piping were drained, flushed and the residuals collected. Equipment and tanks were purged and cleaned, and the residual sludges disposed.

Other aspects of the project included the treatment of 750,000 gallons of wastewater, and management of 3,000 drums of hazardous waste. The analytical needs of this project required the capabilities of three of our labs.

Perhaps nowhere, though, is OHM's combination of professional expertise and practical capability more evident than in the area of emergency response, where all of the analytical, engineering and remediation disciplines must work in concert to produce results in days or even hours.

A good example of this occurred in early 1988 when we were called upon to manage the cleanup of the Ashland Petroleum spill on the Monongahela River in Pittsburgh.

Ashland Petroleum Company President Robert E. Yancey, Jr., commenting on O.H. Materials' performance as the prime contractor during the oil spill, said, "O.H. Materials responded appropriately to the challenge of resolving the environmental problem and produced exceptional results. With the help of this performance, we were able to demonstrate our responsiveness and ultimately gain the confidence of the communities, the regulatory agencies and other officials."

*It is only through the innovative application of a wide range of advanced technologies that we can provide our clients with the optimum remediation solutions to their particular environmental problems.*



*...TO DEVELOP  
AND  
COMMERCIALIZE  
INNOVATIVE NEW  
TECHNOLOGIES  
TO MINIMIZE  
OR ELIMINATE  
HAZARDOUS  
WASTES AS THEY  
ARE PRODUCED*



While cleaning up existing hazards still remains a top priority, unless we significantly alter the way ongoing hazardous wastes are managed and controlled, we may be on the losing end of a race between the cleanup of existing hazards and the creation of future hazards.

Congress recognized this inevitable fact in 1984 with the passage of the Hazardous and Solid Waste Amendments to the Resource Conservation and Recovery Act, which marked the beginning of a new phase in the nation's approach to environmental legislation:

*"The Congress hereby declares it to be the national policy of the United States that wherever feasible, the generation of hazardous waste is to be reduced or eliminated as expeditiously as possible. Waste nevertheless generated should be treated, stored, or disposed of so as to minimize the present and future threat to human health and the environment."*

Now, the rapidly increasing long-term liabilities associated with improper land disposal are making alternate technologies for the management of their hazardous wastes far more appealing to a growing number of industries.

Recognizing this fact, in 1988 OHM made a major commitment to the development and commercialization of the technologies and capabilities that will make this goal a reality and formed the Environmental Resource Management group specifically to capitalize on these opportunities.

It was with this philosophy in mind that OHM Corporation entered the fixed-base treatment business in 1988 with the

acquisition of our first fixed-base waste treatment and recycling facility near Atlanta, Georgia.

With this facility, we can provide fixed treatment of solids and liquids including both organic and inorganic waste streams. This acquisition brings OHM the ability to treat many common wastes, including chemical-based fuels blending, neutralization, detoxification, chemical fixation, and labpack decommissioning.

These services apply to a wide range of industries, including paint, molding and chemical specialty manufacturers, solvent recyclers, plating and metal treatment shops, general manufacturing, and treatment, storage and disposal facilities.

*We believe that OHM's*

*experience in the environ-*

*mental services industry*

*gives us a strong competitive*

*edge in the development of*

*efficient, safe ways to handle*

*wastes produced in ongoing*

*manufacturing processes to*

*avoid creating future*

*environmental hazards and*

*liabilities.*





For example, we recently successfully treated all of one company's 20 different hazardous wastes. Previously, each of these hazardous wastes was handled individually, creating enormous difficulties in transportation, storage, liability management and cost control.

OHM is in an ideal position to treat our clients' ongoing generation of wastes currently banned under RCRA, and to capitalize on the growth opportunities that future restrictions will create.

Another significant area of involvement for this new group has been the development of a transportable system for the on-site treatment of solvents.

Based on a proprietary technology acquired last year, we have developed the first production models of these unique mobile treatment units that can recycle solvents at our clients' facilities, thereby producing high-quality, reusable solvents and minimizing waste residues.

A wide variety of halogenated and non-halogenated spent solvents can be recycled with a high-capacity, flash distillation technology which processes up to 200 gallons per hour. Reclaimed products are returned to storage, residues are drummed and disposal is arranged according to federal and state regulations.

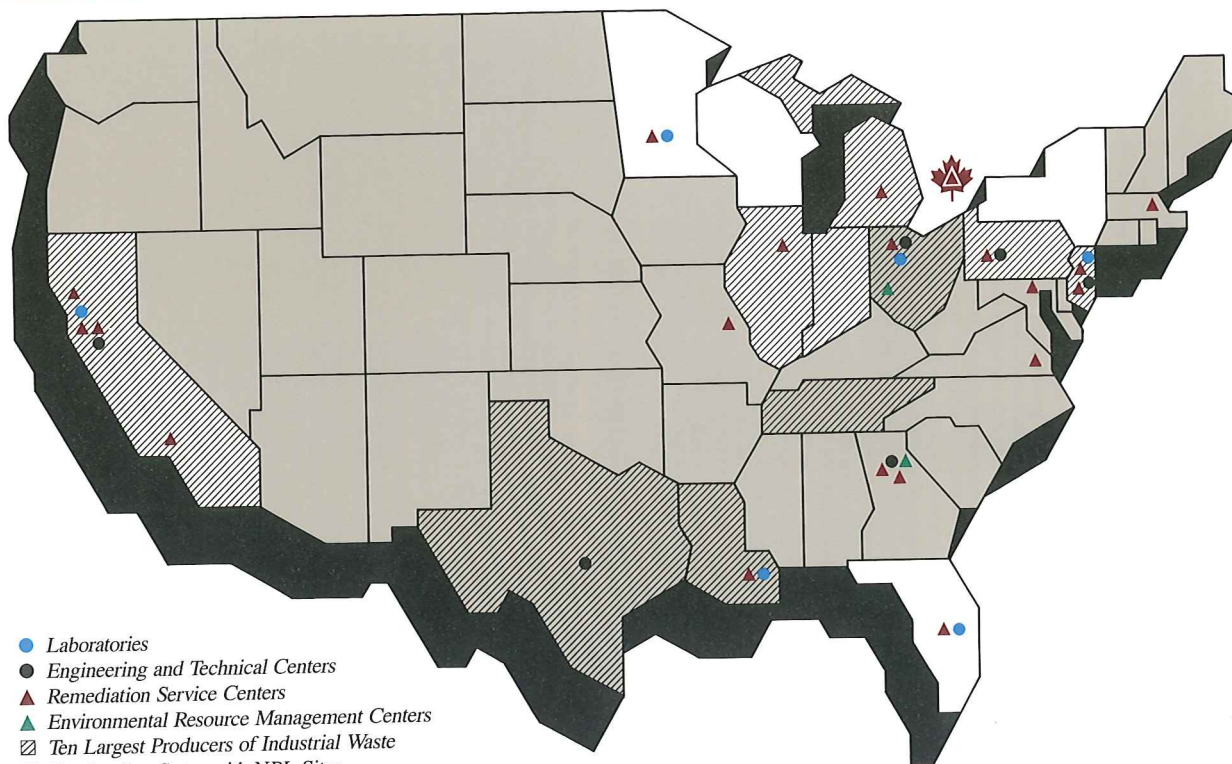
Ultimately, the real solutions to our nation's environmental problems demand more than just remediating the past problems. We believe that OHM's experience in the environmental services industry gives us a strong competitive edge in the development of efficient, safe ways to handle wastes produced in ongoing manufacturing processes to avoid creating future environmental hazards and liabilities.

Each new regulation, restriction and requirement brings us closer to the day when the proper treatment and disposal of hazardous wastes eliminates the potential of future hazards. In 1989, OHM will direct significant resources to develop new methods of delivering our treatment capabilities to our clients through waste minimization, recycling and resource recovery at fixed-base facilities.

As we have for two decades, we remain committed to leading the way in preserving and protecting the world in which we live.



# OHM CORPORATION FACILITIES



- Laboratories
- Engineering and Technical Centers
- ▲ Remediation Service Centers
- ▲ Environmental Resource Management Centers
- ▨ Ten Largest Producers of Industrial Waste
- Ten Leading States with NPL Sites

## OHM Corporation Headquarters

16406 U.S. Route 224 East  
P.O. Box 551  
Findlay, Ohio 45839-0551  
419-423-3529

## O.H. Materials Corp.

16406 U.S. Route 224 East  
P.O. Box 551  
Findlay, Ohio 45839-0551  
419-423-3526  
1-800-537-9540

## Remediation Service Centers

**NORTHERN REGION**  
O.H. Materials of Canada, Ltd.  
2192 Wyecroft Road  
Oakville, Ontario  
Canada L6L 5V6  
416-847-1700

## MIDWEST REGION & OHIO DIVISION

16406 U.S. Route 224 East  
P.O. Box 551  
Findlay, OH 45839-0551  
419-423-3526

### Division Offices

- Chicago, Illinois
- Lansing, Michigan
- Minneapolis, Minnesota
- St. Louis, Missouri
- Pittsburgh, Pennsylvania

## NORTHEAST REGION

Four Research Way  
Princeton, New Jersey 08540  
609-987-0010  
800-562-2953

### Division Offices

- Baltimore, Maryland
- Boston, Massachusetts
- Windsor, New Jersey
- Richmond, Virginia

## SOUTHERN REGION

1000 Holcomb Woods Parkway  
Suite 112  
Roswell, Georgia 30076  
404-641-1066

### Division Offices

- Orlando, Florida
- Atlanta, Georgia
- Baton Rouge, Louisiana

## WESTERN REGION

Suite 315  
2950 Buskirk Ave.  
Walnut Creek, California 94596  
415-256-7187

### Division Offices

- Los Angeles, California
- San Francisco, California (1989)
- West Sacramento, California

## ENGINEERING & TECHNICAL CENTERS

- Walnut Creek, California
- Atlanta, Georgia
- Princeton, New Jersey
- Findlay, Ohio
- Pittsburgh, Pennsylvania
- Austin, Texas

## ASBESTOS ABATEMENT SERVICES

### National Surface Cleaning, Inc.

49 Danton Drive  
Methuen, MA 01844  
508-686-6417

### Division Offices

- Hartford, Connecticut
- Providence, Rhode Island

## Environmental Testing and Certification Corp.

284 Raritan Center Parkway  
P.O. Box 7808  
Edison, New Jersey 08818-7808  
201-225-6700

## Analytical and Data Management Laboratories

- Santa Rosa, California
- Orlando, Florida
- Baton Rouge, Louisiana
- Minneapolis, Minnesota
- Findlay, Ohio

## Environmental Resource Management

**SolidTek Systems, Inc.**  
5371 Cook Road  
Morrow, Georgia 30260  
404-361-6181

### Solvent Processors and Reclaimers, Inc.

3195 Profit Drive  
Fairfield, OH 45014-9188  
513-860-2020



OHM Corporation

**Quarterly Financial Data**

(In Thousands, Except Per Share Data) (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1988				
Gross revenues	\$35,373	\$36,622	\$49,782	\$49,247
Net revenues	26,263	29,286	38,612	37,752
Gross profit	9,198	11,287	15,393	13,793
Operating income	1,998	4,145	6,912	4,234
Net income	950	1,960	3,491	1,484
Net income per share	0.08	0.16	0.28	0.12
1987				
Gross revenues	\$29,895	\$29,460	\$43,726	\$33,946
Net revenues	20,881	23,630	29,874	24,047
Gross profit	8,410	9,928	12,789	5,053
Operating income (loss)	1,432	2,500	5,394	(3,689)
Net income (loss)	590	1,697	3,137	(3,006)
Net income (loss) per share	0.05	0.14	0.26	(0.25)

**Quarterly Stock Prices**

1988	High	Low
Fourth Quarter	17½	12¾
Third Quarter	16¼	11¾
Second Quarter	15⅞	10⅞
First Quarter	15¾	10⅞
1987		
Fourth Quarter	34	8½
Third Quarter	36	26¾
Second Quarter	32	25½
First Quarter	33¼	27½

Note: The table above reflects, for the periods indicated, the high and low closing sales prices of the Company's common stock as reported by NASDAQ from January 1, 1987, through August 24, 1987. On August 25, 1987, the Company's common stock was listed and commenced trading on the New York Stock Exchange under the symbol ETT. The prices after this date reflect the high and low sales prices of the Company's common stock as reported by the The Wall Street Journal. As of December 31, 1988, the Company had approximately 740 stockholders of record. On February 13, 1989, the symbol under which the Company's common stock is traded on the New York Stock Exchange was changed from ETT to OHM.

## **OHM Corporation**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **Results of Operations**

##### **1988 Versus 1987**

Net revenues for the year ended December 31, 1988 increased 34.0% to \$131,913,000 from \$98,432,000 in 1987. The increase in net revenues is due primarily to the Company's remediation services group. The increased activity for this group reflected greater demand from both industrial and government customers for traditional remediation services as well as for asbestos abatement services. The increase in asbestos abatement services resulted primarily from the Company's acquisition of National Surface Cleaning, Inc. (NSC), effective June 1, 1988. Revenues from industrial customers were 80.1% of net revenues for 1988 compared to 79.8% in 1987. Revenues from the Company's Emergency Response Cleanup Services (ERCS) contracts with the Environmental Protection Agency (EPA) decreased to 12.8% in 1988 compared to 13.8% in 1987. Net revenues from government agencies, other than under the ERCS contracts, were 7.1% in 1988 compared to 6.4% in 1987. Direct subcontract costs for the year ended December 31, 1988 increased \$516,000 or 1.3% from the comparable period in 1987.

Gross revenues for the year ended December 31, 1988 increased 24.8% to \$171,024,000 from \$137,027,000 in 1987. The increase in gross revenues resulted primarily from the increased activity from the Company's remediation services group for both its traditional services and asbestos abatement services. Revenues from industrial customers were 72.6% of gross revenues in 1988 compared to 73.0% in 1987. Revenues derived from the Company's ERCS contracts were 20.4% in 1988 compared to 19.1% in 1987, and revenues from government agencies were 7.0% in 1988 compared to 7.9% in 1987.

Cost of services as a percentage of net revenues was 62.4% for the year ended December 31, 1988 compared to 63.2% in 1987. The increase in gross margin as a percentage of net revenues to 37.6% in 1988 from 36.8% in 1987 resulted primarily from improved margins from each of the Company's businesses over 1987 levels. The improvement in margins was offset by increased costs incurred to expand the Company's technical and engineering services capabilities during the last six months of the year. In conjunction with this effort, the Company expanded its geographic presence during 1988, for which additional costs were incurred.

Selling, general and administrative expenses for the year ended December 31, 1988 increased \$1,839,000 or 6.0% to \$32,382,000 compared to \$30,543,000 in 1987. However, such expenses declined to 24.6% of net revenues in 1988 compared to 31.0% in 1987. The increase in these expenses resulted primarily from the acquisition of NSC and increased costs associated with the expansion efforts discussed above. These cost increases were offset by reduced overhead costs that resulted from the Company's cost control measures which were initiated in December, 1987 and were extended into 1988. As a result of the factors discussed above, operating income increased \$11,652,000 or 206.7%. As a percentage of net revenues, operating income was 13.1% in 1988 compared to 5.7% in 1987.

Other (income) expenses were \$4,571,000 for the year ended December 31, 1988 compared to \$1,829,000 in 1987. The net change of \$2,742,000 was primarily attributable to a decrease to \$308,000 in gains realized on disposition of equipment in 1988 from the 1987 amount of \$1,441,000. Investment income decreased \$735,000 or 44.4% to \$922,000 as a result of reductions in cash balances during 1988. Cash and cash equivalents decreased as a result of acquisitions, capital expenditures and growth in working capital requirements. Interest expense increased \$660,000 or 14.2% to \$5,297,000 primarily as a result of borrowings from the Company's revolving credit and term loan to finance the acquisition of NSC.

Net income for the year ended December 31, 1988 increased \$5,467,000 or 226.1% to \$7,885,000 or \$0.64 per share compared to \$2,418,000 or \$0.20 per share in 1987. The effective tax rate was 38.0% in 1988 compared to 36.5% in 1987. Net income as a percentage of net revenues increased to 6.0% in 1988 compared to 2.5% in 1987.

##### **1987 Versus 1986**

Net revenues for the year ended December 31, 1987 increased 29.0% to \$98,432,000 from \$76,289,000 in 1986. The increase in net revenues resulted from greater demand by both industrial and governmental customers for the Company's remediation and analytical services. Net revenues for the first three quarters of 1987 increased 38.9% while net revenues for the fourth quarter of 1987 increased 5.8% over the comparable periods in 1986. Fourth quarter 1987 growth was affected by a slowdown in planned industrial remediation activity, part of which was attributable to seasonal conditions, and nonrecurring production delays experienced at the Company's largest analytical facility.

Direct subcontract costs for the year ended December 31, 1987 increased \$13,464,000 to \$38,595,000 compared to \$25,131,000 in 1986. This increase in subcontract costs during 1987 reflected a larger proportion of activities which the Company does not traditionally perform but were required on projects awarded in 1987.

Gross revenues for the year ended December 31, 1987 increased 35.1% to \$137,027,000 from \$101,420,000 in 1986. Gross revenues from industrial customers decreased to 73.0% of gross revenues for 1987 compared to 81.2% in 1986. Revenues from the Company's ERCS contracts with the EPA increased to 19.1% of gross revenues in 1987 compared to 11.6% in 1986 as a result of an increase in delivery orders under the previous ERCS contract as well as under the two new ERCS contracts awarded to the Company in June and July 1987.

Cost of services as a percentage of net revenues was 63.2% for the year ended December 31, 1987 compared to 56.1% in 1986. This increase was a result of the Company's effort to increase its capacity throughout 1987 at a greater rate than required to support revenue levels, as well as a greater proportion of ERCS revenues which have lower margins and costs incurred as a result of the production delays in the analytical services group. Cost of services as a percentage of net revenues for the first three quarters and fourth quarter of 1987 were 58.2% and 79.0%, respectively, which reflected the slowdown in industrial remediation activity in the fourth quarter and the other factors discussed above.

Selling, general and administrative expenses for the year ended December 31, 1987 increased \$6,392,000 or 26.5% from 1986. However, such expenses decreased to 31.0% of net revenues in 1987 compared to 31.7% in 1986. The increase in these expenses was associated with additions to sales, marketing and technical personnel and increases in administrative support functions in anticipation of the Company's growth. However, during the fourth quarter the Company initiated cost control measures as a result of the slowdown in revenues, which included the layoff of approximately 6% of its work force, in an effort to reduce its overhead expenses.

Other (income) expenses decreased 45.8% to \$1,829,000 for the year ended December 31, 1987 compared to \$3,375,000 in 1986. Investment income increased 49.4% to \$1,657,000. Included in investment income in 1987 was a write-down of \$548,000 for investments held at December 31, 1987 stemming from the October 1987 stock market decline. Interest expense increased 108.9% to \$4,637,000 as a result of the issuance of the Company's 8% Convertible Subordinated Debentures in October 1986. In 1986, the Company incurred \$2,239,000 of nonrecurring costs associated with the combination of ETC and OHM. In 1987, the Company recorded \$1,151,000 of other income which was primarily from the sale of certain property and equipment.

Net income for the year ended December 31, 1987 amounted to \$2,418,000 or \$0.20 per share compared to \$2,785,000 or \$0.23 per share for 1986. An extraordinary credit from net operating loss carryforwards of \$276,000 was included in 1986 net income. The effective tax rate for 1987 decreased to 36.5% from 58.1% in 1986. The 1986 rate was primarily a result of the nonrecurring costs in 1986 from the combination of ETC and OHM. In the fourth quarter of 1987, the weighted average number of common and common equivalent shares outstanding decreased to 11,951,000 as a result of the Company's program to repurchase its shares in the stock market initiated in November 1987.

### ***Liquidity and Capital Resources***

Working capital at December 31, 1988 was \$45,115,000 compared to \$43,122,000 at December 31, 1987. Cash and cash equivalents declined to \$3,877,000 at December 31, 1988 from \$16,698,000 at December 31, 1987. Cash and cash equivalents were primarily provided by operating activities before changes in current assets and liabilities of \$18,238,000 and financing activities of \$17,682,000. Cash and cash equivalents were primarily used for incremental investment in current assets and liabilities of \$20,657,000, net capital expenditures of \$12,732,000 for equipment and facilities, and net cash expenditures for acquired businesses during the year of \$17,830,000.

Although net capital expenditures decreased to \$12,732,000 in 1988 from \$22,582,000 of capital expenditures in 1987, the Company believes that capital expenditures will be moderately higher in 1989 over the 1988 expenditure level to meet the demands of planned growth. The Company believes that its cash flow from operations in 1989 combined with the existing \$30,000,000 revolving credit agreement will be sufficient throughout the next twelve months to finance capital expenditure and working capital needs of its existing business operations.

The Company has additional lines of credit with several financial institutions which amount to \$25,000,000 at December 31, 1988 for the purpose of issuing standby letters of credit. The Company's needs for such letters of credit have been and are expected to continue to grow as a result of increased bidding activities on projects, including projects with larger contract amounts than previously experienced.

The Company is presently negotiating with several financial institutions for additional credit facilities to be available for anticipated growth in letter of credit requirements and other financing needs.

The Company's plans contemplate acquiring additional treatment facilities and businesses involved in environmental services. It is expected that financing required for significant acquisitions will be obtained as needed. As a result, the Company believes acquisitions will not have an adverse effect on cash flow available to support existing operations in the next twelve months.

Historically, inflation has not been a significant factor to the Company or to the cost of its operations. The Company has been able to raise prices in the past to compensate for inflation related cost increases.

In assessing the Company's liquidity and capital resources, the impact of Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" has been considered. Although the requirement for implementation of the standard in 1989 has been suspended, the Company may elect to implement the standard in 1989 or 1990. The Company believes that implementation will not have an adverse impact on results of operations.

**Consolidated Balance Sheets**

(In Thousands)

December 31	1988	1987
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,877	\$ 16,698
Marketable securities	318	2,592
Accounts receivable	54,376	33,586
Costs and estimated earnings on contracts in process in excess of billings	10,496	6,400
Inventories	4,385	3,574
Prepaid expenses and other assets	4,905	2,136
Refundable income taxes	807	1,461
	<b>79,164</b>	<b>66,447</b>
Property and equipment, net	<b>61,700</b>	<b>49,180</b>
Other noncurrent assets:		
Debt issuance costs	1,912	2,020
Goodwill	17,241	695
Other assets	8,422	4,067
	<b>27,575</b>	<b>6,782</b>
<b>Total Assets</b>	<b>\$168,439</b>	<b>\$122,409</b>
<b>Liabilities And Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 18,083	\$ 16,701
Billings on contracts in process in excess of costs and estimated earnings	798	228
Accrued compensation and related taxes	4,572	2,307
Federal, state and local income taxes	782	—
Deferred income taxes	1,421	694
Other accrued liabilities	7,000	2,369
Current portion of noncurrent liabilities	1,393	1,026
	<b>34,049</b>	<b>23,325</b>
Noncurrent liabilities:		
Long-term debt	75,126	58,345
Capital leases	205	463
Pension agreement	300	300
	<b>75,631</b>	<b>59,108</b>
Deferred income taxes	7,680	3,006
Stockholders' equity:		
Preferred stock	—	—
Common stock, \$.10 par value	1,239	1,188
Additional paid-in capital	30,120	23,962
Retained earnings	21,515	13,548
	<b>52,874</b>	<b>38,698</b>
Treasury stock at cost	(1,795)	(1,728)
	<b>51,079</b>	<b>36,970</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$168,439</b>	<b>\$122,409</b>

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



**Consolidated Statements of Income***(In Thousands, Except Per Share Data)*

Years Ended December 31	1988	1987	1986
Gross revenues	\$171,024	\$137,027	\$101,420
Less: direct subcontract costs	39,111	38,595	25,131
Net Revenues	131,913	98,432	76,289
Cost of services	82,242	62,252	42,771
Gross Profit	49,671	36,180	33,518
Selling, general and administrative expenses	32,382	30,543	24,151
Operating Income	17,289	5,637	9,367
Other (income) expenses:			
Investment income	(922)	(1,657)	(1,109)
Interest expense	5,297	4,637	2,220
Nonrecurring affiliation costs	—	—	2,239
Miscellaneous, net	196	(1,151)	25
	4,571	1,829	3,375
Income Before Income Taxes And Extraordinary Credit	12,718	3,808	5,992
Income taxes	4,833	1,390	3,483
Income Before Extraordinary Credit	7,885	2,418	2,509
Extraordinary credit — utilization of net operating loss carryforward	—	—	276
Net Income	\$ 7,885	\$ 2,418	\$ 2,785
Net income per share:			
Before extraordinary credit	\$ 0.64	\$ 0.20	\$ 0.21
Extraordinary credit	—	—	0.02
	\$ 0.64	\$ 0.20	\$ 0.23
Weighted average number of common and common equivalent shares outstanding	12,312	12,021	11,891

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

**Consolidated Statements of Changes in Stockholders' Equity**

(In Thousands, Except Share Data)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Other Changes
	Number of Shares	Amount	Number of Shares	Amount				
Balance at December 31, 1985	—	\$ —	11,635,099	\$1,164	\$19,445	\$ 8,324	\$ —	\$ —
Stock options exercised			44,500	4	272			
Issuance of common stock			144,499	14	3,056			
Pro forma adjustment for income taxes						30		
Distribution of earnings						(65)		
Valuation allowance on investments								(352)
Net income						2,785		
Balance at December 31, 1986	—	\$ —	11,824,098	1,182	22,773	11,074	—	(352)
Stock options exercised			58,960	6	1,189			
Recovery of valuation allowance on investments								352
Deferred translation adjustments						56		
Purchase of 167,000 shares of treasury stock							(1,728)	
Net income						2,418		
Balance at December 31, 1987	—	\$ —	11,883,058	1,188	23,962	13,548	(1,728)	—
Stock options exercised, and 24,076 shares reissued from treasury stock			88,949	9	1,105		252	
Issuance of common stock, net of retirements			422,748	42	5,053			
Deferred translation adjustments						82		
Purchase of 28,900 shares of treasury stock							(319)	
Net income						7,885		
Balance at December 31, 1988	—	\$ —	12,394,755	\$1,239	\$30,120	\$21,515	\$(1,795)	\$ —

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

**Consolidated Statements of Cash Flows**

(In Thousands)

Years Ended December 31	1988	1987	1986
Cash flows from operating activities:			
Net income	\$ 7,885	\$ 2,418	\$ 2,785
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,524	5,366	3,645
Amortization of other assets	1,229	610	261
Deferred income taxes	2,121	626	1,233
Loss (gain) on sale of property and equipment	(308)	(1,441)	—
Unrealized loss (gain) on marketable securities	(305)	548	—
Loss (gain) on sale of marketable securities	10	(659)	—
Deferred translation adjustments and other	82	56	13
Net cash flow provided by operating activities before changes in current assets and liabilities, net of effect of companies acquired	18,238	7,524	7,937
Changes in current assets and liabilities, net of effect of companies acquired:			
Accounts receivable	(17,120)	(5,586)	(5,256)
Costs and estimated earnings on contracts in process in excess of billings	(4,096)	(6,400)	—
Inventories	(682)	(1,256)	(794)
Prepaid expenses and other assets	(2,422)	836	(2,330)
Refundable income taxes	1,536	(1,461)	—
Accounts payable	(1,166)	7,395	3,690
Billings on contracts in process in excess of costs and estimated earnings	570	228	—
Accrued compensation and related taxes	1,070	206	583
Federal, state and local income taxes	2,074	(614)	909
Other accrued liabilities	(421)	(1,464)	2,306
Net cash flow provided by (used in) operating activities	(2,419)	(592)	7,045
Cash flows from investing activities:			
Purchases of property and equipment	(13,093)	(24,563)	(14,924)
Proceeds from sale of property and equipment	361	1,981	—
Increase in other noncurrent assets	(91)	(1,819)	(4,798)
Purchases of marketable securities	—	(3,140)	(7,191)
Proceeds from sale of marketable securities	2,569	7,850	—
Payments for companies acquired	(17,830)	—	—
Net cash provided by (used in) investing activities	(28,084)	(19,691)	(26,913)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	—	918	61,871
Payments on long-term debt and capital leases	(965)	(1,573)	(18,014)
Proceeds from borrowing under revolving credit and term loan	55,760	—	—
Payments on revolving credit and term loan	(38,160)	—	—
Payment on noncompetition and pension agreements	—	—	(2,275)
Proceeds from issuance of common stock	1,366	1,195	3,346
Purchases of treasury stock	(319)	(1,728)	—
Net cash provided by (used in) financing activities	17,682	(1,188)	44,928
Net increase (decrease) in cash and cash equivalents	(12,821)	(21,471)	25,060
Cash and cash equivalents at beginning of year	16,698	38,169	13,109
Cash and cash equivalents at end of year	\$ 3,877	\$ 16,698	\$ 38,169

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

## **OHM Corporation**

### **Notes to Consolidated Financial Statements**

December 31, 1988

#### **Description of the Company**

OHM Corporation (formerly Environmental Treatment and Technologies Corp., hereinafter referred to as "the Company") provides a comprehensive range of environmental assessment, analytical, asbestos abatement, data management, design, remediation, and waste treatment services to manage the risks of actual or threatened chemical releases into the environment. These services are provided primarily to a broad base of chemical, industrial, and petroleum companies, and government agencies throughout the United States and Canada.

The Company provides its services through its wholly-owned operating subsidiaries, O.H. Materials Corp. (OHM), Environmental Testing and Certification Corp. (ETC), National Surface Cleaning, Inc. (NSC), Solvent Processors and Reclaimers Corp. (SPaR), and SolidTek Systems, Inc. (SSI). The Company was organized in 1986 when ETC and OHM agreed to combine the two companies in order to serve more effectively the market for environmental services. The transaction was accounted for as a pooling of interests and accordingly, the accompanying financial statements for the period ended December 31, 1986, including the calculation of net income per share, have been restated to include the results of operations and the accounts of ETC and OHM as if the combination of the companies had occurred at the beginning of this period.

Revenues from federal government agencies accounted for 22%, 25%, and 14% of gross revenues for the years ended December 31, 1988, 1987, and 1986, respectively. The Company derived 12% of its gross revenues for the year ended December 31, 1987, from one customer, a major petroleum company and its affiliates. There were no state or local government agencies or other industrial customers which accounted for more than 10% of gross revenues in any of these years.

#### **Note 1 — Significant Accounting Policies**

**Principles of Consolidation** The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany transactions and balances have been eliminated in consolidation.

**Revenue and Cost Recognition** The Company primarily derives its revenue from providing environmental services under time and materials, fixed price and unit price contracts. The Company records revenues and related income from its fixed and unit price contracts in process using the percentage-of-completion method of accounting. Anticipated losses on these contracts are recorded when identified. Revenue from time and materials type contracts are recorded based on performance and efforts expended. Contract costs include all direct labor, material, per diem, subcontract and other direct and indirect project costs related to contract performance.

Revenues derived from non-contract activities are recorded as the services are performed.

In 1988, the Company changed its presentation of unbilled receivables for contracts in process. Accordingly, the balance sheets at December 31, 1988 and 1987, have been conformed to the new method of presentation. The asset, "Costs and estimated earnings on contracts in process in excess of billings," represents revenues recognized in excess of amounts billed. The liability, "Billings on contracts in process in excess of costs and estimated earnings," represents billings in excess of revenues recognized.

**Direct Subcontract Costs** The Company incurs a substantial amount of direct subcontract costs which are passed through to its clients. These costs result from the use of subcontractors on projects principally for transportation and disposal of hazardous wastes and in some cases, for analytical and remediation services where contracts or other business conditions require the use of subcontractors. The Company believes that net revenues, excluding direct subcontract costs, more accurately reflect the amounts earned for activities performed by the Company. Accordingly, the Company reports direct subcontract costs as a reduction of gross revenues to arrive at net revenues.

**Inventories** Inventories are comprised primarily of operating supplies and are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

**Property and Equipment** Property and equipment are carried at cost and include expenditures which substantially increase the useful lives of the assets. Maintenance, repairs, and minor renewals are expensed as incurred. Depreciation and amortization, including amortization of capital leases, are provided over the estimated useful lives of the respective assets, using primarily the straight-line method.

**Intangible Assets** Intangible assets consist principally of goodwill and other intangible assets resulting primarily from acquisitions accounted for using the purchase method of accounting. Goodwill, which represents the net cost in excess of the assets of companies acquired, is amortized using the straight-line method principally over twenty-five years. Amortization of goodwill is included in miscellaneous expense and was \$375,000, \$17,000, and \$3,000, for the years ended December 31, 1988, 1987, and 1986, respectively. Other intangible assets consist principally of permitting and licensing costs, proprietary processes, noncompetition agreements, and other deferred costs, and are included primarily in other noncurrent assets. Amortization is on a straight-line basis over five to twenty-five years, and amounted to \$746,000, \$486,000 and \$231,000, for the years ended December 31, 1988, 1987, and 1986, respectively.

**Statement of Cash Flows** In 1988, the Company adopted Financial Accounting Standards Board Statement No. 95, "Statement of Cash Flows," and restated previously reported Statements of Changes in Financial Position for 1987 and 1986. The Company considers all short-term deposits and highly liquid investments purchased with an original maturity

of three months or less to be cash equivalents. Supplemental cash flow information is summarized as follows:

Years Ended December 31	1988	1987	1986
	(In Thousands)		
Cash paid for:			
Interest	\$5,302	\$4,751	\$1,100
Income taxes	2,141	2,054	1,199
Non-cash investing and financing activities:			
Issuance of common stock for companies acquired	5,250	—	—
Retirement of common stock	154	—	—

**Marketable Securities** Marketable securities are stated at the lower of cost or market value at the balance sheet date. At December 31, 1988 and 1987, marketable securities included gross unrealized losses of \$243,000 and \$548,000, respectively. The cost of the securities sold is based on the average cost of all shares of each security held at time of sale.

**Capital Leases** Certain lease transactions are accounted for as installment purchases. Such costs are amortized over the asset's economic life, using the straight-line method and are included in depreciation and amortization expense.

**Federal Income Taxes** Deferred income taxes are recognized for income and expense items that are reported for financial reporting purposes in different years than for income tax purposes. The Company accounts for investment tax credits by the flow-through method. The Company has not implemented the provisions of Financial Accounting Standards Board Statement No. 96, "Accounting for Income Taxes." When implemented, the Company believes that this pronouncement will not have an adverse impact on results of operations.

**Net Income Per Share** Net income per share amounts are based on the weighted average common and equivalent shares outstanding during the respective periods, after adjustment for an additional 6,000,000 shares of equivalent ETC common stock (or 1.065 shares for each share of the ETC common stock outstanding for the period prior to July 1, 1986) that would have been issued had the 1986 combination occurred at the beginning of such period. Shares of common stock issuable upon conversion of the 8% Convertible Subordinated Debentures are not considered to be common stock equivalents and were antidilutive in each of the years presented; therefore, they were excluded from the calculations of net income per share.

**Reclassification** Certain amounts presented for the years ended December 31, 1987 and 1986, have been reclassified to conform to the 1988 presentation.

## Note 2 — Acquisitions

Effective June 1, 1988, the Company acquired NSC, which provides asbestos abatement and decontamination services. The purchase price consisted of \$16,750,000 in cash, 428,134 shares of the Company's common stock with a market value of \$5,250,000, acquisition-related costs of \$692,000, a warrant to purchase up to a maximum of 250,000 shares of the Company's common stock at \$15.00, exercisable after March 31, 1989 and until July 11, 1993 for a percentage of the maximum shares based upon income from operations of NSC for the year

ended December 31, 1988, and an additional cash payment of approximately \$5,000,000 due on March 31, 1989, contingent upon the income from operations for NSC for the year ended December 31, 1988. The acquisition was recorded using the purchase method of accounting. The Company's financial statements for the year ended December 31, 1988, include the results of operations of NSC from June 1, 1988.

Effective June 3, 1988, the Company acquired substantially all of the assets and assumed certain liabilities of SPaR which has certain waste processing technologies. The purchase price, including assumed liabilities of \$297,000, was approximately \$688,000. Effective December 31, 1988, the Company acquired SSI, which provides hazardous waste treatment and recycling services. The purchase price consisted of \$850,000 in cash, promissory notes totaling \$400,000, and acquisition-related costs of \$329,000. Also, the Company has agreed to make additional payments commencing in 1990 contingent upon the achievement of future earnings and other contractual conditions. The acquisition was recorded as of December 31, 1988, using the purchase method of accounting.

The following table presents the pro forma combined results of operations for the years ended December 31, 1988 and 1987, giving effect to the acquisition of NSC as if the acquisition had occurred on January 1, 1987.

Years Ended December 31	1988	1987
	(In Thousands, Except Per Share Data)	
Gross Revenues	\$177,784	\$154,796
Net Income	8,055	3,292
Net Income Per Share	\$ 0.65	\$ 0.26

The pro forma results of operations may not be indicative of the operating results that actually would have been reported had the acquisition of NSC been consummated at the beginning of the respective periods nor are they necessarily indicative of the results of operations which may be reported in the future.

## Note 3 — Accounts Receivable

Accounts receivable are summarized as follows:

December 31	1988	1987
	(In Thousands)	
Accounts billed and due currently	\$44,443	\$29,026
Unbilled receivables	8,947	4,804
Retained	2,565	1,383
	55,955	35,213
Allowance for doubtful accounts	(1,579)	(1,627)
	\$54,376	\$33,586

Unbilled receivables represent costs incurred and estimated earnings on completed contracts and non-contract services performed for which billings have not been presented to customers. Unbilled receivables include amounts relating to contracts with a federal government agency which require services performed by the Company's subcontractors to be paid prior to billing. The unbilled and retained receivables at December 31, 1988, are expected to be collected within one year.

#### Note 4 — Cost and Earnings on Contracts in Process

The consolidated balance sheets include the following amounts:

December 31	1988	1987
	(In Thousands)	
Costs incurred on contracts in process	\$ 36,596	\$ 17,602
Estimated earnings	14,369	6,185
	50,965	23,787
Less: billings to date	(41,267)	(17,615)
	\$ 9,698	\$ 6,172
Costs and estimated earnings on contracts in process in excess of billings	\$ 10,496	\$ 6,400
Billings on contracts in process in excess of costs and estimated earnings	(798)	(228)
	\$ 9,698	\$ 6,172

#### Note 5 — Property and Equipment

Property and equipment is summarized as follows:

December 31	1988	1987
	(In Thousands)	
Land	\$ 1,688	\$ 254
Buildings and improvements	18,780	14,481
Machinery and equipment	60,141	45,480
Construction in progress	3,273	4,591
	83,882	64,806
Accumulated depreciation and amortization	(22,182)	(15,626)
	\$ 61,700	\$ 49,180

#### Note 6 — Prepaid Expenses and Other Assets

Prepaid expenses and other assets are summarized as follows:

December 31	1988	1987
	(In Thousands)	
Prepaid insurance	\$1,761	\$ 617
Employee and other non-trade receivables	1,594	913
Other	1,550	606
	\$4,905	\$2,136

#### Note 7 — Other Accrued Liabilities

Other accrued liabilities are summarized as follows:

December 31	1988	1987
	(In Thousands)	
Accrued purchase price for acquired companies	\$1,048	\$ —
Accrued legal and professional services	1,358	—
Accrued remediation and disposal costs	1,959	—
Accrued interest	1,163	1,151
Reserves for self-insurance	280	—
Other	1,192	1,218
	\$7,000	\$2,369

#### Note 8 — Long-Term Debt

The long-term debt of the company is summarized below:

December 31	1988	1987
	(In Thousands)	
8% Convertible Subordinated Debentures, due October 1, 2006, convertible into common stock at \$24.00 per share, with interest payable semi-annually on April 1 and October 1 and redeemable at the option of the Company anytime after October 1, 1989, or earlier, under certain conditions as discussed below.	\$57,500	\$57,500
Revolving Credit and Term Loan, up to a maximum of \$30,000,000, payable on a revolving basis through November 1989, with interest at the prime rate or, at the Company's option, other rates which would not exceed the prime rate, after which the loan converts to a three-year term loan, payable in substantially equal quarterly payments commencing in February 1990.	17,600	—
New Jersey Economic Development Authority Bond, payable \$89,000 quarterly with interest at 80% of the prime rate.	89	446
Installment purchase contract, payable \$6,700 per month including interest.	125	125
Non-interest bearing note due June 30, 1989.	579	537
Other	184	315
	76,077	58,923
Less: current portion	(951)	(578)
	\$75,126	\$58,345

The convertible subordinated debentures require annual mandatory sinking fund payments of 7.5% of the principal amount which commence on October 1, 1996, and continue through October 1, 2005. The debentures are redeemable at the Company's option, prior to October 1, 1989, if the market price of the Company's common stock equals or exceeds 150% of the conversion price for a specified period. Debt issuance costs incurred in 1986, relating to the convertible subordinated debentures, were \$2,154,000. The related amortization was \$108,000, \$107,000, and \$27,000, for the years ended December 31, 1988, 1987, and 1986, respectively.

The non-interest bearing note was related to the purchase of the assets of Multi-Tech Laboratories, Inc. in 1987 and is convertible at seller's option into approximately 21,338 shares of the Company's common stock.

The aggregate maturity of long-term debt for the five years ending December 31 are: 1989, \$951,000; 1990, \$5,879,000; 1991, \$5,881,000; 1992, \$5,866,000; 1993, \$0; 1994 and thereafter, \$57,500,000.

The Company had \$862,000 and \$1,870,000 of standby letters of credit outstanding under the Revolving Credit and Term Loan at December 31, 1988 and 1987, respectively. In addition, the Company has lines of credit with several banks amounting to \$25,000,000 and \$15,000,000 at December 31, 1988 and 1987, respectively, for the purpose of issuing standby letters of credit. The Company had \$18,417,000 and \$3,250,000 of letters of credit outstanding under these facilities at December 31, 1988 and 1987, respectively.

## Note 9 — Leases

The Company leases data processing and certain office equipment under capital lease agreements. Included in property and equipment are the following amounts for equipment leases that have been capitalized.

December 31	1988	1987
	(In Thousands)	
Equipment	\$2,077	\$1,841
Accumulated depreciation	(882)	(513)
	<b>\$1,195</b>	<b>\$1,328</b>

Future minimum lease payments under noncancellable operating leases and the present value of future minimum capital lease payments are as follows:

	Capital Leases	Operating Leases
	(In Thousands)	
Years ending December 31:		
1989	\$ 474	\$1,095
1990	163	947
1991	52	905
1992	5	761
1993	—	65
Total minimum lease payments	694	\$3,773
Amount representing interest	(47)	
Present value of minimum lease payments	647	
Less: current portion	(442)	
	<b>\$ 205</b>	

Rental expense under operating leases totaled \$1,872,000, \$1,533,000, and \$977,000 for the years ended December 31, 1988, 1987, and 1986, respectively.

## Note 10 — Income Taxes

The provision for income taxes consists of the following:

Years Ended December 31	1988	1987	1986
	(In Thousands)		
Current:			
Federal	\$2,334	\$ 788	\$1,406
State	378	(24)	538
	2,712	764	1,944
Deferred:			
Federal	1,902	537	1,102
State	219	89	131
	2,121	626	1,233
Other	—	—	306
	<b>\$4,833</b>	<b>\$1,390</b>	<b>\$3,483</b>

For the years ended December 31, 1988 and 1987, the Company charged \$156,000 and \$215,000, respectively, to additional paid-in capital for tax deductions associated with the exercise of certain stock options by employees of the Company.

The reasons for differences between the provision for income taxes and the amount computed by applying the statutory federal income tax rate to income before income taxes and extraordinary credit are as follows:

Years Ended December 31	1988	1987	1986
Federal Statutory Rate	34.0%	40.0%	46.0%
Add (deduct):			
State income taxes, net of federal benefit	3.1	1.0	6.1
Goodwill amortization	1.0	0.2	—
Investment tax credit, net	(0.1)	(0.6)	(11.2)
Nonrecurring affiliation costs	—	—	16.2
Corporate dividend exclusion	(0.2)	(7.0)	(0.2)
Other	0.2	2.9	1.2
	<b>38.0%</b>	<b>36.5%</b>	<b>58.1%</b>

Deferred income tax expense, resulting from timing differences in reporting revenue and expense for income tax and financial reporting purposes, is summarized as follows:

Years Ended December	1988	1987	1986
	(In Thousands)		
Restoration of deferred taxes	\$ —	\$ 237	\$ 291
Unbilled receivables	(75)	(285)	633
Depreciation and amortization	2,275	1,250	511
Noncompetition agreements	—	—	(156)
Equipment leases	122	154	263
Allowance for doubtful accounts and other reserves	51	(238)	(256)
Alternative minimum tax credit	(351)	(211)	—
Other	99	(281)	(53)
	<b>\$2,121</b>	<b>\$ 626</b>	<b>\$1,233</b>

At December 31, 1988, for tax reporting purposes, the Company had unused investment tax credits and net operating loss carryforwards available to be used against ETC's income of approximately \$533,000 and \$4,154,000, respectively, which will expire in 1996 through 2000.

## Note 11 — Related Party Transactions

The Company has a policy whereby transactions with directors, executive officers, and related parties require the approval of a disinterested majority of the Board of Directors.

During 1986, the Company entered into a contract with a company to act as general contractor with respect to the construction of additions to certain facilities. The principal stockholder of this company is a former stockholder-officer of the Company and is directly related to certain directors of the Company. The price paid by the Company for the construction was the actual cost of construction plus 10 percent, which approximated \$4,780,000.

The Company rents certain buildings and aircraft from an affiliated partnership. Rental expense for these facilities and aircraft totaled \$139,000, \$131,000, and \$142,000 for the years ended December 31, 1988, 1987, and 1986, respectively.

An investment banking firm, of which a former director of the Company is a managing director, provided financial advisory services to ETC in connection with the combination of ETC and OHM in 1986, for which approximately \$1,400,000 was paid by ETC. This firm also acted as an underwriter to the Company's offering of common stock and convertible subordinated debentures in 1986. The firm received an underwriting commission of \$1.05 per share for the common stock and an underwriting discount of 2.875% for the convertible subordinated debentures for which the firm was an underwriter. In 1987, the Company paid \$330,000 to this firm in connection with the sale of certain marketable securities.

On July 27, 1987, the Company entered into a five-year management consulting services and non-solicitation agreement with a former director of the Company. The Company paid \$450,000 in advance, which is being amortized over the term of the agreement. The unamortized cost was \$315,000 and \$405,000 at December 31, 1988 and 1987, respectively.

#### **Note 12 — Agreements With Former Stockholders**

During the periods from 1981 to 1985, the Company repurchased the equity interests held by former stockholder-officers of the Company and entered into noncompetition agreements with them. On July 1, 1986, the Company prepaid the remaining amounts due under these noncompetition agreements. The total expense incurred to prepay the noncompetition agreements was \$452,000 which was recorded in 1986. The assets related to these agreements are being amortized over their respective terms. These assets, included in other noncurrent assets, amounted to \$286,000 and \$421,000, at December 31, 1988 and 1987, respectively.

#### **Note 13 — Capital Stock**

The Company has one class of \$.10 par value common stock. On May 19, 1987, the stockholders of the Company authorized an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares from 20,000,000 to 50,000,000. The total shares of common stock outstanding at December 31, 1988 and 1987, were 12,394,755 and 11,883,058, respectively. The total shares of common stock held in treasury at December 31, 1988 and 1987, were 171,824 and 167,000 respectively.

The Company has authorized 1,000,000 shares of preferred stock at a \$10.00 par value. No shares of this stock have been issued at December 31, 1988. The rights and preferences of the preferred stock will be fixed by the Board of Directors at the time the shares are issued. The stock, when issued, will have dividend and liquidation preferences over those of the common stockholders.

The Company has currently exercisable warrants outstanding to purchase 150,000 common shares at \$4.00 per share and which have certain other rights. These warrants were issued in connection with ETC's initial public offering, prior to the combination of ETC and OHM in 1986. Also, the Company has a warrant outstanding to purchase up to a maximum of 250,000 common shares at \$15.00, exercisable after March 31, 1989, and until July 11, 1993 based upon income from operations of NSC for the year ended December 31, 1988. This warrant was issued in connection with the acquisition of NSC.

#### **Note 14 — Retirement and Profit-Sharing Plans**

On May 11, 1988, the stockholders of the Company approved the adoption of the Company's Retirement Savings Plan effective as of April 1, 1988. The Company's subsidiaries, OHM, ETC, and SPaR, adopted the Plan in 1988, which allows each of its eligible employees to make contributions, up to a certain limit, to the Plan on a tax-deferred basis under Section 401(k) of the Internal Revenue Code of 1986, as amended. The Company may, at its discretion, make matching contributions to the Plan out of its profits for the plan year. The Company may also, at its discretion, make profit-sharing contributions to the Plan out of its profits for the plan year. There were no contributions made to the Plan for the year ended December 31, 1988.

Prior to the adoption of the Retirement Savings Plan, the Company operated separate profit-sharing plans for two of its subsidiaries. Substantially all full-time employees of OHM were covered under its profit-sharing plan. Contributions to the plan were at the discretion of the Board of Directors and no contributions were made for the years ended December 31, 1988, 1987, and 1986. ETC had a defined contribution retirement plan covering substantially all full-time employees of ETC. Effective February 1, 1988, the ETC Plan was amended to allow contributions to be made to the Plan only at the discretion of the Board of Directors. Prior to February 1, 1988, the Plan provided for a contribution of three percent of each employee's salary, plus an additional three percent for any fiscal quarter in which ETC recorded net income. ETC's contributions were \$0, \$308,000, and \$289,000 for the years ended December 31, 1988, 1987, and 1986, respectively. During 1988, both the OHM Plan and ETC Plan were terminated.

The Company's subsidiary, NSC, has certain union employees which are covered by union sponsored, collectively bargained, multi-employer retirement plans. Contributions to these plans were \$162,000 in 1988.



## Note 15 — Stock Option Plans

On June 30, 1986, the 1986 Stock Option Plan (1986 Plan) was approved by stockholders to grant options for an aggregate of 1,100,000 of the Company's shares of common stock to directors, officers, and key employees of the Company. On May 19, 1987, the stockholders approved an amendment to the 1986 Plan to increase from 1,100,000 to 1,600,000 the aggregate shares of the Company's common stock available to grant options. On May 11, 1988, the stockholders approved an amendment to the 1986 Plan to increase from 1,600,000 to 1,850,000 the aggregate shares of the Company's common stock available to grant options. The options are granted by a committee of the Board of Directors at prices equal to the fair market value of the shares at the date of grant. Substantially all options under the 1986 Plan are exercisable in cumulative annual installments ranging up to 20 percent commencing on the date of grant. The options expire ten years after grant. At December 31, 1988, the 1986 Plan had approximately 354,490 shares available to grant options under the 1986 plan.

The Company has an Incentive Stock Option Plan (ETC Plan) which permits the granting of options to purchase up to an aggregate of 300,000 common shares at prices equal to the fair market value of the shares at the date of grant. The Company does not intend to grant any additional stock options under the ETC Plan.

On December 23, 1987, the Stock Option Committee of the Board of Directors authorized the Company to offer to exchange with each holder (who was then an employee, officer or director of the Company) of stock options granted under the 1986 Plan, a new stock option for a number of shares equal to the number of shares remaining unexercised under the old option at the time of exchange subject to certain conditions. The option price of each new option granted under this offer was equal to the fair market value of the Company's common stock on the date of authorization, December 23, 1987, or \$11.00 per share.

The following summarizes stock option activity:

	ETC Plan		1986 OHM Plan	
	Number of Shares	Option Price Per Share	Number of Shares	Option Price Range Per Share
Outstanding at December 31, 1985	93,999	\$6.00 and \$6.33	—	—
Granted	—	—	932,740	\$25.25 to \$27.00
Exercised	(44,500)	\$6.00 and \$6.33	—	—
Cancelled	(9,000)	\$6.00	(44,050)	\$25.25 to \$27.00
Outstanding at December 31, 1986	40,499	\$6.00 and \$6.33	888,690	\$25.25 to \$27.00
Granted	—	—	751,900	\$10.75 to \$11.00
Exercised	(27,000)	\$6.33	(31,960)	\$25.25 to \$28.50
Cancelled	(6,500)	\$6.00	(291,990)	\$10.75 to \$11.00
Outstanding at December 31, 1987	6,999	\$6.33	1,316,640	\$10.75 to \$25.25
Granted	—	—	281,300	\$13.00 to \$15.38
Exercised	(6,999)	\$6.33	(106,026)	\$10.75 to \$11.00
Cancelled	—	—	(134,390)	\$10.75 to \$25.25
Outstanding at December 31, 1988	—	—	1,357,524	\$10.75 to \$25.25
Exercisable at December 31, 1988	—	—	583,934	\$10.75 to \$25.25

## Note 16 — Litigation and Contingencies

The Company is the defendant in certain legal actions. In the opinion of management, the outcome of these actions, which is not clearly determinable at the present time, will not have a material adverse impact upon its financial condition.

The Company is self-insured for certain asbestos abatement liability risks and for the initial \$1,000,000 for certain general and automobile liability risks through its wholly-owned insurance company subsidiary. The Company is insured through commercial sources for certain environmental impairment risks as well as for certain general and automobile liability umbrella coverages. The present situation does not reflect any record of unfavorable claim experience. The Company provides for losses when identified and evaluated. The Company's historical claim losses have been insignificant.

## DIRECTORS AND OFFICERS OF OHM CORPORATION

### DIRECTORS

**James L. Kirk**

*Chairman of the Board  
President and Chief  
Executive Officer*

**Elmer A. Graham**

*Director of Trinova Corp.*

**Ira O. Kane**

*Executive Vice President*

**Joseph R. Kirk**

*Executive Vice President*

**Dan W. Lufkin**

*Director, Columbia Pictures  
Industries, Inc.  
and Culbro Corporation*

**Richard W. Pogue**

*Managing Partner of  
Jones, Day, Reavis & Pogue  
Director, AmeriTrust  
Corporation, Durlan  
Industries, Ltd., M. A. Hanna  
Company and the Ohio Bell  
Telephone Company*

**Charles W. Schmidt**

*Senior Vice President and  
Group Executive of Raytheon  
Company  
Director, The Boston  
Company, Boston Safe Deposit  
and Trust Company,  
Massachusetts Financial  
Services Family of Mutual  
Funds, and Dennison  
Manufacturing Company*

**William E. Swales**

*Vice Chairman - Energy,  
USX Corporation  
Director, USX Corporation,  
PNC Financial Corporation  
and Pittsburgh National Bank*

### OTHER OFFICERS

**Paul T. Kaufmann**

*Executive Vice President,  
Remediation Services*

**Swep T. Davis**

*Vice President,  
Analytical Services*

**Gene J. Ostrow**

*Vice President and Chief  
Financial Officer*

**Randall M. Walters**

*Vice President,  
General Counsel and Secretary*

**Pamela K. M. Beall**

*Treasurer and Assistant  
Secretary*

**Daniel P. Buettin**

*Controller*

**Jeffrey J. Kirk**

*Vice President,  
Human Resources*

**Dr. Fred H. Halvorsen**

*Vice President,  
Health and Safety*

**Dr. Jurgen H. Exner**

*Senior Vice President,  
Technical Development*

**Mark H. Shipps**

*Vice President,  
Marketing and Business  
Development*

### BOARD COMMITTEES

1 Audit Committee

**Elmer A. Graham**  
Chairman

**Dan W. Lufkin**

**Charles W. Schmidt**

2 Compensation Committee

**Richard W. Pogue**  
Chairman

**Elmer A. Graham**

**Dan W. Lufkin**

3 Executive Committee

**James L. Kirk**  
Chairman

**Elmer A. Graham**

**Dan W. Lufkin**

4 Stock Option Committee

**Richard W. Pogue**  
Chairman

**Elmer A. Graham**

**Dan W. Lufkin**

**Annual Meeting**

The Annual Meeting of Shareholders of OHM Corporation will be held May 11, 1989, at the Company's Headquarters, 16406 U. S. Route 224 East, Findlay, Ohio.

**Form 10-K**

Shareholders may request, without charge, Form 10-K, which the Company submits to the Securities and Exchange Commission, by writing:

**Pamela K. M. Beall**

*Treasurer and Assistant Secretary  
OHM Corporation  
16406 U.S. Route 224 East  
P.O. Box 551  
Findlay, OH 45839-0551*

Common Stock  
NYSE Symbol: OHM

8% Convertible Subordinated  
Debentures due 2006  
NASDAQ Symbol: OHMCG

**Transfer Agent and Registrar**

*Midlantic National Bank  
499 Thornall Street  
Edison, New Jersey 08818*

**Corporate Offices**

*OHM Corporation  
16406 U.S. Route 224 East  
P.O. Box 551  
Findlay, Ohio 45839-0551  
419-423-3529*



OHM Corporation

---

OHM Corporation ■ 16406 U.S. Route 224 East ■ P.O. Box 551 ■ Findlay, Ohio 45839-0551 ■ 419-423-3529