

WMX Technologies, Inc.
 Summary of Action Steps
 December 31, 1993

Implementing the following action steps will ensure WMX begins to move towards its desired change in mindset resulting in more conservative accounting practices.

1994
8

<u>Issue</u>	<u>Must Do</u>	<u>Reasonable</u>	<u>Conservative</u>
Self-insurance reserve 60	<ul style="list-style-type: none"> Discount at risk-free rate. Accrue full balance sheet shortfall over 7 years. 	<ul style="list-style-type: none"> Accrue full balance sheet shortfall over 3 years. 	
Closure/Postclosure reserve	<ul style="list-style-type: none"> No future reversals of reserve to income. 	<ul style="list-style-type: none"> Push down adjusting entry to field locations. 	<ul style="list-style-type: none"> Do not discount. Do not offset reserve with gas credits.
Deferred Project Costs 400	<ul style="list-style-type: none"> Update Holsten detail schedule annually. Write off \$40 million over 8 years. Write off of additional unsuccessful projects when known. Change PAD regarding write off over 20 years. Agree on definitions of acceptable "market theory" and unsuccessful projects. 	<ul style="list-style-type: none"> Write off \$40 million over 3 years. Provide a general reserve based on historical experience. 	<ul style="list-style-type: none"> Write-off \$40 million immediately. Only capitalize hard costs with high probability of success. No "market" theory.

7

8

5

10 yrs
REA
TH
BK

10 yrs.

<u>Issue</u>	<u>Must Do</u>	<u>Reasonable</u>	<u>Conservative</u>
Unamortized Land	<ul style="list-style-type: none"> Review NRV of: <ul style="list-style-type: none"> (a) 1994 - Large sites closing within 20 years. (b) 1995 - All sites. Amortize all open sites to NRV by closure date. Do not net unrealized gains and losses. Closed sites written down to NRV over 5 years. 	<ul style="list-style-type: none"> Accrue by 1995 on a "catch-up" basis the "net cost" that should have been accrued if this was being done correctly all along. Closed sites written down to NRV over 2 years. 	<ul style="list-style-type: none"> Record cumulative catch-up in 1994 and some extra.
Deferred systems costs	<ul style="list-style-type: none"> Eliminate inappropriate overhead and capitalized interest costs from capitalizable base in 1994. Amortize inappropriately capitalized items over 5 years. Amortize CIMS over 10 years and other projects over life not to exceed 5 years. 	<ul style="list-style-type: none"> Only capitalize "hard" costs in future (i.e. no overhead) 	<ul style="list-style-type: none"> Do not capitalize systems costs. Write off CIMS costs over 5 years.
Income tax reserve	<ul style="list-style-type: none"> Perform detailed effective rate estimate for year and update quarterly. Provide taxes on a quarterly basis based on budgeted annual effective rate. Accrue \$55 million shortfall over 5 years. Analyze current payable to avoid overpayment. 	<ul style="list-style-type: none"> Build free cushion through addition to provision rate over 2 years. 	

9

165

25 ÷ 5 = 5
CIMS = 4
9

17

55 ÷ 5 = 11
pic-tax

Not agreed
you
TCH

5 yr

5 yr

5

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<u>Issue</u>	<u>Must Do</u>	<u>Reasonable</u>	<u>Conservative</u>
Environmental remediation reserve	<ul style="list-style-type: none"> No future reversals of reserve to income. No non-remedial costs charged against accrual Segregate reserve provided for acquisitions from that provided through income. Continue to credit all recoveries to accrual. Accrual not adjusted until all sites remediated, except for major shortfalls. 	<ul style="list-style-type: none"> Accrual to provide for sites with "no activity". 	<ul style="list-style-type: none"> Do not discount liability.
Other deferred assets		<ul style="list-style-type: none"> Minimize capitalization of start up costs and losses, training and ISO 9000 costs, etc. 	<ul style="list-style-type: none"> Write off existing asset over 5 years. Do not capitalize prospectively.
Depreciation/salvage value adjustments	<ul style="list-style-type: none"> Support for lives and salvage values. 		<ul style="list-style-type: none"> Adopt shorter lives and salvage values.
Landfill capitalized interest	<ul style="list-style-type: none"> Discard NBV method. Establish policy AA and WMX agree on by 7/1/94. Roll out to all divisions by third quarter and apply retroactively as of January 1994. Use a capitalization rate equal to cost of debt. Evaluate NRV of L/Fs on a site-by-site basis after amortization. 	<ul style="list-style-type: none"> Go back 2 years and adjust as if new method had been applied. 	<ul style="list-style-type: none"> Go back to inception of NBV method and adjust as if new method had always been applied.

330 (landfill only)

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AA 0100632

<u>Issue</u>	<u>Must Do</u>	<u>Reasonable</u>	<u>Conservative</u>										
Legal Costs		• Should be accrued.	• Should be accrued.										
Special Gains	• Must defer.	• Must defer.	• Must defer.										
Discount Rates	<ul style="list-style-type: none"> Establish consistent rates for 1994-Rates used during 1993 are as follows: <table border="0"> <tr> <td>Pension</td> <td>7.25%</td> </tr> <tr> <td>SFAS 106</td> <td>9.00% 7.25</td> </tr> <tr> <td>Closure/PC</td> <td>6.50%</td> </tr> <tr> <td>Remedial</td> <td>6.00%</td> </tr> <tr> <td>Insurance</td> <td>10.00%</td> </tr> </table>	Pension	7.25%	SFAS 106	9.00% 7.25	Closure/PC	6.50%	Remedial	6.00%	Insurance	10.00%		
Pension	7.25%												
SFAS 106	9.00% 7.25												
Closure/PC	6.50%												
Remedial	6.00%												
Insurance	10.00%												

52

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