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BROWNING-FERRIS INDUSTRIES
P O BOX 3151 • HOUSTON TEXAS 77253 • 713/870-8100

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Donna L. Kolar
Attorney

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Federal Express

(46)

December 8, 1987

Superfund Records Center
SITE: Coakley
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Mr. Paul Marchessault
U.S. Environmental Protection Agency
12030 Sunrise Valley Drive, Suite 200
Reston, Virginia 22091

Dear Mr. Marchessault:

This letter is in response to your Section 104(e) request to Browning-Ferris Industries which was received on October 30, 1987. For your information, the correct entity is Browning-Ferris Industries of New Hampshire, Inc. (BFINH) and this response is being made on behalf of BFINH.

Below you will find a recitation of each Information Request followed by a detailed answer to each request.

1. Identify the person(s) answering these Requests on behalf of the Respondent.

   The undersigned, Donna L. Kolar, is transmitting the answer to each Request on behalf of BFINH.

2. For each and every Request contained herein, identify all persons consulted in the preparation of the answer.

   Those persons who were consulted in the preparation of this Request are set forth below. Since the gentlemen are employees of Respondent, I respectfully request that any contact with these individuals be arranged through me.

   Larry Clark
   Raymond Lawrence, Jr.
   Don LeBlanc
   Danny Norton

3. For each and every Request contained herein, identify all documents consulted, examined or referred to in the preparation of the answer and provide true and accurate copies of all such documents.

   Those documents that are responsive and pertain to a specific Answer will be attached as exhibits to this Request for Information.

4. If you have a reason to believe that there may be persons able to provide a more detailed or complete response to any Request contained herein or who may be able to provide additional responsive documents, identify such persons and the additional information or documents that they may have.

   The United States Navy may be able to provide additional information in regard to specific nonhazardous or hazardous material that they may have disposed of at the Coakley Landfill Site. One of Respondent's drivers observed the Navy on a number of occasions.

5. Identify all persons, including Respondent's employees, who have knowledge or information about the generation, use, purchase, treatment, storage, disposal or other handling of materials at, or transportation of materials to the Site.

   All individuals that have knowledge or information in reference to the Coakley Landfill Site have been identified in the Answers to Request numbers 2 and 4.

6. For each and every Request contained herein, if information responsive to this Information Request is not in your possession, custody or control, then identify the persons from whom such information may be obtained.

   None.

7. If you have answered any of these requests in a previous Information Request letter, please specify the date of the letter and the request to which you have responded relevant to Coakley Landfill.

   This is the first Request for Information that BFINH has received in reference to the Coakley Landfill Site.

8. Please state the correct legal name of your town, company, agency or business. For towns, provide the name and address of the current primary officer or town manager of your town. For companies, provide the name and address of the current president and chairman of the board of directors of your company. Additionally, please state any other names by which your company has been known.

   The correct legal name is Browning-Ferris Industries of New Hampshire, Inc. The company was incorporated as Earl's Rubbish Disposal, Inc., which was acquired by BFI Waste Systems, Inc. The name was subsequently changed to BFINH on October 17, 1973. Great Bay Disposal Services, Inc. was acquired by BFINH on May 25, 1983, and merged into BFINH on August 8, 1983.

9. If the company is or was a subsidiary of another corporation, identify such other corporation and state the dates during which the parent/subsidiary relationship existed and the name and address of that corporation president and chairman of the board and other officers.

   BFINH is a subsidiary of Browning-Ferris Industries, Inc. (Delaware) (BFIDE). The relationship between the parent and the subsidiary has been disclosed in the Answer to Request number 8.

10. Identify the state of incorporation and the agency for service of all companies identified in response to Requests 8 and 9 above. For towns, also include all notice requirements for suits against the town.

The state of incorporation for BFINH is New Hampshire, and its registered agent is the following:

Norman H. Stahl
Devine, Millimet, Stahl & Branch
1838 Elm Street
Manchester, NH 03105

The state of incorporation for BFIDE is Delaware, and its registered agent is the following:

The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801

11. Please state the nature of your company's business and briefly describe its operation.

BFINH is engaged primarily in the collection, transfer and disposal of solid waste for commercial and governmental customers, and solid waste collection and disposal services for residential customers.

12. Identify all liability insurance policies held by Respondent from 1960 to the present. In identifying such policies, state the name and address of each insurer and of the insured, the amount of coverage under each policy, the commencement and expiration dates for each policy, whether or not the policy contains a "pollution exclusion" clause, and whether the policy covers or excludes sudden, non-sudden or both types of accidents.

See attached as Exhibit 1 a list of all liability insurance policies from 1972 to the present period.

13. Identify all Respondent's current assets and liabilities and current net worth.

Although BFINH does not have available under general accepted accounting standards a prepared and audited financial statement of its current assets and liabilities as an individual entity, enclosed as Exhibit 2 is a copy of Browning-Ferris Industries, Inc.'s most recent Form 10-K to the Securities and Exchange Commission dated September 30, 1987.

14. Have you or any person working with you or on your behalf ever accepted materials (hazardous and non-hazardous) for transportation to the Site from any person? If the answer to this question is anything but an unequivocal no, identify:

a. All persons, including you, from whom you or such other persons accepted materials for transportation to the Site.

The only material that BFINH disposed of at the Site was municipal incinerator ash from the Portsmouth Energy Recovery (PER) plant located on Pease Air Force Base in Portsmouth, New Hampshire.

b. In general terms, the nature and quantity of all nonhazardous materials accepted for transportation to the Site.

Approximately five to ten 25-cubic yard containers of municipal incinerator ash from PER were disposed of at the Coakley Landfill Site, which was the disposal site selected by PER, on a daily basis from June 8, 1982 to September 21, 1983.

c. The nature of the hazardous materials accepted for transportation to the Site including the chemical content, characteristics, physical state (e.g., solid, liquid), and the process which generated the material.

No hazardous material was ever accepted by BFINH for transportation to the Coakley Landfill Site.

d. The persons from whom you accepted hazardous materials.

None. See Answer to Request number 14c.

e. Every date on which you transported hazardous materials to the Site.

None. See Answer to Request number 14c.

f. The owners of the hazardous materials that were accepted for transportation.

None. See Answer to Request number 14c.

g. The quantity (weight and volume) of hazardous materials brought to the Site.

None. See Answer to Request number 14c.

h. All tests, analyses, analytical results and manifests concerning each hazardous material accepted for transportation to the Site.

None. See Answer to Request number 14c.

i. The precise location(s) at the Site to which each hazardous material was transported.

Not Applicable. See Answer to Request number 14c.

j. The persons who selected the location to which you would take each hazardous material. Where such persons intended to have the hazardous materials involved in each arrangement treated or disposed of and all evidence of their intent.

None. See Answer to Request number 14c.

k. Who selected the Site as the location to which you would take each hazardous material.

Not applicable. See Answer to Request number 14c.

l. The amount you were paid for accepting the hazardous materials for transportation, the method of payment and the identify of the persons who paid.

None. See Answer to Request number 14c.

m. The amount you paid to dispose of the material at the Site, the method of payment and the identify of all persons whom you paid. Please provide copies of all contracts or agreements you have had with the City of Portsmouth, NH.

None. To the best of BFINH's knowledge, PER or the City of Portsmouth paid all disposal fees directly to the Coakley Landfill in connection with the use of this site for the deposit of PER's municipal incinerator ash. The ash was transported from PER's incinerator facility located on Pease Air Force Base directly to the Coakley Landfill by BFINH.

BFINH was paid by PER or the City of Portsmouth for the service of transporting PER's municipal incinerator ash for disposal at the Coakley Landfill. The selection of this site was made entirely by PER. BFINH was never involved in any discussions or negotiations with PER, or any other entity, in regard to the selection of a disposal site for PER's municipal incinerator ash. In addition, BFINH never made any arrangements by contract for the disposal of PER's municipal incinerator ash. BFINH merely transported PER's municipal incinerator ash to the Coakley Landfill for its disposal under the direction of and selection by PER.

n. All sites at which such hazardous materials were transshipped through, or were stored or held at, prior to their final treatment or disposal.

None. See Answer to Request number 14c.

o. What was done to the hazardous materials after they were transported to the Site.

Not applicable. See Answer to Request number 14c.

p. The final disposition of each of the hazardous materials brought to the Site.

Not applicable. See Answer to Request number 14c.

q. The markings on, type and number of containers in which the hazardous materials were contained when they were accepted and when they were left at the Site.

Not applicable. See Answer to Request number 14c.

r. The number(s) assigned to your particular company by the City of Portsmouth. Review of previous weight slips issued to users of the Coakley Landfill specified a number in the upper left-hand corner, which we believe refers to a permit number. In addition, if you have a list of any or all other users of the landfill with or without assigned permit numbers, please provide that information also.

The permit numbers used on the PER weight slips for the transportation of PER's municipal incinerator ash by BFINH to PER's selected disposal site, the Coakley Landfill, are: 31, 32, 36, 74 and 99.

15. Has your company arranged for disposal or treatment, or transportation for disposal or treatment, of hazardous substances to the Site? If the answer to this question is anything but an unequivocal no, identify:

BFINH has never arranged for disposal or treatment, or transportation for disposal or treatment, of hazardous substances to the Coakley Landfill Site.

Any further contact regarding the Coakley Landfill Site should be made directly to:

Donna L. Kolar
Browning-Ferris Services, Inc.
14701 St. Mary's Lane
Houston, Texas 77079

Sincerely,

Donna L. Kolar

Donna L. Kolar
Attorney for Browning-Ferris Industries
of New Hampshire, Inc.

DLK:glr
Attachment

xc: Bruce Jernigan
Gwen Walsh
File

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended
September 30, 1987

Commission File Number 1-6805.

BROWNING-FERRIS INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**74-1673682** (I.R.S. Employer Identification No.)
14701 St. Mary's **Houston, Texas** (Address of principal executive offices)	**77079** (Zip Code)

Registrant's telephone number, including area code: (713) 870-8100.

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

Title of each class	Name of each exchange on which registered
Common Stock, $.16-2/3 par value	New York Stock Exchange, Inc. Midwest Stock Exchange Incorporated The Pacific Stock Exchange Incorporated
8-1/2% Sinking Fund Debentures Due 2017	None
9.85% Notes Due 1995	None
6-1/4% Convertible Subordinated Debentures Due 2012	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X. No __.

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Approximate aggregate market value of common stock held by non-affiliates of the registrant: $3.4 billion, computed on the basis of $23.50 per share, closing price of the common stock on the New York Stock Exchange, Inc. on December 2, 1987.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of December 2, 1987:

Classes of Common Stock	Number of Shares Outstanding
$.16-2/3 par value	147,583,545*

*All share and per share amounts in this report have been adjusted to reflect the two-for-one stock split of the registrant's common stock that was distributed on April 24, 1987.

DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12 and 13 of Part III (except for information required with respect to executive officers of the Company which is set forth under "Business--Executive and Other Officers of the Company" in Part I of this report) have been omitted from this report, since the Company will file with the Securities and Exchange Commission, not later than 120 days after the close of its fiscal year, a definitive proxy statement, pursuant to Regulation 14A, which involves the election of directors. The information required by Items 10, 11, 12 and 13 of Part III of this report, which will appear in the definitive proxy statement, is incorporated by reference into this report.

PART I.

Item 1. Business.

General

Browning-Ferris Industries, Inc. is one of the largest publicly-held companies whose subsidiaries and affiliates are engaged primarily in the collection, transfer, interim processing/recovery and disposal of solid and chemical wastes for commercial, industrial and governmental customers and solid waste collection and disposal services for residential customers. The Company is also engaged in developing solid waste resource recovery facilities and is continuing to develop waste service operations in foreign countries. The terms "BFI" and "Company" refer to Browning-Ferris Industries, Inc., a Delaware corporation, and to its subsidiaries, affiliates and predecessors, unless the context requires otherwise. BFI's executive offices, currently located at 14701 St. Mary's, Houston, Texas 77079, will be relocated in early 1988 to 757 Eldridge, Houston, Texas 77079. The Company's mailing address is P.O. Box 3151, Houston, Texas 77253, and its telephone number is (713) 870-8100.

The Company's subsidiaries and affiliates, which operate in approximately 300 district locations in North America and 35 district locations outside of North America, employ approximately 18,200 persons. The Company's North American solid waste operating subsidiaries are aligned, for management oversight purposes, into nine relatively autonomous geographic regions. Each region is headed by a regional vice president responsible for all operating and financial objectives established for his respective region. Under this decentralized management structure, the regional vice president and regional staff oversee and assist the district managers within each region. Regional responsibility for local district operations is exercised by assisting with the development and approval of capital budgets, profit, pricing and corporate development goals and monitoring performance of subsidiaries' operations. Each district's operations are a distinct, localized service business whose day-to-day operations are managed at the local level. No single customer or district accounts for a material amount of BFI's revenue or net income. See information concerning the Company's operations by geographic area elsewhere in this section and refer to Note (11) of Notes to Consolidated Financial Statements.

Hazardous and chemical waste operations are conducted and managed primarily by a wholly-owned subsidiary of BFI, CECOS International, Inc. ("CECOS"), headquartered in Buffalo, New York, and its subsidiaries and affiliates. Several domestic and foreign subsidiaries are responsible for operations and services outside of North America.

Waste services activities, particularly solid waste landfill operations and CECOS' hazardous waste operations and facilities, are subject to rigorous regulatory requirements and potentially substantial risks. All such activities are substantially affected by laws and regulations which relate to the protection of the environment. These activities are also subject to administrative actions (including investigations and enforcement sanctions) and judicial proceedings initiated pursuant to environmental laws and regulations, which are frequently initiated against various subsidiaries and affiliates of the Company. The Company's solid waste collection operations could be

adversely affected in areas experiencing critical shortages of waste disposal facilities. See "Business - Solid Waste Services - Disposal - Waste Disposal Risk Factors," "Business - Chemical Waste Services," "Business - Regulation" and "Legal Proceedings - Environmental Proceedings."

In addition to operations in Canada and Puerto Rico, subsidiaries of the Company own interests in subsidiaries or affiliates with operations in Australia, Kuwait, The Netherlands, Saudi Arabia, Spain, United Kingdom and Venezuela. The profitability and risks associated with these operations are affected by changes in national business, financial and political policies, social stability, currency fluctuation and other risk factors associated with operations in foreign countries. See "Business - International Operations," "Business - Corporate Development" and Note (11) of Notes to Consolidated Financial Statements.

The table below reflects the percent of total revenues contributed by all classes of services of the Company's two principal industry segments and from all other operations for each of the three years ended September 30, 1987. Financial results of certain chemical waste collection and disposal operations, amounting to less than one percent of consolidated revenues, are not reflected within chemical waste services, since these activities are an integral but minor part of certain solid waste operations outside the CECOS organization.

	Contribution to Consolidated Revenues Year Ended September 30,		
	1985	1986	1987
Solid Waste Services Segment			
Solid Waste Commercial and Industrial Collection:	63%	65%	65%
Solid Waste Residential Collection:	17%	17%	17%
Solid Waste Processing and Disposal:	12%	12%	13%
Chemical Waste Services Segment	7%	6%	5%
Other Activities	1%	* %	* %

* Less than one percent.

Total assets applicable to solid waste services at September 30, 1985, 1986 and 1987 were $862 million, $1,068 million and $1,589 million, respectively. Total assets applicable to chemical waste services at September 30, 1985, 1986 and 1987 were $116 million, $109 million and $112 million, respectively. See "Consolidated Statement of Income" and Note (11) of Notes to Consolidated Financial Statements.

Solid Waste Services

Collection

BFI's subsidiaries and affiliates collect solid waste in approximately 700 communities from approximately 250 district locations in 43 states, Australia, Canada, Kuwait, The Netherlands, Puerto Rico, Saudi Arabia, Spain, United Kingdom and Venezuela. These subsidiaries provide solid waste collection services for numerous commercial establishments, industrial plants, and governmental and residential units. Solid waste services involve several integral functions that result in the removal and final disposal of unwanted and discarded materials, such as paper, glass, metal and other organic or inorganic matter. In addition, certain subsidiaries or affiliates are involved in street and parking lot sweeping, the collection and disposal of infectious and pathological waste materials and the rental and servicing of portable rest room facilities. Approximately 220 street sweepers are utilized in these activities.

In its solid waste collection operations, BFI uses approximately 640,000 steel containers and approximately 6,400 specially equipped collection trucks. Steel containers, generally ranging in capacity from one to 40 cubic yards, are designed to be lifted mechanically and emptied. Stationary hydraulic compactors are sold or rented to many commercial and industrial customers for installation on their premises. Compactors compact the waste to provide greater storage capacity and to reduce frequency of collection.

The Company's commercial and industrial solid waste collection services are generally performed pursuant to service agreements providing for one- to three-year initial terms and successive annual terms thereafter, until terminated on 60 days' notice prior to the end of any term. Residential collection contracts with individual homeowners, homeowner groups and municipalities are generally for periods of one to five years. Solid waste residential collection contracts with governmental units are usually awarded after competitive bidding.

Operating costs, disposal costs and collection fees vary throughout the geographic areas of the Company's operations. Prices for solid waste collection services are determined by the volume, weight and type of wastes collected, treatment required, risks involved in handling or disposal of the wastes, collection frequency, disposal costs, distance to final disposal sites, amount and type of equipment furnished to the customer and prices charged for similar services by competitors. Under contracts that are for periods of one year or longer, the ability to pass on cost increases is often limited. Long-term residential solid waste collection contracts often contain a formula, generally based on published price indices, for automatic adjustments of fees to cover increases in certain operating costs. A growing shortage of solid waste disposal site capacity in some parts of the United States is beginning to cause disruptions in waste collection service schedules and substantial increases in disposal costs. See "Business - Solid Waste Services - Disposal - Waste Disposal Risk Factors," and "Business - Regulation."

Processing

BFI operates 47 solid waste transfer stations, 11 of which it owns, where solid wastes are compacted for removal to distant final disposal sites. Transfer stations are conveniently located facilities at which residential and

commercial collection vehicles discharge their comparatively low volume solid waste loads for reloading into large volume transfer trailers for efficient transportation to distant disposal sites.

Disposal

Sanitary landfilling is the primary method for the final disposal of solid waste. BFI currently operates 87 active solid waste sanitary landfill sites, comprising approximately 24,000 acres, 48 of which are wholly owned by subsidiaries of the Company. Five are either owned jointly with others or partially owned and partially leased; the remainder are leased or operated pursuant to various agreements. At these sanitary landfills, collection and transfer vehicles deposit wastes that are then spread and compacted by special purpose equipment. Heavy earthmoving equipment covers the waste, generally at least once daily, with a layer of earth. The landfill thus consists of alternating layers or cells of compacted waste and cover material.

The ownership or lease and operation of solid waste landfill sites enables the Company to dispose of waste without payment of disposal fees to others; however, the cost of ownership or lease of such sites is substantial. BFI does not currently own or lease a landfill site in every metropolitan area in which it is engaged in solid waste collection; however, the Company intends to continue to seek ownership, lease or make other arrangements to use sanitary landfill sites in all of such areas. To date, the Company has not experienced insurmountable difficulty securing the use of disposal facilities owned or operated by others in those communities in which it does not operate its own landfill sites.

Waste Disposal Risk Factors

There are serious, often unforeseeable, business risks and potentially substantial cost exposures associated with the establishment, ownership and operation of solid waste sanitary landfill sites and other types of processing and disposal facilities. These risk factors include, but are not limited to: (i) an increasing shortage of suitable sites and facilities, (ii) increasingly well-organized and financed private and governmental opposition to the location and operation of these facilities, (iii) increasing costs associated with leachate and methane gas control, post-closure monitoring, site cleanup, other remedial work and maintenance and perpetual care obligations, (iv) alleged possible adverse effects on public health and the environment attributable to some of the wastes disposed of at such sites (sometimes resulting in "toxic tort" suits), (v) exposure to substantial regulatory compliance expenditures, fines or other sanctions and civil damage liabilities, (vi) complex, costly and restrictive regulation at all governmental levels involving the securing of permits, demonstrating financial responsibility (see "Business - Regulation") and conforming to prescribed or changing standards and methods of operation, (vii) judicial and administrative proceedings (including rigorous investigations and inspections) initiated by governmental bodies and private litigants regarding location, operation or alleged possible adverse environmental and health effects of landfills or other treatment and disposal facilities, and (viii) possible reduction in the amount of solid waste available for direct landfill disposal because of the construction and operation of new facilities to recover or burn solid wastes for use as an alternative or supplemental energy source. See also "Business - Resource Recovery," "Business - Regulation" and "Legal Proceedings - Environmental Proceedings."

Should the Company become unable to continue operations at existing solid waste landfills and other processing and disposal facilities, or become unable to establish or obtain rights to use suitable new or replacement sites and facilities, it will be required to obtain the rights to use other disposal facilities or methods or to suspend or curtail solid waste collection activities. These factors, together with the expenses and risks referred to above, could also substantially impair the value of the significant amount of assets currently employed in the operation of these facilities and result in the acceleration of closure costs and post-closure monitoring accruals.

Some Northeastern and Mid-Atlantic states of the United States are currently experiencing a critical shortage of suitable solid waste disposal facilities. Unless additional disposal capacity is developed, many private and governmental solid waste collection operations in the affected areas, including BFI, could be required to curtail or even suspend solid waste collection operations. In other cases, collection companies, including BFI, may be excluded from disposing of solid waste in landfills that are owned or operated by others desiring to preserve the remaining capacity for their own disposal needs. Some state and local governments have recently attempted to erect various regulatory or other governmental barriers to the import of waste into their jurisdictions, notwithstanding the substantial doubts about the constitutional propriety of such barriers that affect interstate commerce. Additionally, the lack of landfill disposal capacity available to accept ash residue, by-pass waste and non-processible waste from resource recovery facilities (such as those the Company is attempting to develop through American REF-FUEL Company) may prevent the completion of certain of those projects or may cause the interruption of operations of existing facilities. See "Business - Resource Recovery."

It has become increasingly difficult to establish suitable new solid waste landfills and other waste processing/disposal sites and facilities and to obtain the environmental and other regulatory permits required for such facilities to operate. These factors, which are expected to worsen in some areas, will contribute to dramatic increases in disposal costs. Costs of solid waste disposal are increasing substantially in many areas of the United States, especially in the Northeastern and Mid-Atlantic states. The pace of these increases is not expected to abate.

BFI has periodically undertaken or been required, and may in the future undertake or be required, to cease operations or to substantially alter the methods of operation at existing solid waste disposal sites, and to implement additional monitoring, post-closure maintenance or costly, extensive corrective measures at certain closed solid waste disposal sites. These actions have required BFI to make costly, additional expenditures and may in the future require BFI to incur or make provision for substantial further expenditures, which would have a negative impact on income.

Chemical Waste Services

Generally, all of the hazardous waste operations of the Company are managed as a separate group of subsidiaries under the direction of CECOS. CECOS, directly or through its subsidiaries or affiliates, collects, transports, processes, treats and disposes of various hazardous wastes for a variety of commercial, governmental and industrial customers, and also collects and disposes of sewage sludge for municipalities. CECOS and its affiliated operations utilize tank trucks and other transport vehicles for the collection of hazardous and

other wastes. Generally, CECOS' hazardous waste services are provided to customers under contracts with standard terms and conditions. These contracts, which can be one-time disposal agreements or agreements continuing for a period of months or years, usually provide, among other things, for periodic price adjustments and for the customer to retain legal responsibility to protect CECOS and others, if any hazardous wastes delivered to CECOS do not conform to agreed criteria.

Directly or through its subsidiaries or affiliates, CECOS owns hazardous waste disposal sites in Williamsburg, Ohio; Niagara Falls, New York; Odessa, Texas; and Livingston and Lake Charles, Louisiana; and also owns wastewater processing plants in Cincinnati, Ohio; Niagara Falls, New York; and Bristol, Connecticut. These sites are licensed by governmental agencies to receive, process, treat or dispose of various hazardous or toxic wastes, liquid and solid, which are defined by federal or state law as posing a risk of potential hazard to health or to the environment. See "Business - Regulation." CECOS is also active in hazardous waste treatment research, chemical waste spills response actions and disposal site remedial programs. CECOS serves the hazardous wastes generator-intensive Northeast and the Great Lakes-Ohio River Valley areas. CECOS' other hazardous waste disposal sites and treatment facilities primarily serve chemical and petro-chemical customers located in the Texas/Louisiana Gulf Coast region. The combined equipment and disposal facilities of CECOS are located in the geographic areas that generate an estimated 70% of all hazardous wastes produced in the United States.

Operating costs and collection and disposal fees for hazardous wastes vary geographically. Prices for hazardous waste collection and disposal services are determined by the volume, weight, characteristics of the wastes collected, treatment requirements, risks involved in handling and disposal, costs of disposal and the distance to final disposal sites.

Waste Disposal Risk Factors

To a much greater degree than is the case with solid waste disposal operations, there are serious risks associated with the establishment, continued ownership and operation of hazardous waste treatment, processing and disposal facilities. In addition to the risk factors associated with solid waste sanitary landfills (See "Business - Solid Waste Services - Disposal- Waste Disposal Risk Factors"), risk factors include, but are not limited to, (i) substantial opposition to the location and operation of chemical waste treatment and disposal facilities, (ii) alleged possible adverse effects on public health and the environment attributable to the wastes treated and/or disposed of at such sites, (iii) exposure to substantial regulatory compliance expenditures, fines or other sanctions and civil damage liabilities, (iv) complex, costly and restrictive regulation at all governmental levels involving, among other things, securing permits, complying with groundwater monitoring requirements and demonstrating financial responsibility (see "Business - Regulation"), (v) costs of conforming to prescribed or changing standards and required methods of operation, and (vi) judicial and administrative proceedings initiated by governmental bodies and private litigants regarding location, operation or alleged adverse environmental and health effects of these treatment and disposal facilities. See also "Business - Regulation" and "Legal Proceedings - Environmental Proceedings."

Should CECOS become unable to continue operating at existing hazardous waste treatment and disposal facilities or become unable to obtain suitable new or

replacement sites and facilities, it will be required to find and obtain the rights to use other disposal facilities or methods or suspend hazardous waste disposal activities. These factors, together with the risks referred to above, would also substantially impair the value of the significant amount of assets currently employed in the operation of these facilities and could result in the acceleration of closure costs and post-closure monitoring liabilities, with a corresponding negative impact on net income.

It has become extremely difficult to establish new, environmentally suitable hazardous waste treatment and disposal sites and facilities and to obtain the environmental and other regulatory permits required for such facilities to operate. This regulatory environment, which can often be contentious, is not expected to become less burdensome and may become even more restrictive, costly and detrimental to the development of new hazardous waste facilities and to the continued operation of existing facilities. These factors cause interruption of services to customers and often unpredictable, material additional expense to CECOS. These circumstances will contribute to further increases in disposal costs for these wastes and adversely affect the ability to establish new or expand existing facilities.

Subsidiaries of the Company have from time to time undertaken or been required, and may in the future undertake or be required, to cease operations or to substantially alter the methods of operation at existing hazardous waste storage, treatment and disposal sites or facilities. In addition, such subsidiaries may also undertake or be required to implement additional monitoring, post-closure maintenance or costly, extensive corrective measures at certain closed waste disposal sites or facilities, including "Superfund" sites. Some of these facilities and sites are owned by subsidiaries of the Company, and others are owned or operated by third parties. These actions have required costly, additional expenditures and may in the future require the Company to incur or make provision for substantial further expenditures, which would have a negative impact on income. See "Business - Regulation."

International Operations

Subsidiaries or affiliates of the Company are involved in operations in seven countries outside of North America: Australia, Kuwait, The Netherlands, Saudi Arabia, Spain, United Kingdom and Venezuela.

During fiscal 1987, a subsidiary of the Company acquired Spitman Holding B.V. and its subsidiaries, incorporated in The Netherlands. The companies are primarily engaged in providing collection, transfer and disposal of solid waste and chemical waste for commercial, industrial, healthcare and governmental customers and solid waste collection and disposal for residential customers. The companies also provide industrial cleaning and street and sewer cleaning services. These companies employ approximately 400 people in approximately 14 Dutch locations.

The cleaning contract for the Municipality of Riyadh, Saudi Arabia which began in 1982 expired in September 1987. An affiliate, Browning-Ferris Saudi Arabia, Ltd. ("BFSA") which is owned 50 percent by a wholly-owned subsidiary of the Company and 50 percent by Mawarid Services Limited, a Saudi Arabian Company based in Riyadh ("Mawarid") performed the contract. A new five-year contract which provides cleaning and sanitation services for the Municipality of Riyadh was awarded to BFSA and Mawarid and commenced in September 1987;

however, BFSA's role under this contract is limited to consultation only. BFSA will continue to provide certain other cleaning services in Saudi Arabia unrelated to this contract.

Venezuela imposed a series of exchange controls on foreign currency transactions in 1983, 1986 and 1987. The 1983 exchange controls were followed by a significant deterioration in the value of Venezuelan currency in relation to the U.S. dollar on foreign exchange markets. It is uncertain what specific effect the 1986 and 1987 exchange control measures will have upon the Company's Venezuelan operations. These developments, however, continue to have a negative impact upon the Company's business interests in Venezuela.

In addition to being subject to many similar business risks generally encountered in the Company's domestic operations, the Company's operations outside of North America are subject to such other risks as currency fluctuations, currency control regulations, the recruitment of non-resident labor, changes in foreign laws, social instability, compliance with foreign immigration laws, political changes, international tensions and problems associated with foreign governmental appropriation processes. In addition, provisions of the federal Export Administration Act adversely affect the ability of the Company and its affiliates to conduct operations in certain countries.

Foreign municipal contracts often require letters of credit, Company guarantees and/or performance bonds to ensure satisfactory performance. Such contracts may also provide for substantial monetary penalties for unsatisfactory performance. The contracts may also confer on the municipality the right to offset penalties against payments to be made under the contract, to terminate the contract with or without cause and to submit questions of contract interpretations and disputes for resolution in a local forum where the municipality is located. Certain contractual price adjustments may not adequately reflect the increased cost of performance. Where foreign contracts are for fixed prices, factors such as population growth, increases in volume of waste generated, inflation and currency fluctuations may impair the profitability of a particular foreign contract.

For information concerning revenues, income from operations, and identifiable assets applicable to foreign operations (including those in Canada), see Note (11) of Notes to Consolidated Financial Statements.

Resource Recovery

The Company is involved in marketing facilities that burn unprocessed solid waste and recover energy and other materials. These facilities utilize the proven European solid waste mass-burning technology of the West German firm, Deutsche Babcock Anlagen AG ("DBA"), for which the Company is the exclusive licensee in North America. Although no facility employing this technology has been constructed in the United States, the technology has been utilized successfully for 25 years in Europe and elsewhere. The Company and Air Products and Chemicals, Inc., headquartered in Allentown, Pennsylvania ("Air Products"), jointly market their combined capabilities to design, build, own and operate the facilities that would use the DBA technology. This marketing venture, headquartered in Houston, markets its capabilities under the name American REF-FUEL Company™ ("American REF-FUEL").

Neither the Company nor Air Products has ever constructed or operated such a facility, although subsidiaries of the Company have extensive experience in operating solid waste processing facilities, primarily transfer stations. In addition, Air Products and its subsidiaries have experience in the engineering and operation of large-scale plants employing sophisticated technologies designed for other purposes.

In each of the projects in which American REF-FUEL is currently involved, a general partnership has been or will be formed by indirect wholly-owned subsidiaries of Air Products and the Company. The general partnership, as the primary contracting party, will normally enter into a financing agreement with a governmental authority to finance, through the sale of tax-exempt industrial revenue bonds, a major portion of the capital cost of the design, construction and acceptance testing of the plant. The partnership will typically enter into a service agreement (or similar contract) with the same or another governmental entity to provide solid waste processing and disposal services for a number of years.

An American REF-FUEL partnership has executed definitive agreements and is currently constructing a project in the Town of Hempstead, New York. In addition, American REF-FUEL is currently involved in various stages of development of projects to be located in Bergen County and Essex County, New Jersey; Bethlehem, Pennsylvania (Lehigh Valley area); Boston, Massachusetts; Preston, Connecticut; and Oyster Bay, New York. The estimated construction costs of these various projects range from approximately $100 million to approximately $350 million with plant capacities expected to range from 600 to 3,000 tons per day. American REF-FUEL has also submitted definitive proposals for similar facilities in several other locations in the United States.

All of these proposed resource recovery facilities must meet rigid environmental laws and regulations. There can be no assurance that the required environmental and other permits will be issued for any particular project, or that the applicable laws and regulations will not be changed or administered differently in the future in a manner that would either prevent or halt the construction or testing of a project or require extensive redesign or modification to construction, start-up or continued operation of such facilities.

In connection with each of these projects, both the Company and Air Products have delivered or will deliver support agreements severally, but not jointly, unconditionally guaranteeing performance of certain of the undertakings of each of the respective subsidiary partners. The support agreements provide guarantees that the plant will be completed and meet certain minimum acceptance test criteria at a fixed price and by a date certain (subject to delays and contingencies beyond the control of the partnership). After meeting the acceptance criteria, these support agreements will obligate the two companies to provide for certain ongoing guarantees of the partnership's performance obligations throughout the term of the project. These support agreements, among other things, require the two companies to (x) make equity contributions and to advance additional funds as required to fund the payment of debt incurred to finance construction costs if the partnership defaults in its obligations, including construction cost overruns or the failure of the plant to pass the minimum acceptance criteria established for it and (y) make additional investments in the partnership sufficient to support certain of the partnership's ongoing performance obligations after the plant has passed the acceptance test criteria. The Company could be required to seek outside

sources of capital to fulfill its obligations under those support agreements. See Note (6) of Notes to Consolidated Financial Statements for more detailed information concerning these obligations.

There are some competitors that also have licenses or contractual arrangements for similar solid waste mass-burning technology or different technologies that depend upon presorting or processing of solid waste prior to burning.

The feasibility of privately-owned resource recovery projects financed and operated under contractual arrangements with governmental units could be dependent, in part, upon tax laws, including but not limited to the availability of tax-exempt industrial development bond financing. The Tax Reform Act of 1986, while retaining the availability of tax-exempt financing, restricted or eliminated certain tax benefits for privately-owned facilities. The economic viability of certain of these and future projects may be substantially affected by (i) the current low level of energy prices, (ii) the absence of available landfills for the disposal of ash residue, bypass and nonprocessible waste (See "Business - Solid Waste Services - Disposal"), (iii) possible new federal standards applicable to the disposal of the ash residue that will limit the sites that might otherwise be available for such disposal and (iv) increased air emission standards applicable to such plants.

Other Activities

Subsidiaries of the Company engage, to a limited extent, in several other activities that either are related to the Company's principal business or have been developed in response to specific needs or opportunities of a particular operation. These include earthmoving and excavation contracting, engineering and consulting services, management and operation of various transportation vehicles and facilities for both public and private customers, sales or rentals of steel refuse containers and solid waste compaction and related equipment. The Company may also participate, to a limited extent, in the end-use development of certain completed BFI landfills and other real and personal property in which it has an interest. From time to time, the Company sells or otherwise disposes of surplus land or other real or personal property and reflects any gain or loss from such transactions in the results of operations for the period in which the transaction occurred.

Corporate Development

The emphasis of the Company's corporate development program is on expanding the customer base serviced by existing systems, expanding into new domestic and international markets and expanding the kinds of services offered by existing operations to include, among other things, medical waste systems to treat and dispose of infectious and pathological wastes, street sweeping, recycling, transportation services for public and private customers, portable rest room operations and other elements of complete solid or chemical waste services systems, such as processing/recovery, disposal and incineration. Major emphasis is currently being placed on finding and developing suitable new solid waste sanitary landfill sites for the Company's solid waste disposal needs. (See "Business - Solid Waste Services - Disposal.") The Company's CECOS subsidiary is continuing its efforts to expand its hazardous waste collection, treatment and disposal activities and capabilities. See "Business

- Chemical Waste Services" and "Business - Regulation." The Company is selectively evaluating several possible project opportunities for the Company's services in Europe, the Far East and other areas of the world. Foreign markets represent a potentially important long-term source of new business for the Company (see "Business - International Operations").

As part of its ongoing corporate development program, the Company has continued to acquire from unaffiliated persons in negotiated transactions a number of businesses and properties engaged primarily in or related to one or more aspects of the waste services industry. Although the Company has expended approximately $350 million during fiscal 1987 in connection with these acquisitions, no single acquisition was material to the Company and its subsidiaries on a consolidated basis. The Company acquired two businesses in exchange for 567,920 shares of BFI Common Stock, one of which is engaged in providing transportation services. The other acquisitions during fiscal 1987 of businesses and properties were initially financed by borrowings under the Company's variable rate term bank credits. A portion of the proceeds of a $345 million sale of debentures in August 1987 was used to retire these bank credits. See "Business - Financing and Capital Appropriations."

In the course of its acquisition program, BFI has issued shares of its Common Stock pursuant to "shelf" registration statements maintained by BFI or pursuant to exemptions from the registration requirements of the securities laws. Portions of its Common Stock have been, and in the future may be, resold by the recipients thereof in open market transactions. Additionally, some of the shares of BFI Common Stock issued in acquisitions have been, and may in the future be, sold in underwritten public offerings. BFI intends to continue to pursue the acquisition of additional companies using BFI Common Stock, cash and indebtedness. There can be no assurance that BFI will be successful in making additional acquisitions.

Financing and Capital Appropriations

Capital appropriations were approximately $716 million in fiscal 1987. The Company has approved a capital appropriations budget of approximately $630 million for fiscal 1988. Of this amount, $418 million is allocated to corporate development and other activities. See "Business - Resource Recovery" and "Business - Corporate Development." Of the balance, approximately $85 million is allocated to the normal replacement of assets and approximately $127 million for expansion within existing operations. In addition, approximately $62 million is expected to be expended in fiscal 1988 to complete capital commitments made in fiscal 1987. A change in the national economic conditions, regulatory or other factors could result in a revised level of capital appropriations. The Company believes the amounts budgeted to replace assets, if expended, are sufficient to maintain the level of its existing assets through 1988. It is currently anticipated that most of the funds required for fiscal 1988 capital expenditures will be provided from internally generated sources.

Over the last five years, the Company has invested approximately $1.4 billion in property and equipment. Although subject to revision depending upon conditions prevailing in the economy and other factors, the Company currently expects that its capital expenditures during the next five years will be approximately $3.5 billion. These investments will be for assets intended to

produce new sources of revenue and profit for the Company and for normal replacement of assets. (See "Business - Regulation" for information concerning capital expenditures relating to evolving environmental and health laws and regulations.) During the next five years, the Company currently expects internally generated sources to finance most of its anticipated increased capital expenditures. Any shortfall in funds required for these purposes (including the funds required to meet the Company's share of the several American REF-FUEL project obligations and commitments) will have to be obtained from outside sources of capital, including borrowings. See "Business - Resource Recovery."

In August 1986, the Company's shelf registration statement for an aggregate of up to $200 million principal amount in debt securities became effective. On January 27, 1987, $100 million in 8-1/2% Sinking Fund Debentures due 2017 were issued and sold by the Company under the above-described shelf registration statement. It is possible that the Company will proceed with the distribution of additional debt securities through underwriters during fiscal 1988, with the actual timing and amount contingent upon the Company's need for funds and upon market conditions. The Company expects that the proceeds from any future sale of these debt securities, if issued, would be added to the Company's general funds to be used for general corporate purposes, including capital expenditures and the reduction of any then outstanding variable rate term bank debt.

In November 1986, a subsidiary of the Company participated in a $15 million tax-exempt bond issue at an interest rate of 7-1/2% per year, which bond issue matures in 1996.

During August 1987, $345 million of the Company's 6-1/4% Convertible Subordinated Debentures due 2012 were sold by the Company through underwriters. The debentures are convertible into BFI Common Stock at any time at or before maturity, unless previously redeemed, at a conversion price of $41.00 per share, subject to adjustment in certain events and are redeemable at BFI's option after August 15, 1990. The proceeds from the sale of these debentures were added to the Company's general funds to be used for general corporate purposes, including the reduction of variable rate term bank debt, future corporate development projects, including acquisitions, and capital expenditures.

The Company has an unsecured, variable interest rate term bank credit agreement providing for borrowings of up to $140 million. The Company had no borrowings under this bank credit agreement at December 3, 1987. The Company also has unsecured, variable interest rate lines of credit established at six banks providing for aggregate borrowings of up to $140 million. The Company had no borrowings outstanding under these lines of credit at December 3, 1987. The unused borrowing capacity under these agreements will be available, if needed, to assist the Company in meeting its requirements for outside sources of capital. The Company currently anticipates possible borrowings under these agreements in fiscal 1988. The Company's objective is to maintain a significant portion of its total long-term debt on a fixed interest rate basis. See Notes (4) and (5) of Notes to Consolidated Financial Statements for more detailed information concerning these agreements and the Company's other long-term and short-term debt.

Regulation

All of the Company's principal business activities are stringently regulated by federal, state and local laws relating to public health, safety and the environment.

The Company anticipates that the continually changing requirements in health, safety and environmental protection laws will continue to require that the Company and others engaged in the waste services industry (and their respective customers) continually modify or replace various waste disposal facilities and alter methods of operation at costs that will likely be substantial.

The Company believes that because it is engaged in providing solid and chemical waste services, many of its capital and other expenditures relate to complying with the requirements of laws relating to the protection of the environment. These expenditures include costs associated with facility upgrading and remedial activities, facility closure and post-closure maintenance and monitoring, in addition to other costs normally associated with the Company's solid waste disposal and hazardous waste transportation, processing and disposal activities. The majority of these expenditures are made in the normal course of the Company's business, and neither materially adversely affect the earnings of the Company nor place the Company at any competitive disadvantage. While amounts expended for compliance with laws relating to public health or the environment associated with the facilities operated by the Company did not have a material impact on the consolidated financial position of the Company in fiscal 1987, and the Company does not currently expect to expend material amounts for compliance with such laws during the ensuing two fiscal years, regulatory pronouncements, enforcement activities or other factors could materially alter this expectation at any time.

The federal Resource Conservation and Recovery Act of 1976 ("RCRA") and the regulations thereunder establish a comprehensive "cradle-to-grave" regulatory program applicable to hazardous wastes and require the adoption of strict standards for solid waste sanitary landfills. In addition, many states have requirements that are more stringent than federal programs and have revised their laws and regulations to obtain primacy in administering the RCRA program.

The Hazardous and Solid Waste Amendments of 1984 (the "1984 Amendments") reauthorized and substantially expanded RCRA. The 1984 Amendments impose specific requirements in the following major relevant areas: the inclusion of more wastes as hazardous, restrictions on the land disposal of hazardous wastes and new design standards for hazardous waste land disposal facilities. The 1984 Amendments also have provisions for solid waste sanitary landfills.

The 1984 Amendments provide for the regulation of any hazardous waste generated in quantities over 100 kilograms per month. The regulation of these small quantities of hazardous waste brought additional quantities of waste under hazardous waste regulation.

The 1984 Amendments include a policy statement that reliance on land disposal of hazardous waste should be minimized or eliminated. CECOS presently has a substantial investment in facilities that utilize land disposal for the disposal of hazardous waste. Land disposal of specified categories of hazardous waste is to be banned over a staggered four-year period beginning November

8, 1986, unless the EPA determines that the prohibition of a particular method of land disposal is not warranted, or that certain treatment prior to land disposal can adequately protect public health and environment. There is no assurance, however, that a sufficient level of technology will be attained in the industry to implement the ban. Bans on the land disposal of certain hazardous wastes went into effect on November 8, 1986 and July 7, 1987, and CECOS' disposal facilities are not accepting those wastes. Within two years of enactment of the 1984 Amendments, specified minimum technological requirements were required for new landfills and surface impoundments, as well as replacement units and expansion of existing facilities.

Regulation of off-site hazardous waste treatment and disposal facilities is and has historically been significantly more rigorous than for on-site hazardous waste facilities owned by hazardous waste generators or for solid waste disposal facilities. Regulatory authorities at both state and federal levels operate under often conflicting legislative standards and mandates with the result that persons engaged in this industry are frequently confronted with an operating impasse or are required to duplicate, at significant additional cost, monitoring procedures, tests, reports, facilities or operating procedures.

Congress is currently considering legislation to regulate the disposal of ash residue from waste-to-energy plants. In addition, the Company understands that the Environmental Protection Agency ("EPA") is working on proposed regulations to regulate sanitary landfills.

Under RCRA, the EPA has the authority to regulate the management of infectious waste; however, the EPA has not implemented its authority in this area. Infectious waste regulations, however, have been promulgated by several states and are being proposed by several other states and as a result, the cost of providing infectious waste management services varies from state to state.

The EPA's financial responsibility regulations require owners or operators of all hazardous waste facilities to have liability coverage for sudden and accidental pollution occurrences in the amount of at least $1 million per occurrence, with an annual aggregate limit of at least $2 million. For surface impoundments, landfills and land treatment facilities, the owner or operator must also have liability coverage (or otherwise make satisfactory provision for nonsudden or gradual pollution occurrences) in the amount of $3 million per occurrence, with an annual aggregate limit of at least $6 million. States may require higher policy limits for such insurance and are beginning to impose similar requirements on owners and operators of non-hazardous waste facilities. In October 1985, the Company's then existing Environmental Impairment Liability ("EIL") insurance coverage expired. The insurance policy had covered non-sudden accidental events for liabilities for bodily injury and property damage caused by long-term, gradual pollution of surface or subsurface properties adjacent to facilities owned by subsidiaries of the Company. The insurance carrier was unwilling to renew the coverage. Moreover, the insurance carrier in a case styled "Evanston Insurance Company v. Browning-Ferris Industries of Illinois, Inc. and Browning-Ferris Industries, Inc." filed on August 5, 1986, in the Circuit Court of Cook County, Illinois, seeks a declaratory judgment that, among other things, the Company breached certain of its obligations to the insurance carrier and that it has no duty to defend the Company with respect to certain claims asserted under the prior EIL policies, and seeks other relief. While the litigation is in an early stage,

the Company believes that the matters in dispute will ultimately be resolved in a manner that will not materially impair the coverages afforded under such former EIL policies.

To meet existing governmental requirements, the Company has been able to secure EIL insurance coverage issued by another insurance carrier in amounts the Company believes are in compliance with federal and state law. Under the current EIL policy, the Company must either prefund or reimburse the carrier for any losses. The Company is continuing to seek additional EIL insurance coverage on terms that are commercially reasonable; however, except for the insurance coverage described above, the Company has not been able to obtain comprehensive EIL insurance coverage on any terms. Should EIL insurance coverage not be reasonably available in the future, the Company will be required to make provision for this exposure through alternative means, likely at significantly increased costs. Federal and state regulations also require owners and operators to demonstrate financial responsibility to cover estimated costs of proper closure and post-closure monitoring and maintenance for each hazardous waste management facility. See also "Business - Insurance."

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA, also referred to as the "Superfund") created a scheme of environmental liability for clean-up of sites containing hazardous substances, which are or may be released into the environment. The class of "hazardous substances" incorporates approximately 400 substances, many of which are extremely common in industrial, manufacturing and commercial operations.

Present and past owners and/or operators of a site releasing or potentially releasing hazardous substances, generators of the hazardous substances and transporters who selected the site for disposal may all be jointly and severally liable for costs of removing hazardous substances and remedying harmful effects, such as pollution of groundwater. The primary focus of the EPA and the states has been the designation of sites for cleanup, the identification of parties liable for cleanup and negotiations or litigation for the costs of remedial actions.

In October 1986, the Superfund Amendments and Reauthorization Act of 1986 (the "1986 Amendments") were passed, reauthorizing and intensifying the requirements of CERCLA. An authorization level of $8.5 billion has been established for the Superfund for use by the EPA to finance its response activities. The EPA has also been put on a strict schedule during which it must reevaluate sites now listed for cleanup, add new sites to the list and see that remedial action is commenced at those sites. The EPA is permitted to recover its response costs from parties responsible for contaminated sites. In response to these changes, the EPA has announced that it will place strong emphasis upon the resolution of existing Superfund actions, while moving aggressively to identify and begin cleanup of additional sites.

The $8.5 billion fund is being obtained from federal appropriations and from a series of taxes. One of these is a tax generally based on corporate alternative minimum taxable income (that will be imposed regardless of whether the taxpayer is otherwise subject to the alternative minimum tax), which is deductible from gross income; this tax will not apply to the Company until fiscal 1988.

Insurance

Under its insurance policies, the Company has a self-insured retention limit of $2.5 million for automobile liability and general liability, and a $500,000 self-insured retention limit for workers' compensation and property coverage. The Company has secured liability insurance coverage over and above the self-insured retention limits noted above. In addition, the Company has purchased certain additional layers of catastrophic excess umbrella liability coverage through two offshore insurance companies, X.L. Insurance Company, Ltd. and A.C.E. Insurance Company, Ltd., in which the Company has made equity investments. The Company is continuing its efforts to obtain additional risk-transfer environmental impairment liability coverage and umbrella liability coverage from other insurers; however, no assurance can be given that such coverage can be obtained or maintained in the future upon reasonable terms.

To support its workers' compensation and automobile liability self-insurance programs, the Company unconditionally guarantees several outstanding self-insurance bonds (the "Bonds"), issued by Federal Insurance Company ("Federal") as surety. Due to long-term self-insurance liabilities assumed under certain Bonds and due to large and unexpected payments made on behalf of several other self-insurers, Federal has required the Company to execute place-in-collateral letters for workers compensation self-insurance bonds. These letters require the Company to furnish collateral to Federal at Federal's request, with such collateral to be in the form of irrevocable, self-renewing letters of credit from a major money center bank acceptable to Federal. As of December 1, 1987, place-in-collateral letters represent an aggregate amount of approximately $22 million in outstanding bonds.

If the Company is unable to maintain adequate insurance coverages for its operations, the Company's business could be adversely affected. In any event, in the absence of risk-transferring environmental impairment liability insurance coverage, it is possible that the Company's net income could be adversely affected as a result of environmental losses sustained. See "Business-Regulation." The Company may, in certain circumstances, be able to rely upon its consolidated financial position, rather than risk-transfer insurance coverage, to satisfy financial responsibility requirements of certain laws or in connection with bids and proposals for public waste collection, processing or disposal projects.

In the normal course of its business, the Company has operational surety bonds and indemnity bonds to support performance obligations under contracts and other obligations of the Company. The aggregate amount and number of bonds fluctuate daily as new bonds are secured and existing bonds are terminated. As of October 31, 1987, the Company's total bond obligation was approximately $259 million. Due to the poor loss experience in the surety industry in the last two years, the Company is facing restrictions imposed by its Surety on the issuance of surety and indemnity bonds. These restrictions have taken the form of limited underwriting capacity, shorter bond terms, and full collateralization for some bond obligations. These restrictions are not specifically directed at the Company or the waste disposal industry. The Company is actively pursuing additional bond capacity and alternatives to surety bonds to meet financial assurance requirements of contracts.

Competition

BFI competes with both larger and smaller publicly-held companies and numerous small privately-owned solid waste or hazardous waste services companies that are primarily engaged in offering all or part of the solid and hazardous waste services that BFI provides. BFI believes that neither it nor any other waste services company has a significant portion of any major aspect of the solid or hazardous waste services markets. In some geographic areas, all or part of the solid waste collection, processing and disposal services offered by BFI may also be provided by municipalities or by governmental authorities with regional or multi-county jurisdiction. Generally, however, governmental units do not provide significant commercial or industrial solid or hazardous waste collection or disposal services. Additionally, BFI's residential solid waste collection and disposal services are usually provided in those metropolitan areas where a governmental entity either does not provide those services or has contracted with the Company to provide such services. Because solid waste services provided by municipal or regional governmental authorities are generally subsidized by tax revenues and utilize major equipment and facilities that are financed with proceeds from the sale of tax-exempt bonds, these authorities may provide such services at lower prices (though not necessarily at lower costs) than those of private companies.

A high level of competition exists in the solid waste mass-burning resource recovery field. Some competitors are larger and have greater resources, and others are more experienced, than the Company and its partner (Air Products and Chemicals, Inc.) in the design, construction and operation of such facilities. See "Business - Resource Recovery."

Competition is encountered primarily from publicly-held and numerous locally-owned private solid or chemical waste services companies and, to a lesser degree, from municipalities and other governmental units with respect to residential solid waste collection and solid waste sanitary landfills. Intense competition in pricing and type and quality of services offered is encountered. Firms engaged in providing chemical waste services encounter competition from other large chemical waste services companies, firms that provide for their own treatment and disposal of chemical waste and from other treatment and disposal technologies, such as detoxification or incineration not currently offered by CECOS.

Executive and Other Officers of the Company

The executive and other officers of the Company, their positions (including their principal areas of responsibility with the Company) and their respective ages are as follows:

Name	Position	Age*
Harry J. Phillips, Sr.	Chairman of the Board, Chief Executive Officer, Director, Member of the Executive Committee, Nominating Committee and Strategic Planning Committee	57
John E. Drury	President, Chief Operating Officer, Director and Member of the Executive Committee	43
Norman A. Myers	Vice Chairman, Chief Marketing Officer, Director and Member of the Executive Committee	51
Harry J. Phillips, Jr.	Executive Vice President (Solid Waste Operations-North America) and Director	37
Oscar M. Holland	Senior Vice President, Chief Financial Officer, Director and Member of the Executive Committee	54
Howard S. Hoover, Jr.	Senior Vice President, General Counsel and Director	49
Edward J. Crane	Vice President and General Sales Manager	54
Bruce I. Hendrickson	Vice President (Chairman of the Board-American REF-FUEL Company)	50
David R. Hopkins	Vice President, Controller and Chief Accounting Officer	44
Robert A. Johnson	Vice President (Environmental Affairs)	49
Robert W. Lary	Vice President (North American Market Development)	43
Michael P. Lawlor	Vice President (Landfill Operations)	48

C.P.J. Mooney, III	Vice President (Employee Relations)	49
Stephen L. Thomas	Vice President (Operations Administration)	48
Fletcher Thorne-Thomsen, Jr.	Vice President and Treasurer	39
Gerald K. Burger	Secretary	35

*As of December 3, 1987.

Mr. Harry J. Phillips, Sr., Chairman of the Board and Chief Executive Officer, became Chief Executive Officer in December 1977 and Chairman of the Board in September 1980. He founded solid waste collection and processing companies, which were acquired by the Company, with operations in Houston, Memphis and San Juan. Mr. Phillips is a director of the National Commerce Bancorporation, Memphis, Tennessee; the American Productivity Center, Houston, Texas; the National Solid Wastes Management Association and a trustee of two educational organizations. Mr. Phillips is the father of Harry J. Phillips, Jr., who is the Executive Vice President (Solid Waste Operations - North America) and a director of the Company.

Mr. Drury was elected Chief Operating Officer in March 1981 and President in December 1982.

Mr. Myers was elected Chief Marketing Officer in March 1981 and Vice Chairman of the Board in December 1982. Mr. Myers is a director of Med Center Bank, Houston, Texas.

Mr. Harry J. Phillips, Jr. became a Regional Vice President of the Company in April 1981, was elected an Executive Vice President in April 1985 and a director of the Company in December 1986. Mr. Phillips serves as an advisory director of Texas Commerce Bank - Greenway Plaza and is a director or trustee of several service and charitable organizations. He is a son of Harry J. Phillips, Sr., who is the Chairman of the Board and Chief Executive Officer of the Company.

Mr. Holland, a certified public accountant, was elected a Senior Vice President in December 1982. In September 1986, he was named Chief Financial Officer and in December 1986, he was elected a director of the Company.

Mr. Hoover served as Secretary of the Company until March 1983 and has served as General Counsel for a period in excess of five years. In December 1982, he was elected a Senior Vice President and a director of the Company. Mr. Hoover also serves as a director of St. Lukes Episcopal Hospital, Houston, Texas, and Boys Country of Houston.

Mr. Crane, General Sales Manager, has served as a Vice President of the Company in excess of five years. He also serves as a director and member of the Executive Committee of Keep America Beautiful, Inc., a national public service organization.

Mr. Hendrickson works exclusively as the chief executive officer of the American REF-FUEL Company marketing organization in the development of waste-to-energy projects and has served as a Vice President of the Company in excess of five years.

Mr. Hopkins, who was a Divisional Vice President and Assistant Controller prior to becoming Controller of the Company in September 1986, joined the Company in September 1980. He was elected a Vice President and named Chief Accounting Officer in December 1986.

Mr. Johnson served as a Vice President of the Company from 1978 to 1983. Thereafter, he served the Company as a consultant until he was elected a Vice President of the Company in January 1985, in charge of Environmental Affairs.

Mr. Lary has served the Company in management positions in market development for a period in excess of the past five years. In September 1984, he was elected a Vice President of the Company.

Mr. Lawlor has served the Company in various landfill management capacities and has served as a Vice President for a period in excess of the past five years.

Mr. Mooney has directed the Company's Employee Relations Department and has served as a Vice President for a period in excess of the past five years.

Mr. Thomas has served the Company in various management and administrative capacities as a Vice President for a period in excess of the past five years, principally in its solid waste activities.

Mr. Thorne-Thomsen was Manager of Financial Relations prior to becoming Treasurer of the Company in December 1983. He was elected a Vice President of the Company in December 1986.

Mr. Burger has served the Company in its Legal/Secretary's Department in management and administrative capacities for a period in excess of five years. He was elected Secretary of the Company in March 1983.

The officers of the Company are elected by the Board of Directors, generally at its meeting held the day of the annual meeting of stockholders or as soon thereafter as practicable. Each officer is elected to hold office until his successor shall have been chosen and shall have qualified or until his death or the effective date of his resignation or removal. The annual meeting of stockholders is scheduled to be held March 2, 1988 in Houston, Texas.

Item 2. Properties.

In their operations, subsidiaries and affiliates of the Company employ specially-equipped trucks, steel containers and stationary compactors. The Company also owns and/or operates sanitary landfill sites throughout the

United States and Canada. See "Business - Solid Waste Services - Disposal," "Business - Solid Waste Services - Collection," "Business - Chemical Waste Services" and Notes (3) and (11) of Notes to Consolidated Financial Statements.

The Company currently leases its executive office building, located at 14701 St. Mary's, Houston, Texas. The Company has purchased an office building at 757 Eldridge, Houston, Texas, to which it plans to relocate during fiscal 1988. The Company owns real estate, buildings and other physical properties, which it employs in its daily operations in a large number of its operating locations. The Company also leases a substantial portion of its transfer stations, offices, storage and shop space. See Notes (3) and (6) of Notes to Consolidated Financial Statements.

BFI believes that the property and equipment of its subsidiaries and affiliates is well-maintained and adequate for its current needs, although substantial investments are expected to be made in additional property and equipment for expansion, for replacement of assets as they reach the end of their useful lives and in connection with corporate development activities. See "Business - Corporate Development," "Business - Financing and Capital Appropriations" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Certain of the property and equipment of BFI's subsidiaries and affiliates is subject to mortgages and liens securing payment of portions of their indebtedness, including most of the indebtedness on the solid waste disposal bond issues in which the Company has participated. See Notes (4) and (6) of Notes to Consolidated Financial Statements for information with respect to mortgage and lease obligations on these properties.

Item 3. Legal Proceedings.

On May 31, 1985, a Clermont County, Ohio grand jury returned a 24-count indictment against each of CECOS, two employees of CECOS and the Company. The indictment generally seeks a criminal penalty of $25,000 against each defendant for each count of the indictment. The indictments arose out of discharges of allegedly contaminated rainwater from a closed waste disposal cell at the CECOS hazardous waste disposal facility near Williamsburg, Ohio in November 1984. Management is currently unable to conclude that this proceeding will result in monetary sanctions of less than $100,000 in the aggregate; however, management believes that the amount of fines, if any, assessed against CECOS and/or the Company will be substantially less than the penalties sought, in that many of the counts appear to be duplicative and arise out of the same allegedly illegal conduct. Management of the Company believes that this proceeding will ultimately be resolved in a manner that will not have a materially adverse effect either on CECOS' or on the Company's business or consolidated financial condition.

On June 7, 1985, a lawsuit styled Marley Neck Properties, a Maryland General Partnership and The Southeast Development Co. vs. Browning-Ferris, Inc., a wholly-owned subsidiary of the Company, was filed in the Circuit Court for Anne Arundel County, Maryland. The plaintiffs, adjacent landowners to the defendant's Solley Road solid and hazardous waste landfill, allege their properties were contaminated as a result of defendant's operation of its facility. The plaintiffs seek $20 million in compensatory damages and $40 million in punitive damages, plus interest and costs. A similar lawsuit

requesting both compensatory and punitive damages has been filed by another adjacent landowner. The subsidiary intends to vigorously defend against the allegations of the lawsuits. Management of the Company believes the alleged damages are significantly greater than the value of plaintiffs' properties, and accordingly, the plaintiffs' monetary demands appear to be excessive. Management believes that these lawsuits will ultimately be concluded in a manner that will not have a materially adverse effect on the Company's business or consolidated financial condition. Management has decided to cease the future reporting of these cases due to their immateriality.

On April 28, 1987, a case styled U.S. v. Browning-Ferris Industries Chemical Services, Inc. and CECOS International, Inc. (both subsidiaries of the Company) was filed in the United States District Court for the Middle District of Louisiana. The State of Louisiana (the "State") intervened as a plaintiff. The claims arose out of an investigation by the EPA conducted at the Livingston, Louisiana hazardous waste disposal site during 1985 and 1986. In the litigation, the EPA is seeking certain injunctive relief and the imposition of penalties of up to $25,000 per alleged violation per day; the complaint does not specify the number of violations being alleged. The State is seeking certain injunctive relief, civil penalties of $1 million, civil penalties of $25,000 per day for each alleged violation of the federal Resource Conservation and Recovery Act and the State Environmental Quality Act, and civil penalties of $50,000 per day for each alleged violation of the orders, directives or permit requirements of the State Department of Environmental Quality. The Company considers the penalties sought to be grossly excessive. In addition, the Company has been informed by the EPA that it has completed its investigation of the Calcasieu, Louisiana site operated by a subsidiary of the Company, and that the EPA intends to file a lawsuit relating to alleged violations at that site. In addition, several toxic tort civil lawsuits relating to the Livingston site have been instituted against subsidiaries of the Company. Management of the Company does not believe that there exists or have existed any substantive environmental problems at the Livingston or Calcasieu sites. The defendants intend to vigorously defend these matters, and management believes that these matters will ultimately be resolved in a manner that will not have a materially adverse effect on the Company's business or consolidated financial condition.

On September 21, 1983, a case styled Chambers Development Company, Inc. v. Browning-Ferris Industries, et al., was filed in the United States District Court for the Western District of Pennsylvania. The plaintiff's amended complaint alleges (i) violations of the Racketeer Influenced and Corrupt Organizations Act of 1970 ("RICO") and the Sherman Antitrust Act (the "Sherman Act"), (ii) injurious defamatory falsehoods and tortious interference with contractual relations in violation of the common law of Pennsylvania and (iii) breach of contract. The plaintiff claims that it has suffered $20 million in damages (which may be trebled) and is seeking unspecified punitive damages; the defendants' motion for partial summary judgment was granted on some of the plaintiff's claims. Browning-Ferris Industries of Pennsylvania, Inc. ("BFI-Pennsylvania") has filed a counterclaim against Chambers Development Company ("Chambers"), alleging that Chambers (i) conspired with other competitors to injure BFI-Pennsylvania in violation of the Sherman Act, (ii) tortiously interfered with BFI-Pennsylvania's contractual relations and (iii) breached contracts with BFI-Pennsylvania. No trial date has been set. Management believes that this lawsuit will ultimately be concluded in a manner that will

not have a materially adverse effect on the Company's business or consolidated financial condition.

On June 1, 1984, the case of Kelco Disposal, Inc. and Joseph Kelley vs. Browning-Ferris Industries of Vermont, Inc. and Browning-Ferris Industries, Inc. was instituted in the United States District Court for the District of Vermont. The complaint alleged that a subsidiary of the Company was attempting to monopolize the roll-off waste container services market in the Burlington, Vermont area. After a jury trial of this case in April 1987, judgment was entered for $153,438 as treble damages and $212,500 as attorney's fees under a federal antitrust law claim, or in the alternative, for $6,066,083 as compensatory and punitive damages on a state law tort claim. Management of the Company believes that the actual damages found by the jury were not lawfully determined and that the punitive damage judgment is grossly excessive. The Company has filed an appeal in the United States District Court for the Second Circuit. Management of the Company believes that this matter will ultimately be resolved in a manner that will not have a materially adverse effect on the Company's business or consolidated financial condition.

Several federal grand juries are conducting investigations into certain alleged antitrust violations in the waste disposal industry and certain subsidiaries of the Company are cooperating in these inquiries. The Company has a long-standing policy of strict compliance with the antitrust laws. One such grand jury has conducted an investigation of competitive practices in the Toledo, Ohio area. In November 1987, the subsidiary of the Company that does business in the Toledo area agreed, due to the actions of a single former employee of that subsidiary, to pay a $1 million fine and to plead guilty to a criminal information that it conspired with a competitor for the period February 1981 through October 1982. In addition, there have been filed against the Company and a competitor several lawsuits seeking damages and injunctive relief in the United States District Court for the Eastern District of Pennsylvania on behalf of a purported national class of containerized waste service customers. The several lawsuits are consolidated into a master docket styled Cumberland Farms, Inc. et al. vs. Browning-Ferris Industries, Inc., et al., Civil Action No. 87-3717, originally instituted on June 18, 1987. The lawsuits allege that since 1978 or earlier, the Company, together with other defendants, has engaged in a nationwide conspiracy to fix prices for providing containerized waste services. Another lawsuit styled Ali Joseph et al. vs. Browning-Ferris Industries of Texas, et al., instituted on June 8, 1987 with generally similar allegations, but relating only to the greater Toledo, Ohio metropolitan area, is currently pending in the Common Pleas Court of Lucas County, Ohio and another styled Allen Smith, et al. vs. Browning-Ferris Industries, Inc., instituted on August 26, 1987, is pending in the United States District Court for the Northern District of Ohio. Management of the Company believes that the ultimate resolution of these matters will not have a materially adverse effect on the Company's business or consolidated financial condition.

The Company and certain subsidiaries are involved in various other administrative matters or litigation, including environmental proceedings relating to governmental actions resulting from the involvement of various subsidiaries of the Company with certain hazardous waste sites, personal injury and other civil actions, as well as other claims and disputes that could result in additional litigation or other adversary proceedings. While the resolution of any matter may have an impact on the Company's consolidated financial results

for a particular reporting period, management believes that the ultimate disposition of these matters will not have a materially adverse effect upon the business or consolidated financial position of the Company. See also "Business - Insurance."

Environmental Proceedings

Increased government and citizen awareness and attention are being focused upon past and present hazardous waste disposal practices throughout the country. In connection with past disposal practices at certain sites (some of which are owned by certain subsidiaries of the Company), various subsidiaries of the Company have been identified as potentially responsible parties in a number of governmental investigations and enforcement actions and in private civil litigation relating to waste disposal facilities which may be subject to remedial action under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, which is commonly referred to as the "Superfund." These proceedings are generally based on allegations that certain subsidiaries of the Company (or their predecessors) transported hazardous substances to certain waste disposal facilities. Superfund is a strict liability statute, which means that liability may be imposed without fault. In some instances, the allegations relate to events that occurred prior to the acquisition of such subsidiaries by the Company. The governmental proceedings under Superfund typically involve numerous waste generators and other waste transportation and disposal companies. In these Superfund actions, the government seeks to recover costs associated with site investigation and cleanup and to require remedial actions by potentially responsible parties. The private civil litigation described above generally seeks recovery of alleged damages for personal injury and/or property damage.

The Company strives to conduct its operations in compliance with applicable laws and regulations, including environmental rules and regulations. Management believes, however, that in the normal course of doing business, all companies in the waste disposal industry, including the Company, will be faced with governmental enforcement proceedings and possible resulting fines or other sanctions and will be required to pay civil penalties or to expend funds for remedial work on solid and hazardous waste disposal sites, many of which are not owned by the Company. Management of the Company does not believe that such amounts, individually or in the aggregate, are likely to be materially adverse to the Company's business or consolidated financial condition. The possibility always exists, however, that such expenditures could be substantial, which would have a negative impact on earnings for a particular reporting period.

Various administrative and judicial proceedings are from time to time initiated by federal, state or local governmental authorities (or by private third parties) against subsidiaries of the Company under provisions regulating the discharge of materials into the environment and are brought primarily for the purpose of allegedly protecting the environment. Because of the nature and magnitude of BFI's subsidiaries' business and the rapidly changing regulatory environment in which they operate, management of BFI believes that the existence of these proceedings does not provide an accurate reflection of Company operating policies, procedures and capabilities, but such proceedings are, unfortunately, becoming more and more routine. In any event, management of the Company believes that the ultimate resolution of such proceedings will

neither individually nor in the aggregate have a materially adverse effect upon the business or consolidated financial condition of the Company.

The EPA has verbally notified a subsidiary of the Company that legal proceedings might be initiated against it for its failure to renew a surface water discharge permit at one of its Houston, Texas facilities. The subsidiary of the Company has offered to pay a monetary sanction of $104,800 to the EPA to settle this matter, and the EPA has orally accepted this settlement offer.

Subsidiaries of the Company are continuously engaged in various original or renewal permit application proceedings in connection with the establishment, operation, expansion and post-closure activities relating to solid waste and hazardous waste treatment and disposal facilities, properties and activities. These proceedings, which are a necessary and routine part of solid waste and chemical waste activities, are held before a variety of regulatory and judicial agencies at the federal, state and local level. In these proceedings, legal challenges are routinely raised by private parties and by the regulatory agencies, alleging a variety of adverse consequences (including adverse effects on the environment) if the proposed permits are granted or renewed. Opposition is also routinely encountered in connection with proposed changes in zoning designations, operating procedures, remedial or upgrading actions and post-closure activities at waste processing and disposal facilities. See "Business - Regulation."

Due to the nature of the Company's business, the Company could from time to time receive unfavorable publicity, which could result in aberrational market conditions for the Company's securities.

Item 4. Submission of Matters to a Vote of Security Holders.

During the fourth quarter of the fiscal year covered by this report, no matter was submitted to a vote of security holders.

PART II.

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

BFI's Common Stock is traded on the New York Stock Exchange, the Midwest Stock Exchange, the Pacific Stock Exchange and The International Stock Exchange of the United Kingdom and Republic of Ireland Ltd. The table below sets forth by fiscal quarter, for the fiscal years ended September 30, 1986 and 1987, the high and low sales prices of BFI's Common Stock in the New York Stock Exchange - Composite Transactions as reported in The Wall Street Journal, restated to reflect two-for-one stock splits of BFI's Common Stock that were distributed on December 26, 1985 and April 24, 1987.

	Fiscal Year 1986		Fiscal Year 1987	
	High	Low	High	Low
First Quarter	$ 16.00	$ 12.03	$ 23.69	$ 19.00
Second Quarter	20.19	15.13	31.44	22.63
Third Quarter	20.31	16.69	31.31	24.25
Fourth Quarter	22.44	17.75	35.75	28.13

As of December 2, 1987, there were approximately 12,500 holders of record of BFI Common Stock.

BFI has paid cash dividends on its Common Stock each year since 1950. Cash dividends are paid quarterly. The amounts of cash dividends described below have been restated to reflect two-for-one stock splits of BFI's Common Stock that were distributed on December 26, 1985 and April 24, 1987. During calendar 1986 and 1987, 32 cents and 40 cents, respectively, were paid in dividends on each share of Common Stock. The most recently declared quarterly cash dividend on the Common Stock was 12 cents per share. BFI expects to continue the payment of dividends, although future dividend payments will depend on BFI's earnings, financial needs and other factors. At present, the payment of dividends or other distributions on, or with respect to, the Common Stock is limited by provisions of the Company's bank loan agreement. See Note (4) of Notes to Consolidated Financial Statements. The amount available for payment of dividends or distributions on or with respect to Common Stock pursuant to such limitations was approximately $288,198,000 on September 30, 1987, after giving effect to cash dividends paid or declared through September 30, 1987.

Item 6. - Selected Financial Data

BROWNING-FERRIS INDUSTRIES, INC. AND SUBSIDIARIES

SELECTED FINANCIAL DATA

The following is a summary of certain consolidated financial information regarding the Company for the five years ended September 30, 1987.

(In Thousands Except for Per Share Amounts)

	Year Ended September 30,				
	1987	1986	1985	1984	1983
Revenues	$1,656,616	$1,328,393	$1,144,509	$1,000,814	$843,545
Net income	$ 172,025	$ 136,853	$ 111,828	$ 89,168	$ 79,679
Earnings per common share	$ 1.15	$ .95	$ .80	$ .65	$ .60
Cash dividends per common share	40¢	32¢	27¢	24¢	20¢
Total assets	$1,937,576	$1,225,685	$ 999,884	$ 869,724	$783,029
Long-term obligations	$ 590,744	$ 101,824	$ 115,621	$ 107,272	$113,180
Working capital	$ 177,378	$ 30,531	$ (2,318)	$ 4,918	$ (4,038)
Property and equipment, net	$1,193,399	$ 793,145	$ 652,086	$ 554,760	$485,258
Common stockholders' equity	$ 874,473	$ 746,867	$ 550,256	$ 465,736	$397,034
Funds provided by operations	$ 331,464	$ 262,073	$ 224,789	$ 195,936	$168,775

All share and per share amounts have been adjusted to reflect the two-for-one split of the Company's common stock that was distributed April 24, 1987, to stockholders of record on March 31, 1987.

BROWNING-FERRIS INDUSTRIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company concluded a year marked by an aggressive acquisition program, one which made a significant contribution to its 25% increase in revenues over the prior fiscal year and which strengthened its market position in solid waste and international operations. Approximately $350 million was spent to acquire over one hundred solid waste collection, disposal and other related new businesses. Annualized revenues from these acquisitions is expected to exceed $200 million.

Net income and earnings per share increased 26% and 21%, respectively, over 1986 due primarily to continued strength in the Company's existing solid waste operations.

Working Capital

The Company's working capital ratios at the end of the latest three fiscal years were as follows:

	1987	1986	1985
Working capital (in thousands)	$177,378	$30,531	$(2,318)
Working capital ratios	1.5:1	1.1:1	1.0:1

The Company's working capital was significantly higher than historical levels at September 30, 1987, as the proceeds of a $345 million sale of Convertible Subordinated Debentures in August 1987 had not been fully utilized for expansion of the business. Management expects that most of the $200 million in short-term investments will be committed to acquisitions and other business development projects during fiscal year 1988.

The Company's strategy in managing working capital is to maintain substantial term bank credits (see Note 4 of Notes to Consolidated Financial Statements) to meet short-term capital needs in excess of internally generated funds while minimizing working capital.

Trade accounts receivable (gross) at September 30, 1987, were $251 million compared to $193 million a year earlier. The $58 million increase is the result of growth within existing operations and corporate development activities. Days' sales in receivables for 1987 and 1986 were 49 days.

The Company has evaluated the potential effect of the Tax Reform Act of 1986 on its liquidity and on its long-term growth. Lower effective tax rates should more than offset the loss of certain investment tax credits, resulting in a positive effect on cash flow and on earnings.

Capital Resources

In January 1987, the Company issued $100 million in 8½% Sinking Fund Debentures, followed later in the year by $345 million in Convertible Subordinated Debentures. Proceeds from both sales were used to finance acquisitions, repay variable-rate term bank credit borrowings, and for general corporate purposes.

During fiscal year 1987, available credit under variable-rate term bank credits was increased from $140 million to $280 million. Borrowings under these credits were used for interim financing of the Company's acquisition program. At September 30, 1987, no indebtedness was outstanding under the variable-rate term bank credits.

The following ratios measure the extent to which the Company has been financed through its indebtedness:

	Fiscal Year		
	1987	1986	1985
Long-term indebtedness to total capital	40%	12%	17%
Net tangible assets to long-term indebtedness*	247%	862%	608%
Interest coverage	14.5x	20.1x	18.6x
Funds provided by operations to long-term indebtedness	56%	257%	194%

* Net tangible assets are defined, in the Company's debt agreements, as total assets less current liabilities and net intangible assets.

At September 30, 1987, essentially all of the Company's long-term debt was at fixed interest rates. Management's long-term objective is to maintain most of its indebtedness in fixed interest rate obligations; however, variable-rate debt has been and most likely will continue to be used to meet short-term and/or interim financing needs. The Company's weighted average cost of indebtedness declined to approximately 8 3/8% for fiscal year 1987 from 9 3/8% in fiscal year 1986.

The capital appropriations budget for fiscal year 1988 has been established at $630 million, of which $212 million is intended to provide for normal replacement requirements and for new assets to continue supporting planned revenue growth within existing operations. The balance of $418 million is allocated primarily to corporate development activities which include new solid and chemical waste processing and disposal sites, new residential waste collection contracts, acquisition of solid waste businesses, and investment in new resource recovery plants.

The following table summarizes the dollar amount of property, plant and equipment additions by major categories (in thousands):

	Year Ended September 30		
	1987	1986	1985
Land and improvements	$ 22,833	$ 8,143	$ 2,838
Buildings	27,502	9,384	14,476
Landfills	244,370	84,885	42,664
Vehicles and equipment	228,036	167,198	163,865
Construction-in-progress	43,010*	7,491*	839*
Total	$565,751	$277,101	$224,682

* Represents net change during the period.

Results of Operations

Profitability Ratios: These ratios (shown as a percent of revenues or of investment) reflect profitability trends. The effect of general inflation, as measured by the average consumer price index, does not have a material effect on the Company's overall financial position and results of operations.

	Year Ended September 30,		
	1987	1986	1985
Operating profit margin	37.4%	37.0%	36.3%
Income before income taxes and interest	19.5%	18.7%	18.2%
Income before income taxes	18.5%	18.1%	17.5%
Net income	10.4%	10.3%	9.8%
Pre-tax return on total capital	28.0%	34.4%	33.5%
Return on common stockholders' equity	21.4%	21.7%	22.2%
Average net assets per dollar of revenue	$ .78	$ .66	$ .63

Although all ratios continued to meet or exceed Company performance goals, pre-tax return on total capital declined in fiscal year 1987 due to the sizable expenditures made during the year to acquire solid waste landfills which, during their initial year of operation, did not fully reflect the earning potential of these properties. Furthermore, as noted under "Working Capital", a significant portion of the capital raised through the Convertible Subordinated Debenture offering has not yet been utilized for business expansion.

Revenues: The following table reflects the change in revenues of the Company's principal business segments for the last three fiscal years:

	1987	1986	1985
Solid Waste	+27%	+18%	+20%
Chemical Waste	-10%	+12%	-17%

Solid waste revenue growth in each of the last three fiscal years reflects expansion of existing services, the addition of business in new and existing market areas, and price increases. The customer base for North American solid waste collection services expanded from approximately 2,472,000 residential and 361,000 commercial/industrial customers at the beginning of fiscal year 1985 to approximately 3,340,000 and 456,000, respectively, at the end of fiscal year 1987.

Chemical waste revenues decreased in fiscal year 1987 due primarily to self-imposed volume limits at one site and a reduction from the prior year in one-time Superfund and private cleanup business due to regulatory and funding delays. Revenues had increased in fiscal year 1986 over fiscal year 1985 due to improved pricing and greater activity in one-time cleanup projects.

Cost of Operations: Cost of operations increased $200.4 million (24%), $107.1 million (15%), and $87.9 million (14%) during fiscal years 1987, 1986 and 1985, respectively. As a percent of revenues, the cost of operations for each of the three fiscal years was 62.6% in 1987, 63.0% in 1986, and 63.7% in 1985. Improved productivity and selective price increases have generally allowed margins to keep pace with or slightly exceed rising costs associated with landfill disposal fees,

self-insurance, environmental compliance, disposal site upgrading and landfill closure and post-closure. Although efforts continue to be aimed at margin enhancement, the continued escalation of disposal costs could result in a negative impact on margins in a given period. Chemical waste profit margins have also shown modest improvement over the last three fiscal years, a result of improved pricing and operational efficiencies.

Selling, General and Administrative Expense: This category increased by $53.0 million (22%), $35.7 million (17%), and $17.7 million (9%) during fiscal years 1987, 1986 and 1985, respectively. As a percent of revenues, these expenses for each of the three fiscal years were 17.9% in 1987, 18.3% in 1986, and 18.1% in 1985. The continued increase in selling, general and administrative expense from fiscal year 1985 through fiscal year 1987 is largely reflective of growth resulting from higher business activity levels, additional operating locations, and increased staffing to support selling, marketing and corporate support services.

Interest, Net: The change in interest expense was not material for the two earlier fiscal year periods; however, during fiscal year 1987 the Company significantly increased its borrowings to finance its acquisition program resulting in a doubling of net interest expense. Interest capitalized for each of the three fiscal years was $4.9 million in 1987, $2.8 million in 1986, and $3.8 million in 1985.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Browning-Ferris Industries, Inc.:

We have examined the consolidated balance sheet of Browning-Ferris Industries, Inc. (a Delaware corporation) and subsidiaries as of September 30, 1987 and 1986, and the related consolidated statements of income, retained earnings, capital stock and additional paid-in capital, and changes in financial position for each of the three years in the period ended September 30, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Browning-Ferris Industries, Inc. and subsidiaries as of September 30, 1987 and 1986, and the results of their operations and the changes in their financial position for each of the three years in the period ended September 30, 1987, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules II, V, VI and VIII listed in the index of financial statements are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the examinations of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Houston, Texas,
December 1, 1987.

BROWNING-FERRIS INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

For The Three Years Ended September 30, 1987

(In Thousands Except for Per Share Amounts)

	Year Ended September 30,		
	1987	1986	1985
Revenues	$1,656,616	$1,328,393	$1,144,509
Cost of operations	1,036,784	836,413	729,345
Operating profit	619,832	491,980	415,164
Selling, general and administrative expense	296,056	243,077	207,384
Interest expense	22,361	12,359	11,177
Interest income	(5,773)	(4,257)	(4,166)
Income before income taxes	307,188	240,801	200,769
Income taxes	135,163	103,948	88,941
Net income	$ 172,025	$ 136,853	$ 111,828
Number of common and common equivalent shares used in computing earnings per share	149,410	144,006	139,764
Earnings per common and common equivalent share	$ 1.15	$ .95	$ .80
Cash dividends per common share	40¢	32¢	27¢

All share and per share amounts have been adjusted to reflect the two-for-one split of the Company's common stock that was distributed April 24, 1987 to stockholders of record on March 31, 1987.

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

BROWNING-FERRIS INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS
(In Thousands)

	September 30, 1987	September 30, 1986
CURRENT ASSETS:		
Cash	$ 5,522	$ 4,968
Short-term investments	199,904	28,470
Investments, at cost, pledged	540	11,015
Receivables -		
Trade, net of allowances of $7,902 and $6,087 for doubtful accounts	243,524	186,742
Employees	584	423
Other	14,185	11,332
Inventories	14,638	11,608
Prepayments	28,136	21,573
Total current assets	507,033	276,131
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation of $599,700 and $505,793	1,193,399	793,145
OTHER ASSETS:		
Cost over fair value of net tangible assets of acquired businesses, net of accumulated amortization of $10,716 and $9,445	48,210	30,986
Other intangible assets, net of accumulated amortization of $42,269 and $26,285	101,617	71,011
Solid waste revenue bond funds	3,170	3,143
Other	84,147	51,269
Total other assets	237,144	156,409
Total assets	$1,937,576	$1,225,685

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

BROWNING-FERRIS INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

LIABILITIES AND COMMON STOCKHOLDERS' EQUITY
(In Thousands Except for Share Amounts)

	September 30, 1987	September 30, 1986
CURRENT LIABILITIES:		
Current notes payable	$ 231	$ 286
Current portion of long-term debt	9,279	9,634
Accounts payable	87,186	64,381
Accrued liabilities -		
Salaries and wages	28,950	22,783
Taxes, other than income	8,948	4,790
Other	112,930	71,869
Income taxes	10,957	15,172
Deferred revenues	71,174	56,685
Total current liabilities	329,655	245,600
NET AMOUNT DUE UNCONSOLIDATED PARTNERSHIP	6,357	4,144
DEFERRED ITEMS -- income taxes, investment tax credit and other items	136,347	127,250
LONG-TERM DEBT, net of current portion	245,744	101,824
CONVERTIBLE SUBORDINATED DEBENTURES	345,000	--
COMMITMENTS AND CONTINGENCIES		
COMMON STOCKHOLDERS' EQUITY:		
Common stock, $.16 2/3 par; 200,000,000 shares authorized at September 30, 1987, and 150,000,000 shares authorized at September 30, 1986; 147,572,002 and 146,103,578 shares issued	24,600	24,356
Additional paid-in capital	260,702	248,134
Retained earnings	590,011	474,377
Treasury stock, 25,407 shares, at cost	(840)	--
Total common stockholders' equity	874,473	746,867
Total liabilities and common stockholders' equity	$1,937,576	$1,225,685

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

BROWNING-FERRIS INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For The Three Years Ended September 30, 1987
(In Thousands)

	Year Ended September 30,		
	1987	1986	1985
Beginning balance	$474,377	$384,383	$312,424
Net income	172,025	136,853	111,828
Cash dividends -			
Serial preferred stock	--	--	(1)
Common stock	(58,681)	(45,662)	(37,412)
Foreign currency translation adjustment	2,290	(1,197)	(2,456)
Ending balance	$590,011	$474,377	$384,383

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

BROWNING-FERRIS INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CAPITAL STOCK
AND ADDITIONAL PAID-IN CAPITAL

For The Three Years Ended September 30, 1987
(Amount Columns In Thousands)

	Serial Convertible Preferred Stock, No Par		Common Stock, $.16 2/3 Par		Additional Paid-In Capital
	Shares	Amount	Shares	Amount	
BALANCE, September 30, 1984	8,361	$ 418	137,464,012	$22,915	$130,397
Stock options exercised	--	--	1,388,056	232	3,506
Common stock issued in acquisitions	--	--	427,348	72	--
Conversion of serial preferred stock into common stock	(6,445)	(322)	58,188	8	314
Redemption of serial preferred stock	(1,916)	(96)	--	--	--
Income tax benefit of stock options exercised	--	--	--	--	3,198
Other transactions pertaining to acquisitions	--	--	--	--	5,231
BALANCE, September 30, 1985	--	--	139,337,604	23,227	142,646
Stock options exercised	--	--	665,974	112	4,547
Income tax benefit of stock options exercised	--	--	--	--	5,929
Sale of common stock, net of expenses	--	--	6,100,000	1,017	101,615
Other transactions pertaining to acquisitions	--	--	--	--	(6,603)
BALANCE, September 30, 1986	--	--	146,103,578	24,356	248,134
Stock options exercised	--	--	900,504	150	5,641
Common stock issued in acquisitions	--	--	567,920	94	--
Income tax benefit of stock options exercised	--	--	--	--	3,882
Other transactions pertaining to acquisitions	--	--	--	--	3,045
BALANCE, September 30, 1987	--	$ --	147,572,002	$24,600	$260,702

All share and per share amounts related to common stock have been adjusted to reflect the two-for-one split of the Company's common stock that was distributed April 24, 1987 to stockholders of record on March 31, 1987.

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

BROWNING-FERRIS INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For The Three Years Ended September 30, 1987
(In Thousands)

	Year Ended September 30,		
	1987	1986	1985
SOURCE OF FUNDS:			
Operations -			
Net income	$172,025	$136,853	$111,828
Items not requiring outlay of working capital -			
Depreciation and amortization	179,642	136,715	119,056
Provision (benefit) for deferred income taxes	(14,123)	(4,687)	568
Amortization of deferred investment tax credit	(6,080)	(6,808)	(6,663)
Total from operations	331,464	262,073	224,789
Increase in long-term indebtedness	505,990	56,219	61,327
Sales and retirements of property & equipment, net	11,777	11,814	18,605
Investment tax credit	2,055	4,564	9,715
Income tax benefit of stock options exercised	3,882	5,929	3,198
Stock options exercised	5,791	4,659	3,738
Change in investments, at cost, pledged	--	7,918	7,488
Sale of common stock, net of expenses	--	102,632	--
Other, net	(4,770)	16,524	12,860
	856,189	472,332	341,720
APPLICATION OF FUNDS:			
Additions to property and equipment	565,751	277,101	224,682
Additions to property and equipment of various poolings-of-interests, net	4,824	--	1,430
Cash dividends	58,681	45,662	37,413
Cost over fair value of net tangible assets of acquired businesses	18,591	3,968	1,296
Increase in other intangible assets	46,620	35,653	28,249
Decrease in long-term indebtedness	17,088	70,019	52,881
Change in net amount due unconsolidated partnership	(2,213)	7,080	3,005
	709,342	439,483	348,956
CHANGE IN WORKING CAPITAL	146,847	32,849	(7,236)
WORKING CAPITAL, beginning of year	30,531	(2,318)	4,918
WORKING CAPITAL, end of year	$177,378	$ 30,531	$ (2,318)
CHANGE IN WORKING CAPITAL BY COMPONENT:			
Cash	$ 554	$ (1,874)	$ (14)
Short-term investments	171,434	12,635	6,634
Investments, at cost, pledged, current portion	(10,475)	1,798	(2,050)
Receivables, net	59,796	28,116	9,529
Inventories and prepayments	9,593	12,563	(467)
Current notes payable and current portion of long-term debt	410	(827)	3,249
Accounts payable and accrued liabilities	(74,191)	(16,311)	(17,583)
Income taxes and deferred revenues	(10,274)	(3,251)	(6,855)
Other current liabilities	--	--	321
CHANGE IN WORKING CAPITAL	$146,847	$ 32,849	$ (7,236)

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

(1) Summary of significant accounting policies -

Principles of consolidation. The consolidated financial statements include the accounts of Browning-Ferris Industries, Inc. and its subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated. Investments in companies which are 50% or less owned are not consolidated and are accounted for under the equity method. Foreign currencies have been translated into United States dollars at appropriate exchange rates. Foreign currency contracts and options are purchased from time to time to hedge against currency fluctuations affecting some foreign subsidiaries or foreign commitments by domestic subsidiaries. Realized and unrealized gains and losses which hedge specific commitments are deferred.

Short-term investments. The Company's investments, most of which are in short-term marketable securities and certificates of deposit, are carried at cost, which approximates the aggregate market value.

Inventories. Inventories consisting principally of equipment parts, materials and supplies are valued under a method which approximates the lower of cost (first-in, first-out) or market.

Deferred revenues. Revenues billed in advance for services are deferred and recorded as income in the period in which the related services are rendered.

Deferred items. The Company uses the deferral method of accounting for its investment tax credits. The Tax Reform Act of 1986 (the Act) repealed the investment tax credit; however, under a special provision of the Act, certain investments by one of the Company's resource recovery partnerships continue to qualify for the credit. For the three years ended September 30, 1987, the total estimated investment tax credits of $2,055,000 for 1987, $4,564,000 for 1986, and $9,715,000 for 1985, were deferred. At September 30, 1987, a total of $17,517,000 of investment tax credits remained unamortized. Such amounts are being amortized over the estimated useful lives of the assets as they are placed in service.

Deferred income taxes result from differences in the timing of the recognition of certain revenue and expense items for income tax and financial reporting purposes. The balances in the deferred income tax account, including the unamortized investment credit, were $53,180,000 for 1987, $70,726,000 for 1986, and $65,107,000 for 1985. The remaining deferred items consist of accrued non-current environmental compliance, disposal site upgrading, and landfill closure and post-closure cost reserves.

Depreciation and amortization. Depreciation for financial reporting purposes is provided on the straight-line method based upon the estimated useful lives of the assets generally estimated as follows: buildings, 20 to 40 years and vehicles and equipment, 3 to 12 years. Landfills, consisting of land and related airspace, are stated at cost. The cost of airspace is amortized as consumed during the landfill's useful life. Landfill preparation costs are amortized over the useful life of the landfill.

Repairs and maintenance. Expenditures for major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to expense as incurred. During 1987, 1986 and 1985, maintenance and repairs charged to cost of operations were $103,160,000, $89,724,000, and $80,920,000, respectively. When property is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income.

Intangible assets. The cost over fair value of net tangible assets of acquired businesses is amortized on the straight-line method over periods not exceeding 40 years. Other intangible assets, substantially all of which are customer lists, are amortized on the straight-line method over their estimated lives, typically no more than seven years. Amortization expense for fiscal years 1987, 1986, and 1985, most of which related to intangible assets, was $21,098,000, $12,487,000, and $8,875,000, respectively.

(2) Business combinations -

During its current fiscal year, the Company paid approximately $350 million to acquire 110 solid waste businesses. These business combinations were accounted for as purchases. The Company also issued 567,920 shares of its common stock in connection with two business combinations which met the criteria to be accounted for as poolings-of-interests. Due to the immaterial effect of the acquired businesses on the Company's prior financial statements, such financial statements were not restated. The results of all businesses acquired during the current fiscal year are included in the consolidated financial statements from the dates of acquisition.

The Company's consolidated results of operations on an unaudited pro forma basis, as though these businesses had been acquired on October 1, 1985, are as follows (in thousands, except per share amounts):

	Year Ended September 30,	
	1987	1986
Pro forma revenues	$1,752,897	$1,516,607
Pro forma net income	$ 169,271	$ 128,213
Pro forma earnings per share	$ 1.13	$ .89

The per share data above reflect the two-for-one common stock split distributed on April 24, 1987. The pro forma effect of the acquisitions consummated during the fiscal year ended September 30, 1986, was not material.

These pro forma results are presented for informational purposes only and do not purport to show the actual results which would have occurred had the business combinations been consummated on October 1, 1985, nor should they be viewed as indicative of future results of operations.

For certain business combinations accounted for as poolings-of-interests in prior years, the Company received additional income tax basis based on the fair market value of the acquired assets. The tax benefit of this additional basis is treated as an increase in additional paid-in capital when realized. Taxes on the recapture of depreciation resulting from such tax basis adjustments are charged to additional paid-in capital when such taxes are paid.

(3) Property and equipment -

Property and equipment at September 30, 1987 and 1986, were as follows (in thousands):

	1987	1986
Land and improvements	$ 70,606	$ 48,814
Buildings	124,164	95,887
Landfills	490,404	272,297
Vehicles and equipment	1,032,931	849,956
Construction-in-progress	74,994	31,984
Total property and equipment	1,793,099	1,298,938
Less accumulated depreciation	599,700	505,793
	$1,193,399	$ 793,145

(4) Long-term debt -

Long-term debt at September 30, 1987 and 1986, was as follows (in thousands):

	1987	1986
Solid waste revenue bond obligations	$ 40,593	$ 23,845
8½% Sinking Fund Debentures, net of unamortized discount of $2,245	97,755	--
9.85% Notes	50,000	50,000
Term bank credits	--	10,000
Mortgages payable, 7% - 13½%, secured by deeds of trust	11,659	9,574
Other notes payable, primarily 6 3/4% - 9 7/8%	55,016	18,039
Total long-term debt	255,023	111,458
Less current portion	9,279	9,634
Long-term portion	$245,744	$101,824

The long-term portion of the debt outstanding at September 30, 1987, matures as follows: 1989, $41,212,000; 1990, $9,024,000; 1991, $4,865,000; 1992, $5,136,000 and in subsequent years, $185,507,000.

Solid waste revenue bond obligations. Certain subsidiaries of the Company have entered into agreements under which they receive proceeds from the sale by government authorities of solid waste revenue bonds. These subsidiaries are obligated to make payments sufficient to pay the interest and retire the bonds. The weighted average interest rate of these issues is approximately 8%. The weighted average remaining term is approximately 5½ years at September 30, 1987. Substantially all the assets acquired or constructed with the proceeds from these bond issues secure repayment of the bonds. The obligations of the subsidiaries are unconditionally guaranteed by the Company.

8½% Sinking Fund Debentures. In January 1987, the Company issued $100 million of 8½% Sinking Fund Debentures due 2017. Interest is payable semi-annually on January 15 and July 15. The Debentures may be redeemed, in whole or in part, at the option of the Company at an initial redemption price of 108.5% of the principal amount, which decreases in equal increments annually until such price reaches 100.0% on January 15, 2007, and is 100.0% thereafter. The Debentures are subject to a sinking fund beginning January 15, 1998.

9.85% Notes. The Notes are unsecured, unsubordinated obligations on which interest is payable semi-annually on June 15 and December 15. The Notes mature on December 15, 1995, but are subject to redemption on or after December 15, 1990.

Term bank credits. The Company has a $140 million unsecured term bank credit with RepublicBank Dallas (the "Bank") and other banks. The revolving credit extends to April 30, 1989, at which time outstanding debt under the agreement may be converted by the Company into a five-year term loan payable in 20 consecutive equal quarterly installments. Interest on debt outstanding under this credit is computed based on the Bank's prime or certificate of deposit rates, or on the London interbank market rate. During fiscal year 1987, rates applied to these borrowings ranged from 7% to 7 3/4%. The Company must pay a fee at an annual rate of 1/4% on the average daily unused amount of the total credit.

The credit agreement contains warranties and covenants that must be complied with on a continuing basis. Default on any warranty or covenant could affect the commitment to lend under the agreement, and, if not waived or corrected, could accelerate the maturity of any borrowings outstanding under the agreement. The Company is in compliance with all covenants of the agreement.

The Company has available six additional term bank credits, representing aggregate borrowing capacity of $140 million. The interest rate applied to these borrowings is negotiated at the time of the borrowings. There are no commitment fees associated with these credits.

Under all its term bank credits, there were no borrowings outstanding at September 30, 1987, whereas there were borrowings of $10 million, at an approximate interest rate of 7½%, at September 30, 1986. Aggregate average borrowings under all term bank credits were $84,200,000 and $36,500,000 during fiscal years 1987 and 1986, respectively, at an approximate weighted average interest rate of 7 3/8% and 9 1/8% for the same periods. The Company's maximum borrowings outstanding at any month-end during fiscal year 1987 amounted to $190 million compared to $71 million during the prior fiscal year.

At September 30, 1987, under the most restrictive covenants of the Company's long-term debt agreements with banks, distributions from retained earnings cannot exceed $288,198,000.

It is the Company's practice to maintain bank accounts with lending banks through which cash disbursements and remittances are made in the ordinary course of business. The cash balances in these operating accounts may also serve as compensating balances for loans and various services provided by the banks.

(5) Convertible Subordinated Debentures -

These securities, issued in August 1987, comprise the only subordinated and convertible debt presently issued by the Company. Each $1,000.00 debenture is convertible by the holder, at any time, into the Company's common stock, at a conversion price of $41.00 per share. The Debentures are subject to redemption by the Company after August 15, 1990, and to an annual sinking fund as of August 15, 1997. Interest is payable semi-annually, on August 15 and February 15. The Debentures mature on August 15, 2012, and bear interest at a rate of 6¼%.

(6) Commitments and contingencies -

Legal proceedings. Several federal grand juries are conducting investigations into certain alleged antitrust violations in the waste disposal industry and certain subsidiaries of the Company are cooperating in these inquiries. In addition, there have recently been filed against the Company and a competitor several lawsuits seeking damages and injunctive relief on behalf of a purported national class of containerized waste service customers. The lawsuits, filed in the U.S. District Court for the Eastern District of Pennsylvania, allege that the Company since 1978, or earlier, together with other defendants, has engaged in a nationwide conspiracy to fix prices for providing containerized waste services. Several additional lawsuits with generally similar allegations are pending. Management believes that the ultimate resolution of these matters will not have a materially adverse effect on the Company's business or consolidated financial position.

The Company is involved in various other matters or litigation, including environmental proceedings relating to governmental actions resulting from the Company's involvement with certain hazardous waste sites, personal injury and other civil actions, as well as other claims and disputes that could result in additional litigation or other adversary proceedings. While the resolution of any matter may have an impact on the consolidated financial results of a particular reporting period, management believes that the ultimate disposition of these matters will not have a materially adverse effect upon the Company's business or consolidated financial position.

Insurance matters. Under its insurance policies, the Company has a self-insured retention limit of $2.5 million for automobile liability and general liability, and $500,000 for workers' compensation and property coverage. The next layers of coverage total $22.5 million of umbrella liability which is fully insured. During fiscal year 1987, the Company was able to purchase additional layers of catastrophic excess umbrella liability coverage aggregating $215 million through two insurance companies in which the Company has made equity investments. The Company's investments, which amount to $5.6 million at September 30, 1987, and represent ownership interests of less than 1 1/2%, are carried at cost. The Company's aggregate self-insurance reserves which are included in other accrued liabilities were $48 million at September 30, 1987, and $32 million at the end of the prior fiscal year.

In order to meet existing governmental requirements, the Company has been able to secure environmental impairment liability ("EIL") insurance coverage in amounts which the Company believes are in compliance with the amounts required by federal and state law. Under this policy, the Company must either prefund or reimburse the carrier for losses. Except for this coverage, the Company has not been able to obtain comprehensive EIL insurance coverage on any terms.

The Company's former EIL insurance carrier is seeking declaratory judgment against the Company, claiming, among other things, that the Company breached certain of its obligations to the carrier and that the carrier has no duty to defend the Company with respect to certain claims asserted under the policy. It also seeks other relief. While the litigation is in an early stage, the Company believes that the matters in dispute will ultimately be resolved in a manner that will not materially impair the coverages afforded under such former EIL policies. In the event such coverages are not upheld, management believes such an outcome would not have a materially adverse effect upon the business or consolidated financial position of the Company.

The Company is continuing its efforts to obtain additional risk-transfer insurance coverage for certain types of risks, including umbrella liability coverage and EIL coverage from other insurers. If the Company is unable to secure adequate insurance coverages, the Company's business could be adversely affected, and it is possible that the Company's net income could be adversely affected as a result of losses sustained.

Resource recovery projects. American REF-FUEL Company of Hempstead ("REF-FUEL of Hempstead"), a general partnership in which the Company has an indirect 50% ownership interest, began construction of a resource recovery facility in Hempstead, New York during December 1986. Under a Company Support Agreement, the Company and the parent of the other general partner of REF-FUEL of Hempstead each became severally obligated to make one-half of certain contributions toward the construction of the facility and additionally are severally obligated to ensure, except under certain conditions, that construction of the facility is completed and that lease payments and operations and maintenance costs are paid by REF-FUEL of Hempstead. As of September 30, 1987, the Company had contributed $18.4 million of the originally estimated contributions of $25 million toward construction of the facility. The financing necessary for construction of the facility, excluding that required from the parents of the general partners, is being provided by the proceeds of $288 million from the issuance in 1986 of certain bonds by the Town of Hempstead Industrial Development Agency, of which approximately $94 million had been expended as of September 30, 1987. Principal and interest payments on these bonds will be paid from amounts received from REF-FUEL of Hempstead as lease payments. Management believes that the facility will be completed and accepted on or prior to the date set forth in the Company Support Agreement and that contributions by the parents of the general partners will not significantly exceed those originally estimated.

Another resource recovery venture, American REF-FUEL Company of Texas, was unable to obtain reasonable purchase price commitments for power to be generated from a facility contemplated for the Houston, Texas area. As a result, this project was abandoned before construction began. Any obligations to which the Company was committed were nullified. Proceeds from a $140 million resource recovery bond issuance were refunded to bondholders, with interest. Interest income from the investment of bond proceeds over the approximate two years the bonds were outstanding, net of interest expense and certain financing and other costs, was approximately $2 million, of which the Company recognized its 50% portion in income during fiscal year 1987.

Operating leases. The Company and its subsidiaries lease substantial portions of their office and shop space under various lease agreements. At September 30, 1987, total minimum rental commitments becoming payable under all noncancellable operating leases are as follows:

1988	$12,308,000
1989	$ 9,199,000
1990	$ 7,520,000
1991	$ 5,630,000
1992	$ 3,954,000
1993 - 1997	$11,461,000
1998 - 2002	$ 2,302,000
All years thereafter	$ 2,302,000

Total rental expenses for fiscal years 1987, 1986 and 1985, substantially all of which related to fixed amount rental agreements, were $22,223,000, $19,053,000, and $17,850,000, respectively.

Other matters. The cleaning contract for the municipality of Riyadh expired in September 1987. Browning-Ferris Saudi Arabia Limited, a partnership owned 50% by a wholly-owned subsidiary of the Company and 50% by Mawarid Services Limited, a Saudi Arabian company, performed the contract. Over the next several months with the anticipated satisfactory completion of contract turnover, the balance due the partnership by the subsidiary of $6.4 million will be settled and the $11.7 million letter of credit securing performance will be released. The Company, through Browning-Ferris Saudi Arabia Limited, will continue to provide certain other cleaning services in Saudi Arabia unrelated to this contract.

At September 30, 1987, the Company had $68 million in open letters of credit, of which the most significant relate to its Riyadh, Saudi Arabia commitments, and compliance with landfill and licensing closure requirements. Most of the obligations guaranteed by these instruments are carried on the balance sheet. The Company also guarantees $5 million of solid waste revenue bonds of an unconsolidated partnership.

(7) Preferred stock -

The Company is authorized by its Restated Certificate of Incorporation to issue 25 million shares of preferred stock, the terms and conditions to be determined by the Board of Directors in creating any particular series.

(8) Common Stock -

Two-for-one stock split. On March 4, 1987, the Company's Board of Directors declared a two-for-one stock split to holders of record on March 31, 1987, for distribution on April 24, 1987. All share and per share amounts in these financial statements reflect the split.

Earnings per share. The following table reconciles the number of common shares shown as outstanding on the consolidated balance sheet with the number of common and common equivalent shares used in computing primary earnings per share (in thousands):

	Year Ended September 30,		
	1987	1986	1985
Common shares outstanding	147,547	146,104	139,336
Serial preferred stock considered as common share equivalents	--	--	16
Effect of using weighted average common and common equivalent shares outstanding	(1,041)	(4,354)	(1,000)
Effect of shares issuable under stock option plans based on the treasury stock method	2,904	2,256	1,412
Shares used in computing primary earnings per share	149,410	144,006	139,764

The data above reflect the two-for-one stock split distributed April 24, 1987.

The difference between shares for primary and fully diluted earnings per share was not significant in any year.

Earnings per common and common equivalent share were computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding during each year. Common share equivalents include stock options and the Company's Convertible Subordinated Debentures. The Debentures presently have an anti-dilutive effect and, accordingly, were excluded.

Stock option plans. The Company presently maintains five stock option plans affording employees, directors and other persons affiliated with the Company the right to purchase shares of its common stock. At September 30, 1987, 3,531,728 options were outstanding under the Company's 1983 plan, the only remaining plan from which shares are available for future grants. Of these, 1,679,078 are incentive stock options, and 1,852,650 are non-qualified stock options. Additionally, 1,052,220 options were outstanding under the former incentive stock option plan and 1,277,864 under the non-qualified plans.

The exercise price, term and other conditions applicable to each option granted under the Company's plans are generally determined by the Compensation Committee at the time of the grant of each option and may vary with each option granted. No option may be granted at a price less than the stock's fair market value on the date of the grant. No accounting entries are made until the option is exercised, at which time the Company records the par value of the stock issued in the common stock account and the remainder of the proceeds in the additional paid-in capital account.

Transactions under all plans are summarized below:

	Year Ended September 30,		
	1987	1986	1985
Options outstanding at beginning of year	6,169,206	6,521,064	6,032,560
Options granted	635,850	414,200	2,044,600
Options terminated	(42,740)	(100,084)	(168,040)
Options exercised	(900,504)	(665,974)	(1,388,056)
Options outstanding at end of year	5,861,812	6,169,206	6,521,064
Options exercisable at end of year	2,879,564	2,791,122	2,278,380
Options available for future grants at end of year	175,654	775,804	1,131,704
Total option price of options outstanding at end of year	$67,241,893	$56,351,786	$55,135,251
Option price range	$1.50-$32.38	$1.50-$20.78	$1.50-$12.34

The data above reflects the two-for-one stock split distributed April 24, 1987.

Employee stock ownership plan. The Company sponsors an employee stock ownership plan which incorporates deferred savings features permitted under IRS Code Section 401(k). The Company has used tax credits available to it until January 1, 1987, to purchase BFI common stock for qualifying employees. Employees may also make voluntary contributions to one or more of three investment funds through payroll deductions which, in turn, will allow them to defer income for tax purposes. The Company matches these voluntary contributions by open market purchases of BFI common stock at a rate of 50¢ per $1.00 on the first 3% contributed by each participating employee.

(9) Foreign currency translation -

Changes in the equity component for each period's translation adjustments are as follows (in thousands):

	Year Ended September 30,		
	1987	1986	1985
Beginning cumulative translation adjustment	$(8,160)	$(6,963)	$(4,507)
Translation adjustment for the fiscal year	2,290	(1,197)	(2,456)
Ending cumulative translation adjustment	$(5,870)	$(8,160)	$(6,963)

(10) Employees' retirement plans -

The Company and its subsidiaries have several retirement plans covering substantially all employees except for certain employees subject to collective bargaining agreements. Pension expense for these employee retirement plans for each of the three years ended September 30, 1987, 1986 and 1985, was $5,927,000, $5,035,000, and $4,279,000, respectively. Pension plan expense includes amortization of prior service costs over a 30-year period for certain plans. The Company's policy is to fund pension costs accrued.

A comparison of accumulated plan benefits and plan net assets for the Company's defined benefit plan is presented in the following table (in thousands):

	January 1,	
	1987	1986
Actuarial present value of accumulated plan benefits:		
Vested	$29,583	$23,146
Non-vested	4,897	3,365
Total	$34,480	$26,511
Net assets available for benefits	$48,615	$43,400

The predominant rate of return used in determining the actuarial present value of accumulated plan benefits was 8½% for both plan years.

In December 1985, the Financial Accounting Standards Board issued new standards on accounting for pensions. For U.S. plans, companies are required to adopt the new expense and disclosure standards for fiscal years beginning after December 15, 1986, and, in certain circumstances, to reflect a minimum pension liability no later than two years thereafter. When adopted, the new standards need only be applied prospectively.

The Company plans to implement, at a minimum, those provisions of the pronouncement which become effective for the Company during its fiscal year 1988. Based on a preliminary review under existing conditions, the Company expects that the new standards will not have a material impact on either financial position or results of operations.

(11) Operations by industry segment and geographic area -

The most significant portion of the Company's revenues and income are derived from the collection, processing/recovery and disposal of solid wastes. This segment, presented below under the caption "Solid Waste," renders services to a variety of commercial, industrial, governmental and residential customers.

Generally, all of the chemical waste operations of the Company are under the management of CECOS International, Inc., a wholly-owned subsidiary of the Company. These operations, which are concentrated in the northeastern and southwestern United States, consist of the collection, transportation, processing and disposal of chemical and other hazardous wastes.

Substantially all revenues represent income from unaffiliated customers. The Company's equity in the earnings of unconsolidated affiliates is not material in amount and has been included in the appropriate segments.

The following table summarizes the Company's operations by industry segment (in thousands):

	Solid Waste	Chemical Waste	Other	Consolidated
1987				
Revenues	$1,577,126	$ 76,957	$ 2,533	$1,656,616
Income from operations	$ 341,486	$ 9,373	$ (323)	$ 350,536
General corporate expenses				$ (26,760)
Interest, net				$ (16,588)
Income before income taxes				$ 307,188
Identifiable assets	$1,589,075	$111,712	$236,789 (1)	$1,937,576
Depreciation and amortization expense	$ 163,416	$ 11,232	$ 4,994	$ 179,642
Capital expenditures	$ 520,421	$ 15,226	$ 34,928	$ 570,575
1986				
Revenues	$1,242,128	$ 85,698	$ 567	$1,328,393
Income from operations	$ 263,601	$ 8,883	$ (1,066)	$ 271,418
General corporate expenses				$ (22,515)
Interest, net				$ (8,102)
Income before income taxes				$ 240,801
Identifiable assets	$1,068,238	$108,972	$ 48,475 (1)	$1,225,685
Depreciation and amortization expense	$ 119,596	$ 13,429	$ 3,690	$ 136,715
Capital expenditures	$ 246,385	$ 16,365	$ 14,351	$ 277,101
1985				
Revenues	$1,056,571	$ 76,194	$ 11,744	$1,144,509
Income from operations	$ 231,079	$ (2,456)	$ (417)	$ 228,206
General corporate expenses				$ (20,426)
Interest, net				$ (7,011)
Income before income taxes				$ 200,769
Identifiable assets	$ 861,810	$115,697	$ 22,377 (1)	$ 999,884
Depreciation and amortization expense	$ 103,195	$ 12,454	$ 3,407	$ 119,056
Capital expenditures	$ 192,935	$ 30,994	$ 2,183	$ 226,112

(1) Includes corporate assets of approximately $230 million, $47 million, and $20 million at the end of fiscal years 1987, 1986 and 1985, respectively.

The table below reflects certain geographic information relating to the Company's operations. For purposes of this table, general corporate expenses have been included in the computation of income from operations and are classified under "United States and Puerto Rico". The Company's Canadian operations contribute most of its foreign income (in thousands):

		United States & Puerto Rico	Foreign	Consolidated
Revenues	1987	$1,567,402	$ 89,214	$1,656,616
	1986	$1,263,392	$ 65,001	$1,328,393
	1985	$1,088,552	$ 55,957	$1,144,509
Income from operations	1987	$ 302,825	$ 20,951	$ 323,776
	1986	$ 234,768	$ 14,135	$ 248,903
	1985	$ 195,164	$ 12,616	$ 207,780
Interest, net	1987			(16,588)
	1986			$ (8,102)
	1985			$ (7,011)
Income before income taxes	1987	$ 289,305	$ 17,883	$ 307,188
	1986	$ 228,533	$ 12,268	$ 240,801
	1985	$ 188,722	$ 12,047	$ 200,769
Identifiable assets	1987	$1,775,668	$161,908	$1,937,576
	1986	$1,146,041	$ 79,644	$1,225,685
	1985	$ 923,060	$ 76,824	$ 999,884

(12) Income Taxes -

The components of the income tax provision for each of the three fiscal years ended September 30, are as follows (in thousands):

		Federal	Foreign	State and Local	Total
1987:	Current	$131,997	$ 10,227	$ 13,142	$155,366
	Deferred	(18,035)	501	3,411	(14,123)
	Amortization of investment tax credit	(6,080)	--	--	(6,080)
		$107,882	$ 10,728	$ 16,553	$135,163
1986:	Current	$ 97,036	$ 6,168	$ 12,239	$115,443
	Deferred	(136)	(6,157)	1,606	(4,687)
	Amortization of investment tax credit	(6,808)	--	--	(6,808)
		$ 90,092	$ 11	$ 13,845	$103,948
1985:	Current	$ 76,956	$ 5,428	$ 12,652	$ 95,036
	Deferred	(248)	606	210	568
	Amortization of investment tax credit	(6,663)	--	--	(6,663)
		$ 70,045	$ 6,034	$ 12,862	$ 88,941

The components of the deferred income tax provision for each of the three years ende September 30, are as follows (in thousands):

	1987	1986	1985
Difference between depreciation expense for income tax and financial reporting purposes	$ 11,237	$ 10,430	$ 11,237
Environmental compliance and other landfill related costs recognized for financial reporting purposes but deferred for income tax purposes, net	(13,127)	(6,723)	(7,229)
Untaxed foreign earnings permanently invested outside the United States	--	(6,500)	--
Other, net	(12,233)	(1,894)	(3,440)
Deferred income tax provision (benefit)	$ (14,123)	$ (4,687)	$ 568

The following is a reconcilation between the effective income tax rate and the applicable statutory federal income tax rate for each of the three fiscal years ended September 30, 1987:

	1987	1986	1985
Income tax - statutory rate	43.00%	46.00%	46.00%
Amortization of investment tax credit	(1.98)	(2.83)	(3.32)
Federal effect of state income taxes	(2.32)	(2.64)	(2.90)
Untaxed foreign earnings permanently reinvested outside the United States	--	(2.70)	--
All other, net	(.09)	(.41)	(1.79)
Federal and foreign	38.61	37.42	37.99
State income taxes	5.39	5.75	6.31
Effective income tax rate	44.00%	43.17%	44.30%

During 1986, the Company concluded that development and expansion of its foreign business would require that a portion of the undistributed earnings of foreign subsidiaries be permanently reinvested outside the United States. Accordingly, U.S. federal income taxes of $6.5 million provided in fiscal years 1983 through 1986 were removed from the deferred tax liability account and federal income tax expense for fiscal year 1986 was reduced by a corresponding amount.

The Tax Reform Act of 1986 reduced the statutory corporate tax rate to 43% for the fiscal year ended September 30, 1987, and will reduce the rate to 34% for future years. It also imposed a new cost recovery system which is not expected to materially change the amount of the Company's depreciation deductions. In addition, certain investment tax credits available to the Company were abolished. The combined effect of all aspects of the new legislation, when fully implemented, should not have a materially adverse effect on the Company's results of operations and will not change the Company's capital expenditure plans.

(13) Quarterly financial information (Unaudited) - (in thousands except for per share amounts)

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	1987	$374,571	$388,884	$425,860	$467,301
	1986	$316,277	$316,921	$336,525	$358,670
	1985	$265,588	$269,526	$299,537	$309,858
Operating profit	1987	$141,939	$145,040	$160,896	$171,957
	1986	$112,570	$115,188	$130,125	$134,097
	1985	$ 94,370	$ 97,621	$110,723	$112,450
Income taxes	1987	$ 30,247	$ 29,539	$ 36,084	$ 39,293
	1986	$ 24,718	$ 23,678	$ 31,783	$ 23,769 (1)
	1985	$ 20,088	$ 19,088	$ 24,869	$ 24,896
Net income	1987	$ 38,496	$ 37,595	$ 45,926	$ 50,008
	1986	$ 29,607	$ 28,361	$ 38,071	$ 40,814 (2)
	1985	$ 25,258	$ 23,999	$ 31,269	$ 31,302
Earnings per share	1987	$ .26	$ .25	$ .31	$ .33
	1986	$ .21	$ .20	$ .26	$ .27
	1985	$ .18	$ .17	$ .22	$ .22

The data above reflect the two-for-one stock split distributed on April 24, 1987.

---

(1) Income taxes were reduced by $6.5 million representing removal of taxes on foreign earnings. See Note 12 of Notes to Consolidated Financial Statements.

(2) Includes an after-tax provision for environmental compliance, disposal site upgrading and closure costs of $5.1 million.

Item 9. Disagreements on Accounting and Financial Disclosure.

None.

PART III.

Items 10, 11, 12 and 13 of Part III (except for information required with respect to executive officers of the Company which is set forth under "Business - Executive and Other Officers of the Company" in Part I of this report) have been omitted from this report, since the Company will file with the Securities and Exchange Commission, not later than 120 days after the close of the fiscal year, a definitive proxy statement, pursuant to Regulation 14A, which involves the election of directors. The information required by Items 10, 11, 12 and 13 of this report which will appear in the definitive proxy statement is incorporated by reference into Part III of this report.

PART IV.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

Financial Statements

Browning-Ferris Industries, Inc. and Subsidiaries:

Report of independent public accountants.

Consolidated statement of income for the three years ended September 30, 1987.

Consolidated balance sheet--September 30, 1987 and 1986.

Consolidated statement of retained earnings for the three years ended September 30, 1987.

Consolidated statement of capital stock and additional paid-in capital for the three years ended September 30, 1987.

Consolidated statement of changes in financial position for the three years ended September 30, 1987.

Notes to Consolidated Financial Statements.

Schedules -

II Amounts receivable from directors, officers and employees for the three years ended September 30, 1987.

V Property and equipment for the three years ended September 30, 1987.

VI Accumulated depreciation of property and equipment for the three years ended September 30, 1987.

VIII Allowance for doubtful accounts for the three years ended September 30, 1987.

Schedules, other than those listed above, are omitted because of the absence of conditions under which they are required, or because the information is included in the financial statements or notes thereto.

Exhibits

		Sequential page number*
3.1	Restated Certificate of Incorporation of Browning-Ferris Industries, Inc., dated March 31, 1987. (Exhibit 3.1 of Form 10-Q for the quarter ended March 31, 1987 is hereby incorporated by reference.)	
3.2	By-laws of the Registrant, dated March 4, 1987. (Exhibit 3.2 of Form 10-Q for the quarter ended March 31, 1987 is hereby incorporated by reference.)	
4.1	Loan Agreement, dated April 8, 1986, between the Registrant and RepublicBank Dallas National Association and Other Banks, (the "Loan Agreement"). (Exhibit 4.1 of Form 10-Q for the quarter ended March 31, 1986 is hereby incorporated by reference.)	
4.2	Indenture, dated as of January 15, 1985, between First City National Bank of Houston, Trustee, and the Registrant. (Exhibit 4.3 of Form 10-K for the fiscal year ended September 30, 1985 is hereby incorporated by reference.)	
4.3	Indenture, dated as of August 1, 1987, between First RepublicBank Houston, National Association, Trustee, and the Registrant. (Exhibit 4.1 of Form S-3 No. 33-16537 is hereby incorporated by reference.	
10.1	Agreement, dated April 21, 1980, between Vereinigte Kesselwerke AG and Registrant. (Exhibit 10.1 of Form 10-K for the fiscal year ended September 30, 1980 is hereby incorporated by reference.)	
10.2	Addendums dated February 8, 1982 and September 30, 1985 between Vereinigte Kesselwerke AG and Registrant. (Exhibit 10.2 of Form 10-K for the fiscal year ended September 30, 1985 is hereby incorporated by reference.)	
10.3	Browning-Ferris Industries, Inc. Management Incentive Compensation Plan, as amended on December 15, 1986. (Exhibit 10.3 of Form 10-K for the fiscal year ended September 30, 1986 is hereby incorporated by reference.)	
10.4	Form of Employment Agreements, as amended, between the Company and Harry J. Phillips, Sr., John E. Drury, Norman A. Myers, Harry J. Phillips, Jr., Howard S. Hoover, Jr. and Oscar M. Holland.	

* This information appears only in the manually-signed original filed with the Securities and Exchange Commission.

Exhibits (cont.)

		Sequential Page Number*
10.5	Employment Agreement, dated as of January 1, 1986, as amended September 10, 1987, between the Company and Louis A. Waters.	
10.6	Office lease, dated August 9, 1979, between Ashford Place Number Five Joint Venture, as lessor, and Browning-Ferris Industries, Inc., as lessee. (Exhibit 9.1 of Form 10-K for the fiscal year ended September 30, 1979, is hereby incorporated by reference.)	
10.7	Browning-Ferris Industries, Inc. 1987 Stock Option Plan.	
10.8	Browning-Ferris Industries, Inc. 1983 Stock Option Plan, as amended on December 2, 1986. (Exhibit 10.7 of Form 10-K for the fiscal year ended September 30, 1986 is hereby incorporated by reference.)	
10.9	Browning-Ferris Industries, Inc.'s 1975, 1978, 1980 and 1981 Stock Option Plans. (Exhibit 10.6 of Form 10-K for the fiscal year ended September 30, 1984, is hereby incorporated by reference.)	
10.10	Browning-Ferris Industries, Inc. Retirement Plan, as amended through September 30, 1987.	
10.11	BFI Employee Stock Ownership and Savings Plan, as amended through December 1, 1986. (Exhibit 10.10 of Form 10-K for the fiscal year ended September 30, 1986 is hereby incorporated by reference.)	
10.12	Agreement, dated October 1, 1983, between Air Products and Chemicals, Inc. and the Registrant. (Exhibit 10.9 of Form 10-K for the fiscal year ended September 30, 1984, is hereby incorporated by reference.)	
22.	Subsidiaries of the Registrant.	

* This information appears only in the manually-signed original filed with the Securities and Exchange Commission.

Reports on Form 8-K

For the quarter ended September 30, 1987, the Company filed a Current Report on Form 8-K on July 24, 1987.

NOTE: Upon the request of a holder of the Company's securities directed to Browning-Ferris Industries, Inc., P.O. Box 3151, Houston, Texas 77253, Attn: Secretary, the Company will furnish a copy of any exhibit for ten cents per page to cover the cost of copying and mailing.

BROWNING-FERRIS INDUSTRIES, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS AND EMPLOYEES

For the Three Years Ended September 30, 1987
(In Thousands)

	Balance Beginning of Year	Additions	Deductions		Balance End of Year	
			Amounts Collected	Amounts Written Off	Current	Not Current
1987 -						
James R. Jones	$ --	$ 150	$ --	$ --	$ 150(1)	$ --
1986 -						
Stanley D. Schwartz	$ 110	$ --	$ 110	$ --	$ --	$ --
1985 -						
Gerald F. Murphy	$ 132	$ --	$ 132	$ --	$ --	$ --
Stanley D. Schwartz	--	110	--	--	110	--
	$ 132	$ 110	$ 132	$ --	$ 110	$ --

(1) This note bears interest at an annual rate of 12% and is secured by a lien on the employee's former residence.

BROWNING-FERRIS INDUSTRIES, INC. AND SUBSIDIARIES

PROPERTY AND EQUIPMENT

For the Three Years Ended September 30, 1987
(In Thousands)

	Balance Beginning of Year	Additions at Cost	Additions of Pooled Companies Not Restated	Sales, Retirements or Transfers	Balanc End o Year
1987 -					
Land and improvements	$ 48,814	$ 22,833	$ 782	$ (1,823)	$ 70,606
Buildings	95,887	27,502	1,331	(556)	124,164
Landfills	272,297	244,370	--	(26,263)	490,404
Vehicles and equipment	849,956	228,036	6,238	(51,299)	1,032,931
Construction-in-progress	31,984	43,010*	--	--	74,994
	$1,298,938	$ 565,751	$ 8,351	$ (79,941)	$1,793,099
1986 -					
Land and improvements	$ 41,287	$ 8,143	$ --	$ (616)	$ 48,814
Buildings	86,869	9,384	--	(366)	95,887
Landfills	193,644	84,885	--	(6,232)	272,297
Vehicles and equipment	743,506	167,198	--	(60,748)	849,956
Construction-in-progress	24,493	7,491*	--	--	31,984
	$1,089,799	$ 277,101	$ --	$ (67,962)	$1,298,938
1985 -					
Land and improvements	$ 40,076	$ 2,838	$ 120	$ (1,747)	$ 41,287
Buildings	72,063	14,476	328	2	86,869
Landfills	154,682	42,664	--	(3,702)	193,644
Vehicles and equipment	635,426	163,865	2,861	(58,646)	743,506
Construction-in-progress	23,654	839*	--	--	24,493
	$ 925,901	$ 224,682	$ 3,309	$ (64,093)	$1,089,799

* Represents net change during the period.

BROWNING-FERRIS INDUSTRIES, INC. AND SUBSIDIARIES

ACCUMULATED DEPRECIATION OF PROPERTY AND EQUIPMENT

For the Three Years Ended September 30, 1987
(In Thousands)

	Balance Beginning of Year	Additions Charged to Income	Additions of Pooled Companies Not Restated	Sales, Retirements or Transfers	Balanc End o Year
1987 -					
Land and improvements	$ 5,700	$ 1,514	$ 2	$ (199)	$ 7,01
Buildings	23,366	5,805	259	(549)	28,88
Landfills	67,623	29,180	--	(23,158)	73,64
Vehicles and equipment	409,104	122,045	3,266	(44,258)	490,15
	$505,793	$158,544	$3,527	$(68,164)	$599,70
1986 -					
Land and improvements	$ 4,998	$ 1,225	$ --	$ (523)	$ 5,700
Buildings	19,010	4,866	--	(510)	23,366
Landfills	57,814	13,774	--	(3,965)	67,623
Vehicles and equipment	355,891	104,363	--	(51,150)	409,104
	$437,713	$124,228	$ --	$(56,148)	$505,793
1985 -					
Land and improvements	$ 4,529	$ 1,184	$ --	$ (715)	$ 4,998
Buildings	15,193	4,128	146	(457)	19,010
Landfills	44,601	12,742	--	471	57,814
Vehicles and equipment	306,818	92,127	1,733	(44,787)	355,891
	$371,141	$110,181	$1,879	$(45,488)	$437,713

For financial reporting purposes, depreciation is computed on the straight-line method based upon the estimated useful lives of the assets as follows: buildings, 20 to 40 years, vehicles and equipment, 3 to 12 years. Landfills, consisting of land and related airspace, are stated at cost. The cost of airspace is amortized as consumed during the landfill's useful life. Landfill preparation costs are amortized over the useful life of the landfill.

BROWNING-FERRIS INDUSTRIES, INC. AND SUBSIDIARIES

ALLOWANCE FOR DOUBTFUL ACCOUNTS

For the Three Years Ended September 30, 1987
(In Thousands)

	Balance Beginning of Year	Additions Charged to Income	Deductions from Reserves	Balance End of Year
1987	$ 6,087	$10,913	$ (9,098)	$ 7,902
1986	$ 5,499	$ 8,698	$ (8,110)	$ 6,087
1985	$ 5,172	$ 7,288	$ (6,961)	$ 5,499

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BROWNING-FERRIS INDUSTRIES, INC.
(Registrant)

DATE: December 4, 1987

By: /s/ Harry J. Phillips, Sr.
Harry J. Phillips, Sr.,
Chairman of the Board,
Chief Executive Officer
and Director

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

/s/ Harry J. Phillips, Sr.
Harry J. Phillips, Sr.,
Chairman of the Board,
Chief Executive Officer
and Director

/s/ John E. Drury
John E. Drury, President,
Chief Operating Officer
and Director

/s/ Norman A. Myers
Norman A. Myers, Vice
Chairman, Chief Marketing
Officer and Director

/s/ Harry J. Phillips, Jr.
Harry J. Phillips, Jr.,
Executive Vice President
and Director

/s/ Oscar M. Holland
Oscar M. Holland,
Senior Vice President,
Chief Financial Officer
and Director

/s/ Howard S. Hoover, Jr.
Howard S. Hoover, Jr.
Senior Vice President
and Director

/s/ David R. Hopkins
David R. Hopkins
Vice President, Controller
and Chief Accounting Officer

/s/ C. Jackson Grayson, Jr.
C. Jackson Grayson, Jr.,
Director

/s/ Joseph R. Hyde, III
Joseph R. Hyde, III, Director

/s/ Plato Malozemoff
Plato Malozemoff, Director

/s/ L. F. McCollum
L. F. McCollum, Director

/s/ William D. Ruckelshaus
William D. Ruckelshaus, Director

/s/ John J. Scanlon
John J. Scanlon, Director

/s/ R. John Stanton, Jr.
R. John Stanton, Jr., Director

/s/ Haskell I. Stovroff
Haskell I. Stovroff, Director

/s/ Michael J. Verrochi
Michael J. Verrochi, Director

/s/ Louis A. Waters
Louis A. Waters, Director

December 4, 1987.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report dated December 1, 1987, included in this Form 10-K, into the Browning-Ferris Industries, Inc. previously filed Form S-8 Registration Statement File No. 2-91197, Form S-8 Registration Statement File No. 2-92064 and Form S-3 Registration Statement File No. 33-7793.

ARTHUR ANDERSEN & CO.

Houston, Texas,
December 1, 1987.

EXHIBIT 2

FY 1972 POLICY YEAR

COMPANY	POLICY NUMBERS	DATES	LIMITS
PRIMARY LIABILITY:			
Highland Insurance Co. (General Liability) Houston, Texas	GA 359391	10/31/71 -	100/300/300 BI person/occur/ aggregate 100/100 PD occurrence/ aggregate

FY 1973 POLICY YEAR

COMPANY	POLICY NUMBERS	DATES	LIMITS
PRIMARY LIABILITY:			
Highlands Insurance Co.* (Auto & General) Houston, Texas	N/A		CGL 100/300/300 BI person/occur/ aggregate 100/300 PD occurrence/ aggregate Auto 100/300 BI person/occur/ 100/PD/occur
UMBRELLA EXCESS LIABILITY:			
Transcontinental Insur. Co. (CNA) Chicago, Illinois	RDU 9230745	10/31/72 - 09/30/73	$10,000,000 CSL xs Primary or $25,000 SIR

*Policy number and confirmation of dates not available. Limits shown are per Underly Schedule of CNA Umbrella.

FY 1974 POLICY YEAR

COMPANY	POLICY NUMBERS	DATES	LIMITS
PRIMARY LIABILITY:			
Highlands Insurance Co.	N/A*		General 100/300/300 BI person/occur/ aggregate 100/100 PD occurrence/ aggregate Auto 100/300 BI person/ occurrence 100/occurrence PD
UMBRELLA EXCESS LIABILITY:			
Transcontinental Insur. Co. (CNA) Chicago, Illinois	RDU 9997715	09/30/73 -** 09/30/76	$10,000,000 XS Primary or $25,000 SIR
Affiliated FM Insur. Co.	72206	05/07/74*** 09/30/76	$5,000,000
Northbrook Insur. Co. Northbrook, Illinois	63000327	05/07/74 - 09/30/76	$15,000,000 xs 5,000,000

* Policy number and confirmation of dates not available. Limits shown are per Underlying Schedule of CNA Umbrella.

** Cancelled effective 05/07/74.

***Cancelled and rewritten 12/14/75.

FY 1975 POLICY YEAR

COMPANY	POLICY NUMBERS	DATES	LIMITS
PRIMARY LIABILITY:			
Highlands Insurance Co. (Auto & General Liability) Houston, Texas	GA 8216 25	09/30/74 - 09/30/75	CGL & Auto* 300,000/300,000 BI 300,000/300,000 PD Contractual 300,000 BI
UMBRELLA EXCESS LIABILITY:			
London Underwriters London, England	029633000***	12/14/75 - 09/30/78	$5,000,000 xs Primary
Northbrook Ins. Co.	63000327	05/07/74 - 09/30/76	$15,000,000 xs 5,000,000

* Insured subsidiaries/locations are specifically scheduled.

**Excludes ERISA and seepage.

FY 1976 POLICY YEAR

COMPANY	POLICY NUMBERS	DATES	LIMITS
PRIMARY LIABILITY:			
Highlands Insurance C. (Auto & General Liability) Houston, Texas	GA 15 16 08* Issued to BFI CSI	09/30/75 - 09/30/76	CGL 300,000/300,000 BI 100,000/100,000 PD 500 PD Deductible Contractual 300,000 BI 100,000/100,000 PD AUTO 100,00/300,000 BI 100,000 PD
Highlands Insurance Co. (Auto & General Houston, Texas	GA 15 16 03* Issued to BFI,Inc.et al	09/30/75 - 09/30/76	CGL 300,000/300,000 BI 300,000/300,000 PD 500 PD Deductible Contractual 300,000 BI 300,000/300,000 PD Auto 100,000/300,000 BI 100,000 PD
Continental Casualty Co. (Auto & General Excess) Chicago, Illinois	RDX 1778424	03/06/76 - 03/28/76	500,000 CSL xs Highlands Insur. Co. (Underlying Highlands limits not indicated)

FY 1976 Continued

COMPANY	POLICY NUMBERS	DATES	LIMITS
PRIMARY LIABILITY:			
Continental Casualty Co. (Auto & General Liability) Chicago, Illinois	RDX 177 84 12**	03/28/76 - 03/28/77	$500,000 CSL all coverages combined xs $100,000 SIR Auto $100,000 SIR General
Continental Casualty Co. (Auto & General Liability)	RDX 177 84 99***	03/28/76 - 03/28/77	$500,000 CSL General $500,000 CSL Auto xs $100,000 CSL General $100,000 CSL Auto
UMBRELLA EXCESS LIABILITY:			
London Underwriters London, England	029633000	12/14/75 - 09/30/78	$5,000,000 xs Primary
Northbrook	63000327****	05/07/74 - 09/30/76	$15,000,000 xs 5,000,000

* Cancelled 3/28/76 and rewritten under policy number CCP1421005;

** Cancelled 9/30/76 and rewritten under policy number CCP1421005;

*** Cancelled 9/30/76; same as above. Policy issued to BFI, Inc.; BFI of Northern California, Inc.; San Mateo County Savenger; BFI-Rorke & Dennehy Division.

****Increased to $20,000,000 on 7/16/76.

FY 1977 POLICY YEAR

COMPANY	POLICY NUMBERS	DATES	LIMITS
PRIMARY LIABILITY:			
Continental Casualty Co. (Auto & General Primary) Chicago, Illinois	CCP 142 1005	09/30/76 - 09/30/77	$500,000 CSL
Continental Casualty Co. (Excess Third Party) Chicago, Illinois	RDX 1421032	09/30/76 - 09/30/77 *	500,000 CSL
UMBRELLA EXCESS LIABILITY:			
London Underwriters London, England	029633000	12/14/75 - 09/30/78	5,000,000 xs Primary
London Underwriters London, England	183550100	09/30/76 - 09/30/79 **	15MM xs 5MM
Central National Omaha, Nebraska	CNZ 14-07-28	10/18/76 - 09/30/77	5MM xs 20MM

*Issued to BFI, Inc; BFI of Northern California, Inc.; San Mateo County Scaveng
BFI-Rorke & Dennehy Division

**Cancelled and rewritten effective 9/30/78
(ExPolSch)

FY 1978 POLICY YEAR

COMPANY	POLICY NUMBER	DATES	LIMITS
PRIMARY LIABILITY:			
Continental Casualty Co.	CCP 3327304	09/30/77 - 09/30/78	$600,000
UMBRELLA LIABILITY:			
London Underwriters London, England	029633000	12/14/75 -	5,000,000 xs Primary
London Underwriters London, England	183550100	09/30/76 - 09/30/79 *	$15MM xs 5MM
National Union Fire Pittsburgh, PA	1168861	09/30/77 - 09/30/78	$5MM xs 20MM
Central National Omaha, Nebraska	CNZ 14-15-18	09/30/77 - 09/30/78	$5MM xs 25MM

*Cancelled and rewritten effective 9/30/78

FY 1979 POLICY YEAR

COMPANY	POLICY NUMBER	DATES	LIMITS
PRIMARY LIABILITY:	CCP 004 754746	09/30/78 - 09/30/79	$500,000
UMBRELLA EXCESS LIABILITY:			
London Underwriters London, England	020062000	09/30/78 - 09/30/81	$5,000,000 xs Primary
London Underwriters London, England	183890100	09/30/78 -	$20MM xs 5MM
First State Wilmington, Delaware	927282	09/30/78 - 09/30/79	$5MM p/o 25MM xs 25MM
Mutual Marine New York, New York	MMO - 70422	09/30/78 - 09/30/79	$5MM p/o 25MM xs 25MM
Central National Omaha, Nebraska	CNZ 14-17-45	09/30/78 - 09/30/79	$5MM p/o 25MM xs 25MM
Pine Top Insurance Chicago, Illinois	MLP 101413	09/30/78 - 09/30/79	$5MM p/o 25MM xs 25MM
Midland Insurance New York, New York	XL - 160132	09/30/78 - 09/30/79	$5MM p/o 25MM xs 25MM

FY 1980 POLICY YEAR

COMPANY	POLICY NUMBERS	DATES	LIMITS
PRIMARY LIABILITY:			
Continental Casualty Co. (Auto & General Primary) Chicago, Illinois	CCP 005-31-25-09	09/30/79 - 09/30/80	$350,000 CSL
UMBRELLA EXCESS LIABILITY:			
London Underwriters London, England	020062000	09/30/78 - 09/30/81	5,000,000 xs Primary
London Underwriters London, England	184050300	09/30/79 - 09/30/80	$20MM xs 5MM
First State Wilmington, Delaware	916511	09/30/79 - 09/30/80	$10MM p/o 25MM xs 25MM
Central National Omaha, Nebraska	CNZ 14-19-30	09/30/79 - 09/30/80	$5MM p/o 25MM xs 25MM
Midland Insurance New York, New York	XL - 153071	09/30/79 - 09/30/80	$5MM p/o 25MM xs 25MM
Mutual Marine New York, New York	MMO - 70982	09/30/79 - 09/30/80	$5MM p/o 25MM xs 25MM

FY 1981 POLICY YEAR

COMPANY	POLICY NUMBER	DATE	LIMITS
PRIMARY LIABILITY:			
Continental Casualty Co. (Auto & General Primary) Chicago, Illinois	CCP007455068	09/30/80	$350,000
UMBRELLA EXCESS LIABILITY:			
London Underwriters London, England	020062000	09/30/78 - 09/30/81	5,000,000 xs Primary
London Underwriters London, England	184220100	09/30/80 - 09/30/81	$20MM xs 5MM
Midland Insurance New York, New York	XL 713018	09/30/80 - 09/30/81	$5MM p/o 25MM xs 25MM
First State Wilmington, Delaware	930745	09/30/80 - 09/30/81	$5MM p/o 25MM xs 25MM
Integrity Insurance Rochelle Park, New Jersey	XL 201526	09/30/80 - 09/30/81	$5MM p/o 25MM xs 25MM
INA Philadelphia, Pennsylvania	XCP 143629	09/30/80 - 09/30/81	$5MM p/o 25MM xs 25MM
Central National Omaha, Nebraska	CNZ-14-19-75	09/30/80 - 09/30/81	$5MM p/o 25MM xs 25MM
Lexington Insurance Boston, Massachusetts	5513232	02/09/81 - 10/10/82	$10MM p/o 30MM xs 50MM
Bellefonte Middletown, Ohio	XL 3085937	02/09/81 - 10/01/82	$10MM p/o 30MM xs 50MM

FY 1981 CONTINUED

COMPANY	POLICY NUMBER	DATES	LIMITS
Old Republic Greenburg, Pennsylvania	OXZ-11411	02/09/81 - 10/01/82	$10MM 30MM xs 50MM
Mission Insurance Los Angeles, California	M-871214	02/03/81 - 10/01/81	$10MM p/o 20MM xs 80MM
Fireman's Fund San Francisco, California	XLX-1364348	02/09/81 - 10/01/81	$10MM p/o 20MM xs 80MM

FY 1982 POLICY YEAR

COMPANY	POLICY NUMBER	DATES	LIMITS
PRIMARY LIABILITY:			
Ranger Insurance Houston, Texas	CGL 528108	09/30/81 - 10/01/82	$500,000
UMBRELLA EXCESS LIABILITY:			
London Underwriters London, England	020062000	09/30/79 - 09/30/82	5,000,000
London Underwriters London, England	184400300	09/30/81 - 09/30/82	$20MM xs 5MM
Midland Insurance Co. 10 Water Street New York, New York	XL 724555	09/30/81 - 09/30/82	$5MM p/o 25MM xs 25MM
First State Insurance Wilmington, Delaware	930790	09/30/81 - 09/30/82	$5MM p/o 25MM xs 25MM
Integrity Insurance Co. Rochelle Park, New Jersey	XL 203503	09/30/81 10/01/82	$5MM p/o 25MM xs 25MM
Insurance Co. of North America Philadelphia, Pennsylvania	XCP 144359	09/30/81 - 10/01/82	$10MM p/o 25MM xs 25MM
Lexington Insurance Co. Wilmington, Delaware	551 3232	02/09/81 - 10/01/82	$10MM p/o 50MM xs 50MM
Bellefonte Underwriters Wilmington, Delaware	XL 308 5937	02/09/81 - 10/01/82	$10MM p/o 30MM xs 50MM

FY 1982 CONTINUED

COMPANY	POLICY NUMBER	DATES	LIMITS
Old Republic Insur. Co. 514 W. Pittsburgh Street Greensburg, Pennsylvania	OXZ 11411	02/09/81 - 10/01/82	$10MM p/o 30MM xs 50MM
Fireman's Fund San Francisco, California	XLX 1437672	10/01/81 - 10/01/82	$10MM p/o 20MM xs 80MM
Mission Insurance Co. Los Angeles, California	MN 003468	10/01/81 - 10/01/82	$10MM p/o 20MM xs 80MM
ENVIRONMENTAL IMPAIRMENT LIABILITY: Claims Made Form			
Evanston Insurance Co. Evanston, Illinois	IE 100058	06/01/82 - 10/01/83	$25MM each impairment $50MM policy peri aggregate

FY 1983 POLICY YEAR

COMPANY	POLICY NUMBERS	DATES	LIMITS
PRIMARY LIABILITY:			
Ranger Insurance Houston, Texas	CGL 528844	10/01/82 - 10/01/83	$500,000
UMBRELLA EXCESS LIABILITY:			
London Underwriters London, England	020151200	10/01/82 - 10/01/85	$5MM xs Primary
London Underwriters London, England	184720100	10/01/82 - 10/01/83	$20MM p/o 5MM
Midland Insurance Company New York, New York	XL 739695	10/01/82 - 10/01/83	10MM p/o 25MM xs 25MM
Integrity Insurance Co. Rochelle Park, New Jersey	XL 206640	10/01/82 - 10/01/83	5MM p/o 25MM xs 25MM
Insurance Co. of North America Philadelphia, Pennsylvania	XCP 144405	10/01/82 - 10/01/83	10MM p/o 25MM xs 25MM
Lexington Insurance Co. Wilmington, Delaware	552 3254	10/01/82 - 10/01/83	10MM p/o 20MM xs 50MM
Ambassador Insurance Co. North Bergen, NJ 07047	ELP 001338	10/01/82 - 10/01/83	10MM p/o 30MM xs 50MM
Twin City Fire Insur. Co. Hartford, Connecticut	TXS 101174	10/01/82 - 10/01/83	10MM p/o 30MM xs 50MM
Firemans Fund San Francisco, California	XLX 1484623	10/01/82 - 10/01/83	10MM p/o 20MM xs 80MM
Mission Insurance Co. Los Angeles, California	MN 019792	10/01/82 - 10/01/83	10,000,000
ENVIRONMENTAL IMPAIRMENT LIABILITY: Claims Made Form			
Evanston Insurance Co. Evanston, Illinois	IE 100058	06/01/82 - 10/01/83	$25MM each impairment* $50MM policy period aggregate

* Note: Effective 12/21/82, insurance limits were increased to $30MM each impairment, $60MM policy period aggregate.

FY 84 POLICY YEAR

COMPANY	POLICY NUMBERS	DATES	LIMITS
PRIMARY LIABILITY:			
Ranger Insurance Houston, Texas	CGL 528795	10/01/83 - 10/01/84	$500,000
UMBRELLA EXCESS LIABILITY:			
London Underwriters London, England	020151200	10/01/82 - 10/01/85	5,000,000
London Underwriters London, England	184722000	10/01/83 - 10/01/84	20,000,000 xs 5MM
Midland Insurance Co. New York, New York	XL 749396	10/01/83 - 10/01/84	10,000,000 p/o 25MM xs 25MM
Integrity Insurance Co. Rochelle Park, New Jersey	XL 207911	10/01/83 - 10/01/84	5,000,000 p/o 25MM xs 25MM
Constitution State Hartford, Connecticut	CL841F889-9	10/01/83 - 10/1/84	10,000,000 p/o 25MM xs 25MM
Lexington Insurance Co. Wilmington, Delaware	552 5803	10/01/83 - 10/01/84	10,000,000 p/o 20MM xs 50MM
Western Employers Insurance North Bergen, NJ 07047	EX10-1083-15028	10/01/83 - 10/01/84	10,000,000 p/o 30MM xs 50MM
Twin City Fire Insur. Co. Hartford, Connecticut	TXS 103057	10/01/83 - 10/01/84	10,000,000 p/o 30MM xs 50MM
Firemans Fund San Francisco, California	XLX 1533968	10/01/83 - 10/01/84	10,000,000 p/o 20MM xs 80MM
Mission Insurance Co. Los Angeles, California	MN 019792	10/01/83 - 10/01/84	10,000,000 p/o 20MM xs 80MM
ENVIRONMENTAL IMPAIRMENT LIABILITY: Claims Made Form			
Evanston Insurance Co. Evanston, Illinois	IE 100058	10/01/83 - 10/01/84	$30MM each impairment $60MM policy period aggregate

1985 POLICY YEAR

COMPANY	POLICY NUMBERS	DATES	LIMITS
PRIMARY LIABILITY:			
Ranger Insurance	CGL528833	10/01/84 - 10/01/85	1,000,000
UMBRELLA EXCESS LIABILITY:			
London Underwriters London, England	020177100	10/01/84 - 10/01/87	5,000,000
London Underwriters London, England	020177200	10/01/84 -	20,000,000 xs 5MM
Colonial Penn Insurance Company	R4 01 01 08	11/01/84 - 10/01/85	5,000,000 p/o 16MM xs 25MM
London Underwriters London, England	020180800	11/01/84 - 09/30/85	5,000,000 p/o 25MM xs 25MM
Integrity Insurance Co. Paramus, New Jersey	XL 208153	11/01/84 - 10/01/85	6,000,000 p/o 16MM xs 25MM
Atlantic International Insurance Company	XL 07256	10/01/84 - 10/01/85	5,000,000 p/o 25MM xs 25MM
Midland Insurance Company New York	770658	10/01/84 - 10/01/85	7,000,000 p/o 25MM xs 25MM
American Centennial Insurance Company Morristown, NJ	CC-01-59-26	10/01/84 - 10/01/85	2,000,000 p/o 25MM xs 25MM
National Union Fire Insurance New York, NY	9601105	10/01/84 - 10/01/85	5,000,000 p/o 30MM xs 50MM
Lexington Insurance Wilmington, Delaware	5525836	10/01/84 - 10/01/85	10,000,000 p/o 30MM xs 50MM
Transamerica Premier Ins. San Francisco, CA	USL 1339-7920	10/01/84 - 10/01/85	5,000,000 p/o 30MM xs 50MM
Western Employee's Ins. Santa Ana, CA	EX-10-1084-15028	10/01/84 - 10/01/85	5,000,000 p/o 30MM xs 50MM
Twin City Insurance co. Hartford, CT	TXS 104035	10/01/84 - 10/01/85	5,000,000 p/o 30MM xs 50MM

FY 1985 CONTINUED

COMPANY	POLICY NUMBERS	DATES	LIMITS
ENVIRONMENTAL IMPAIRMENT LIABILITY: Claims Made Form			
Evanston Insurance Co. Evanston, Ill.	IE 100450	10/01/84 - 10/01/85	$30MM each impairment $30MM policy period aggregate

1986 POLICY YEAR

COMPANY	POLICY NUMBERS	DATES	LIMITS
PRIMARY LIABILITY:			
National Union Fire New York, New York	GLA 157 87 26	10/01/85 - 10/01/86	$1,000,000
UMBRELLA EXCESS LIABILITY:			
London Underwriters London, England	020177100	10/01/85 - 10/01/86	$5,000,000
London Underwriters London, England	020177200	10/01/85 - 10/01/86	$20,000,000 xs 5MM
EXEL Bermuda		05/01/86 - 10/01/86	$75,000,000 xs 25MM
A.C.E.	BFI-502	05/07/86 - 05/07/87	$100,000,000 xs 100MM

ENVIRONMENTAL IMPAIRMENT LIABILITY: Extended Discovery Option

(Provided 12 additional months after 10/1/85 within which to discover any third party claims which arose out of environmental events occurring before 10/1/85).

ENVIRONMENTAL IMPAIRMENT LIABILITY: Claims Made Form

National Union Fire New York, New York	PRM 706-3005	10/01/85 - 10/01/86	$10MM each impairment $10MM policy perioc aggregate

1987 POLICY YEAR

COMPANY	POLICY NUMBERS	DATES	LIMITS
PRIMARY LIABILITY:			
National Union Fire New York	GLA 1979432	10/01/86 - 10/01/89	$2,500,000
UMBRELLA EXCESS LIABILITY:			
London Underwriters London, England	020177100	10/01/86 - 10/01/87	$5,000,000
London Underwriters London, England	020177200	10/01/86 - 10/01/87	$20,000,000 xs 5MM
EXEL Bermuda		10/01/86 05/01/87	$75,000,000 xs 25MM
A.C.E.	BFI-502	05/07/86 - 05/07/87	$100,000,000 xs 100MM
ENVIRONMENTAL IMPAIRMENT LIABILITY: Claims Made Form			
National Union Fire New York, New York	PRM 706-3005	10/01/86 - 10/01/87	$10MM each impairment $10MM policy period aggregat