

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): September 3, 1996

USA Waste Services, Inc.
(Exact name of registrant as specified in its charter)

| | | |
|--|-------------------------------------|---|
| Delaware (State or other jurisdiction of incorporation) | 1-12154 (Commission file number) | 73-1309529 (IRS Employer Identification No.) |
|--|-------------------------------------|---|

| | |
|--|---------------------|
| 5400 LBJ Freeway, Suite 300 - Tower One, Dallas, Texas (Address of principal executive offices) | 75240 (Zip Code) |
|--|---------------------|

Registrant's telephone number, including area code: (214) 383-7900

(Former name or former address, if changed since last report)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

Pursuant to the Agreement and Plan of Merger, dated as of June 22, 1996, as amended July 18, 1996 (the "Merger Agreement"), by and among USA Waste Services, Inc. ("USA Waste"), Quatro Acquisition Corp., a wholly owned subsidiary of USA Waste ("Acquisition"), and Sanifill, Inc. ("Sanifill"), the merger of Acquisition with and into Sanifill became effective on September 3, 1996, whereupon Sanifill became a wholly owned subsidiary of USA Waste (the "Merger"). The closing of the transactions contemplated by the Merger Agreement took place on August 30, 1996. Sanifill's common stock, par value \$0.01 per share ("Sanifill Common Stock"), is no longer transferable, and certificates evidencing shares of Sanifill Common Stock represent only the right to receive, without interest, shares of USA Waste Common Stock, par value \$0.01 per share ("USA Waste Common Stock"), in accordance with the provisions of the Merger Agreement. The holders of shares of Sanifill Common Stock ("Sanifill Stockholders") are entitled to receive 1.70 (the "Exchange Ratio") shares of USA Waste Common Stock for each share of Sanifill Common Stock held, or an aggregate of approximately 43.1 million shares of USA Waste Common Stock. Also pursuant to the Merger Agreement, each unexpired and unexercised outstanding option or warrant to purchase Sanifill Common Stock (each a "Sanifill Option" or a "Sanifill Warrant," respectively) was automatically converted into an option or warrant, as the case may be, to purchase that number of shares of USA Waste Common Stock equal to the number of shares of Sanifill Common Stock that could have been purchased under the Sanifill Option or Sanifill Warrant multiplied by the Exchange Ratio, at a price per share of USA Waste Common Stock equal to the exercise price determined pursuant to the Sanifill Option or Sanifill Warrant divided by the Exchange Ratio. The stockholders of USA Waste (the "USA Waste Stockholders") and the Sanifill Stockholders approved the Merger on August 27, 1996. The Exchange Ratio was determined through negotiations between the managements of USA Waste and Sanifill and was approved by their respective boards of directors. Cash will be paid in lieu of fractional shares of USA Waste Common Stock on the basis of \$28.25 per share. Pursuant to the Merger Agreement, no interest will be paid or accrued on the consideration paid in the Merger. The Merger was accounted for as a pooling of interests. Sanifill owns and operates nonhazardous waste disposal, treatment, collection, transfer and recycling businesses and complementary operations in 23 states, the District of Columbia, the Commonwealth of Puerto Rico, Mexico and Canada. As of June 30, 1996, Sanifill operated 50 disposal and treatment facilities, 26 transfer stations and 36 collection operations. In addition, Sanifill provides sludge treatment and organic recycling services.

In connection with the Merger, a final judgment (the "Final Judgment") was entered in the United States District Court for the District of Columbia in the case of the United States of America, the State of Texas and the Commonwealth of Pennsylvania v. USA Waste Services, Inc. and Sanifill, Inc. on August 30, 1996. The final judgment provides for (i) the divestiture of certain assets currently owned by USA Waste and Sanifill (the "Asset Divestiture"); (ii) the amendment of certain existing contracts, and the limitation of the terms to be included in new contracts to which USA Waste or Sanifill is or may become a party (the "Contract Amendments"); and (iii) the provision of airspace rights at a specified landfill site (the "Airspace Rights Provision") in order to assure that competition in the industries in which USA Waste and Sanifill operate is not substantially lessened

as a result of the Merger. Both the Asset Divestiture and the Contract Amendments must be effectuated by November 28, 1996. In the event that the Asset Divestiture is not completed by such time, a trustee will be appointed to effect the Asset Divestiture.

The assets (the "Assets") to be sold pursuant to the Asset Divestiture include the following: (i) Sanifill's Houston area commercial solid waste hauling services business, including related customer lists, contracts and accounts, and, at the option of the purchaser, Sanifill's rearload residential business serviced by its garage in Channelview, Texas, including assignable contracts, trucks, containers and equipment (the "Houston Hauling Assets"); (ii) USA Waste's landfill located in League City, Texas, including the current permit, customer lists, contracts, accounts and related equipment (the "Sunray Assets"); and (iii) the right to dispose, over a ten-year period, of up to a total of two million tons of municipal solid waste, subject to a maximum of 270,000 tons per year, at either USA Waste's Hazelwood Landfill located in Baytown, Texas and/or USA Waste's Brazoria County Landfill located in Angleton, Texas (the "Airspace Assets"). Purchasers of the Houston Hauling Assets and the Sunray Assets are subject to the approval of the United States Department of Justice and must agree to be bound by the terms of the Final Judgment. USA Waste and Sanifill are prohibited from financing the sale of the Assets without the prior written consent of the United States, after consultation with the States of Texas and Pennsylvania.

The provisions of the Final Judgment relating to the Contract Amendments place limitations on the term provisions of contracts (existing and new) between USA Waste or Sanifill and certain small container solid waste hauling service customers ("Customers") in designated areas of Pennsylvania (the "Designated Areas"). Among other limitations, new contracts may not (i) have an initial term or renewal term longer than one year, (ii) require Customers to provide notice of termination more than 30 days prior to the expiration of any initial or renewal term, (iii) require Customers to pay liquidated damages in excess of certain amounts or (iv) contain "right to compete" clauses. However, the initial term of new contracts may exceed one year provided certain conditions are met. With respect to existing Customers with contracts having an initial term longer than one year (other than certain contracts with municipal or governmental authorities), USA Waste and Sanifill are required to send a notice to such Customers offering them a new contract including terms conforming to provisions (i) through (iv) above. Customers are not required to accept such new terms. In addition, USA Waste and Sanifill may not oppose any efforts by any persons to amend any county plans to add a landfill, permit a new landfill or permit expansion of an existing landfill in the Designated Areas.

With respect to the provision of airspace rights at the Pellegrine Landfill in Homer City, Pennsylvania, USA Waste and Sanifill must accept up to 200 tons per day, and up to 62,400 tons per year, of municipal solid waste from independent private haulers for a period of ten years under terms no less favorable than those provided to the vehicles of USA Waste, Sanifill or any municipality in the Designated Areas, except as to price and credit terms.

In addition, the Final Judgment provides that USA Waste and Sanifill must provide the United States and the States of Texas and Pennsylvania 30 days' notice prior to acquiring any interest that is not otherwise reportable under the Hart-Scott-Rodino Act in the assets, capital stock or voting securities of any person that was engaged in the solid waste hauling, municipal solid waste or dry waste disposal industry in certain areas of the States of Texas and Pennsylvania during the twelve months preceding such acquisition, subject to certain minimum revenue requirements. The Final Judgment expires on August 30, 2006.

Pursuant to the terms of the Merger, on August 30, 1996, George L. Ball and Peter J. Gibbons resigned from their positions as members of USA Waste's Board of Directors. In connection with their resignations, Messrs. Ball and Gibbons each received warrants to purchase 40,000 shares of USA Waste Common Stock at an exercise price of \$26.75 per share. The warrants have a term of ten years and are immediately exercisable. The vacancies created by the resignations of Messrs. Ball and Gibbons and a third vacancy were filled by Ralph F. Cox, Larry J. Martin and Rodney R. Proto, all of whom were former directors of Sanifill and were nominated to fill such vacancies by Sanifill pursuant to the terms of the Merger Agreement.

Also in connection with the Merger, USA Waste and Sanifill entered into an employment agreement with Rodney R. Proto. Under the employment agreement, Mr. Proto will serve as President and Chief Operating Officer of USA Waste. The agreement, a copy of which is attached hereto as an exhibit, is for a continually renewing term of five years and provides for an annual salary of \$375,000 per year. In addition, Mr. Proto received options to purchase 610,000 shares of USA Waste Common Stock pursuant to the agreement.

ITEM 5. OTHER EVENTS.

In connection with the acquisition of Sanifill, USA Waste replaced its existing line of credit facility with a \$1.2 billion senior revolving credit facility (the "Credit Facility") with a consortium of banks including The First National Bank of Boston, Bank of America Illinois, Morgan Guaranty Trust Company of New York and JP Morgan Canada. The Credit Facility is for a term of five years and will also be available for standby letters of credit of up to \$400 million. Loans under the Credit Facility bear interest at either a base rate or a rate based on the Eurodollar rate plus a spread not to exceed 0.75% per annum, which spread is initially set at 0.35% per annum. The Credit Facility requires a facility fee, initially set at 0.20% per annum, not to exceed 0.375% per annum on the

entire available credit facility. No principal reductions are required during the entire term of the agreement. USA Waste plans to use the funds available under the Credit Facility to refinance existing bank loans and letters of credit, to fund additional acquisitions and to provide working capital for the Company's business.

On September 3, 1996, USA Waste executed a Supplemental Indenture (the "Supplemental Indenture") by and among USA Waste, Sanifill and Texas Commerce Bank, N.A. with respect to Sanifill's 5% Convertible Subordinated Debentures due March 1, 2006 (the "Convertible Debentures"). The Supplemental Indenture amended the original indenture, dated March 1, 1996 (the "Indenture"), by providing that the Convertible Debentures would be convertible into shares of USA Waste Common Stock. In addition, USA Waste became a co-obligor with respect to Sanifill's payment obligations under the Convertible Debentures.

On August 24, 1996, Canadian Waste Services, Inc., a wholly owned subsidiary of USA Waste Services, Inc. purchased the non-hazardous solid waste operations of Philip Environmental Inc. in Quebec and Ontario, Canada and in Michigan for a total of \$118 million in a combination of cash and USA Waste Common Stock. Five landfills, six collection operations and six transfer stations were acquired.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Business Acquired

The following financial statements of Sanifill, Inc. are included herein:

- Sanifill, Inc. and Subsidiaries Condensed Consolidated Balance Sheets as of June 30, 1996 (unaudited) and December 31, 1995.
- Sanifill, Inc. and Subsidiaries Condensed Consolidated Statements of Operations (unaudited) for the six months ended June 30, 1996 and the three months ended June 30, 1996.
- Sanifill, Inc. and Subsidiaries Condensed Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 1996 and June 30, 1995.
- Sanifill, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (unaudited).
- Sanifill, Inc. and Subsidiaries Consolidated Balance Sheets as of December 31, 1995 and December 31, 1994.
- Sanifill, Inc. and Subsidiaries Consolidated Statements of Income for the Years Ended December 31, 1995, 1994 and 1993.
- Sanifill, Inc. and Subsidiaries Statements of Stockholders' Investment.
- Sanifill, Inc. and Subsidiaries Consolidated Statements of Cash Flows for the Years Ended December 31, 1995, 1994 and 1993.
- Sanifill, Inc. and Subsidiaries Notes to Consolidated Financial Statements.

SANIFILL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

| | June 30, 1996 | December 31, 1995 |
|---|----------------------|----------------------|
| | ----- (unaudited) | ----- |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,364 | \$ 2,835 |
| Accounts receivable, net | 66,464 | 47,019 |
| Prepaid expenses | 9,793 | 4,604 |
| Other current assets | 6,176 | 3,015 |
| | ----- | ----- |
| Total current assets | 86,797 | 57,473 |
| Property and equipment, net | 757,577 | 572,329 |
| Goodwill, net | 143,654 | 97,974 |
| Other assets | 52,124 | 48,153 |
| | ----- | ----- |
| Total assets | \$1,040,152 | \$775,929 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' INVESTMENT | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 12,101 | \$ 13,359 |
| Accounts payable | 28,473 | 22,419 |
| Accrued liabilities and other | 42,828 | 25,111 |
| | ----- | ----- |
| Total current liabilities | 83,402 | 60,889 |
| Long-term debt, net of current maturities | 257,522 | 209,329 |
| Convertible subordinated debentures, net | 112,035 | 58,213 |
| Environmental reserves | 52,209 | 43,339 |
| Deferred income taxes, net | 68,252 | 64,662 |
| Other long-term obligations | 27,946 | 23,906 |
| | ----- | ----- |
| Total liabilities | 601,366 | 460,338 |
| | ----- | ----- |
| Commitments and contingencies | | |
| Stockholders' investment: | | |
| Preferred stock | -- | -- |
| Common stock | 250 | 217 |
| Additional paid-in capital | 349,557 | 245,490 |
| Retained earnings | 103,625 | 84,661 |
| Foreign currency and translation adjustment | (14,646) | (14,777) |
| | ----- | ----- |
| Total stockholders' investment | 438,786 | 315,591 |

Total liabilities and stockholders' investment

\$1,040,152
=====

\$775,929
=====

See notes to condensed consolidated financial statements.

SANIFILL, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (in thousands except per share amounts; unaudited)

| | Six Months Ended June 30, | | Three Months Ended June 30, | |
|--|------------------------------|-----------|--------------------------------|----------|
| | 1996 | 1995 | 1996 | 1995 |
| Revenues | | | | |
| Cost of operations | \$181,406 | \$115,120 | \$100,406 | \$61,056 |
| | 115,747 | 72,979 | 63,852 | 37,941 |
| Gross Profit | 65,659 | 42,141 | 36,554 | 23,115 |
| Selling, general and administrative expenses | 27,384 | 17,723 | 15,137 | 9,605 |
| Pooling costs | -- | 566 | -- | 566 |
| Operating income | 38,275 | 23,852 | 21,417 | 12,944 |
| Interest expense | 8,007 | 6,273 | 3,545 | 3,370 |
| Interest income | (418) | (514) | (209) | (288) |
| Other income, net | (920) | (791) | (272) | (463) |
| Income before income taxes | 31,606 | 18,884 | 18,353 | 10,325 |
| Income taxes | 12,642 | 7,478 | 7,341 | 4,091 |
| Net income | 18,964 | \$ 11,406 | \$ 11,012 | \$ 6,234 |
| Earnings per common and common equivalent share | \$ 0.78 | \$ 0.60 | \$ 0.43 | \$ 0.32 |

See notes to condensed consolidated financial statements.

SANIFILL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands; unaudited)

| | Six Months Ended June 30, | |
|---|------------------------------|-----------|
| | 1996 | 1995 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 18,964 | \$ 11,406 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 25,980 | 18,389 |
| Deferred income taxes | 2,146 | 523 |
| Provision for environmental reserves | 2,159 | 671 |
| Provision for doubtful accounts | 467 | 276 |
| Gain on sale of assets | (373) | (469) |
| Changes in assets and liabilities, excluding effects of acquisitions: | | |
| Accounts receivable | (18,471) | (8,786) |
| Prepaid expenses | (5,530) | 414 |
| Other current assets | (2,745) | (3,177) |
| Accounts payable and accrued liabilities and other | 2,179 | (4,398) |
| Other, net | (414) | (1,100) |
| Net cash provided by operating activities | 24,362 | 13,749 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (77,064) | (38,845) |
| Payments for acquisitions accounted for as purchases, net of cash received of \$696 in 1996 and \$110 in 1995 | (90,559) | (4,235) |
| Additions to other noncurrent assets, net | (1,902) | (4,058) |
| Proceeds from sale of property and equipment | 1,287 | 1,132 |
| Net cash used in investing activities | (168,238) | (46,006) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from borrowings | 149,235 | 85,990 |
| Repayments of borrowings | (6,915) | (57,759) |
| Proceeds from issuances of common stock, net | 2,033 | 2,984 |
| Other, net | 1,051 | (74) |
| Net cash provided by financing activities | 145,404 | 31,141 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | 1 | (74) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,529 | (1,190) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 2,835 | 3,322 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 4,364 | \$ 2,132 |

See notes to condensed consolidated financial statements.

SANIFILL, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

1. ORGANIZATION AND BASIS OF PRESENTATION

Sanifill, Inc. and subsidiaries ("Sanifill" or the "Company") own, operate, acquire and develop nonhazardous waste disposal, waste treatment, waste collection, recycling, waste transfer and complementary businesses located in the United States, the Commonwealth of Puerto Rico, Mexico and Canada. The nonhazardous waste industry is highly competitive and fragmented. Additionally, this industry is subject to various foreign, federal, state and local laws and substantial regulation under these laws. The Company's waste collection and waste transfer businesses will from time to time also involve the collection, transportation or transfer of relatively small quantities of materials that are classified and regulated as hazardous substances or hazardous wastes under federal or state environmental laws and regulations, as an ancillary service for our nonhazardous solid waste customers.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions have been eliminated for all periods presented. The accounts of the one business acquired on May 31, 1995 in a transaction accounted for as a pooling-of-interests have been included as if the business had always been a member of the same operating group. The accounts of the businesses acquired in transactions accounted for as purchases have been included from their respective acquisition dates.

The condensed consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). As applicable under such regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The Company believes that the presentations and disclosures herein are adequate to make the information presented not misleading. The financial statements reflect all elimination entries and normal adjustments that are necessary for a fair statement of the results for the interim periods.

Operating results for interim periods are not necessarily indicative of the results for full years. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements of Sanifill, Inc. and subsidiaries for the year ended December 31, 1995 and the related notes thereto (the "Financial Statements") included in the Company's Annual Report on Form 10-K filed with the SEC on March 27, 1996.

2. SIGNIFICANT ACCOUNTING POLICIES

Goodwill

Effective January 1, 1996, the Company changed its estimate of the useful life of its goodwill from 25 to 40 years. The effects of this change will be accounted for prospectively in the financial statements. The effect of this change in estimate was to increase net income by \$.2 million or .009 per share and \$.4 million or \$0.10 per share in the three and six month periods ended June 30, 1996.

The Company changed its estimated goodwill life due to changes in facts and circumstances that have occurred over time. Goodwill arises only in non-landfill acquisitions at Sanifill. Prior to 1992, all of the Company's acquisitions were landfill acquisitions, and the Company had no goodwill on its balance sheet. In 1992, Sanifill began the evolution from its disposal-only strategy to a disposal-based strategy which involved the acquisition of collection and transfer businesses to vertically integrate around its existing landfills. The Company chose a relatively short 25-year goodwill life when it made its first collection acquisitions in 1992 because the new strategy was unproven at Sanifill and because the remaining life of the permitted airspace at the landfills fed by these early collection acquisitions was relatively short (approximately 10 years). Today, the disposal-based strategy is in place in the majority of Sanifill's markets. It has been proven to be a viable, profitable strategy, and the average remaining life of the permitted airspace at the Company's landfills has grown to 32 years with additional expansion opportunities available. Similarly, without regard to Sanifill's average site life, the collection operations which have been acquired or developed are important in size and can operate indefinitely and independently of Sanifill's

SANIFILL, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

landfilling operations. Management believes that these changes in fact support a longer goodwill life. In addition, the Company has conducted a survey of the practices of other major public solid waste companies and found that a substantial majority of them use a 40-year goodwill life.

There have been no other significant additions to or changes in accounting policies of the Company since December 31, 1995.

For a description of these policies, see Note 2 of Notes to Consolidated Financial Statements for the year ended December 31, 1995 in the Company's Annual Report on Form 10-K.

3. BUSINESS COMBINATIONS

The Company's acquisitions in transactions accounted for as purchases are summarized as follows (dollar amounts in thousands):

| | Six Months Ended June 30, | |
|---|------------------------------|----------|
| | 1996 | 1995 |
| Acquisitions consummated | | |
| Collection businesses | 23 | 10 |
| Solid waste transfer stations | 2 | 1 |
| Municipal solid waste disposal facilities | -- | 2 |
| Dry waste disposal facilities | 2 | 2 |
| Materials recovery facilities | -- | 1 |
| | ----- | ----- |
| Total | 27 | 16 |
| | ===== | ===== |
| Consideration | | |
| Cash | \$ 84,817 | \$ 4,345 |
| Notes | 11,511 | 5,187 |
| Common stock | 35,457 | 16,341 |
| | ----- | ----- |
| Total | \$131,785 | \$25,873 |
| | ===== | ===== |

The \$131.8 million of consideration during the 1996 period includes \$41.1 million related to a landfill and transfer station development project in the Baltimore-Washington area.

Pro forma results of operations are not presented as the amounts do not significantly differ from historical Company results.

In addition, the Company has agreed, in connection with certain transactions which occurred during 1995, to pay additional amounts to the sellers upon the achievement by the acquired businesses of certain negotiated goals, such as targeted revenue levels, targeted disposal volumes or the issuance of permits for expanded landfill airspace. The contingent consideration is payable in cash, stock, or, in some instances, in cash or stock, at the Company's option. Although the amount and timing of any payments of additional contingent consideration necessarily depend on whether and when these goals are met, the maximum aggregate amount of contingent consideration potentially payable if all payment goals are met would be \$70.5 million, \$12.9 million of which was paid half in cash and half in stock in March 1996. Of the remaining unpaid contingent consideration of \$57.6 million, \$49.6 million relates to revenue and volume targets. The remainder relates to permit expansions. Of the \$57.6 million, \$30.6 million relates to a single performance based contingent liability which, once the applicable performance goal is met, is payable in equal annual installments over five years. In June 1996, the applicable performance goal was met and the first annual payment of \$6.1 million will be paid out in cash on September 30, 1996. The \$6.1 million is

SANIFILL, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

reflected on the June 30, 1996 balance sheet as a current liability under accrued liabilities and other. The remaining amount of \$24.5 million has been discounted to net present value and is reflected in the balance sheet at June 30, 1996 as a long-term liability under other long-term obligations. In addition, consistent with industry practice, the Company regularly agrees to provide royalties based on revenue generated at the applicable disposal site to sellers of waste disposal business that it acquires. The foregoing quantification of contingent considerations does not include potential royalty payments.

On May 31, 1995, the Company acquired Metropolitan Disposal and Recycling Corporation, Energy Reclamation, Inc., and E. E. Equipment, Inc. (collectively "MDC") in a transaction accounted for as a pooling-of-interests. MDC conducts collection and materials recovery facility activities. Aggregate consideration consisted of approximately 1.1 million shares of the Company's common stock. Revenues and net income of MDC were \$8.9 million and \$0.8 million, respectively, for the period from January 1, 1995 through the acquisition date. These amounts reflect estimated pooling adjustments to (i) eliminate intercompany transactions with Sanifill, (ii) conform MDC to Sanifill's policy for amortization of intangible assets and (iii) reflect income tax expense.

Since June 30, 1996, the Company has acquired 2 collection businesses, 1 transfer station and 1 special waste disposal facility for aggregate consideration of \$17.5 million.

4. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows (in thousands):

| | June 30, 1996 | December 31, 1995 |
|--|------------------|----------------------|
| | ----- | ----- |
| Property and equipment | \$879,634 | \$675,332 |
| Less: Accumulated depreciation, depletion and amortization | 122,057 | 103,003 |
| | ----- | ----- |
| Net property and equipment | \$757,577 | \$572,329 |
| | ===== | ===== |

Property and equipment includes the following permit-related items (in thousands):

| | June 30, 1996 | December 31, 1995 |
|--|------------------|----------------------|
| | ----- | ----- |
| Permitting projects in process | | |
| Greenfield sites | \$ -- | \$ -- |
| Nonoperating sites | 376 | 153 |
| Operating sites | 8,440 | 12,861 |
| Permitted land at nonoperating sites | 25,620 | 24,416 |
| Permitted land with construction in progress | 79,296 | 35,281 |
| | ----- | ----- |
| Total | \$113,732 | \$ 72,711 |
| | ===== | ===== |

The increase in permitted land with construction in process during the six months ended June 30, 1996 was primarily attributable to the first quarter 1996 acquisition of a development project consisting of a landfill and transfer station in the Baltimore-Washington area.

SANIFILL, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

5. EARNINGS PER SHARE

Earnings per common and common equivalent share have been computed based on the weighted average number of shares outstanding. The following table reconciles the number of common shares outstanding with the number of common shares used in computing earnings per share (in thousands):

| | Six Months Ended June 30, | | Three Months Ended June 30, | |
|---|------------------------------|--------|--------------------------------|--------|
| | 1996 | 1995 | 1996 | 1995 |
| Common shares outstanding | 25,067 | 18,756 | 23,067 | 18,756 |
| Effect of using weighted average common shares outstanding during the period | (1,433) | (321) | (212) | (155) |
| Effect of shares issuable under stock option plan and stock warrants based on the treasury stock method | 830 | 558 | 926 | 620 |
| Common and common equivalent shares used in computing earnings per share | 24,464 | 18,983 | 25,781 | 19,221 |

6. MERGER WITH USA WASTE SERVICES, INC.

On June 24, 1996, the Company entered into a definitive merger agreement with USA Waste Services, Inc. (USA). The merger is subject to stockholder approval, the Hart-Scott-Rodino antitrust review process and other customary closing conditions. The Company currently expects that the merger will be completed in the third quarter of 1996 and that it will be accounted for as a pooling-of-interests. The merger agreement provides that on the effective date of the merger, USA will issue 1.70 shares of its common stock for each share of the Company's outstanding common stock. Following the merger, Rod Proto, President, Chief Operating Officer and Director of Sanifill will assume these positions at USA. USA's Board of Directors will remain at 12 members and will include Mr. Proto and two additional designees from the Company's board. Messrs. Ralph Cox and Larry Martin have been designated by the Company to join Mr. Proto on the USA Board of Directors.

7. SALE OF MARINE NONHAZARDOUS OILFIELD WASTE COLLECTION OPERATIONS

On June 5, 1996, the Company executed definitive agreements for the purchase by Newpark Resources, Inc. of the marine-related nonhazardous oilfield waste collection operations of Campbell Wells, Ltd., a Sanifill subsidiary, for a purchase price of \$70.5 million. This transaction closed on August 12, 1996 and will not have a material impact on the results of the Company's operations.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Board of Directors
Sanifill, Inc.

We have audited the accompanying consolidated balance sheets of Sanifill, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of operations, stockholders' investment and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanifill, Inc. and subsidiaries as of December 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
February 23, 1996, (except with respect to the
matters discussed in Note 15, as to which the
dates are March 4, 1996 and March 18, 1996
as indicated)

SANIFILL, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)

| | DECEMBER 31, | |
|--|--------------|------------|
| | 1995 | 1994 |
| | ----- | ----- |
| | | (RESTATED) |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents..... | \$ 2,835 | \$ 3,322 |
| Accounts receivable, net of allowance for doubtful accounts of \$1,300 and \$890..... | 47,019 | 32,664 |
| Prepaid expenses..... | 4,604 | 3,821 |
| Other current assets..... | 3,015 | 4,110 |
| | ----- | ----- |
| Total current assets..... | 57,473 | 43,917 |
| Property and equipment, net of accumulated depreciation, depletion and amortization..... | 572,329 | 379,276 |
| Goodwill, net of accumulated amortization..... | 97,974 | 52,553 |
| Other assets..... | 48,153 | 35,119 |
| | ----- | ----- |
| Total assets..... | \$775,929 | \$510,865 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' INVESTMENT | | |
| Current liabilities: | | |
| Current maturities of long-term debt..... | \$ 13,359 | \$ 7,932 |
| Accounts payable..... | 22,419 | 16,936 |
| Accrued liabilities and other..... | 25,111 | 19,765 |
| | ----- | ----- |
| Total current liabilities..... | 60,889 | 44,633 |
| Long-term debt, net of current maturities..... | 209,329 | 131,796 |
| Convertible subordinated debentures, net..... | 58,213 | 58,041 |
| Environmental reserves..... | 43,339 | 31,257 |
| Deferred income taxes, net..... | 64,662 | 51,093 |
| Other long-term obligations..... | 23,906 | 11,930 |
| | ----- | ----- |
| Total liabilities..... | 460,338 | 328,750 |
| | ----- | ----- |
| Commitments and contingencies | | |
| Stockholders' investment | | |
| Preferred stock..... | -- | -- |
| Common stock, \$0.01 par value, 100,000,000 shares authorized; 21,758,000 and 17,771,000 shares issued and outstanding in 1995 and 1994..... | 217 | 177 |
| Additional paid-in capital..... | 245,490 | 131,264 |
| Retained earnings..... | 84,661 | 58,028 |
| Foreign currency translation adjustment..... | (14,777) | (7,354) |
| | ----- | ----- |
| Total stockholders' investment..... | 315,591 | 182,115 |
| | ----- | ----- |
| Total liabilities and stockholders' investment..... | \$775,929 | \$510,865 |
| | ===== | ===== |

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

SANIFILL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| | YEAR ENDED DECEMBER 31, | | |
|--|-------------------------|------------|------------|
| | 1995 | 1994 | 1993 |
| | | (RESTATED) | (RESTATED) |
| Revenues..... | \$256,705 | \$192,479 | \$139,727 |
| Cost of operations..... | 160,088 | 122,274 | 90,397 |
| Gross profit..... | 96,617 | 70,205 | 49,330 |
| Selling, general and administrative expenses..... | 39,669 | 30,633 | 22,599 |
| Pooling costs..... | 566 | -- | -- |
| Operating income..... | 56,382 | 39,572 | 26,731 |
| Interest expense..... | 13,121 | 9,525 | 6,223 |
| Interest income..... | (1,260) | (487) | (497) |
| Other income, net..... | (1,923) | (1,321) | (13) |
| Income before income taxes..... | 46,444 | 31,855 | 21,018 |
| Income taxes..... | 18,531 | 12,622 | 8,048 |
| Net income..... | \$ 27,913 | \$ 19,233 | \$ 12,970 |
| Earnings per common and common equivalent share..... | \$ 1.38 | \$ 1.07 | \$ 0.80 |

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

SANIFILL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT
(IN THOUSANDS)

| | COMMON STOCK | | ADDITIONAL PAID-IN CAPITAL | RETAINED EARNINGS | FOREIGN CURRENCY TRANSLATION ADJUSTMENT | TOTAL STOCKHOLDERS' INVESTMENT |
|---|---------------------|--------|----------------------------------|----------------------|--|--------------------------------------|
| | NUMBER OF SHARES | AMOUNT | | | | |
| BALANCE, December 31, 1992, as previously reported..... | 13,879 | \$139 | \$ 73,529 | \$26,916 | \$ -- | \$ 100,584 |
| Restatement for business acquired as pooling-of-interests in 1995..... | 1,050 | 10 | 4,075 | (1,091) | -- | 2,994 |
| BALANCE, December 31, 1992, restated..... | 14,929 | 149 | 77,604 | 25,825 | -- | 103,578 |
| Net income..... | -- | -- | -- | 12,970 | -- | 12,970 |
| Issuances of common stock for acquired businesses..... | 440 | 4 | 6,520 | -- | -- | 6,524 |
| Issuances of common stock in public offerings..... | 1,250 | 13 | 20,685 | -- | -- | 20,698 |
| Issuances of common stock under stock option plans, including income tax benefit..... | 100 | 1 | 993 | -- | -- | 994 |
| Adjustment for contingent consideration under guaranteed value commitments..... | -- | -- | 3,788 | -- | -- | 3,788 |
| Transactions of pooled companies..... | -- | -- | (347) | -- | -- | (347) |
| Other..... | 11 | -- | 40 | -- | -- | 40 |
| BALANCE, December 31, 1993, restated..... | 16,730 | 167 | 109,283 | 38,795 | -- | 148,245 |
| Net income..... | -- | -- | -- | 19,233 | -- | 19,233 |
| Issuances of common stock for acquired businesses..... | 582 | 6 | 13,297 | -- | -- | 13,303 |
| Issuances of common stock under stock option plans, including income tax benefit..... | 328 | 3 | 4,621 | -- | -- | 4,624 |
| Adjustment for contingent consideration under guaranteed value commitments..... | -- | -- | 3,703 | -- | -- | 3,703 |
| Foreign currency translation adjustment..... | -- | -- | -- | -- | (7,354) | (7,354) |
| Transactions of pooled companies..... | -- | -- | (797) | -- | -- | (797) |
| Other..... | 131 | 1 | 1,157 | -- | -- | 1,158 |
| BALANCE, December 31, 1994, restated..... | 17,771 | 177 | 131,264 | 58,028 | (7,354) | 182,115 |
| Net income..... | -- | -- | -- | 27,913 | -- | 27,913 |
| Issuances of common stock for acquired businesses and development projects..... | 1,630 | 16 | 42,097 | -- | -- | 42,113 |
| Issuances of common stock in public offerings..... | 2,099 | 21 | 62,742 | -- | -- | 62,763 |
| Issuances of common stock under stock option plans, including income tax benefit..... | 226 | 2 | 3,495 | -- | -- | 3,497 |
| Adjustment for contingent consideration under guaranteed value commitments..... | -- | -- | 5,340 | -- | -- | 5,340 |
| Foreign currency translation adjustment..... | -- | -- | -- | -- | (7,423) | (7,423) |
| Transactions of pooled companies..... | -- | -- | -- | (1,280) | -- | (1,280) |
| Other..... | 32 | 1 | 552 | -- | -- | 553 |
| BALANCE, December 31, 1995..... | 21,758 | \$217 | \$245,490 | \$84,661 | \$(14,777) | \$ 315,591 |

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

SANIFILL, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (IN THOUSANDS)

| | YEAR ENDED DECEMBER 31, | | |
|---|-------------------------|-----------------|-----------------|
| | 1995 | 1994 | 1993 |
| | | (RESTATED) | (RESTATED) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income..... | \$ 27,913 | \$ 19,233 | \$ 12,970 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation, depletion and amortization..... | 38,000 | 31,419 | 24,215 |
| Deferred income taxes..... | 3,197 | 1,211 | 119 |
| Provision for environmental reserves..... | 1,543 | 2,132 | 2,185 |
| Provision for doubtful accounts..... | 866 | 483 | 393 |
| Gain on sale of assets..... | (693) | (462) | (397) |
| Changes in assets and liabilities, excluding effects of acquisitions: | | | |
| Accounts receivable..... | (13,462) | (8,205) | (7,622) |
| Prepaid expenses..... | (503) | (533) | (7) |
| Other current assets..... | 736 | (2,555) | 190 |
| Accounts payable and accrued liabilities and other..... | 3,478 | 4,055 | 2,925 |
| Other, net..... | (156) | 902 | (1,488) |
| Net cash provided by operating activities..... | 60,919 | 47,680 | 33,483 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of property and equipment..... | (114,334) | (70,693) | (49,362) |
| Payments for acquisitions accounted for as purchases, net of cash received of \$1,165, \$391, and \$231 in 1995, 1994 and 1993..... | (69,891) | (15,758) | (30,737) |
| Additions to other noncurrent assets, net..... | (4,365) | (3,303) | (5,998) |
| Proceeds from sale of property and equipment..... | 1,749 | 2,003 | 1,217 |
| Other, net..... | (612) | (391) | (2,259) |
| Net cash used in investing activities..... | (187,453) | (88,142) | (87,139) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from borrowings..... | 90,697 | 86,709 | 115,574 |
| Repayments of borrowings..... | (31,275) | (53,385) | (82,458) |
| Proceeds from issuances of common stock, net..... | 66,355 | 4,624 | 21,692 |
| Other, net..... | 448 | (854) | (915) |
| Net cash provided by financing activities..... | 126,225 | 37,094 | 53,893 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS..... | (178) | (84) | -- |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS..... | (487) | (3,452) | 237 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... | 3,322 | 6,774 | 6,537 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 2,835 | \$ 3,322 | \$ 6,774 |

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

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

Sanifill, Inc. and subsidiaries ("Sanifill" or the "Company") own, operate, acquire and develop nonhazardous waste disposal, waste treatment, waste collection, recycling, waste transfer and complementary businesses located primarily in the United States and Mexico. The nonhazardous waste industry is highly competitive and fragmented. Additionally, this industry is subject to various foreign, federal, state and local laws and substantial regulation under these laws. The Company's waste collection and waste transfer businesses will from time to time also involve the collection, transportation or transfer of relatively small quantities of materials that are classified and regulated as hazardous substances or hazardous wastes under federal or state environmental laws and regulations, as an ancillary service for our nonhazardous solid waste customers. The Company was incorporated in Texas in May 1989 and was reincorporated in Delaware in July 1991.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions have been eliminated for all periods presented. The accounts of the one business acquired in 1995 in a transaction accounted for as a pooling-of-interests have been included as if the business had always been a member of the same operating group; accordingly, the historical consolidated financial statements have been restated for all periods presented. The Company did not acquire any businesses accounted for as pooling-of-interests during 1994 or 1993. The accounts of the businesses acquired in transactions accounted for as purchases have been included from their respective acquisition dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

The Company's revenues are primarily comprised of disposal and collection fees charged to customers. The daily volume of waste disposed at the Company's disposal facilities may vary according to market and weather conditions. Collection revenues are determined by such factors as frequency, type and volume of waste collected, the distance to the disposal site and the cost of disposal. The Company also sells sand and clay excavated from certain of its disposal facilities in order to create usable disposal space in such facilities, provides unloading and cleaning services for certain customers at its oilfield waste disposal facilities and sells certain recycled commodities.

Cost of Operations

Cost of operations includes labor, fuel, equipment maintenance, disposal fees at facilities not operated by the Company, depreciation, depletion and amortization charges, engineering and upgrading and other costs of operating the disposal facilities and collection operations, as well as accruals for ongoing closure, post-closure and capping compliance, remediation costs and routine maintenance.

Environmental Reserves

The Company accrues remaining estimated closure, post-closure and capping costs on a unit-of-production basis over each facility's estimated remaining airspace. The Company records remediation reserves, as necessary, to the recorded purchase price of facilities acquired, in acquisitions accounted for under the purchase method, when the acquisition is consummated. See Note 13 for further discussion. Except for expenditures expected to be made during the next year, closure, post-closure, capping and remediation accruals are reflected as noncurrent liabilities in the accompanying consolidated balance sheets.

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Selling, General and Administrative Expenses

Selling, general and administrative expenses include management salaries and office expenses, unsuccessful acquisition search costs, clerical and other administrative overhead.

Accounts Receivable

The Company grants credit to local and national companies in various geographic regions throughout the United States, the Commonwealth of Puerto Rico and Mexico. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains an allowance for doubtful accounts at a level which management believes is sufficient to cover potential credit losses.

Property and Equipment

Property and equipment are recorded at cost, including interest on funds borrowed to finance the construction of major capital additions. Expenditures for major additions and improvements are capitalized. Minor replacements, maintenance and repairs which do not improve or extend the life of such assets are charged to operations as incurred. Disposals are removed at cost less accumulated depreciation, depletion and amortization and any resulting gain or loss is reflected in current operations.

Landfill and certain treatment facility costs are depleted using the unit-of-production method, which is calculated using the total units of airspace filled during the year in relation to total estimated permitted airspace capacity. The determination of airspace usage and remaining airspace is an essential component in the calculation of landfill asset depletion. This determination is performed by conducting annual topographic surveys, generally using aerial survey techniques, of the Company's landfill facilities to determine remaining airspace in each landfill. The surveys are reviewed by the Company's consulting engineers, the Company's internal engineering staff and its accounting staff. Current year-end remaining airspace is compared with prior year-end remaining airspace to determine the amount of airspace used during the current year. The result is compared against the airspace consumption figures used during the current year for accounting purposes to ensure proper recording of the provision for depletion. This reevaluation process did not impact results of operations for any years presented. Depreciation on the remaining assets is provided over the estimated useful lives of such assets using the straight-line method.

The Company capitalizes landfill acquisition costs, including out-of-pocket incremental expenses incurred in connection with the preacquisition phase of a specific project (for example, engineering, legal and accounting due diligence fees), the acquisition purchase price, including future guaranteed payments to sellers, and commissions. If an acquisition is not consummated, or a development project is abandoned, all of such costs are expensed. Landfill development and permitting costs, including the cost of property, engineering, legal and other professional fees, and interest are capitalized during the development period and then amortized using the unit-of-production method over the estimated remaining permitted airspace capacity upon commencement of operations. Capitalized permit application costs are reviewed periodically to determine whether the costs are realizable.

Goodwill

For transactions accounted for as purchases, the excess of cost over fair value of the net assets of acquired businesses (i.e., goodwill) is amortized on a straight-line basis over 25 years. Effective January 1, 1995, the Company adopted Statement of Financial Accounting Standards (FAS) No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." Accordingly, in the event that facts and circumstances indicate intangible or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation was required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

to market value or discounted cash flow value was necessary. The Company believes all such assets are fully realizable as of December 31, 1995.

Other Assets

Other assets include noncompetition agreements, which are recorded at cost and amortized on a straight-line basis over the terms of the agreements. The Company has established irrevocable trust funds pursuant to certain statutory requirements regarding financial assurance for the closure, post-closure and remediation cost requirements for certain of its disposal facilities. Contributions to the trust funds have been invested by the respective trustees, all of which are national banks, primarily in United States government obligations, municipal bonds and interest-bearing demand deposits. The investments of all but one of the above trust funds are recorded by the Company at cost, which approximates market. The investments of the remaining trust fund, which amount to \$5.2 million, as well as the related liability for closure, post-closure and remediation, have not been recorded by the Company due to certain provisions of the trust agreement regarding the ultimate disposition of any excess funds remaining after all closure, post-closure and remediation obligations have been satisfied for the disposal facility. The current market value of the investments held in this trust fund exceeded the closure, post-closure and remediation liability amounts which would have been accrued at December 31, 1995 and 1994.

Foreign Currency Translation

The functional currency of the Company's non-U.S. operations is the local currency. Adjustments resulting from the translation of financial statements are reflected as a separate component of stockholders' investment.

Income Taxes

The Company uses the liability method in accounting for income taxes. Under this method, deferred taxes are recorded based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, trade receivables, investments in closure trust funds, trade payables and debt instruments. The book values of cash and cash equivalents, trade receivables, investments in closure trust funds and trade payables are considered to be representative of their respective fair values. With respect to debt instruments, the Company's 7 1/2% Convertible Subordinated Debentures had a quoted securities exchange market value of 118% of the \$60 million face value of such securities as of December 31, 1995. None of the Company's other debt instruments that are outstanding as of December 31, 1995 have readily ascertainable market values; however, the carrying values are considered to approximate their respective fair values. See Note 7 for the terms and carrying values of the Company's various debt instruments.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all time deposits and certificates of deposit with original maturities of three months or less to be cash equivalents.

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Reclassifications

Certain reclassifications have been made to amounts in prior year financial statements to conform with current year presentation.

New Accounting Principles

In October 1995, FAS No. 123 "Accounting for Stock-Based Compensation" was issued. This statement establishes a fair value based method of accounting for stock-based compensation plans. The Company currently accounts for its stock-based compensation plans under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has decided not to adopt this new standard in 1996, and alternatively will provide certain pro forma disclosures in the notes to the financial statements in all future filings.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and affect the reported amounts of revenues and expenses during the reporting period. The significant estimates used by the Company in the accompanying consolidated financial statements primarily relate to environmental reserves as discussed in Note 13. Actual results could differ from the Company's estimates.

3. BUSINESS COMBINATIONS

The Company's acquisitions in transactions accounted for as purchases are summarized as follows (dollar amounts in thousands):

| | 1996 THROUGH FEBRUARY 23, ----- | 1995 ----- | 1994 ----- | 1993 ----- |
|--|--|---------------|---------------|---------------|
| Acquisitions consummated | | | | |
| Municipal solid waste disposal facilities..... | -- | 7 | 1 | 1 |
| Dry waste disposal facilities..... | 1 | 2 | -- | 1 |
| Collection businesses..... | 5 | 25 | 17 | 11 |
| Solid waste transfer stations..... | 1 | 2 | -- | 1 |
| NOW transfer stations..... | -- | -- | -- | 1 |
| Materials recovery facilities..... | -- | 2 | -- | -- |
| | ----- | ----- | ----- | ----- |
| Total..... | 7 | 38 | 18 | 15 |
| | ===== | ===== | ===== | ===== |
| Consideration | | | | |
| Cash..... | \$ 55,445 | \$ 71,056 | \$16,149 | \$30,968 |
| Notes..... | 200 | 6,009 | 943 | 1,299 |
| Common stock..... | 15,423 | 37,696 | 13,303 | 6,524 |
| Net book value of asset exchanged.... | -- | -- | -- | 4,999 |
| | ----- | ----- | ----- | ----- |
| Total..... | \$ 71,068 | \$114,761 | \$30,395 | \$43,790 |
| | ===== | ===== | ===== | ===== |

In addition, the Company has agreed, in connection with certain transactions, to pay additional amounts to the sellers upon the achievement by the acquired businesses of certain negotiated goals, such as targeted revenue levels, targeted disposal volumes or the issuance of permits for expanded landfill airspace. Although the amount and timing of any payments of additional contingent consideration necessarily depend on whether and when these goals are met, the maximum aggregate amount of contingent consideration potentially payable

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

if all payment goals are met is \$70.5 million. Of this amount, \$62.5 million relates to revenue and volume targets. The remainder relates to permit expansions. Of the \$70.5 million, \$30.6 million relates to a contingent liability which, if incurred, would be payable in equal annual installments over five years. The contingent consideration is payable in cash or, in some instances, in cash or stock, at the Company's option. In addition, consistent with industry practice, the Company regularly agrees to provide royalties based on revenue generated at the applicable disposal site to sellers of waste disposal businesses that it acquires. The foregoing quantification of contingent consideration does not include potential royalty payments.

The \$71.1 million of consideration during the 1996 period includes \$41.1 million related to a landfill and transfer station development project in the Baltimore-Washington area.

The cost of each of the above acquisitions has been allocated on the basis of the estimated fair market value of the assets acquired and liabilities assumed. These purchase price allocations may be adjusted to the extent that management becomes aware of additional information within one reporting year of the acquisition date which results in a material change in the amount of any pre-acquisition contingency or changes in the estimated fair market value of assets and liabilities acquired.

As an integral part of certain acquisitions, the former owners signed noncompetition agreements and, in some instances, key management entered into agreements with the Company to continue in the management of these businesses.

Unaudited pro forma consolidated results of operations, assuming the acquisitions which were completed in 1994 and 1995 had all occurred on January 1, 1994 are as follows (in thousands, except per share amounts):

| PRO FORMA | YEAR ENDED DECEMBER 31, | |
|--|----------------------------|-----------|
| | 1995 | 1994 |
| | (UNAUDITED) | |
| Revenues..... | \$312,465 | \$287,677 |
| Net income..... | \$26,436 | \$20,955 |
| Earnings per common and common equivalent share..... | \$1.22 | \$1.05 |

The above pro forma financial information is based on certain assumptions and preliminary estimates which are subject to change. They reflect the consideration paid at closing for all acquisitions. They do not reflect the payment of any contingent consideration. As discussed above, certain of the purchase transactions involve contingent consideration. If all contingent consideration agreed upon in the purchase transactions were required to be paid in full, it would materially affect the results reflected in the above pro forma financial information. The above pro forma financial information also does not reflect anticipated volume or price increases, synergies or other operational improvements. The pro forma financial information does not purport to be indicative of the results which would actually have been obtained had the purchase transactions been completed on the dates indicated or which may be obtained in the future.

On May 31, 1995, the Company acquired Metropolitan Disposal and Recycling Corporation, Energy Reclamation, Inc., and EE Equipment, Inc. (collectively, "MDC") in a transaction accounted for as a pooling-of-interests. MDC conducts collection and materials recovery facility activities. Aggregate consideration consisted of approximately 1.1 million shares of the Company's common stock. Revenues and net income of MDC were \$8.9 million and \$0.8 million, respectively, for the period from January 1, 1995 through the acquisition date. These amounts and the amounts set forth in the table below reflect estimated pooling adjustments to (i) eliminate intercompany transactions with Sanifill, (ii) conform MDC to Sanifill's policy of amortization of intangible assets and (iii) reflect income tax expense. The effect of these adjustments was immaterial to net income previously reported.

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Restated consolidated revenues and net income of the Company are summarized in the table below (in thousands):

| | 1994 | | 1993 | |
|----------------------------------|-----------|------------|-----------|------------|
| | REVENUES | NET INCOME | REVENUES | NET INCOME |
| Sanifill..... | \$172,825 | \$ 18,832 | \$121,333 | \$ 12,443 |
| Results of pooled companies..... | 19,654 | 401 | 18,394 | 527 |
| | ----- | ----- | ----- | ----- |
| Sanifill -- as restated..... | \$192,479 | \$ 19,233 | \$139,727 | \$ 12,970 |
| | ===== | ===== | ===== | ===== |

To reflect the acquisition discussed above, net income per common and common equivalent share has been restated to \$1.07 and \$0.80, versus \$1.12 and \$0.83, as previously reported for the years ended December 31, 1994 and 1993, respectively.

4. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows (dollar amounts in thousands):

| | USEFUL LIVES IN YEARS | DECEMBER 31, | |
|--|-----------------------------|--------------|-----------|
| | | 1995 | 1994 |
| Landfill and treatment facilities..... | -- | \$517,632 | \$366,617 |
| Vehicles and equipment..... | 4-12 | 123,612 | 75,522 |
| Buildings and improvements..... | 5-35 | 22,427 | 11,546 |
| Furniture and fixtures..... | 3-5 | 7,039 | 4,858 |
| Land..... | -- | 4,622 | 1,686 |
| | | ----- | ----- |
| | | 675,332 | 460,229 |
| Less -- Accumulated depreciation, depletion and amortization..... | | 103,003 | 80,953 |
| | | ----- | ----- |
| | | \$572,329 | \$379,276 |
| | | ===== | ===== |

Maintenance and repairs charged to operations were \$12.2 million, \$7.8 million and \$5.5 million in 1995, 1994 and 1993, respectively.

Landfill and treatment facilities include costs which were excluded from depletion of \$80.6 million and \$83.9 million at December 31, 1995 and 1994, respectively. These amounts are summarized in the table below by phase of development. Each caption includes all applicable costs related to the projects in that phase (i.e., land, engineering, legal, construction, capitalized interest, etc.), as applicable. These amounts consist of the following (in thousands):

| PHASE OF DEVELOPMENT | DECEMBER 31, | |
|--|--------------|----------|
| | 1995 | 1994 |
| Permitting projects in process: | | |
| Nonoperating sites..... | \$ 153 | \$ 338 |
| Operating sites..... | 12,861 | 45,197 |
| Greenfield sites..... | -- | -- |
| Land held for development..... | 7,888 | 5,389 |
| Permitted land..... | 24,416 | 18,315 |
| Permitted land with construction in process..... | 35,281 | 14,616 |
| | ----- | ----- |
| Total..... | \$80,599 | \$83,855 |
| | ===== | ===== |

The above amounts include land cost of \$15.2 million and \$23.0 million at December 31, 1995 and 1994, respectively.

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company actively pursues permitting of additional airspace at new and existing facilities. There is no assurance of the outcome of any permitting efforts. The permitting and development process is subject to regulatory approval, time delays, availability of land, local citizen opposition and potential stricter governmental regulation. Substantial losses could be incurred in the near term in the event a permit is not granted, if facility construction programs are delayed or changed, or if projects are otherwise abandoned. The Company reviews the status of all permitting and development projects on a periodic basis to assess realizability of the recorded asset values. In the opinion of the Company's management, its permitting projects are fairly valued as of December 31, 1995.

5. GOODWILL AND OTHER ASSETS

The increase in goodwill during 1995 and 1994 was due primarily to the Company's acquisitions of collection businesses, which typically have a market value that exceeds the fair market value of tangible net assets acquired. Amortization of goodwill was \$2.5 million, \$2.1 million and \$0.7 million in 1995, 1994 and 1993, respectively. Accumulated amortization was \$6.1 million and \$3.7 million at December 31, 1995 and 1994, respectively. The accumulated amortization account was reduced by \$1.1 million in 1995 and 1994 due to the devaluation of the Mexican new peso.

Other assets consist of the following at December 31, 1995 and 1994 (in thousands):

| | DECEMBER 31, | |
|---|--------------|----------|
| | 1995 | 1994 |
| Noncompetition agreements, net of accumulated amortization..... | \$14,784 | \$14,044 |
| Investment in closure trust funds..... | 10,404 | 6,693 |
| Other..... | 22,965 | 14,382 |
| | \$48,153 | \$35,119 |
| | ===== | ===== |

Amortization of noncompetition agreements was \$3.9 million, \$3.4 million and \$3.4 million in 1995, 1994 and 1993, respectively. Accumulated amortization was \$12.5 million and \$9.3 million at December 31, 1995 and 1994, respectively.

6. ACCRUED LIABILITIES AND OTHER

Accrued liabilities and other consist of the following at December 31, 1995 and 1994 (in thousands):

| | DECEMBER 31, | |
|--|--------------|----------|
| | 1995 | 1994 |
| County and state waste fees payable..... | \$ 4,804 | \$ 2,646 |
| Accrued salaries and benefits..... | 5,103 | 4,112 |
| Unearned revenue..... | 4,888 | 3,595 |
| Accrued interest..... | 1,768 | 2,128 |
| Environmental reserves..... | 653 | 530 |
| Other..... | 7,895 | 6,754 |
| | \$25,111 | \$19,765 |
| | ===== | ===== |

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

7. LONG-TERM DEBT AND CONVERTIBLE SUBORDINATED DEBENTURES

Long-term Debt

Long-term debt consists of the following at December 31, 1995 and 1994 (in thousands):

| | DECEMBER 31, | |
|---|--------------|-----------|
| | 1995 | 1994 |
| Senior notes payable, maturing in varying annual installments through June 2005, with interest ranging from 7.29% to 8.44%..... | \$109,416 | \$ 29,545 |
| Unsecured revolving credit facility..... | 58,000 | 80,500 |
| Notes payable, maturing in varying amounts through October 2010, with interest ranging from 4.0% to 12%..... | 15,008 | 8,439 |
| Subordinated debt, maturing in varying monthly installments through January 2008, with interest ranging from 7.25% to 10%..... | 7,493 | 8,070 |
| Tax-exempt bonds due in varying amounts through June 2009, with interest varying from 3.65% to 9%..... | 14,953 | 270 |
| Capitalized lease obligations, due in monthly installments through December 2002, with interest ranging from 3.5% to 12%..... | 17,818 | 12,904 |
| | ----- | ----- |
| | 222,688 | 139,728 |
| Less -- Current maturities..... | 13,359 | 7,932 |
| | ----- | ----- |
| Long-term debt, net of current maturities..... | \$209,329 | \$131,796 |
| | ===== | ===== |

The senior notes payable are unsecured. They require the Company to maintain certain financial covenants regarding net worth, coverage ratios and additional indebtedness. No principal payments are required to be made until July 30, 1996. Deferred offering costs of approximately \$0.7 million were incurred and are being amortized ratably over the life of the notes.

On April 17, 1995, the Company amended its unsecured revolving credit facility to increase its size from \$160 million to \$225 million and to increase its bank group from seven to nine banks. The revolving credit facility provides for a revolving credit period expiring on November 30, 1997, at which time it converts to a term facility with a final maturity date of November 30, 2001. Availability under this facility is tied to the Company's cash flow and liquidity. Advances bear interest, at the Company's option, at the prime rate or LIBOR, in each case plus a margin which is calculated quarterly based upon the Company's ratio of indebtedness to cash flow, or, in an amount not to exceed \$100 million, at a rate negotiated between the Company and certain banks party to the revolving credit facility. As of December 31, 1995 and 1994, the Company had \$127.2 million and \$63.1 million, respectively, available under its facility. As of December 31, 1995 and 1994, the Company had utilized \$39.8 million and \$16.4 million, respectively, of its facility for letters of credit relating to landfill closure and post-closure obligations and securing tax-exempt bonds and insurance contracts. The Company is required to maintain certain financial covenants regarding net worth, coverage ratios and additional indebtedness.

The notes payable are collateralized by property and equipment with a net book value of \$43.0 million and \$37.9 million as of December 31, 1995 and 1994, respectively.

The tax-exempt bonds are collateralized by either an existing letter of credit or assets from one of the Company's subsidiaries.

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Total assets recorded under capital leases and the accumulated depreciation thereon were \$32.5 million and \$6.2 million as of December 31, 1995 and \$24.2 million and \$5.9 million as of December 31, 1994, respectively.

Interest capitalized on funds used for the construction of major capital additions was \$5.4 million, \$5.0 million and \$3.9 million in 1995, 1994 and 1993, respectively.

Aggregate maturities of the senior notes, the revolving credit facility, the notes payable, the subordinated debt, the tax-exempt bonds and the future minimum payments under capital leases are as follows (in thousands):

| YEAR ENDED DECEMBER 31, ----- | |
|-------------------------------------|-----------|
| 1996..... | \$ 13,359 |
| 1997..... | 12,084 |
| 1998..... | 27,120 |
| 1999..... | 32,836 |
| 2000..... | 30,746 |
| Thereafter..... | 106,543 |
| | ----- |
| | \$222,688 |
| | ===== |

During 1994, the Company settled one of its obligations to guarantee the value of stock issued in certain acquisitions ("Guaranteed Value Commitments") with the issuance of \$2.1 million of its Series B Preferred Stock. The Series B Preferred Stock was immediately exchanged for subordinated notes of the Company, which are substantially consistent as to the coupon rate and repayment terms of the Series B Preferred Stock.

Convertible Subordinated Debentures

During May 1991, the Company issued \$60 million of 7 1/2% Convertible Subordinated Debentures due on June 1, 2006. Interest is payable semiannually in June and December. The debentures are convertible into shares of the Company's common stock at a conversion price of \$28.82 per share. The debentures are subordinated in right of payment to all existing and future senior indebtedness, as defined. The debentures are redeemable after June 1, 1994 at the option of the Company at 105.25% of the principal amount, declining annually to par on June 1, 2001, plus accrued interest. Deferred offering costs of approximately \$2.6 million were incurred and are being amortized ratably over the life of the debentures. On March 18, 1996, the Company called for the redemption of these debentures. See Note 15 for further discussion.

8. STOCKHOLDERS' INVESTMENT

Preferred Stock

The Company's Board of Directors has the authority to issue up to 500,000 shares of preferred stock, in series, to establish the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof as it may determine. In connection with the adoption of the Stockholder Rights Plan discussed below, the Company has authorized the issuance of 90,000 shares of Series A Junior Participating Preferred Stock. The Company has authorized the issuance of its Series B Preferred Stock in connection with its Guaranteed Value Commitments. Provisions of the Series B Preferred Stock include mandatory redemption at the rate of 20% per annum beginning 18 months after issuance; rights of the preferred stockholders, as a class, to elect one director in the event the Company has failed to pay six consecutive quarterly dividends on the Series B Preferred Stock; liquidation preference of \$10,000 per share; and ranking senior to any other Preferred Stock issued by the Company. If the Series B Preferred Stock is issued, the Company may, at its option, exchange

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

these shares for subordinated notes of the Company. During 1994 the Company settled one of its Guaranteed Value Commitments with the issuance of \$2.1 million of its Series B Preferred Stock. In accordance with its terms, the Series B Preferred Stock was immediately exchanged for subordinated notes of the Company.

Retained Earnings

The Company has never paid cash dividends on its common stock and has no present intention to pay cash dividends. In addition, the Company's unsecured revolving credit facility prohibits the payment of cash dividends on its common stock. It is the Company's intention to retain earnings to finance the expansion of its business.

Warrants

In December 1991, the Company granted a stock purchase warrant that entitled an officer of the Company to purchase 100,000 shares of the Company's common stock at a price of \$14.00 per share through January 1998. In October 1992, these warrants were repriced to purchase shares of the Company's common stock at a price of \$10.88 per share. In March 1993, the Company granted stock purchase warrants that entitled the previous owners of one of the Company's acquired businesses to purchase 30,000 shares of the Company's common stock at a price of \$14.40 per share through June 30, 1996. These warrants were granted as consideration for extending the measurement date of one of the Company's Guaranteed Value Commitments from March 1993 to June 1994. At December 31, 1995, all of the warrant shares were vested.

The following table summarizes the activity relating to the Company's warrants (in thousands of shares):

| | YEAR ENDED DECEMBER 31, | | |
|---|-------------------------|------|------|
| | 1995 | 1994 | 1993 |
| Outstanding at beginning of period..... | 113 | 130 | 100 |
| Granted..... | -- | -- | 30 |
| Exercised..... | (6) | (17) | -- |
| Cancelled..... | -- | -- | -- |
| | --- | --- | --- |
| Outstanding at end of period..... | 107 | 113 | 130 |
| | === | === | === |

Stock Option Plans

The Company maintains an incentive compensation plan (the "Incentive Plan") which provides the ability to grant non-qualified options, restricted stock, deferred stock, incentive stock options, stock appreciation rights and other long-term incentive awards. Stock options are typically granted under the Incentive Plan at an exercise price which equals the fair market value of the stock on the date of grant. The number of shares available for issuance under the Incentive Plan at any time is limited to 14% of the number of outstanding shares of the Company's common stock at that time less those shares outstanding under the Incentive Plan and the Company's previously utilized stock option plan (the "Stock Option Plan"). Accordingly, the number of shares available for issuance under both Plans at December 31, 1995 was approximately 1.2 million. The Incentive Plan does not provide for the granting of options to non-employee directors. The Stock Option Plan provides for options of up to 225,000 of the authorized shares to be granted to non-employee directors.

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table summarizes the activity relating to the Company's stock option plans (in thousands of shares):

| | YEAR ENDED DECEMBER 31, | | |
|---|-------------------------|-------|-------|
| | 1995 | 1994 | 1993 |
| Outstanding at beginning of period..... | 1,531 | 1,552 | 1,520 |
| Granted..... | 560 | 307 | 151 |
| Exercised..... | (219) | (300) | (100) |
| Cancelled..... | (13) | (28) | (19) |
| Outstanding at end of period..... | 1,859 | 1,531 | 1,552 |

Options exercised during 1995 were exercised at prices ranging from \$6.00 to \$22.50 per share. At December 31, 1995, options were outstanding at prices ranging from \$10.50 to \$33.63 per share, of which approximately 1.0 million were exercisable.

Options exercised during 1994 were exercised at prices ranging from \$6.00 to \$21.75 per share. At December 31, 1994, options outstanding were at prices ranging from \$6.00 to \$24.625 per share, of which approximately 1.0 million shares were exercisable.

Options exercised during 1993 were exercised at prices ranging from \$1.67 to \$10.88 per share. At December 31, 1993, options outstanding were at prices ranging from \$6.00 to \$22.50 per share, of which 1.0 million shares were immediately exercisable.

When non-qualified options are exercised, the Company receives a deduction for federal income tax purposes equal to the net value of the options exercised (market value at exercise date less exercise price). The associated tax savings is credited to additional paid-in capital and amounted to \$1.3 million and \$1.7 million for the years ended December 31, 1995 and 1994, respectively.

Restricted Stock

In March 1994, the Company granted 111,856 shares of restricted stock under the Incentive Plan to certain key executives. The shares vest at the end of eight years or upon the achievement of certain financial objectives, if sooner. None of the shares of restricted stock had vested at December 31, 1995.

Employee Stock Purchase Plan

In March 1991, the Company established an Employee Stock Purchase Plan ("ESPP") for all active employees who have completed one year of continuous service. Employees may contribute from 1% to 5% of their compensation. In addition, during any Purchase Period, a single additional contribution of \$25, or any multiple thereof not exceeding \$2,000, may be made by a participant to their account. At the end of each six month Purchase Period, as defined, each participant's account balance is applied to acquire common stock of the Company at 85% of the market value, as defined, on the first day or last day of the Purchase Period, whichever price is lower. The maximum amount per employee that may be contributed during any Plan Year, as defined, shall not exceed \$25,000. The number of shares reserved for purchase under the ESPP is 299,142 and may be from either authorized and unissued shares or treasury shares. The ESPP commenced in January 1992.

Profit Sharing Plan

In 1991, the Company established a defined contribution 401(k) profit sharing plan for employees meeting certain employment requirements. Eligible employees may contribute amounts up to the lesser of 15% of their annual compensation or the maximum amount permitted under IRS regulations to their 401(k)

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

account. Under the plan, the Company currently matches all employee contributions up to 3%. Company matching contributions were \$0.7 million, \$0.5 million and \$0.4 million for the years ended December 31, 1995, 1994 and 1993 respectively.

Stockholder Rights Plan

During 1991, the Company adopted a Stockholder Rights Plan ("SRP") pursuant to which one Preferred Stock Purchase Right was distributed for each outstanding share of common stock. The SRP provides that, unless the rights shall have been redeemed, one right will be granted for each additional share of common stock issued by the Company after the date the SRP was adopted and prior to the earlier of the time the rights become exercisable or December 31, 2001, the termination date of the SRP. Accordingly, each of the shares of common stock is accompanied by a Preferred Stock Purchase Right.

The Preferred Stock Purchase Rights trade in tandem with the common stock and are not currently exercisable. The rights become exercisable and trade separately from the common stock ten days after a person or group acquires 15% or more of the outstanding common stock. Upon their becoming exercisable, each right entitles the registered holder to purchase one three-hundredth of a share of a new series of preferred stock at a price of \$100. If a 15% stockholder (determined as provided in the SRP documents) either acquires the Company by means of a merger in which the Company survives or engages in certain other transactions with the Company, each right (other than rights held by the 15% stockholder) may be exercised to purchase shares of common stock at a price equal to 50% of the market value of such shares. In addition, if the Company were to be acquired in a merger or business combination after the rights become exercisable, each right may be exercised to purchase common stock of the acquiring company at a 50% discount. The rights are redeemable by the Company for \$.01 per right at any time prior to their becoming exercisable and will expire on December 31, 2001.

9. INCOME TAXES

The Company and its subsidiaries file a consolidated federal income tax return. Acquired companies file "short-period" federal returns through their respective acquisition dates and thereafter are included in the Company's consolidated return. For purposes of preparing these consolidated financial statements, federal and state income taxes have been provided against operations for certain pooled companies which were S Corporations prior to their acquisition by the Company as if these companies had filed corporate tax returns. Additionally, the related taxes of these S Corporations are reflected in the consolidated financial statements as increases to additional paid-in capital. The S Corporation status of these companies terminates with the effectiveness of their acquisition by the Company.

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The amounts of consolidated federal, state and foreign income tax expense (benefit) are as follows (in thousands):

| | YEAR ENDED DECEMBER 31, | | |
|--------------|-------------------------|----------|---------|
| | 1995 | 1994 | 1993 |
| Current: | | | |
| Federal..... | \$13,158 | \$ 9,476 | \$7,150 |
| State..... | 1,769 | 1,869 | 757 |
| Foreign..... | 407 | 66 | 22 |
| | ----- | ----- | ----- |
| | 15,334 | 11,411 | 7,929 |
| Deferred: | | | |
| Federal..... | 3,847 | 1,466 | 99 |
| State..... | (137) | (488) | 20 |
| Foreign..... | (513) | 233 | -- |
| | ----- | ----- | ----- |
| | 3,197 | 1,211 | 119 |
| | ----- | ----- | ----- |
| | \$18,531 | \$12,622 | \$8,048 |
| | ===== | ===== | ===== |

A reconciliation of total income tax expense to the amounts calculated by applying the federal statutory tax rate is as follows (in thousands):

| | YEAR ENDED DECEMBER 31, | | |
|-----------------------------|-------------------------|----------|---------|
| | 1995 | 1994 | 1993 |
| Tax at statutory rate..... | \$16,255 | \$11,149 | \$7,356 |
| Add (deduct) -- | | | |
| State income taxes..... | 890 | 897 | 509 |
| Nondeductible expenses..... | 1,639 | 540 | 231 |
| Other..... | (253) | 36 | (48) |
| | ----- | ----- | ----- |
| Income tax expense..... | \$18,531 | \$12,622 | \$8,048 |
| | ===== | ===== | ===== |

The effective tax rate for 1993 reflected \$0.2 million related to the change in the federal corporate income tax rate from 34% to 35%, retroactive to January 1, 1993 in accordance with the Revenue Reconciliation Act of 1993. In the third quarter of 1993, the Company recognized a charge of \$1.1 million necessitated by the tax rate increase to revalue the Company's deferred tax liability accounts under Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes" and an unrelated offsetting credit of \$1.1 million for the revaluation of a deferred tax asset.

The components of deferred income tax expense (benefit) are as follows (in thousands):

| | YEAR ENDED DECEMBER 31, | | |
|---|-------------------------|---------|---------|
| | 1995 | 1994 | 1993 |
| Capitalized costs..... | \$ 1,090 | \$ 871 | \$1,462 |
| Depreciation, depletion and amortization..... | 2,591 | 376 | (963) |
| Environmental reserves..... | 2,180 | 100 | 481 |
| Other reserves..... | (1,475) | (228) | (921) |
| Cash to accrual conversions..... | (46) | (73) | (277) |
| Allowance for doubtful accounts..... | (64) | 150 | 184 |
| Other, net..... | (1,079) | 15 | 153 |
| | ----- | ----- | ----- |
| Deferred income tax expense..... | \$ 3,197 | \$1,211 | \$ 119 |
| | ===== | ===== | ===== |

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The components of deferred income tax liabilities and assets are as follows (in thousands):

| | DECEMBER 31, | |
|--|--------------|----------|
| | 1995 | 1994 |
| Deferred income tax liabilities: | | |
| Property, equipment and intangibles..... | \$70,746 | \$57,417 |
| Cash to accrual conversions..... | 72 | 237 |
| Other..... | 2,145 | 689 |
| Total deferred income tax liabilities..... | 72,963 | 58,343 |
| Deferred income tax assets: | | |
| Environmental reserves..... | 3,204 | 4,872 |
| Other reserves..... | 4,028 | 2,039 |
| Other..... | 1,069 | 339 |
| Total deferred income tax assets..... | 8,301 | 7,250 |
| Net deferred income tax liabilities..... | \$64,662 | \$51,093 |

At December 31, 1995 and 1994, the Company had \$2.0 million and \$0.6 million, respectively, of net operating loss carryforwards for tax purposes which will expire beginning in 2003.

10. EARNINGS PER SHARE

Earnings per common and common equivalent share have been computed based on the weighted average number of shares outstanding. The Company does not present primary and fully diluted amounts as they do not materially differ. The following table reconciles the number of common shares outstanding with the number of common shares used in computing earnings per share (in thousands):

| | YEAR ENDED DECEMBER 31, | | |
|--|-------------------------|--------|---------|
| | 1995 | 1994 | 1993 |
| Common shares outstanding..... | 21,758 | 17,771 | 16,730 |
| Effect of using weighted average common shares outstanding during the period..... | (2,141) | (374) | (1,069) |
| Effect of shares issuable under stock option plans based on the treasury stock method..... | 599 | 517 | 457 |
| Common and common equivalent shares used in computing earnings per share..... | 20,216 | 17,914 | 16,118 |

11. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosures of cash flow information for each of the three years in the period ended December 31, 1995 are as follows (in thousands):

| | YEAR ENDED DECEMBER 31, | | |
|---|-------------------------|---------|---------|
| | 1995 | 1994 | 1993 |
| Interest paid during the period, net of capitalized interest..... | \$13,469 | \$8,963 | \$5,255 |
| Income taxes paid during the period..... | 13,008 | 9,220 | 8,309 |

The Company acquired assets in capital lease transactions for \$7.6 million, \$6.4 million and \$7.6 million in 1995, 1994 and 1993, respectively. The effects of non-cash transactions related to business combinations are

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

discussed in Note 3. Additionally, during 1995 the Company commenced certain development projects which involved the purchase of nonoperating assets for \$5.8 million of liabilities assumed and \$4.4 million of common stock issued.

12. COMMITMENTS AND CONTINGENCIES

The Company has entered into various operating lease agreements, primarily for tracts of land, facilities and equipment utilized for operations. Certain agreements contain percentage payment clauses. Rental expense under operating leases was \$5.2 million, \$5.0 million and \$4.5 million in 1995, 1994 and 1993, respectively. Minimum future annual lease payments under these leases are as follows (in thousands):

| YEAR ENDED DECEMBER 31, ----- | |
|-------------------------------------|----------|
| 1996..... | \$ 2,751 |
| 1997..... | 2,543 |
| 1998..... | 2,313 |
| 1999..... | 2,071 |
| 2000..... | 1,183 |
| Thereafter..... | 9,041 |
| | ----- |
| | \$19,902 |
| | ===== |

In connection with acquisitions discussed in Note 3, certain agreements provide for management fees, or royalty payments based on revenues, as defined, to be made to former owners. Payments made under these agreements will be charged to operations as incurred. Royalty payments and management fees paid were \$3.0 million, \$2.1 million, and \$1.3 million in 1995, 1994 and 1993, respectively. Certain other agreements provide for additional consideration, as defined, to be paid if expansions of permitted air space or certain operating contracts are obtained by the Company. These amounts, if any, will be capitalized as additional purchase price or permit application costs. Additional consideration capitalized as permit application costs was \$11.5 million, \$0.9 million, and \$2.3 million in 1995, 1994 and 1993, respectively.

In 1991 and 1992, the Company completed six acquisitions involving Guaranteed Value Commitments. The Guaranteed Value Commitments provide that the Company will deliver to the sellers an amount equal to the difference, if any, between the guaranteed value of the Company's common stock and the market value, as defined, of the common stock at the future measurement date. As of December 31, 1995, the Company had settled three of the Guaranteed Value Commitments, three had expired per their terms at no cost to the Company and no Guaranteed Value Commitments remained outstanding.

The Company has secured employment agreements with various officers and certain key employees of the Company. The agreements generally provide for the employee's annual base salary and bonus participation. The agreements also generally provide for two year noncompetition agreements and severance payments of generally one year's salary, and up to three year's salary, in the event the employee is terminated without cause.

The Company carries a broad range of insurance coverage, including general and business auto liability, comprehensive property damage, workers' compensation, and employer's liability, directors' and officers' liability, and other coverage customary in the industry. At December 31, 1995, the Company had environmental impairment liability insurance for all of its domestic waste disposal sites. The Company carries limits of \$5.0 million per claim in excess of a \$1.0 million per claim retention. The Policy includes an aggregate maximum of \$10.0 million in insured claims in any one year. In addition to policy exclusions management believes to be standard for coverage of this type, in limited circumstances the environmental impairment liability insurance contains additional exclusions from coverage. These exclusions are generally removed

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

following the satisfactory resolution of certain environmentally related issues. The Company presently has additional exclusions at three of its facilities. In the event that the Company is unable to obtain or retain environmental impairment liability insurance in adequate amounts for each of its sites and uninsured losses are incurred, the Company's financial position could be adversely affected.

The Company is involved in certain claims and litigation arising in the normal course of business. In the opinion of the Company's management, uninsured losses, if any, resulting from the ultimate resolution of these matters will not be material to the Company's consolidated financial position.

13. ENVIRONMENTAL RESERVES

The Company will have material financial obligations relating to the closure of the filled areas of landfill sites during their operating lives and the final closure and post-closure care of facilities at the end of their operating lives. These obligations apply to each disposal facility the Company operates or for which it is otherwise responsible. Landfills are typically developed in a series of cells, each of which is constructed, filled, and capped in sequence over the operating life of the landfill. When the final cell is filled and the operating life of the landfill is over, the final cell must be capped, the entire site must be closed and post-closure care and monitoring activities begin. The Company has estimated as of December 31, 1995 that total costs for final closure of its existing facilities and post-closure activities, including cap maintenance, groundwater monitoring, methane gas monitoring and leachate treatment/disposal for up to 30 years after closure in certain cases, will approximate \$63.1 million, versus \$49.7 million estimated as of December 31, 1994. In addition, the Company has estimated as of December 31, 1995 that capping costs expected to occur during the operating lives of these facilities and expensed over the facilities' useful lives will approximate \$142.5 million, versus \$79.3 million estimated as of December 31, 1994. This increase reflects the impact of receiving restructured or expanded permits for existing sites and for recently acquired sites, all of which are subject to the heightened regulatory burden of Subtitle D.

Closure and post-closure costs are accrued and charged to cost of operations over the estimated useful lives of such facilities. These accruals are based on estimates from engineering reviews performed at least once annually. The Company may update its engineering review of a facility more frequently than once annually based on the relative size of the facility and the degree of activity of the facility's applicable regulatory body in establishing financial assurance compliance standards. The closure and post-closure requirements for the Company's municipal solid waste landfills are established by Subtitle D or the applicable states' adopted and EPA approved Subtitle D implementation plan. The requirements for the Company's remaining facilities (i.e., dry waste, special waste and nonhazardous oilfield waste) are established by the applicable state regulations. In performing the review for each facility, the Company analyzes actual costs incurred versus total estimated costs, updates prior year cost estimates to reflect current regulatory requirements, and considers requirements of proposed regulatory changes. The reviews are performed by the Company's engineering staff, with assistance from outside consultants familiar with the Company's facilities.

The Company accounts for closure and post-closure accruals under two primary scenarios:

- 1) For facilities acquired by the Company which had been operating prior to the acquisition date, the Company assesses the closure and post-closure costs and the remaining airspace in order to determine the pro-rata portion of the total closure/post-closure liability that relates to the portion of the landfill already filled. The Company then records a reserve for that pro-rata amount and, for acquisitions accounted for under the purchase method, adjusts the recorded purchase cost of the facility upward by a like amount when the acquisition is consummated.
- 2) For facilities which the Company is currently operating, the total estimated closure and post-closure cost is compared with the existing reserve. The difference is accrued and charged to cost of operations on a unit-of-production basis over the facility's remaining airspace.

The determination of airspace usage and remaining airspace is an essential component in the calculation of closure and post-closure accruals. See Note 2 for additional discussion.

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Remediation accruals are based on estimates derived from engineering reviews performed in connection with the acquisition due diligence process. Although the Company's policy precludes the acquisition of facilities for which available data indicates the potential for material remediation costs, certain facilities have been acquired where the potential for minor remediation might exist. In such situations, the Company's engineers estimate the total cost of remediation, which to date is estimated to be approximately \$12.1 million. The Company then records that estimate as a liability and, for acquisitions accounted for under the purchase method, adjusts the recorded purchase cost of the facility upward by a like amount when the acquisition is consummated. The remediation reserve is reviewed for adequacy at least annually. This reevaluation process did not materially affect results of operations for any years presented.

The Company's estimates of future closure, post-closure, capping and remediation costs are subject to change in the near term in the event amendments are made to current laws and regulations governing the Company's operations or if more stringent implementation thereof is required. Such changes could have a material adverse effect on the Company's results of operations or require substantial capital expenditures.

14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The table below sets forth consolidated operating results by fiscal quarter for the years ended December 31, 1995 and 1994 (in thousands except per share data).

| | FIRST QUARTER ----- | SECOND QUARTER ----- | THIRD QUARTER ----- | FOURTH QUARTER ----- |
|---|---------------------------|----------------------------|---------------------------|----------------------------|
| 1995 | | | | |
| Revenues..... | \$54,064 | \$61,056 | \$72,719 | \$68,866 |
| Gross profit..... | 19,026 | 23,115 | 27,892 | 26,584 |
| Net income..... | 5,172 | 6,234 | 8,390 | 8,117 |
| Earnings per common and common equivalent share..... | 0.28 | 0.32(1) | 0.41 | 0.37 |
| 1994 | | | | |
| Revenues..... | \$40,083 | \$47,254 | \$53,647 | \$51,495 |
| Gross profit..... | 14,301 | 17,046 | 20,033 | 18,825 |
| Net income..... | 3,595 | 4,600 | 5,761 | 5,277 |
| Earnings per common and common equivalent share..... | 0.21 | 0.26 | 0.32 | 0.28 |

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(1) Includes a \$0.02 charge for pooling costs

15. SUBSEQUENT EVENTS

On March 4, 1996, the Company issued \$115 million of 5% convertible subordinated debentures, due on March 1, 2006. Interest is payable semi-annually in March and September. The debentures are convertible into shares of the Company's common stock at a conversion price of \$48.13 per share. The debentures are subordinated in right of payment to all existing and future senior indebtedness, as defined. The debentures are redeemable after March 15, 1999 at the option of the Company at 102.5% of the principal amount, declining annually to par on March 1, 2002, plus accrued interest. Deferred offering costs of approximately \$2.9 million were incurred and are being amortized ratably over the life of the debentures. The proceeds were used to repay debt under the Company's Revolving Credit Facility.

On March 18, 1996, the Company called for redemption all of its \$60 million series of 7 1/2% Convertible Subordinated Debentures due June 1, 2006 at a redemption price of 104.5% of their face amount plus accrued interest from December 1, 1995 to, and including, the redemption date. The redemption date is April 17, 1996. Alternatively, holders of these debentures may convert their debentures into Company common stock at any time prior to the close of business on April 10, 1996, at a conversion price equal to \$28.82 per share. Holders who elect to convert will receive 34.70 shares of the Company's common stock for each \$1,000 principal amount of debentures surrendered.

SANIFILL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Furthermore, on March 18, 1996, the Company entered into a definitive agreement to acquire all of the issued and outstanding voting and non-voting securities of PST Reclamation, Inc., and Taylor Land Resources, Inc. (collectively, "PST/TLR") from the stockholders. All conditions to closing are within the control of the parties to the agreement and Sanifill expects the transaction to close in the near future. PST/TLR operates a dry waste disposal facility located in Anne Arundel County, Maryland. The estimated consideration to be paid upon closing for PST/TLR is \$22.1 million, consisting of \$11.1 million of cash and \$11.0 million of the Company's common stock. The estimated purchase price will be adjusted based upon a final determination of the total available airspace at the landfill as of the closing date.

Unaudited pro forma consolidated results of operations, assuming the acquisitions which were completed in 1994 and 1995 and the March 18, 1996 acquisition of PST/TLR described above had all occurred on January 1, 1994 are as follows (in thousands, except per share amounts):

| PRO FORMA | YEAR ENDED DECEMBER 31, | |
|--|-------------------------|-----------|
| | 1995 | 1994 |
| | (UNAUDITED) | |
| Revenues..... | \$327,686 | \$300,964 |
| | ===== | ===== |
| Net income..... | \$ 28,615 | \$ 22,850 |
| | ===== | ===== |
| Earnings per common and common equivalent share..... | \$ 1.30 | \$ 1.13 |
| | ===== | ===== |

The above pro forma financial information is based on certain assumptions and preliminary estimates which are subject to change. They reflect the consideration paid or to be paid at closing for all acquisitions described above. They do not reflect the payment of any contingent consideration. The above pro forma financial information also does not reflect anticipated volume or price increases, synergies or other operational improvements. The pro forma financial information does not purport to be indicative of the results which would actually have been obtained had the purchase transactions been completed on the dates indicated or which may be obtained in the future.

(b) Pro Forma Financial Information

At this time, it is impracticable to provide the required pro forma financial information of USA Waste and Sanifill. The required information will be filed no later than 60 days after the filing of this Current Report on Form 8-K.

(c) Exhibits

- 2.1 Agreement and Plan of Merger, dated as of June 22, 1996, by and among USA Waste Services, Inc., Quatro Acquisition Corp. and Sanifill, Inc. (included as Annex A in Registration Statement on Form S-4 (Registration No. 333-08161) and incorporated herein by reference).
- 2.2 Amendment No. 1 to Agreement and Plan of Merger, dated July 18, 1996, by and among USA Waste Services, Inc., Quatro Acquisition Corp. and Sanifill, Inc. (included as Annex A in Registration Statement on Form S-4 (Registration No. 333-08161) and incorporated herein by reference).
- *10.1 Employment Agreement, dated August 30, 1996, among USA Waste Services, Inc., Sanifill, Inc. and Rodney R. Proto.
- *10.2 Amended and Restated Revolving Credit Agreement, dated as of August 30, 1996, among USA Waste Services Inc., Sanifill, Inc., Canadian Waste Services Inc., the First National Bank of Boston, Bank of America Illinois, Morgan Guaranty Trust Company of New York, JP Morgan Canada and other financial institutions.
- *10.3 Supplemental Indenture, dated as of September 3, 1996, among USA Waste Services, Inc., Sanifill, Inc. and Texas Commerce Bank, National Association relating to Sanifill, Inc.'s 5% Convertible Subordinated Debentures Due March 1, 2006.
- *23.1 Consent of Arthur Andersen LLP.
- *99.1 Press Release, dated September 3, 1996, relating to the closing of the Merger and new revolving credit agreement.

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* Filed herewith.

SIGNATURES

Pursuant to the requirements 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.

USA WASTE SERVICES, INC.

By /s/ Gregory T. Sangalis

Gregory T. Sangalis
Vice President, General Counsel
& Secretary

September 18, 1996

EXHIBIT INDEX

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- - - - -
* Filed herewith.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of August 30, 1996, by and between USA WASTE SERVICES, INC., a Delaware corporation (the "Company"), and RODNEY R. PROTO ("Employee").

R E C I T A L S:

The Company recognizes that the efforts of its officers and key management employees have contributed and will continue to contribute to the growth and success of the Company.

The Company believes that, in the Company's best interest, it is essential that its officers and key management employees, including the Employee, be retained and that the Company be in a position to rely on their ongoing dedication and commitment to render services to the Company.

The Company wishes to take steps to assure that the Company will continue to have the Employee's services available to the Company by entering into an agreement with the Employee concerning his employment by the Company.

In consideration of the foregoing, the mutual provisions contained herein, and for other good and valuable consideration, the parties agree with each other as follows:

1. EMPLOYMENT

A. The Company hereby employs the Employee and the Employee hereby accepts employment as the President and Chief Operating Officer of the Company on the terms and conditions hereinafter set forth. The Employee shall perform such duties, and have such powers, authority, functions and responsibilities for the Company and corporations affiliated with the Company as are commensurate with such employment capacity, and have such additional duties, powers, authority, functions and responsibilities as may be assigned to him by the Company's Board of Directors or by the Chief Executive Officer which are not (except with the Employee's consent) inconsistent with or which interfere with or detract from those vested in or being performed by the Employee for the Company.

B. The Employee shall not, during the term of his employment under this Agreement, be engaged in any other activities if such activities interfere materially with the Employee's duties, authority and responsibilities for the Company, except for those other activities as shall hereafter be carried on with the Company's consent. The Employee shall be entitled to carry on the activities of making and managing his personal investments provided such investments or other activities do not violate in any material respect the terms of Sections 6, 7 or 8 hereof.

2. TERM

A. Subject only to the provision of either Section 3(D) or Section 4 hereof, the term of the Employee's employment under this Agreement shall be for a continually renewing term of five (5) years without any further action by either the Company or the Employee, it being the intention of the parties that there shall be continuously a term of five (5) years duration of the Employee's Employment under this Agreement until an event has occurred as described in, or one of the parties shall have made an election pursuant to, the provisions of either Section 3(D) or Section 4 of this Agreement; provided, however, that if no such event has occurred or election has been made, such term shall terminate on the date the Employee becomes age 65.

3. COMPENSATION

For all services rendered by the Employee while on active status under this Agreement, the Company agrees to compensate the Employee for each compensation year (January 1 through December 31) during the term hereof, as follows:

A. Base Salary. A base salary shall be payable to the Employee by the Company as a guaranteed annual amount under this Agreement equal initially to \$375,000, for each compensation year (as the same may be adjusted as provided herein, the "Base Salary"), which shall be payable in the intervals consistent with the Company's normal payroll schedules (but in no event less than semi-monthly). The Base Salary shall be subject to being increased (but not decreased or adjusted other than as provided in Section 4 of this Agreement) in the sole discretion of the Compensation Committee of the Board of Directors of the Company (or a similar Board committee, hereinafter referred to as the "Compensation Committee") but only in such form and to such extent as the Compensation Committee may from time to time approve; provided, however, that the Base Salary shall be adjusted on January 1, 1997 to \$400,000. The official action of the Compensation Committee increasing the Base Salary payable to the Employee shall modify the amount of Base Salary stated in this Section 3(A).

B. Other Compensation. The Employee shall be entitled to participate in any incentive or supplemental compensation plan or arrangement instituted by the Company and covering its principal executive officers and to receive additional compensation from the Company in such form and to such extent, if any, as the Compensation Committee may in its sole discretion from time to time specify and determine with respect to the Company's principal executive officers generally; provided, however, in the event the Employee shall go on part-time status for any reason, the Employee shall nevertheless be entitled to be paid pro rata incentive or supplemental compensation for the fiscal year ending in the compensation year in which the Employee goes on part-time status, for the number of calendar months during such fiscal year that Employee shall have been on active status, at the same time, on the same basis and to the same extent as any of the Company's principal executive officers on active status are selected by the Compensation Committee to receive any incentive or supplemental compensation award for such fiscal year. The phrase "principal executive officer" as used in this Agreement shall mean the chief executive officer of the Company and other senior corporate officers of the Company who are from time

to time designated as principal executive officers by the Compensation Committee. In lieu of bonus participation for calendar year 1996 in Employer's plan, Employee shall be entitled to his maximum bonus pursuant to the Sanifill, Inc. plan for calendar year 1996. In addition, Employee shall receive 610,000 incentive stock options pursuant to the 1993 USA Waste Services, Inc. Stock Incentive Plan at an exercise price equal to the lowest reported trading price of the Stock of Employer on the New York Stock Exchange for the date upon which the contemplated merger of Sanifill, Inc. with Quatro Acquisition is closed (if such date is not a trading day for purposes of this sentence, the closing date shall be deemed the most recent trading day prior to the actual closing date).

C. Tax Indemnity. Should any of the payments of Base Salary, other incentive or supplemental compensation, benefits, allowances, awards, payments, reimbursements or other perquisites (including the payments provided for under this Section 3(C)), singly, in any combination or in the aggregate, that are provided for hereunder to be paid to or for the benefit of the Employee (including, without limitation, the payment provided for in Section 3(D) hereof) or under any other plan, agreement or arrangement between the Employee and the Company, be determined or alleged to be subject to an excise or similar purpose tax pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor or other comparable federal, state or local tax laws, the Company shall pay to the Employee such additional compensation as is necessary (after taking into account all federal, state and local income taxes payable by the Employee as a result of the receipt of such additional compensation) to place the Employee in the same after tax position (including federal, state and local taxes) he would have been in had no such excise or similar purpose tax (or any interest or penalties thereon) been paid or incurred. The Company hereby agrees to pay such additional compensation within five (5) business days after the Employee notifies the Company that the Employee intends to file a tax return which takes the position that such excise or similar purpose tax is due and payable in reliance on a written opinion of the Employee's tax counsel (such tax counsel to be chosen solely by the Employee) that it is more likely than not that such excise tax is due and payable. The costs of obtaining such tax counsel's opinion shall be borne by the Company, and as long as such tax counsel was chosen by the Employee in good faith, the conclusions reached in such opinion shall not be challenged or disputed by the Company. If the Employee intends to make any payment with respect to any such excise or similar purpose tax as a result of an adjustment to the Employee's tax liability by any federal, state or local tax authority, the Company will pay such additional compensation by delivering its cashier's check payable in such amount to the Employee within five (5) business days after the Employee notifies the Company of his intention to make such payment. Without limiting the obligation of the Company hereunder, the Employee agrees, in the event the Employee makes any payment pursuant to the preceding sentence, to negotiate with the Company in good faith with respect to procedures reasonably requested by the Company which would afford the Company the ability to contest the imposition of such excise tax; provided, however, that the Employee will not be required to afford the Company any right to contest the applicability of any such excise tax to the extent that the Employee reasonably determines (based upon the opinion of his tax counsel) that such contest is inconsistent with the overall tax interests of the Employee.

D. (i) Change of Control - Operation of Section 3(D).

(a) This Section 3(D) shall be effective, but not operative, immediately upon execution of this Agreement by the parties hereto and shall remain in effect so long as the Employee remains employed by the Company on active status and for twelve (12) months after the Employee goes on part-time status, but shall not be operative unless and until there has been a Change in Control, as defined in subsection (i)(b) hereof. Upon such a Change in Control, this Section 3(D) shall become operative immediately.

(b) "Change in Control" shall mean a change in control of the Company that shall be deemed to have occurred if and when, with or without the approval of the Board of Directors of the Company incumbent prior to the occurrence,

(1) more than 25% of the Company's outstanding securities entitled to vote in elections of directors shall be acquired by any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) other than by any person which includes the Employee; or

(2) as the result of a tender offer, merger, consolidation, sale of assets or contested election, or any combination of such transactions, the persons who were directors immediately before the transaction shall cease to constitute a majority of the Board of Directors of the Company or of any successor to the Company;

provided, however, that a business combination involving the Company and another solid waste management company, which is approved by a 75% majority of the Board of Directors of the Company incumbent prior to the occurrence of such business combination, notwithstanding that a principal shareholder or shareholders of such other solid waste management company acquire more than 25% of the Company's outstanding securities entitled to vote in the election of directors in connection with such business combination, shall not be deemed to be a "Change in Control."

(ii) Employee's Rights Upon Change of Control. If, while the Employee is employed on active status by the Company, or if within twelve (12) months after the Employee has been placed on part-time status pursuant to either Section 4(C)(i), (ii), or (iii) or Section 4(G), a Change in Control (as defined in subsection (b) of Section 3(D)(i)) occurs and one or more of the following events occurs:

(a) The assignment to the Employee of duties, responsibilities, or status inconsistent with his duties, responsibilities, and status prior to the Change in Control or a reduction or alteration in the nature or status of the Employee's duties and responsibilities from those in effect prior to the Change in Control;

(b) A reduction by the Company in the Employee's Base Salary (as in effect prior to the Change in Control);

(c) The failure by the Company to continue in effect the Company's insurance, disability, stock option plan, or any other employee benefit plans, policies, practices, or arrangements in which the Employee participates, or the failure of the Company to continue the Employee's participation therein on substantially the same basis, both in terms of the amount of benefits provided and the level of the Employee's participation relative to other participants, as existed prior to the Change in Control;

(d) The failure of the Company to obtain a satisfactory agreement from the successor to the Company to assume and agree to perform this Agreement;

(e) Any purported termination by the Company of the Employee's employment other than pursuant to Section 4(A)(i) or 4(A)(ii),

the Employee may, in his sole discretion, within three (3) months after the date of the Change of Control, give notice to the Secretary of the Company that he intends to elect to exercise his rights under this Section 3(D) (the "Notice of Intention"). The right to give such Notice of Intention to elect to receive the payment provided for in subsection (iii) of this Section 3(D) shall continue for three (3) months from the date of the Change of Control irrespective of any action by the Company pursuant to Section 4(A)(iii) or Section 4(G) within such three (3) month period. Within thirty (30) days after the Company's receipt of the Notice of Intention, the Company shall provide written notice to the Employee setting forth the Company's computation of the amount that would be payable pursuant to subsection (iii) of this Section 3(D), accompanied by the written opinion of the Company's independent certified public accountants confirming the Company's computation. If the Employee takes exception to the Company's computation of such amount, the Employee may (but shall not be prejudiced in his right to later contest the amount actually paid by failure to do so) give a further written notice to the Company setting forth in reasonable detail the Employee's exceptions to the Company's computation, accompanied by the written opinion of the Employee's tax advisor confirming the basis for such exceptions. Exercise by the Employee of his rights pursuant to this Section 3(D) shall only be made by giving further notice to the Secretary of the Company (the "Notice of Exercise") within six (6) months from the date of the Notice of Intention.

(iii) Payment upon Change of Control.

(a) If the Employee gives the Notice of Exercise described in subsection (ii) of this Section 3(D) to the Company, the Company shall pay the Employee a lump sum amount equal to three (3) times the Employee's base amount (as defined by Section 280(G) of the Code), less one dollar (\$1.00). The Company shall, within five (5) business days after the date of the Notice of Exercise, deliver to the Employee its cashier's check in the amount payable pursuant to this subsection (iii)(a) of Section 3(D), and payment of such amount shall terminate the

Employee's rights to receive any and all other payments, rights or benefits pursuant to Sections 3(A), 3(B), 4 and 5 of this Agreement, other than any payments, rights or benefits arising (x) pursuant to Section 3(C), subsection (iii) of Section 3(D), Section 3(E) or Section 12 of this Agreement, or (y) from any other agreement, plan or policy which by its terms or by operation of law provides for the continuation of such payments, rights or benefits after the termination of the Employee's relationship with the Company.

(b) Such lump sum payment shall be in addition to and shall not be offset or reduced by (x) any other amounts that have accrued or have otherwise become payable to the Employee or his beneficiaries, but have not been paid by the Company at the time the Employee gives Notice of Exercise pursuant to this Section 3(D) including, but not limited to, salary, severance pay, consulting fees, disability benefits, termination benefits, retirement benefits, life and health insurance benefits, or any other compensation or benefit payment that is part of any valid previous, current, or future contract, plan or agreement, written or oral, or (y) any indemnification payments that may be or become payable to the Employee pursuant to the provisions of the Company's Certificate of Incorporation, By-laws, or similar policy, plan, or agreement relating to the indemnification of directors or officers of the Company under certain circumstances.

E. Employee's Expenses. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Employee to (w) defend the validity of this Agreement (x) contest any determinations by the Company concerning the amounts payable (or reimbursable) by the Company to the Employee under this Agreement, (y) determine in any tax year of the Employee the tax consequences to the Employee of any amounts payable (or reimbursable) under Section 3(C) or (D) hereof, or (z) prepare responses to an Internal Revenue Service audit of, and to otherwise defend, his personal income tax return for any year which is the subject of any such audit, or an adverse determination, administrative proceedings or civil litigation arising therefrom that is occasioned by or related to an audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Employee, to be promptly advanced or reimbursed to the Employee or paid directly, on a current basis, by the Company or its successors.

4. TERMINATION, PART-TIME STATUS, REVISED COMPENSATION, DEATH, AND DISABILITY

A. Termination. The employment of the Employee under this Agreement, while the Employee is on active status, may be terminated at any time by the Company, acting through its Board of Directors (and not a committee thereof),

(i) only for cause in the event of (x) the Employee's final conviction of a felony crime involving moral turpitude, or (y) the Employee's deliberate and intentional continuing refusal to substantially perform his duties and obligations under this Agreement

(except by reason of incapacity due to illness or accident) if he (a) shall have either failed to remedy such alleged breach within forty-five (45) days from his receipt of written notice from the Secretary of the Company demanding that he remedy such alleged breach, or (b) shall have failed to take reasonable steps in good faith to that end during such forty-five (45) day period and thereafter, provided that there shall have been delivered to the Employee a further notice after the end of such forty-five (45) day period asserting that the Board of Directors has determined that the Employee was guilty of conduct set forth in this clause (y), that the Employee has failed to take reasonable steps in good faith to remedy such alleged breach, and specifying the particulars thereof in detail, and provided further that the Employee thereafter shall have received a certified copy of a resolution of the Board of Directors of the Company adopted by the affirmative vote of not less than three-fourths of the entire membership of the Board of Directors at a meeting called and held for that purpose and at which the Employee was given an opportunity to be heard, finding that the Employee was guilty of conduct set forth in this clause (y), that the Employee has failed to take reasonable steps in good faith to remedy such alleged breach, and specifying the particulars thereof in detail,

(ii) upon a determination that the Employee has engaged in willful fraud or defalcation involving material funds or other assets of the Company, or

(iii) for any reason in its sole discretion upon written notice to the Employee effective (subject to the provisions of Section 4(D)(iii) hereof) on the date that is five (5) years after the date on which such notice is received by the Employee.

B. Termination Payment For Cause. In the event of termination of the Employee's employment under this Agreement by the Company under either Section 4(A)(i) or (ii), the Employee shall only be entitled to receive the monthly installment of his Base Salary being paid at the time of such termination, and, if applicable, other compensation, due hereunder, computed on a pro rata basis, up to the effective date of such termination.

C. (i) Part-time Status-Election by Company. In the event the Company shall give Employee notice of termination of the Employee's employment under this Agreement pursuant to Section 4(A)(iii), the Employee shall, subject to the provisions of Section 4(D)(iii) and (vii), be placed on part-time employment status for a period of five (5) years after the date on which such notice is received by the Employee.

(ii) Termination - Election by Employee. Employee shall have the right at any time during his employment on active status, by giving written notice to the Secretary of the Company, to terminate the Employee's employment under this Agreement effective ninety (90) days after the date on which such notice is given by the Employee. In the event the Employee shall make such election under this Section 4(C)(ii), the Employee shall, in addition to all other reimbursements, payments or other allowances required to be paid under this Agreement or under any other plan, agreement or policy which survives the termination of this Agreement, be entitled to be paid, in addition to the Base Salary payable during such ninety (90) day period after the giving of such notice, a lump sum

payment payable by delivery of the Company's cashier's check within five (5) business days after the end of such ninety (90) day period, in an amount equal to three (3) monthly installments of the Base Salary (less required tax withholding) in effect pursuant to Section 3(A) hereof at the time the Employee makes such election under this Section 4(C)(ii). Thereupon, this Agreement shall terminate and Employee shall have no further rights under or be entitled to any other benefits of this Agreement, provided that the provisions of Sections 3(C) and (E), 6, 7, 8 and 12 shall survive such termination.

D. Employee's Rights on Part-time Status. During the period that the Employee is on part-time status,

(i) The Company shall pay Employee a revised, guaranteed minimum annual Base Salary from the date the Employee goes on part-time status for a period of five (5) years in an amount equal to seventy-five percent (75%) of the average of the total annual direct compensation paid to the Employee by the Company (whether under this Agreement, a predecessor agreement or otherwise) for the two (2) highest of the three (3) compensation years immediately preceding the compensation year in which the notice specified in Section 4(A)(iii), or Section 4(G) of this Agreement is given. As used in this Agreement, the phrase "total annual direct compensation" shall mean the sum of the gross amount of Base Salary (as from time to time adjusted) paid to the Employee during a compensation year and all other forms of direct compensation for a compensation year (including, but not limited to, incentive or supplemental compensation awards made to the Employee for the fiscal year ending in each of such compensation year), whether or not paid to the Employee during a compensation year, (x) including any amounts paid by the Employee into any savings, deferred compensation or similar Company sponsored plan or arrangement, and (y) excluding any amounts that must be recognized as compensation in any such compensation year as a result of the Employee's exercise of a stock option or receipt of an award or unit of the Company's (or any successor's) stock;

(ii) The revised, guaranteed minimum annual Base Salary payable by the Company to the Employee pursuant to this Section 4(D) shall be increased (but not decreased) annually on the first anniversary of the date of the Employee's going on part-time status and each anniversary thereafter, on a compound basis, by the same percentage increase (if any) in the Consumer Price Index for All Urban Consumer's - All Items Index, for Dallas, Texas (or any substantially similar index published for the same area) as published by the U.S. Department of Labor, Bureau of Labor Statistics for the twelve (12) month period immediately preceding the first anniversary of the date of the Employee's going on part-time status and on each yearly anniversary thereafter;

(iii) (1) The Employee shall continue to participate (at not less than his highest levels of participation or coverage during the last twelve (12) months the Employee was on active status) in all of the Company's pension, group life, medical, dental, accidental death or disability insurance, thrift, savings, deferred compensation, stock option, unit or award plans, vacation plans, automobile allowances and all other Company benefit plans, fringe benefits, allowances and

accommodations of employment on active status that are afforded to the principal executive officers of the Company,

(2) With respect to any stock option, unit or award plan of the Company as referred to in this Section 4(D)(iii), the Employee's right to continue participation at and consistent with his highest levels of participation during the last twelve (12) months the Employee was on active status, (x) is intended to include (but only to the extent consistent with the Company's treatment of its principal executive officers) the Employee receiving renewal and/or replacement grants of or awards for options or units on or with respect to the Company's common stock (for not less than the same number of shares or units, at the fair market value prevailing at the time, and otherwise on terms and conditions no more or less favorable than such grants or awards are made to the Company's principal executive officers who are then on active employment status) consistent with the Company's stock option plan as then existing, not more than thirty (30) days after the date any of the previous options or units are canceled, vest or expire (or would have expired but for their exercise by the Employee), and (y) solely for the purposes of any stock options, units or awards outstanding at the time the Employee goes on part-time status or for any renewal or replacement grants or awards, the Employee's status as an "employee" or, thereafter, the Employee's status as an "affiliate" of the Company (or of any successor thereto) shall continue to the last date of expiration, cancellation, vesting or exercise, as the case may be, of any and all of such outstanding stock options, units or awards or renewal or replacement grants or awards, and

(3) If the Company is merged into or consolidated with another corporation under circumstances where the Company is not the surviving corporation, or if the Company's voting common stock is no longer publicly traded on a national securities exchange, or if the Company sells or disposes of substantially all its assets to another corporation, then any such renewal and/or replacement grants of or awards for options or units pursuant to subparagraph (x) of Section 4(D)(iii)(2) shall be made in or for the shares of such stock or other securities as the holders of shares of the Company's voting common stock received pursuant to the terms of the merger, consolidation or sale, and

(4) If any of the Company's pension; group life, medical, dental, accidental death, or disability insurance; deferred compensation; thrift, savings, stock option, unit or award plans; or any other Company benefit plans, fringe benefits, allowances or accommodations of employment that were available to the Employee at any time during the last twelve (12) months the Employee was on active status shall not continue to be maintained by the Company (or by any successor thereto) or are otherwise not made available to the Employee, the Company (or any successor thereto) shall provide for or make available to the Employee substantially similar economic benefits (and tax benefits attendant thereto) through such alternative means and upon such terms as shall be reasonably

satisfactory to the Employee, provided that nothing in this clause (4) shall obligate the Company to provide for or make any such substantially similar alternative benefits available to the Employee if the Company (or any successor thereto) does not have such benefits available either directly or indirectly (whether or not granted) for its principal executive officers.

(iv) The Employee shall otherwise be entitled to all other principal executive officer perquisites, allowances and benefits on the same terms and conditions as such are from time to time made available generally to the other principal executive officers of the Company (or any successor thereto) but in no event less than the highest level of the perquisites, allowances and benefits that were available to the Employee during the last twelve (12) months of his employment on active status;

(v) The Employee shall otherwise continue to receive all the rights and benefits of this Agreement including, without limitation, those rights and benefits (not inconsistent with this Section 4(D)) that are set forth in Sections 3(C), 3(E), 5, 9 and 12 hereof;

(vi) The Employee shall not be prevented from accepting other employment while on part-time status or engaging in (and devoting substantially all of his time to) other business activities that are not in conflict in any material respect with the limitations set forth in Section 6 hereof;

(vii) This Agreement and Employee's continuing employment on part-time status may be terminated at any time by the Company (x) pursuant to the provisions of Section 4(A)(ii), or (y) acting through its Board of Directors (and not a committee thereof) only if the Employee knowingly violates in any material respect the provisions of Sections 6, 7 and 8, respectively, as found by final judgment of a court of competent jurisdiction;

(viii) While on part-time status and except as otherwise required herein, the Employee shall not be required to perform any regular duties for the Company (except to provide such services consistent with the Employee's educational background, experience and prior positions with the Company, as may be acceptable to the Employee) or to seek or accept additional employment with any other person or firm (although the Employee shall be free to do so so long as accepting such additional employment or engaging in other business activity is not in conflict in any material respect with the limitations set forth in Section 6 of this Agreement). If the Employee, at his discretion, shall accept any such additional employment or engage in any such other business activity consistent in all material respects with Section 6 of this Agreement, there shall be no offset, reduction or effect upon any rights, benefits or payments to which the Employee is entitled pursuant to this Agreement. Furthermore, the Employee shall have no obligation to account for, remit, rebate or pay over to the Company any compensation or other amounts earned or derived in connection with such additional employment or business activity consistent in all material respects with Section 6 of this Agreement; and

(ix) The Employee shall, however, make himself generally available for special projects or to consult with the Company and its employees at such times and at such places as may be reasonably requested by the Company and which shall be reasonably satisfactory to the Employee and consistent with the Employee's regular duties and responsibilities in the course of his then new occupation or other employment, if any.

E. After the termination of the Employee's employment on part-time status, the former Employee shall remain an "affiliate" of the Company for the period described in Section 4(D)(iii)(2) hereof and during such time shall continue to be available to consult with the Company and its employees at such time and at such places as may be reasonably convenient and acceptable to the former Employee and in such manner as may be consistent with the former Employee's educational background, experience and prior positions with the Company and with his regular duties and responsibilities in the course of his then new occupation or other employment, if any.

F. Death. In the event of the Employee's death during the term of his employment hereunder, the Company shall pay to the Employee's surviving spouse or to the executor or administrator of the Employee's estate (if his spouse shall not survive him) an amount equal to the installments of his Base Salary then payable pursuant to Sections 3(A) or 4(D), as the case may be, for the month in which he dies, and for the greater of (i) the balance of the term remaining under this Agreement, or (ii) two (2) years.

G. Disability. The Employee shall be covered by the Company's disability benefit plan as such plan may from time to time exist. The Company may eliminate or change the terms and conditions of said plan at its discretion with no liability to the Employee other than the liability, if any, under such plan which may have accrued up to the elimination or change of such plan. In the event because of physical or mental illness or personal injury while the Employee is on active status or part-time status, the Employee shall become permanently unable or disabled such that he is unable to perform, and in all reasonable medical likelihood, going to continue indefinitely to be unable to perform his normal duties in his regular manner, as determined by independent, competent medical authority, and

(i) if such disability determination occurs while the Employee is on active status, the Company may elect (but shall not be obligated) to terminate the Employee's employment under this Agreement on a date which is not less than three (3) years after the date on which written notice of such termination is received by the Employee in which event the Employee shall be placed on part-time status, and the Company shall pay to the Employee the Base Salary payable pursuant to Section 4(D)(i) for a period not less than three (3) years thereafter; or

(ii) if such disability determination occurs while the Employee is on part-time status pursuant to Section 4(C)(i) or (ii), the Company shall continue to pay to the Employee the amount of his Base Salary then payable for the greater of (x) the balance of the period remaining under the term of this Agreement, or (y) for two (2) years;

reduced, in any case however, by the amount of any payments made to such Employee under the coverage then afforded to the Employee by the Company's disability benefit plan in effect at the time such disability determination is made. The Employee shall, during such disability and until the effective date of the termination of this Agreement and of payments hereunder by the Company to the Employee, continue to enjoy all other applicable benefits of employment that would otherwise pertain to continued employment on part-time status pursuant to this Agreement.

H. Return of Property. Upon termination of the Employee's employment under this Agreement, however brought about, the Employee (or his representatives) shall promptly deliver and return to the Company all the Company's property including, but not limited to, credit cards, manuals, customer lists, financial data, letters, notes, notebooks, reports and copies of any of the above, and any Protected Information (as defined in Section 7) which is in the possession or under the control of the Employee except such property as may be necessary for the former Employee to continue his duties, if any, as an "affiliate" which the Company may expressly direct the former Employee to keep in his possession; and upon the termination of his status as an "affiliate", the former Employee shall promptly deliver and return all such property to the Company.

5. OTHER EMPLOYEE RIGHTS

A. The Employee shall be entitled to (i) participate in the Company's pension, group life, medical, dental, accidental death, or disability insurance, thrift, savings, deferred compensation, incentive compensation, stock option, unit or award plans, vacation plans, automobile allowances and all other Company benefit plans, fringe benefits, allowances and accommodations of employment (including, but only as approved from time to time by the Chief Executive Officer of the Company, club memberships and dues, business and professional societies, etc.), accommodations and allowances as are from time to time generally available or applicable to the Company's principal executive officers, and (ii) annual vacations in accordance with the vacation policy established by the Company for the Company's principal executive officers during which time his applicable compensation shall be paid in full.

B. The Employee is authorized (to the same extent and in the same manner as the Company's other principal executive officers are authorized) to incur reasonable business expenses while on active or part-time status as an employee of the Company, including expenses for meals, entertainment, hotel and air travel, telephone, automobile, dues, club expenses, fees, and similar items (and shall be entitled to incur such reasonable business expenses, determined commensurate with the extent of his consultation hereunder, while an "affiliate" of the Company). The Company shall either pay directly or promptly reimburse the Employee for such expenses upon the presentment by the Employee from time to time of an itemized accounting (as reasonably required by the Company's policies) of such expenditures for which reimbursement is sought.

C. The Employee shall be provided by the Company with office space, furnishings and facilities, reserved parking, secretarial and administrative assistance, supplies and equipment commensurate with the size and quality of that which is provided from time to time to the Company's principal executive officers.

6. COVENANT NOT TO COMPETE

A. The Employee recognizes that in each of the highly competitive businesses in which the Company is engaged, personal contact is of primary importance in securing new customers and in retaining the accounts and goodwill of present customers and protecting the business of the Company. The Employee, therefore, agrees that at all times during the term of his employment hereunder and for a period of two (2) years after the termination of his employment hereunder, howsoever brought about, he will not, within 100 miles of

(i) the principal place of business of the Company,

(ii) the principal place of business of any corporation or other entity owned, controlled by (or otherwise affiliated with) the Company by which he may also be employed or served by him as an officer or director, or

(iii) any other geographic location in which the Employee has specifically represented the interests of the Company or such other affiliated entity, in any of the businesses described in subsections (a) through (d) below during the twelve (12) months prior to the termination of this Agreement,

as principal, agent, partner, employee, consultant, distributor, dealer, contractor, broker or trustee or through the agency of any corporation, partnership, association or agent or agency, engage directly or indirectly, in any business of (a) rubbish, garbage, paper, textile wastes, chemical or hazardous wastes, liquid or other waste collection, interim storage, transfer, recovery, processing, recycling, marketing or disposal, (b) engineering or design, construction, or operation of any plant, facility or other structure having as its primary purpose the mass burning of solid or liquid waste with or without any intended efforts to recover from such wastes, energy, steam, ash, fly ash or other constituents of the waste stream, regardless of whether such constituents have any value, (c) manufacturing, selling, leasing or distributing machinery, equipment or products used or produced in connection with the activities described in subsections (a) or (b) above, or (d) any other material business engaged in by the Company, and shall not be the owner of more than 1% of the outstanding capital stock of any corporation (other than the Company), or an officer, director or employee of any corporation (other than the Company or a corporation affiliated with the Company), or a member or employee of any partnership, or an owner, investor, lender, agent, consultant, distributor, dealer, contractor, broker or employee of any other business which conducts a business described in subsections (a), (b), (c) and (d) above, within the territory described above.

B. The Employee agrees that during the term of his employment under this Agreement and for a period of two (2) years after the termination of the Employee's employment under this Agreement, he will not directly or indirectly (i) induce any customers of the Company or corporations affiliated with the Company to patronize any similar business which competes with any material business of the Company; (ii) canvass, solicit or accept any similar business from any customer of the Company or corporations affiliated with the Company; (iii) directly or indirectly

request or advise any customers of the Company or corporations affiliated with the Company to withdraw, curtail or cancel such customer's business with the Company; or (iv) directly or indirectly disclose to any other person, firm or corporation the names or addresses of any of the customers of the Company or corporations affiliated with the Company. The Employee further agrees that he shall not engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumors, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity, reputation or good will of the Company, its management, or of management of corporations affiliated with the Company.

C. If the provisions of this Section 6 are violated, in whole or in part, the Company shall be entitled, upon application to any court of proper jurisdiction, to a temporary restraining order or preliminary injunction (without the necessity of posting any bond with respect thereto) to restrain and enjoin the Employee from such violation without prejudice to any other remedies the Company may have at law or in equity. Further, in the event that the provisions of this Section 6 should ever be deemed to exceed the time, geographic or occupational limitations permitted by the applicable laws, the Employee and the Company agree that such provisions shall be and are hereby reformed to the maximum time, geographic or occupational limitations permitted by the applicable laws. The provisions of this Section 6 shall survive the termination of the Employee's employment or expiration or termination of this Agreement.

7. CONFIDENTIAL INFORMATION - INTELLECTUAL PROPERTY

A. The Employee recognizes and acknowledges that he has had and will continue to have access to various confidential or proprietary information concerning the Company and corporations affiliated with the Company of a special and unique value which may include, without limitation, (i) books and records relating to operation, finance, accounting, sales, personnel and management, (ii) policies and matters relating particularly to operations such as customer service requirements, costs of providing service and equipment, operating costs and pricing matters, and (iii) various trade or business secrets, including business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information").

B. The Employee agrees, therefore, that he will not at any time, either while employed by the Company or afterwards, knowingly make any independent use of, or knowingly disclose to any other person or organization (except as authorized by the Company) any of the Protected Information.

C. In the event of a breach or threatened breach by the Employee of the provisions of this Section 7, the Employee agrees that Company shall be entitled to a temporary restraining order or a preliminary injunction (without the necessity of the Company posting any bond in connection therewith) restraining the Employee from using or disclosing, in whole or in part, such Protected Information. Nothing herein shall be construed as prohibiting the Company from

pursuing any other remedies available to it for such breach or threatened breach, including the recovery of damages from the Employee.

D. The Employee shall disclose promptly to the Company any and all conceptions and ideas for inventions, improvements, and valuable discoveries, whether patentable or not, which are conceived or made by the Employee solely or jointly with another during the period of employment on active status or within one (1) year thereafter and which pertain primarily to the material business activities of the Company and the Employee hereby assigns and agrees to assign all his interests therein to the Company or to its nominee; whenever requested to do so by the Company, the Employee shall execute any and all applications, assignments or other instruments which the Company shall deem necessary to apply for and obtain Letters of Patent of the United States or any foreign country or to otherwise protect the Company's interest therein. These obligations shall continue beyond the termination of employment with respect to inventions, improvements, and valuable discoveries, whether patentable or not, conceived, made or acquired by the Employee during the period of employment or within one (1) year thereafter, and shall be binding upon the Employee's assigns, executors, administrators and other legal representatives.

8. EMPLOYEE CONDUCT

A. The Employee represents and agrees with the Company that he will make no disbursement or other payment of any kind or character out of the compensation paid or expenses reimbursed to him pursuant hereto or with any other fund, which contravene, in any material respect, any policy of the Company or, in any material respect, any applicable statute or rule, regulation or order of any jurisdiction, foreign or domestic. The Employee further agrees to indemnify and save harmless the Company from any liabilities, obligations, claims, penalties, fines or losses resulting from any unauthorized or unlawful acts of the Employee which contravene in any material respect any policy of the Company or any statute, rule, regulation or order of any jurisdiction, foreign or domestic, applicable to the Employee or the Company. The provisions of this Section 8 shall survive the dissolution or termination of the Employee's employment under this Agreement.

B. The Employee acknowledges that he has been furnished with a current copy of the policy and procedures manual of the Company, that he has read and understands such policies and procedures set forth in such manual, that he understands such policies and procedures (and will read and become familiar with any revisions or supplements to this manual) are applicable to the Employee in the performance of his duties and job performance for the Company, and that he agrees to observe in all material respects the Company's policies and procedures in the conduct by the Employee of his employment duties for the Company.

C. The Employee agrees to disclose honestly and fully all information and documentation in his possession concerning all transactions or events relating to or affecting the Company or any entity owned, controlled (or otherwise affiliated) by the Company, as and to the extent such information or documentation is requested by the Company or the authorized representatives thereof; provided that if the Employee indicates to the Company that the

information or documentation requested is privileged, confidential or personally sensitive, appropriate steps will be taken to attempt to protect such privilege, confidentiality or privacy to the extent possible consistent with the ethical or legal obligations applicable to the Company, but neither such assertions by the Employee nor the undertakings attempted by the Company with respect thereto shall qualify the unconditional disclosure obligation of the Employee set forth above.

9. GENERAL PROVISIONS

A. In case any one or more of the provisions of this Agreement shall, for any reason, be held or found by final judgment of a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect (i) such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, (ii) this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein (except that this subsection (ii) shall not prohibit any modification allowed under Section 6 hereof), and (iii) if the effect of a holding or finding that any such provision is either invalid, illegal or unenforceable is to modify to the Employee's detriment, reduce or eliminate any compensation, reimbursement, payment, allowance or other benefit to the Employee intended by the Company and Employee in entering into this Agreement, the Company shall promptly negotiate and enter into an agreement with the Employee containing alternative provisions (reasonably acceptable to the Employee), that will restore to the Employee (to the extent lawfully permissible) substantially the same economic, substantive and income tax benefits the Employee would have enjoyed had any such provision of this Agreement been upheld as legal, valid and enforceable. Failure to insist upon strict compliance with any provision of this Agreement shall not be deemed a waiver of such provision or of any other provision of this Agreement.

B. The Employee acknowledges receipt of a copy of this Agreement (together with any attachments hereto), which has been executed in duplicate and agrees that, with respect to the subject matter hereof, it is the entire Agreement with the Company. Any other oral or any written representations, understandings or agreements with the Company or any of its officers or representatives covering the same subject matter which are in conflict with this Agreement are hereby merged into and superseded by the provisions of this Agreement.

C. The Company shall have no right of set-off or counter-claim in respect of any debt or other obligation of the Employee to the Company against any payment or other obligation of the Company to the Employee provided for in this Agreement or pursuant to any other plan, agreement or policy.

D. No provision of this Agreement may be amended, modified or waived unless such amendment, modification or waiver shall be agreed to in writing and signed by the Employee and by a person duly authorized by the Compensation Committee.

E. No right to or interest in any compensation or reimbursement payable hereunder shall be assignable or divisible by the Employee; provided, however, that this provision shall not preclude the Employee from designating one or more beneficiaries to receive any amount that may be payable after his death and shall preclude his executor or administrator from assigning any right hereunder to the person or person entitled thereto.

F. The headings of Sections and subsection hereof are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

G. (i) Company consents with respect to any action, suit or other legal proceeding pertaining directly to this Agreement or to the interpretation of or enforcement of any of the Employee's rights hereunder, to service of process in the State of Texas and appoints CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002 or such other agent within Houston, Texas as shall be designated by Company in a written notice to Employee, as its agent, in such state for such purpose. Company irrevocably (i) agrees that any such suit, action or legal proceeding may be brought in the courts of such state or the courts of the United States for such state, (ii) consents to the jurisdiction of each such court in any such suit, action or legal proceeding and (iii) waives any objection it may have to laying of venue of any such suit, action or legal proceeding in any of such courts.

(ii) This Agreement shall be construed in accordance with and governed for all purposes by the laws of the State of Texas.

H. This Agreement may not be assigned, partitioned, subdivided, pledged, or hypothecated in whole or in part without the express prior written consent of the Employee and Company. This Agreement shall not be terminated either by the voluntary or involuntary dissolution or the winding up of the affairs of the Company, or by any merger or consolidation wherein the Company is not the surviving corporation, or by any transfer of all or substantially all of the Company's assets on a consolidated basis. In the event of any such merger, consolidation or transfer of assets, the provisions of this Agreement shall be binding upon and shall inure to the benefit of the surviving corporation or to the corporation to which such assets shall be transferred.

I. If any amounts which are required or determined to be paid or payable or reimbursed or reimbursable to the Employee under this Agreement (or under any other plan, agreement, policy or arrangement with the Company) are not so paid promptly at the times provided herein or therein, such amounts shall accrue interest compounded daily at the annual percentage rate which is three percentage points (3%) above the interest rate which is announced by The First National Bank of Boston, Boston, Massachusetts, from time to time, as its Base Rate (or prime lending rate), from the date such amounts were required or determined to have been paid or payable or reimbursed or reimbursable to the Employee until such amounts and any interest accrued thereon are finally and fully paid, provided, however, that in no event shall the amount of interest contracted for, charged or received hereunder exceed the maximum non-usurious amount of interest allowed by applicable law.

J. The Company agrees with the Employee that, except to the extent required by law, it will not make or publish, without the express prior written consent of the Employee, any written or oral statement concerning the terms of the Employee's employment relationship with the Company and will not, if the Employee goes on part-time status for any reason or severs his employment with the Company, make or publish any written or oral statement concerning the Employee including, without limitation, his work-related performance or the reasons or basis for the Employee going on part-time status or otherwise severing his employment relationship with the Company.

10. TERMINATION OF PRIOR AGREEMENTS

This Agreement shall terminate and supersede any and all prior written or oral agreements or understandings existing between the Company and the Employee with respect to employment or compensation, and the Company and the Employee hereby mutually release and discharge each other from any further obligation, liability or responsibility under any of the foregoing.

11. NOTICES

Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered in person or when deposited in the U.S. mail, registered or certified, postage prepaid, and mailed to the respective addresses set forth herein.

12. DISPUTES; PAYMENT OF ATTORNEYS' FEES

If at any time during the term of this Agreement or afterwards there should arise any dispute as to the validity, interpretation or application of any term or condition of this Agreement, the Company agrees, upon written demand by Employee (and Employee shall be entitled, upon application to any court of competent jurisdiction, to the entry of a mandatory injunction, without the necessity of posting any bond with respect thereto, compelling the Company) to promptly provide sums sufficient to pay on a current basis (either directly or by reimbursing the Employee) the Employee's costs and reasonable attorney's fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred by the Employee in connection with any such dispute or any litigation, (x) provided that the Employee shall repay any such amounts paid or advanced if the Employee is not the prevailing party with respect to any dispute or litigation arising under Sections 6, 7 or 8, or (y) regardless of whether the Employee is the prevailing party in a dispute or in litigation involving any other provision of this Agreement, provided that the court in which such litigation is first initiated determines with respect to this obligation, upon application of either party hereto, the Employee did not initiate frivolously such litigation. Under no circumstances shall the Employee be obligated to pay or reimburse the Company for any attorneys' fees, costs of expenses incurred by the Company. The provisions of this Section 12 shall survive the expiration or termination of this Agreement and of the Employee's employment hereunder.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year indicated above.

/s/ RODNEY R. PROTO

RODNEY R. PROTO
Employee's Permanent Address:

597 Piney
Point Houston, TX 77024

USA WASTE SERVICES, INC.

By: /s/ JOHN E. DRURY

JOHN E. DRURY
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

5400 LBJ Freeway,
Tower One, Suite 300
Dallas, Texas 75240

REVOLVING CREDIT AGREEMENT

dated as of August 30, 1996

by and among

USA WASTE SERVICES, INC.,
(the "Company")
SANIFILL, INC.
("Sanifill")
CANADIAN WASTE SERVICES INC.
("CWS")

and

THE FIRST NATIONAL BANK OF BOSTON
("FNBB"),
BANK OF AMERICA ILLINOIS
("BAI")
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
("MGT")
JP MORGAN CANADA
("MBC")
and the other financial institutions which become
a party to this agreement

(Collectively, the "Banks")

and

MGT as the Administrative Agent
FNBB as Documentation Agent
and
MBC as Canadian Agent
(Collectively, the "Bank Agents")

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AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

This AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT is made as of the 30th day of August, 1996, by and among USA WASTE SERVICES, INC., a Delaware corporation having its chief executive office at 5400 LBJ Freeway, Suite 300, Dallas, Texas 75240 (the "Company"), CANADIAN WASTE SERVICES INC., a Canadian corporation having its chief executive office at 3525 Mavis Road, Mississauga, Ontario L5C1T7 ("CWS"), SANIFILL, INC., a Delaware corporation having its chief executive office at 2777 Allen Parkway, Suite 700, Houston, Texas 77019 ("Sanifill"), and THE FIRST NATIONAL BANK OF BOSTON, a national banking association having its principal place of business at 100 Federal Street, Boston, Massachusetts 02110 ("FNBB"), BANK OF AMERICA ILLINOIS, an Illinois banking corporation having its principal place of business at 231 South LaSalle Street Chicago, IL 60697 ("BAI"), MORGAN GUARANTY TRUST COMPANY OF NEW YORK, a New York state banking association having its principal place of business at 60 Wall Street, New York, New York 10260 ("MGT"), J.P. MORGAN CANADA, a bank incorporated in Canada having its principal place of business at Royal Bank Plaza, Suite 2200, South Tower, Toronto, Ontario M5J2J2 ("MBC") and each of the other financial institutions party hereto (collectively, the "Banks"), and MGT as the Administrative Agent (the "Administrative Agent"), FNBB as the Documentation Agent (the "Documentation Agent") and MBC as the Canadian Agent (the "Canadian Agent", and together with the Administrative Agent and the Documentation Agent, the "Bank Agents").

SECTION 1. DEFINITIONS AND RULES OF INTERPRETATION.

SECTION 1.1. DEFINITIONS. The following terms shall have the meanings set forth in this Section 1 or elsewhere in the provisions of this Agreement referred to below:

Absolute Competitive Bid Loan(s). See Section 5.3(a).

Acceptance Fee. See Section 3.3.

Accountants. See Section 8.4(a).

Administrative Agent. See Preamble.

Affected Bank. See Section 6.12.

Agents. FNBB, BAI, and J.P. Morgan Securities Inc.

Agreement. This Amended and Restated Revolving Credit Agreement, including the Schedules and Exhibits hereto, as from time to time amended and supplemented in accordance with the terms hereof.

Applicable BA Discount Rate. As applicable to a Bankers' Acceptance being purchased by any Canadian Bank on any day, the percentage discount rate (expressed to two decimal places and rounded upward, if necessary, to the nearest 1/100th of 1%) quoted by the Canadian Agent as the percentage discount rate at which the Canadian Agent would, in accordance with normal practice, at or about 10:00 a.m. (New York time), on such day, be prepared to purchase bankers' acceptances accepted by such Canadian Bank in an amount and having a maturity date comparable to the amount and maturity date of such Bankers' Acceptance.

Applicable Canadian Pension Legislation. At any time, any pension or retirement benefits legislation (be it federal, provincial, territorial, or otherwise) then applicable to any of the Canadian Borrowers, including the Pension Benefits Act (Ontario), the Income Tax Act (Canada), and all regulations made thereunder.

Applicable Eurodollar Rate. The applicable rate per annum of interest on the Eurodollar Loans shall be as set forth in the Pricing Table.

Applicable Facility Rate. The applicable rate per annum with respect to the Facility Fee shall be as set forth in the Pricing Table.

Applicable L/C Rate. The applicable rate per annum on the Maximum Drawing Amount shall be as set forth in the Pricing Table.

Applicable Requirements. See Section 8.10.

Applicable Swing Line Rate. The annual rate of interest agreed upon from time to time by FNBB and the Company with respect to Swing Line Loans.

Assignment and Acceptance. See Section 20.

BA Discount Proceeds. With respect to any Bankers' Acceptance to be accepted and purchased by a Canadian Bank, an amount (rounded to the nearest whole Canadian cent, and with one-half of one Canadian cent being rounded up) calculated on such day by multiplying (a) the face amount of such Bankers' Acceptance times (b) the quotient equal to (such quotient being rounded up or down to the nearest fifth decimal place and .000005 being rounded up) (i) one divided by (ii) the sum of (A) one plus (B) the

product of (1) the Applicable BA Discount Rate (expressed as a decimal) applicable to such Bankers' Acceptance times (2) the quotient equal to (aa) the number of days remaining in the term of such Bankers' Acceptance divided by (bb) the number of days in the calendar year in which such Bankers' Acceptance is to mature.

Balance Sheet Date. June 30, 1996.

Bank Agents. See Preamble.

Bankers' Acceptance or BA. A bill of exchange denominated in Canadian Dollars drawn by the Canadian Borrowers on and accepted by a Canadian Bank pursuant to Section 3 hereof.

Bankers' Acceptance Notice. See Section 3.1.

Banks. Collectively, the Canadian Banks and the Domestic Banks.

Base Rate. The higher of (a) the annual rate of interest announced from time to time by the Administrative Agent at its Head Office as its "prime rate" (it being understood that such rate is a reference rate and not necessarily the lowest rate of interest charged by the Administrative Agent) or (b) one percent (1%) above the Overnight Federal Funds Effective Rate.

Base Rate Loans. Syndicated Loans bearing interest calculated by reference to the Base Rate.

Borrower(s). The Company with respect to Domestic Loans and Domestic Letters of Credit, and each of the Canadian Borrowers, jointly and severally, with respect to Canadian Loans, Canadian Letters of Credit and Bankers' Acceptances.

Business Day. Any day, other than a Saturday, Sunday or any day on which banking institutions in New York, New York are authorized by law to close, and, when used in connection with (a) a Eurodollar Loan, a Eurodollar Business Day, and (b) a Canadian Loan or Bankers' Acceptance, a Canadian Business Day.

Canadian Agent. See Preamble.

Canadian Banks. The Banks set forth on Schedule 2, acting in their role as makers of Canadian Loans or as participants with respect to Canadian Letters of Credit or purchasers of Bankers' Acceptances.

Canadian Base Rate. The higher of (a) the annual rate of interest announced from time to time by the Canadian Agent as its "prime rate" for US\$ commercial loans to borrowers in Canada (it being understood that such

rate is a reference rate and not necessarily the lowest rate of interest charged by the Canadian Agent), or (b) one percent (1%) above the Overnight Federal Funds Effective Rate.

Canadian Base Rate Loan. A Canadian Loan that accrues interest calculated by reference to the Canadian Base Rate.

Canadian Borrowers. Initially, CWS, and from and after the date hereof, CWS and such other Subsidiaries of the Company as the Borrowers and the Bank Agents shall mutually agree to add as Canadian Borrowers hereunder after the date hereof.

Canadian Business Day. Any day, other than a Saturday, Sunday or any day on which banking institutions in Toronto, Ontario are authorized by law to close.

Canadian Commitment. With respect to each Canadian Bank, the amount determined by multiplying such Canadian Bank's Canadian Commitment Percentage by the aggregate amount of the Total Canadian Commitment specified in Section 2.1(b) hereof, as the same may be increased or reduced from time to time.

Canadian Commitment Percentage. With respect to each Canadian Bank, the percentage initially set forth next to each such Canadian Bank on Schedule 2 hereto, as the same may be adjusted in accordance with Section 2.3 and Section 20.

Canadian Dollar Equivalent. With respect to an amount of U.S. Dollars on any date, the amount of Canadian Dollars that may be purchased with such amount of U.S. Dollars at the Exchange Rate with respect to U.S. Dollars on such date.

Canadian Dollars or C\$. Dollars designated as lawful currency of Canada.

Canadian Letters of Credit. Standby Letters of Credit issued or to be issued by the Issuing Bank under Section 4 hereof for the account of the Canadian Borrowers.

Canadian Loan Request. See Section 2.6(b).

Canadian Loans. Canadian Base Rate Loans, Canadian Prime Rate Loans and Eurodollar Loans advanced pursuant to Section 2.1(b) and Section 2.1(c).

Canadian Notes. See Section 2.4(b).

Canadian Prime Rate. The higher of (a) the annual rate of interest announced from time to time by the Canadian Agent at its Head Office as its "prime rate" for C\$ denominated commercial loans to borrowers in Canada (it being understood that such rate is a reference rate and not necessarily the lowest rate of interest charged by the Canadian Agent) or (b) the sum of (i) the CDOR Rate plus (ii) 1% per annum.

Canadian Prime Rate Loan. A Canadian Loan funded in Canadian Dollars that accrues interest calculated by reference to the Canadian Prime Rate.

Capitalized Leases. Leases under which the Company or any of its Subsidiaries is the lessee or obligor, the discounted future rental payment obligations under which are required to be capitalized on the balance sheet of the lessee or obligor in accordance with GAAP.

CDOR Rate. The annual rate of interest equal to the average 30 day, rate applicable to Canadian bankers' acceptances appearing on the "Reuters Screen CDOR Page" (as defined in the International Swap Dealer Association, Inc. (1991 ISDA) definitions, as modified and amended from time to time) as of 10:00 a.m. (New York time) on such day, or if such day is not a Business Day, then on the immediately preceding Business Day; provided that if such rate does not appear on the Reuters' Screen CDOR Page as contemplated, then the CDOR Rate on any day shall be calculated as the arithmetic mean of the 30 day rates applicable to Canadian bankers' acceptances quoted by the Canadian Banks which are listed in Schedule I to the Bank Act (Canada) as of 10:00 a.m. (New York time) on such day, or if such day is not a Business Day, then on the immediately preceding Business Day.

CERCLA. See Section 7.15(a).

Certified or certified. With respect to the financial statements of any Person, such statements as audited by a firm of independent auditors, whose report expresses the opinion, without qualification, that such financial statements present fairly the financial position of such Person.

CFO or the CAO. See Section 8.4(b).

Closing Date. The date on which the conditions precedent set forth in Section 11 hereof are satisfied.

Code. The Internal Revenue Code of 1986, as amended and in effect from time to time.

Commitment. With respect to any Bank, its Domestic Commitment and/or Canadian Commitment(s).

Company. See Preamble.

Competitive Bid Loan(s). A borrowing hereunder consisting of one or more loans made by any of the participating Domestic Banks whose offer to make a Competitive Bid Loan as part of such borrowing has been accepted by the Company under the auction bidding procedure described in Section 5 hereof.

Competitive Bid Loan Accounts. See Section 5.2(a).

Competitive Bid Margin. See Section 5.5(b)(iv).

Competitive Bid Notes. See Section 5.2(b).

Competitive Bid Quote. An offer by a Domestic Bank to make a Competitive Bid Loan in accordance with Section 5.5 hereof.

Competitive Bid Quote Request. See Section 5.3.

Competitive Bid Rate. See Section 5.5(b)(v).

Compliance Certificate. See Section 8.4(c).

Consolidated or consolidated. With reference to any term defined herein, shall mean that term as applied to the accounts of the Company and its Subsidiaries consolidated in accordance with GAAP.

Consolidated Earnings Before Interest and Taxes, or EBIT. For any period, the Consolidated Net Income (or Deficit) of the Company and its Subsidiaries on a consolidated basis plus the sum of (1) interest expense, (2) income taxes, (3) up to \$39,000,000 in pooling charges actually incurred with respect to the Western Waste Merger taken as a special charge in the quarter ending June 30, 1996 and (4) up to \$50,000,000 in pooling charges actually incurred with respect to the Sanifill Merger, taken as a special charge in the quarter ending September 30, 1996, to the extent that each was deducted in determining Consolidated Net Income; provided, however, that EBIT shall not include extraordinary gains from tax credits occurring in any quarter commencing with the quarter ending September 30, 1996.

Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization or EBITDA. For any period, EBIT plus (a) depreciation expense, and (b) amortization expense to the extent the same would be included in the calculation of EBIT for such period, determined in accordance with GAAP.

Consolidated Net Income (or Deficit). The consolidated net income (or deficit) of the Company and its Subsidiaries on a consolidated basis, after deduction of all expenses, taxes, and other proper charges, determined in accordance with GAAP.

Consolidated Net Worth. The sum of the par value of the capital stock (excluding treasury stock), capital in excess of par or stated value of shares of capital stock, retained earnings (minus accumulated deficit) and any other account which, in accordance with GAAP, constitute stockholders' equity, of the Company and its Subsidiaries determined on a consolidated basis, excluding any effect of foreign currency transaction computed pursuant to Financial Accounting Standards Board Statement No. 52, as amended, supplemented or modified from time to time, or otherwise in accordance with GAAP.

Consolidated Tangible Assets. Consolidated Total Assets less the sum of:

(a) the total book value of all assets of the Company and its Subsidiaries properly classified as intangible assets under generally accepted accounting principles, including such items as goodwill, the purchase price of acquired assets in excess of the fair market value thereof, trademarks, trade names, service marks, customer lists, brand names, copyrights, patents and licenses, and rights with respect to the foregoing; plus

(b) all amounts representing any write-up in the book value of any assets of the Company or its Subsidiaries resulting from a revaluation thereof subsequent to the Balance Sheet Date.

Consolidated Total Assets. All assets of the Company and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

Consolidated Total Capitalization. The sum of Funded Debt plus Consolidated Net Worth.

Consolidated Total Interest Expense. For any period, the aggregate amount of interest expense required by GAAP to be paid or accrued during such period on all Indebtedness of the Company and its Subsidiaries outstanding during all or any part of such period, including capitalized interest expense for such period.

CWS. See Preamble.

Default. See Section 13.1.

Defaulting Bank. See Section 6.12.

Disposal. See "Release".

Distribution. The declaration or payment of any dividend or other return on equity on or in respect of any shares of any class of capital stock, any partnership interests or any membership interests of any Person, other than dividends or other such returns payable solely in shares of common stock, partnership interests or membership units of such Person, as the case may be; the purchase, redemption, or other retirement of any shares of any class of capital stock, partnership interests or membership units of such Person, directly or indirectly through a Subsidiary or otherwise; the return of equity capital by any Person to its shareholders, partners or members as such; or any other distribution on or in respect of any shares of any class of capital stock, partnership interest or membership unit of such Person.

Documentation Agent. See Preamble.

Dollars or US\$ or \$ or U.S. Dollars. Dollars in lawful currency of the United States of America.

Dollar Equivalent. With respect to an amount of Canadian Dollars on any date, the amount of U.S. Dollars that may be purchased with such amount of Canadian Dollars at the Exchange Rate with respect to Canadian Dollars on such date.

Domestic Banks. The Banks set forth on Schedule 1, acting in their role as makers of Domestic Loans or as participants with respect to Domestic Letters of Credit.

Domestic Commitment. With respect to each Domestic Bank, the amount determined by multiplying such Domestic Bank's Domestic Commitment Percentage by the aggregate amount of the Total Domestic Commitment specified in Section 2.1(a) hereof, as the same may be reduced from time to time.

Domestic Commitment Percentage. With respect to each Domestic Bank, the percentage initially set forth next to each such Domestic Bank on Schedule 1 hereto, as the same may be adjusted in accordance with Section 2.3 and Section 20.

Domestic Letters of Credit. Standby or direct pay Letters of Credit issued or to be issued by the Issuing Bank under Section 4 hereof for the account of the Company.

Domestic Loans. Collectively, the Syndicated Loans, the Swing Line Loans and the Competitive Bid Loans.

Drawdown Date. The date on which any Loan is made or is to be made.

EBIT. See definition of Consolidated Earnings Before Interest and Taxes.

EBITDA. See definition of Consolidated Earnings Before Interest, Taxes, Depreciation, and Amortization.

Eligible Canadian Assignee. Any institutional lender which is (i) a bank named in Schedule I or Schedule II to the Bank Act (Canada) having total assets in excess of C\$500,000,000 or (ii) any other Bank approved by the Bank Agents and the Borrowers, which approval shall not be unreasonably withheld.

Employee Benefit Plan. Any employee benefit plan within the meaning of Section 3(3) of ERISA or Applicable Canadian Pension Legislation maintained or contributed to by the Company, any of its Subsidiaries, or any ERISA Affiliate, other than a Multiemployer Plan.

Environmental Laws. See Section 7.15(a).

EPA. See Section 7.15(b).

ERISA. The Employee Retirement Income Security Act of 1974, as amended and in effect from time to time.

ERISA Affiliate. Any Person which is treated as a single employer with the Company or any of its Subsidiaries under Section 414 of the Code.

ERISA Reportable Event. A reportable event with respect to a Guaranteed Pension Plan within the meaning of Section 4043 of ERISA and the regulations promulgated thereunder as to which the requirement of notice has not been waived.

Eurocurrency Reserve Rate. For any day with respect to a Eurodollar Loan, the maximum rate (expressed as a decimal) at which any lender subject thereto would be required to maintain reserves under Regulation D of the Board of Governors of the Federal Reserve System (or any successor or similar regulations relating to such reserve requirements) against "Eurocurrency Liabilities" (as that term is used in Regulation D), if such liabilities were outstanding. The Eurocurrency Reserve Rate shall be

adjusted automatically on and as of the effective date of any change in the Eurocurrency Reserve Rate.

Eurodollar Business Day. Any day on which commercial banks are open for international business (including dealings in Dollar deposits) in London or such other eurodollar interbank market as may be selected by the Administrative Agent in its sole discretion acting in good faith.

Eurodollar Interest Determination Date. For any Interest Period, the date two Eurodollar Business Days prior to the first day of such Interest Period.

Eurodollar Lending Office. Initially, the office of each Bank designated as such in Schedule 1 and Schedule 2 hereto; thereafter, upon notice to the Administrative Agent, such other office of such Bank that shall be making or maintaining Eurodollar Loans.

Eurodollar Loans. Syndicated Loans and Canadian Loans bearing interest calculated by reference to the Eurodollar Rate.

Eurodollar Rate. For any Interest Period with respect to a Eurodollar Loan, the rate of interest equal to (i) the arithmetic average of the rates per annum for each Reference Bank at which such Reference Bank's Eurodollar Lending Office is offered Dollar deposits at approximately 10:00 a.m. New York time two Eurodollar Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where the eurodollar operations of such Eurodollar Lending Office are customarily conducted, for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of the Eurodollar Rate Loan of such Reference Bank to which such Interest Period applies, divided by (ii) a number equal to 1.00 minus the Eurocurrency Reserve Rate, if applicable (rounded upwards to the nearest 1/16 of one percent).

Event of Default. See Section 13.1

Exchange Rate. On any day, (a) with respect to Canadian Dollars in relation to U.S. Dollars, the spot rate as quoted by the Bank of Canada as its noon spot rate at which U.S. Dollars are offered on such day for Canadian Dollars, and (b) with respect to U.S. Dollars in relation to Canadian Dollars, the spot rate as quoted by the Bank of Canada as its noon spot rate at which Canadian Dollars are offered on such day for U.S. Dollars.

Facility Fee. See Section 2.2.

FNBB. See Preamble.

Funded Debt. Consolidated Indebtedness of the Company and its Subsidiaries for borrowed money and guarantees of debt for borrowed money recorded on the Consolidated balance sheet of the Company and its Subsidiaries, including the amount of any Indebtedness of such Persons for Capitalized Leases which corresponds to principal.

generally accepted accounting principles, or GAAP. (i) When used in Section 10, whether directly or indirectly through reference to a capitalized term used therein, means (A) principles that are consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, in effect for the fiscal year ended on the Balance Sheet Date, and (B) to the extent consistent with such principles, the accounting practice of the Company reflected in its financial statements for the year ended on the Balance Sheet Date, and (ii) when used in general, other than as provided above, means principles that are (A) consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, as in effect from time to time, and (B) consistently applied with past financial statements of the Company adopting the same principles, provided that in each case referred to in this definition of "generally accepted accounting principles" a certified public accountant would, insofar as the use of such accounting principles is pertinent, be in a position to deliver an unqualified opinion (other than a qualification regarding changes in generally accepted accounting principles) as to financial statements in which such principles have been properly applied.

Guaranteed Obligations. See Section 29.1.

Guaranteed Pension Plan. Any employee pension benefit plan within the meaning of Section 3(2) of ERISA maintained or contributed to by the Company, its Subsidiaries or any ERISA Affiliate the benefits of which are guaranteed on termination in full or in part by the PBGC pursuant to Title IV of ERISA, other than a Multiemployer Plan.

Guarantors. Each of Sanifill, with respect to the Obligations of the Borrowers, and the Company, with respect to the Obligations of the Canadian Borrowers only.

Hazardous Substances. See Section 7.15(b).

Head Office. When used in connection with the Administrative Agent, the Administrative Agent's head office located in New York, New York, or at such other location as the Administrative Agent may designate from time to time, and when used in connection with the Canadian Agent, the Canadian Agent's head office located in Toronto, Ontario, or at such other location as the Canadian Agent may designate from time to time.

Increased Banks. See Section 2.3(c).

Indebtedness. Collectively without duplication, whether classified as Indebtedness, an Investment or otherwise on the obligor's balance sheet, (a) all indebtedness for borrowed money, (b) all obligations for the deferred purchase price of property or services (other than trade payables not overdue by more than ninety (90) days incurred in the ordinary course of business), (c) all obligations evidenced by notes, bonds, debentures or other similar debt instruments, (d) all obligations created or arising under any conditional sale or other title retention agreement with respect to property acquired (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations, liabilities and indebtedness under Capitalized Leases, (f) all obligations, liabilities or indebtedness (contingent or otherwise) under surety, performance bonds or any other bonding arrangements, (g) all Indebtedness of others referred to in clauses (a) through (f) above which is guaranteed, or in effect guaranteed, directly or indirectly in any manner, including through an agreement (A) to pay or purchase such Indebtedness or to advance or supply funds for the payment or purchase of such Indebtedness, (B) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling any Person to make payment of such Indebtedness or to assure the holder of such Indebtedness against loss, (C) to supply funds to or in any other manner invest in any Person (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (D) otherwise to assure any Person against loss, and (h) all Indebtedness referred to in clauses (a) through (g) above secured or supported by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured or supported by) any lien or encumbrance on (or other right of recourse to or against) property (including, without limitation, accounts and contract rights), even though the owner of the property has not assumed or become liable, contractually or otherwise, for the payment of such Indebtedness.

Interest Period. With respect to each Loan (a) initially, the period commencing on the Drawdown Date of such Loan and ending on the last day of one of the periods set forth below, as selected by the applicable Borrower(s) in

accordance with this Agreement (i) for any Base Rate Loan, Swing Line Loan, Canadian Base Rate Loan or Canadian Prime Rate Loan, the last day of the month; (ii) for any Eurodollar Loan, 1, 2, 3, or 6 months; (iii) for any Absolute Competitive Bid Loan, from 7 through 180 days; and (iv) for any LIBOR Competitive Bid Loan, 1, 2, 3, 4, 5, or 6 months; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Loan and ending on the last day of one of the periods set forth above, as selected by the applicable Borrower(s) in accordance with this Agreement; provided that any Interest Period which would otherwise end on a day which is not a Business Day shall be deemed to end on the next succeeding Business Day; provided further that for any Interest Period for any Eurodollar Loan or LIBOR Competitive Bid Loan, if such next succeeding Business Day falls in the next succeeding calendar month, such Interest Period shall be deemed to end on the next preceding Business Day; and provided further that no Interest Period shall extend beyond the Maturity Date.

Investments. All expenditures made by a Person and all liabilities incurred (contingently or otherwise) by a Person for the acquisition of stock (other than the stock of wholly-owned Subsidiaries), pre-payments for use of landfill air space in excess of usual and customary industry practice, or Indebtedness of, or for loans, advances, capital contributions or transfers of property to, or in respect of any guaranties or other commitments as described under Indebtedness, or obligations of, any other Person, including without limitation, the funding of any captive insurance company (other than loans, advances, capital contributions or transfers of property to any wholly owned Subsidiaries or guaranties with respect to Indebtedness of wholly owned Subsidiaries). In determining the aggregate amount of Investments outstanding at any particular time: (a) the amount of any Investment represented by a guaranty shall be taken at not less than the principal amount of the obligations guaranteed and still outstanding; (b) there shall be included as an Investment all interest accrued with respect to Indebtedness constituting an Investment unless and until such interest is paid; (c) there shall be deducted in respect of each such Investment any amount received as a return of capital (but only by repurchase, redemption, retirement, repayment, liquidating dividend or liquidating distribution); (d) there shall not be deducted in respect of any Investment any amounts received as earnings on such Investment, whether as dividends, interest or otherwise, except that accrued interest included as provided in the foregoing clause (b) may be deducted when paid; and (e) there shall not be deducted from the aggregate amount of Investments any decrease in the value thereof.

Issuance Fee. See Section 4.6.

Issuing Bank. The Bank(s) issuing Letters of Credit, which shall be FNBB, MGT, BAI, Texas Commerce Bank and such other Banks as agreed to by the applicable Borrower(s) and the Bank Agents.

Letter of Credit Applications. Letter of credit applications in such form as may be agreed upon by the applicable Borrower(s) and the Issuing Bank from time to time which are entered into pursuant to Section 4 hereof, as such Letter of Credit Applications are amended, varied or supplemented from time to time; provided, however, in the event of any conflict or

inconsistency between the terms of any Letter of Credit Application and this Agreement, the terms of this Agreement shall control.

Letter of Credit Fee. See Section 4.6.

Letter of Credit Participation. See Section 4.1(c).

Letters of Credit. Domestic Letters of Credit and Canadian Letters of Credit.

LIBOR Competitive Bid Loan(s). See Section 5.3(a).

LIBOR Rate. For any Interest Period with respect to a LIBOR Competitive Bid Loan, (a) the rate of interest equal to the rate determined by the Administrative Agent at which Dollar deposits for such Interest Period are offered based on information presented on Telerate Page 3750 as of 11:00 a.m. (London time) two (2) Eurodollar Business Days prior to the first day of such Interest Period, or (b) if such rate is not shown at such place, the rate of interest equal to (i) the arithmetic average of the rates per annum for each Reference Bank at which such Reference Bank's Eurodollar Lending Office is offered Dollar deposits two Eurodollar Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where the eurodollar operations of such Eurodollar Lending Office are customarily conducted, for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of the Eurodollar Loan of such Reference Bank to which such Interest Period applies, divided by (ii) a number equal to 1.00 minus the Eurocurrency Reserve Rate, if applicable (rounded upwards to the nearest 1/16 of one percent).

Loan Documents. This Agreement, the Notes, the Letter of Credit Applications, the Letters of Credit, the Bankers' Acceptances and any documents, instruments or agreements executed in connection with any of the foregoing, each as amended, modified, supplemented, or replaced from time to time.

Loans. Collectively, the Domestic Loans made by the Domestic Banks and the Canadian Loans made by the Canadian Banks.

Majority Banks. The Banks with fifty-one percent (51%) of the Total Commitment; provided that in the event that the Total Commitment has been terminated, the Majority Banks shall be the Banks holding fifty-one percent (51%) of the aggregate outstanding principal amount of the Obligations on such date.

Material Subsidiary. Any Subsidiary which, at the time such determination is made, (a) has assets, revenues, or liabilities equal to at least \$8,000,000, or (b) is the holder of or the applicant for a permit to operate a solid waste facility pursuant to RCRA or any analogous state law.

Maturity Date. August 30, 2001.

Maximum Drawing Amount. The maximum aggregate amount from time to time that the beneficiaries may draw under outstanding Letters of Credit.

MBC. See Preamble.

MGT. See Preamble.

Moody's. Moody's Investors Service, Inc.

Multiemployer Plan. Any multiemployer plan within the meaning of Section 3(37) of ERISA maintained or contributed to by the Company, any of its Subsidiaries, or any ERISA Affiliate.

New Lending Office. See Section 6.1(d).

Non-U.S. Bank. See Section 6.1(c).

Notes. Collectively, the Competitive Bid Notes, the Syndicated Notes, the Swing Line Note, and the Canadian Notes.

Obligations. All indebtedness, obligations and liabilities of the Borrowers to any of the Banks and the Bank Agents arising or incurred under this Agreement or any of the other Loan Documents or in respect of any of the Loans made or Reimbursement Obligations incurred or the Letters of Credit, the Bankers' Acceptances, the Notes, or any other instrument at any time evidencing any thereof individually or collectively, existing on the date of this Agreement or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise.

Overnight Federal Funds Effective Rate. The overnight federal funds effective rate as published by the Board of Governors of the Federal Reserve System, as in effect from time to time.

PBGC. The Pension Benefit Guaranty Corporation created by Section 4002 of ERISA and any successor entity or entities having similar responsibilities.

Permitted Liens. See Section 9.2.

Person. Any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated association, business, or other legal entity, and any government or any governmental agency or political subdivision thereof.

Pricing Table:

| LEVEL | SENIOR PUBLIC DEBT RATING | APPLICABLE FACILITY RATE | APPLICABLE L/C RATE | APPLICABLE EURODOLLAR RATE |
|-------|--|--------------------------|---------------------|--|
| 1 | At least BBB+ by Standard & Poor's or at least Baa1 by Moody's | 0.1100% per annum | 0.2400% per annum | Eurodollar Rate plus 0.2400% per annum |
| 2 | At least BBB by Standard & Poor's or at least Baa2 by Moody's | 0.1500% per annum | 0.3000% per annum | Eurodollar Rate plus 0.3000% per annum |
| 3 | At least BBB- by Standard & Poor's or at least Baa3 by Moody's | 0.2000% per annum | 0.3500% per annum | Eurodollar Rate plus 0.3500% per annum |
| 4 | At least BB+ by Standard & Poor's or at least Baa1 by Moody's | 0.2500% per annum | 0.6250% per annum | Eurodollar Rate plus 0.6250% per annum |
| 5 | If no other level applies | 0.3750% per annum | 0.7500% per annum | Eurodollar Rate plus 0.7500% per annum |

The applicable rates charged for any day shall be determined by the Senior Public Debt Rating in effect as of that day.

Prudential Private Placement Debt. Indebtedness of Sanifill arising under (i) that certain Note Agreement dated August 30, 1996 by and among the Company, Sanifill and The Prudential Insurance Company of America and (ii) that certain Amended and Restated Master Shelf Agreement dated as of August 30, 1996 by and among the Company, Sanifill and The Prudential Insurance Company of America, as each such agreement may be amended with the consent of the Bank Agents.

RCRA. See Section 7.15(a).

Real Property. All real property heretofore, now, or hereafter owned, operated, or leased by the Company or any of its Subsidiaries.

Reallocation Fee. See Section 2.3(d).

Reduced Bank. See Section 2.3(c).

Reference Banks. FNBB, BAI and MGT.

Refunding Bankers' Acceptance. See Section 3.2.

Reimbursement Obligation. The Company's obligation to reimburse the Issuing Bank and the Domestic Banks on account of any drawing under any Domestic Letter of Credit and the Canadian Borrowers' joint and several obligation to reimburse the Issuing Bank and the Canadian Banks on account of any drawing under any Canadian Letter of Credit, all as provided in Section 4.2.

Release. Shall have the meaning specified in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Sections 9601 et seq. ("CERCLA") and the term "Disposal" (or "Disposed") shall have the meaning specified in the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Sections 6901 et seq. ("RCRA") and regulations promulgated thereunder; provided, that in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply as of the effective date of such amendment and provided further, to the extent that the laws of Canada or a state, province, territory or other political subdivision thereof wherein the property lies establish a meaning for "Release" or "Disposal" which is broader than specified in either CERCLA, or RCRA, such broader meaning shall apply to the Company's or any of its Subsidiaries' activities in that state, province, territory or political subdivision.

Replacement Bank. See Section 6.12.

Replacement Notice. See Section 6.12.

Sanifill. See Preamble.

Sanifill Merger. The merger of Sanifill and Quatro Acquisition Corp., a Subsidiary of the Company, pursuant to the terms of the Sanifill Merger Agreement.

Sanifill Merger Agreement. The Agreement and Plan of Merger dated as of June 22, 1996 between Sanifill, the Company and Quatro Acquisition Corp.

Sanifill Convertible Subordinated Debt. The Indebtedness arising under that certain Indenture dated as of March 1, 1996, by and between Sanifill and Texas Commerce Bank National Association as Trustee, as in effect on the date hereof, provided, that the Obligations and the Guaranteed Obligations shall be "Senior Indebtedness" thereunder.

Senior Public Debt Rating. The rating(s) of the Company's public unsecured long-term senior debt, without third party credit enhancement, issued by Moody's and/or Standard & Poor's; or in the event no public unsecured long-term senior debt is outstanding, the rating(s) of this credit facility issued by Moody's and/or Standard & Poor's upon the request of the Company; provided that until such time as the Company receives such rating(s) on such public unsecured long-term senior debt or this credit facility, the Company's corporate credit rating by Standard & Poor's shall apply.

Standard & Poor's. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Subsidiary. Any corporation, association, trust, or other business entity of which the designated parent shall at any time own directly or indirectly through a Subsidiary or Subsidiaries at least a majority of the outstanding capital stock or other interest entitled to vote generally.

Swing Line Loans. See Section 2.11(a).

Swing Line Note. See Section 2.11(a).

Swing Line Settlement Amount. See Section 2.11(b).

Swing Line Settling Bank. See Section 2.11(b).

Swing Line Settlement Date. See Section 2.11(b).

Swing Line Settlement. The making or receiving of, payments in immediately available funds, by the Domestic Banks to or from the Administrative Agent in accordance with Section 2.11 hereof to the extent necessary to cause each Domestic Bank's actual share of the outstanding amount of the Syndicated Loans to be equal to such Domestic Bank's Domestic Commitment Percentage of the outstanding amount of such Syndicated Loans, in any case when, prior to such action, the actual share is not so equal.

Syndicated Loan Request. See Section 2.6.

Syndicated Loans. A borrowing hereunder consisting of one or more loans made by the Domestic Banks to the Company under the procedure described in Section 2.1(a), Section 2.1(c) and Section 2.11 hereof.

Syndicated Notes. See Section 2.4(a).

Total Canadian Commitment. See Section 2.1(b).

Total Commitment. The sum of the Total Canadian Commitment and the Total Domestic Commitment, which amount shall not exceed \$1,200,000,000, and is subject to reductions as set forth herein.

Total Commitment Percentage. The percentage initially set forth next to each Bank on Schedule 3 hereto, as the same may be adjusted in accordance with Section 2.3 or Section 20 of this Agreement.

Total Domestic Commitment. See Section 2.1(a).

U.S.Dollar Equivalent. With respect to an amount of Canadian Dollars, on any date, the amount of U.S. Dollars that may be purchased with such amount of Canadian Dollars at the Exchange Rate with respect to Canadian Dollars on such date.

Western Waste. Western Waste Industries, Inc., a California corporation.

Western Waste Merger. The merger of Western Waste and Riviera Acquisition Corporation, a Subsidiary of the Company, pursuant to the terms of the Western Waste Merger Agreement.

Western Waste Merger Agreement. The Agreement and Plan of Merger dated as of December 18, 1995 between Western Waste, the Company and Riviera Acquisition Corporation.

SECTION 1.2 RULES OF INTERPRETATION.

(a) A reference to any document or agreement (including this Agreement) shall include such document or agreement as amended, modified or supplemented from time to time in accordance with its terms and the terms of this Agreement.

(b) The singular includes the plural and the plural includes the singular.

(c) A reference to any law includes any amendment or modification to such law.

(d) A reference to any Person includes its permitted successors and permitted assigns.

(e) Accounting terms capitalized but not otherwise defined herein have the meanings assigned to them by generally accepted accounting principles applied on a consistent basis by the accounting entity to which they refer.

(f) The words "include", "includes" and "including" are not limiting.

(g) All terms not specifically defined herein or by generally accepted accounting principles, which terms are defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts, have the meanings assigned to them therein.

(h) Reference to a particular "Section" refers to that section of this Agreement unless otherwise indicated.

(i) The words "herein", "hereof", "hereunder" and words of like import shall refer to this Agreement as a whole and not to any particular section or subdivision of this Agreement.

SECTION 2. THE LOAN FACILITIES.

SECTION 2.1 COMMITMENT TO LEND.

(a) Subject to the terms and conditions set forth in this Agreement, each of the Domestic Banks severally agrees to lend to the Company and the Company may borrow, repay, and reborrow from time to time between the Closing Date and the Maturity Date, upon notice by the Company to the Administrative Agent given in accordance with this Section 2, its Domestic Commitment Percentage of the Syndicated Loans as are requested by the Company; provided that the sum of the outstanding principal amount of the Syndicated Loans (including the Swing Line Loans) and the Maximum Drawing Amount of outstanding Domestic Letters of Credit shall not exceed a maximum aggregate amount outstanding of (i) \$1,160,000,000, as such amount may be reduced pursuant to Section 2.3 hereof (the "Total Domestic Commitment") minus (ii) the aggregate amount of Competitive Bid Loans outstanding at such time.

(b) Subject to the terms and conditions set forth in this Agreement, each of the Canadian Banks severally agrees to lend to the Canadian Borrowers, and the Canadian Borrowers may borrow, repay, and reborrow from time to time between the Closing Date and the Maturity Date, upon notice by the Canadian Borrowers to the Canadian Agent given

in accordance with this Section 2, its Canadian Commitment Percentage of the Canadian Loans as are requested by the Canadian Borrowers; provided that the sum of the outstanding principal amount of the Canadian Loans, the aggregate face amount of all outstanding Bankers' Acceptances accepted and purchased, and the Maximum Drawing Amount of outstanding Canadian Letters of Credit shall not exceed a maximum aggregate amount outstanding equal to \$40,000,000 initially, as such amount may be increased to an aggregate maximum amount of \$100,000,000 or reduced pursuant to Section 2.3 hereof (the "Total Canadian Commitment").

(c) Each request for a Loan or Letter of Credit and each request for an acceptance and purchase of a Bankers' Acceptance hereunder shall constitute a representation and warranty by the applicable Borrower(s) that the conditions set forth in Section 11 and Section 12, as the case may be, have been satisfied on the date of such request. Any unpaid Reimbursement Obligation shall be a Base Rate Loan, Canadian Prime Rate Loan or Canadian Base Rate Loan hereunder, as applicable, as set forth in Section 4.2(a).

Section 2.2 Facility Fee. The Company agrees to pay to the Administrative Agent for the account of the Banks a fee (the "Facility Fee") on the Total Commitment equal to the Applicable Facility Rate multiplied by the Total Commitment. The Facility Fee shall be payable for the period from and after the Closing Date quarterly in arrears on the first day of each calendar quarter for the immediately preceding calendar quarter commencing on October 1, 1996 with a final payment on the Maturity Date (or on the date of termination in full of the Total Commitment, if earlier). The Facility Fee shall be distributed pro rata among the Banks in accordance with each Bank's Total Commitment Percentage.

SECTION 2.3 REDUCTION OF TOTAL COMMITMENT; INCREASE OF TOTAL CANADIAN COMMITMENT.

(a) The Borrowers shall have the right at any time and from time to time upon three (3) Business Days' prior written notice to the Administrative Agent to reduce by \$25,000,000 or greater amount or terminate entirely the Total Commitment, whereupon each Bank's Commitment shall be reduced pro rata in accordance with such Bank's Total Commitment Percentage of the amount specified in such notice or, as the case may be, terminated. Each of the Total Domestic Commitment and the Total Canadian Commitment shall be reduced ratably in the event of such a reduction so that no such reduction shall change the ratio of the Total Domestic Commitment to the Total Canadian Commitment in effect immediately prior to such reduction, and further provided that at no time may (i) the Total Domestic Commitment be reduced to an amount less than the sum of (A) the

Maximum Drawing Amount of all Domestic Letters of Credit, and (B) all Domestic Loans then outstanding, or (ii) the Total Canadian Commitment be reduced to an amount less than the sum of (A) the Maximum Drawing Amount of all Canadian Letters of Credit, (B) all Canadian Loans then outstanding, and (C) the face amount of all outstanding Bankers' Acceptances.

(b) No reduction or termination of the Total Commitment, the Total Domestic Commitment or the Total Canadian Commitment once made may be revoked; the portion of the Total Commitment, the Total Domestic Commitment or the Total Canadian Commitment reduced or terminated may not be reinstated; and amounts in respect of such reduced or terminated portion may not be reborrowed.

(c) Subject to the satisfaction of the conditions precedent set forth in paragraph (d) below, the Canadian Borrowers may increase the Total Canadian Commitment in accordance with the following procedures; provided that no reallocation of the Commitments of the Banks shall be permitted unless (i) each Increased Bank and each Reduced Bank (each as defined below) shall have agreed to such reallocation in writing, (ii) such reallocation would not have the effect, together with any previous reallocations hereunder, of increasing the Total Canadian Commitment to an amount greater than U.S. \$100,000,000, and (iii) the amount of the Total Commitment shall not be increased by such reallocations. In the case of any such reallocation, the Total Domestic Commitment shall be reduced by the amount of the increase in the Total Canadian Commitment. Any such reallocation shall be subject to execution of appropriate documentation with respect thereto by the Borrowers, the Bank Agents, the Domestic Banks whose Domestic Commitments are reduced pursuant to such reallocation (the "Reduced Banks") and the Canadian Banks that will assume the increased Total Canadian Commitment resulting from such reallocation (the "Increased Banks"). Each Reduced Bank shall be an affiliate of an Increased Bank (with the increase of such Increased Bank's Canadian Commitment being equal to the decrease of its affiliate's Domestic Commitment). The Administrative Agent shall notify the Banks of any such reallocation. The Canadian Commitments of the other Canadian Banks which are not Increased Banks and the Domestic Commitments of the other Domestic Banks which are not Reduced Banks shall not be changed by any such reallocation.

(d) The consummation of any reallocation pursuant to paragraph (c) above shall be subject to satisfaction of the following conditions on the date of such consummation:

(i) all of the conditions to borrowing set forth in Section 12 shall have been satisfied;

(ii) the Borrowers shall have given notice of such proposed reallocation to the Bank Agents at least ten (10) Business Days in advance of the requested date therefor;

(iii) such reallocation shall not result in the prepayment of the Competitive Bid Loans, and, after giving effect to such reallocation, (A) the aggregate principal amount of the Domestic Loans outstanding plus the Maximum Drawing Amount of the outstanding Domestic Letters of Credit shall not exceed the reduced Total Domestic Commitment, (B) the aggregate principal amount of the Canadian Loans outstanding plus the Maximum Drawing Amount of the outstanding Canadian Letters of Credit and the aggregate face amount of all Bankers' Acceptances (in each case expressed in U.S. Dollars) shall not exceed the increased Total Canadian Commitment, and (C) the sum of the total of A and B (expressed in U.S. Dollars) shall not exceed the Total Commitment; and

(iv) each Increased Bank shall have received from the Canadian Borrowers an applicable fee (the "Reallocation Fee") equal to the greater of \$2,500 or 1/16% of the amount of the increase in its Canadian Commitment, as applicable.

(e) Subject to Paragraph (d) above, the Canadian Agent shall adjust the respective proportions of one or more of the Canadian Loans funded by the Canadian Banks on or after the date of consummation of any such reallocation in such a manner so that the outstanding principal amount of all Canadian Loans of any Increased Bank plus the Maximum Drawing Amount of Canadian Letters of Credit of such Increased Bank, plus the aggregate face amount of all outstanding Bankers' Acceptances accepted by each Canadian Bank shall equal, in each case, such Canadian Bank's Canadian Commitment Percentage (as modified) times such amount; provided that if the Canadian Agent shall not have been able to achieve such equality within three months of said date of consummation of any such reallocation for any reason, the Canadian Borrowers shall forthwith prepay, subject to Section 6.8, one or more Canadian Loans, and reborrow by way of one or more Canadian Loans, as the case may be, so as to immediately achieve such equality.

(f) Subject to Paragraph (d) above, the Administrative Agent shall adjust the respective proportions of one or more of the Syndicated Loans funded by the Domestic Banks on or after the date

of consummation of any such reallocation in such a manner so that the outstanding principal amount of all Syndicated Loans plus the Maximum Drawing Amount of Domestic Letters of Credit shall equal, in each case, such Domestic Bank's Domestic Commitment Percentage (as modified) times such amount; provided that if the Administrative Agent shall not have been able to achieve such equality within three months of said date of consummation of any such reallocation for any reason, the Company shall forthwith prepay, subject to Section 6.8, one or more Syndicated Loans, and reborrow by way of one or more Syndicated Loans, as the case may be, so as to immediately achieve such equality.

(g) The Administrative Agent will notify the Banks promptly after receiving any notice delivered by the Borrowers pursuant to this Section 2.3 and will distribute to each Bank a revised schedule of Commitments, Domestic Commitment Percentages and Canadian Commitment Percentages.

SECTION 2.4 THE SYNDICATED NOTES; THE CANADIAN NOTES.

(a) The Syndicated Loans shall be evidenced by separate promissory notes of the Company in substantially the form of Exhibit A-1 hereto (each, a "Syndicated Note"), dated as of the Closing Date and completed with appropriate insertions. One Syndicated Note shall be payable to the order of each Domestic Bank in an amount equal to its Domestic Commitment, and shall represent the obligation of the Company to pay such Domestic Bank such principal amounts or, if less, the outstanding principal amount of all Syndicated Loans made by such Domestic Bank, plus interest accrued thereon, as set forth herein.

(b) The Canadian Loans shall be evidenced by separate promissory notes of the Canadian Borrowers in substantially the form of Exhibit A-3 hereto (each, a "Canadian Note"), dated as of the Closing Date and completed with appropriate insertions. One Canadian Note shall be payable to the order of each Canadian Bank in an amount equal to its Canadian Commitment, and shall represent the joint and several obligation of the Canadian Borrowers to pay such Canadian Bank such principal amount or, if less, the outstanding principal amount of all Canadian Loans made by such Canadian Bank, plus interest accrued thereon, as set forth herein.

(c) The applicable Borrower(s) irrevocably authorize each Bank to make, or cause to be made, in connection with a Drawdown Date of any Syndicated Loan or Canadian Loan, as the case may be, at

the time of receipt of any payment of principal on any such Note, an appropriate notation on such Bank's records or on the schedule attached to such Bank's Note or a continuation of such schedule attached thereto reflecting the making of such Loan, or the receipt of such payment (as the case may be) and may, prior to any transfer of its Syndicated Note or Canadian Note, as the case may be, endorse on the reverse side thereof the outstanding principal amount of such Loans evidenced thereby. The outstanding amount of the Loans set forth on such Bank's record shall be prima facie evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount shall not limit or otherwise affect the obligations of the applicable Borrower(s) hereunder or under such Notes to make payments of principal of or interest on any such Notes when due.

SECTION 2.5 INTEREST ON LOANS.

(a) The outstanding principal amount of the Syndicated Loans shall bear interest at the rate per annum equal to (i) the Base Rate on Base Rate Loans, (ii) the Applicable Eurodollar Rate on Eurodollar Loans to the Company and (iii) the Applicable Swing Line Rate on Swing Line Loans.

(b) The outstanding principal amount of Canadian Loans shall bear interest at the rate per annum equal to (i) the Canadian Prime Rate on Canadian Loans requested to be funded in Canadian Dollars, (ii) the Canadian Base Rate on Canadian Base Rate Loans, and (iii) the Applicable Eurodollar Rate on Eurodollar Loans to the Canadian Borrowers.

(c) Interest shall be payable (i) monthly in arrears on the first Business Day of each month, commencing September 1, 1996, on Base Rate Loans, Canadian Base Rate Loans and Canadian Prime Rate Loans, (ii) on the last day of the applicable Interest Period, and if such Interest Period is longer than three months, also on the last day of the third month following the commencement of such Interest Period, on Eurodollar Loans, and (iii) on the Maturity Date for all Loans.

SECTION 2.6 REQUESTS FOR SYNDICATED LOANS; CANADIAN LOANS.

(a) The Company shall give to the Administrative Agent written notice in the form of Exhibit C-1 hereto (or telephonic notice confirmed in writing or a facsimile in the form of Exhibit C-1 hereto) of each Syndicated Loan requested hereunder (a "Syndicated Loan Request") not later than (a) 11:00 a.m. (New York time) on the proposed Drawdown Date of

any Base Rate Loan, or (b) 11:00 a.m. (New York time) three (3) Eurodollar Business Days prior to the proposed Drawdown Date of any Eurodollar Loan. Each such Syndicated Loan Request shall specify (A) the principal amount of the Syndicated Loan requested, (B) the proposed Drawdown Date of such Syndicated Loan, (C) whether such Syndicated Loan requested is to be a Base Rate Loan or a Eurodollar Loan, (D) the Interest Period for such Syndicated Loan, if a Eurodollar Loan, and (E) the aggregate outstanding amount of all Swing Line Loans. Each Syndicated Loan requested shall be in a minimum amount of \$10,000,000. Each such Syndicated Loan Request shall reflect the Maximum Drawing Amount of all Domestic Letters of Credit outstanding and the amount of Domestic Loans outstanding (including Competitive Bid Loans and Swing Line Loans). Syndicated Loan Requests made hereunder shall be irrevocable and binding on the Company, and shall obligate the Company to accept the Syndicated Loan requested from the Domestic Banks on the proposed Drawdown Date.

(b) The Canadian Borrowers shall give to the Canadian Agent written notice in the form of Exhibit C-3 hereto (or telephone notice confirmed in writing or a facsimile in the form of Exhibit C-3 hereto) of each Canadian Loan requested hereunder (a "Canadian Loan Request") not later than (a) 11:00 a.m. (New York time) on the proposed Drawdown Date of any Canadian Prime Rate Loan or Canadian Base Rate Loan, or (b) 11:00 a.m. (New York time) three (3) Eurodollar Business Days prior to the proposed Drawdown Date of any Eurodollar Loan. Each such Canadian Loan Request shall specify (A) the principal amount of the Canadian Loan requested, (B) the proposed Drawdown Date of such Canadian Loan, (C) whether such Canadian Loan (if in US\$) is to be a Canadian Base Rate Loan or a Eurodollar Loan, (D) the Interest Period of such Canadian Loan, and (E) whether such Canadian Loan is to be made in U.S. Dollars or Canadian Dollars. Each such Canadian Loan Request shall reflect the amount of Canadian Loans and Bankers' Acceptances outstanding and the Maximum Drawing Amount of all Canadian Letters of Credit. Each Canadian Loan Request shall be in a minimum amount of \$5,000,000. Canadian Loan Requests made hereunder shall be irrevocable and binding on the Canadian Borrowers, and shall obligate the Canadian Borrowers to accept the Canadian Loan Request from the Canadian Banks on the proposed Drawdown Date.

(c) Each of the representations and warranties made by the Borrowers to the Banks or the Bank Agents in this Agreement or any other Loan Document shall be true and correct in all material respects when made and shall, for all purposes of this Agreement, be deemed to be repeated by the applicable Borrower(s) on and as of the date of the submission of a Syndicated Loan Request, Canadian Loan Request, Competitive Bid Quote Request, Bankers' Acceptance Notice or Letter of Credit Application and on

and as of the Drawdown Date of any Loan, the date of accepting or purchasing any Bankers' Acceptance or the date of issuance of any Letter of Credit (except to the extent (i) of changes resulting from transactions contemplated or permitted by this Agreement and the other Loan Documents, (ii) of changes occurring in the ordinary course of business that singly or in the aggregate are not materially adverse to the business, assets or financial condition of the Company and its Subsidiaries as a whole, or (iii) that such representations and warranties expressly relate only to an earlier date).

(d) The Administrative Agent shall promptly notify each Domestic Bank of each Syndicated Loan Request received by the Administrative Agent (a) on the proposed Drawdown Date of any Base Rate Loan, or (b) three (3) Eurodollar Business Days prior to the proposed Drawdown Date of any Eurodollar Loan to be made to the Company. The Canadian Agent shall promptly notify each Canadian Bank and the Administrative Agent of each Canadian Loan Request received by the Canadian Agent not later than (a) on the proposed Drawdown Date of any Canadian Prime Rate Loan or Canadian Base Rate Loan, or (b) three (3) Eurodollar Business Days prior to the proposed Drawdown Date of any Eurodollar Loan to be made to the Canadian Borrowers.

SECTION 2.7. ELECTION OF EURODOLLAR RATE; NOTICE OF ELECTION; INTEREST PERIODS; MINIMUM AMOUNTS.

(a) At the Borrowers' option, so long as no Default or Event of Default has occurred and is then continuing, the applicable Borrower(s) may (i) elect to convert any Base Rate Loan or Canadian Base Rate Loan or a portion thereof to a Eurodollar Loan, (ii) at the time of any Syndicated Loan Request or Canadian Loan Request, specify that such requested Loan shall be a Eurodollar Loan, or (iii) upon expiration of the applicable Interest Period, elect to maintain an existing Eurodollar Loan as such, provided that the applicable Borrower(s) give notice to the Administrative Agent, in the case of Syndicated Loans, or the Canadian Agent, in the case of Canadian Loans, pursuant to Section 2.7(b) hereof. Upon determining any Eurodollar Rate, the Administrative Agent, in the case of Syndicated Loans, and the Canadian Agent, in the case of Canadian Loans, shall forthwith provide notice thereof to the applicable Borrower(s) and Bank(s), and each such notice to such Borrower(s) shall be considered prima facie correct and binding, absent manifest error.

(b) Three (3) Eurodollar Business Days prior to the making of any Eurodollar Loan or the conversion of any Base Rate Loan to a Eurodollar Loan, or, in the case of an outstanding Eurodollar Loan,

the expiration date of the applicable Interest Period, the applicable Borrower(s) shall give written, telex or facsimile notice received by the Administrative Agent, in the case of Syndicated Loans, or the Canadian Agent, in the case of Canadian Loans, not later than 11:00 a.m. (New York time) of their election pursuant to Section 2.7(a). Each such notice delivered to the Administrative Agent or the Canadian Agent shall specify the aggregate principal amount of the Syndicated Loans or Canadian Loans to be borrowed or maintained as or converted to Eurodollar Loans and the requested duration of the Interest Period that will be applicable to such Eurodollar Loan, and shall be irrevocable and binding upon such Borrower(s). If the applicable Borrower(s) shall fail to give the Administrative Agent or the Canadian Agent, as applicable, notice of their election hereunder together with all of the other information required by this Section 2.7(b) with respect to any Syndicated Loan or Canadian Loan, whether at the end of an Interest Period or otherwise, such Syndicated Loan or Canadian Loan shall be deemed a Base Rate Loan or Canadian Base Rate Loan, as the case may be. The Administrative Agent or the Canadian Agent, as the case may be, shall promptly notify the applicable Bank(s) in writing (or by telephone confirmed in writing or by facsimile) of such election.

(c) Notwithstanding anything herein to the contrary, the Borrowers may not specify an Interest Period that would extend beyond the Maturity Date.

(d) No conversion of Loans pursuant to this Section 2.7 may result in Eurodollar Loans that are less than \$5,000,000. In no event shall the Borrowers have more than eight (8) different Interest Periods for borrowings of Eurodollar Loans outstanding at any time.

(e) Subject to the terms and conditions of Section 6.8 hereof, if any affected Bank demands compensation under Section 6.5(c) or (d) with respect to any Eurodollar Loan, the applicable Borrower(s) may at any time, upon at least three (3) Business Days' prior written notice to the applicable Bank Agent, elect to convert such Eurodollar Loan into a Base Rate Loan or Canadian Base Rate Loan, as applicable (on which interest and principal shall be payable contemporaneously with the related Eurodollar Loans of the other Banks). Thereafter, and until such time as the affected Bank notifies the applicable Bank Agent that the circumstances giving rise to the demand for compensation under Section 6.5(c) or (d) no longer exist, all requests for Eurodollar Loans from such affected Bank shall be deemed to be requests for Base Rate Loans or Canadian Base Rate Loans, as the case may be. Once the affected Bank notifies the applicable Bank Agent that such circumstances no

longer exist, the Borrower(s) may elect that the principal amount of each such Loan converted hereunder shall again bear interest as Eurodollar Loans beginning on the first day of the next succeeding Interest Period applicable to the related Eurodollar Loans of the other Banks.

SECTION 2.8. FUNDS FOR SYNDICATED LOANS AND CANADIAN LOANS. Not later than 1:00 p.m. (New York time) on the proposed Drawdown Date (a) in the case of Syndicated Loans, each of the Domestic Banks will make available to the Administrative Agent or, (b) in the case of Canadian Loans, each of the Canadian Banks will make available to the Canadian Agent, at its respective Head Office, in immediately available funds, the amount of its Domestic Commitment Percentage or Canadian Commitment Percentage, as the case may be, of the amount of the requested Loan. Upon receipt from each Bank of such amount, and upon receipt of the documents required by Section 11 and Section 12 and the satisfaction of the other conditions set forth therein, to the extent applicable, the Administrative Agent will make available to the Company the aggregate amount of such Syndicated Loans made available by the Domestic Banks, and the Canadian Agent will make available to the Canadian Borrowers the aggregate amount of such Canadian Loans made available by the Canadian Banks. The failure or refusal of any Bank to make available to the applicable Bank Agent at the aforesaid time and place on any Drawdown Date the amount of its Domestic Commitment Percentage of the requested Syndicated Loan or its Canadian Commitment Percentage of the requested Canadian Loan, as the case may be, shall not relieve any other Bank from its several obligations hereunder to make available to the applicable Bank Agent the amount of such Bank's Domestic Commitment Percentage or Canadian Commitment Percentage, as the case may be, of any requested Loan.

SECTION 2.9 MATURITY OF THE LOANS AND REIMBURSEMENT OBLIGATIONS. The Loans shall be due and payable on the Maturity Date. The Company promises to pay on the Maturity Date all Domestic Loans and all unpaid Reimbursement Obligations on such date relating to Domestic Letters of Credit, and each of the Canadian Borrowers, jointly and severally, promises to pay on the Maturity Date all Canadian Loans, all unpaid Reimbursement Obligations relating to Canadian Letters of Credit and all amounts owing with respect to Bankers' Acceptances. All such payments shall be made together with any and all accrued and unpaid interest thereon and any fees and other amounts owing hereunder.

SECTION 2.10. OPTIONAL PREPAYMENTS OR REPAYMENTS OF LOANS. Subject to the terms and conditions of Section 6.8, the Borrowers shall have the right, at their election, to repay or prepay the outstanding amount of the Loans, as a whole or in part, at any time without penalty or premium. The applicable

Borrower(s) shall give the Administrative Agent or the Canadian Agent, as the case may be, no later than 11:00 a.m. (New York time) one (1) Business Day prior to the proposed date of prepayment or repayment, written notice (or telephonic notice confirmed in writing or by facsimile) of any proposed prepayment or repayment pursuant to this Section 2.10, specifying the proposed date of prepayment or repayment of Loans and the principal amount to be paid. Notwithstanding the foregoing, the Company may not prepay any Competitive Bid Loans. The Administrative Agent shall promptly notify each Domestic Bank and the Canadian Agent shall promptly notify each Canadian Bank by written notice (or telephonic notice confirmed in writing or by facsimile) of such notice of payment.

SECTION 2.11. SWING LINE LOANS; SETTLEMENTS.

(a) Solely for ease of administration of the Syndicated Loans, FNBB may, but shall not be required to, fund Base Rate Loans made in accordance with the provisions of this Agreement ("Swing Line Loans"). The Swing Line Loans shall be evidenced by a promissory note of the Company in substantially the form of Exhibit A-2 hereto (the "Swing Line Note"). Each Domestic Bank shall remain severally and unconditionally liable to fund its pro rata share (based upon each Domestic Bank's Domestic Commitment) of such Swing Line Loans on each Swing Line Settlement Date and, in the event FNBB chooses not to fund all Base Rate Loans requested on any date, to fund its Domestic Commitment Percentage of the Base Rate Loans requested, subject to satisfaction of the provisions hereof relating to the making of Base Rate Loans. Prior to each Swing Line Settlement, all payments or repayments of the principal and interest on Swing Line Loans shall be credited to the account of FNBB. The outstanding amount of Swing Line Loans advanced by FNBB hereunder shall not exceed \$10,000,000.

(b) The Domestic Banks shall effect Swing Line Settlements on (i) the Business Day immediately following any day which FNBB gives written notice to the Administrative Agent to effect a Swing Line Settlement, (ii) the Business Day immediately following the Administrative Agent's becoming aware of the existence of any Default or Event of Default, (iii) the Maturity Date and (iv) the Business Day immediately following any day on which the outstanding amount of Swing Line Loans advanced by FNBB exceeds \$10,000,000 (each such date, a "Swing Line Settlement Date"). One (1) Business Day prior to each such Swing Line Settlement Date, the Administrative Agent shall give telephonic notice to the Domestic Banks of (A) the respective outstanding amount of Syndicated Loans made by each Domestic Bank as at the close of business on the prior day, (B) the amount that any

Domestic Bank, as applicable (the "Swing Line Settling Bank"), shall pay to effect a Swing Line Settlement (the "Swing Line Settlement Amount") and (C) the portion (if any) of the aggregate Swing Line Settlement Amount to be paid to each Domestic Bank. A statement of the Administrative Agent submitted to the Domestic Banks with respect to any amounts owing hereunder shall be prima facie evidence of the amount due and owing. Each Swing Line Settling Bank shall, not later than 1:00 p.m. (New York time) on each Swing Line Settlement Date, effect a wire transfer of immediately available funds to the Administrative Agent at its Head Office in the amount of such Domestic Bank's Swing Line Settlement Amount. The Administrative Agent shall, as promptly as practicable during normal business hours on each Swing Line Settlement Date, effect a wire transfer of immediately available funds to each Domestic Bank of the Swing Line Settlement Amount to be paid to such Domestic Bank. All funds advanced by any Domestic Bank as a Swing Line Settling Bank pursuant to this Section 2.11(b) shall for all purposes be treated as a Base Rate Loan made by such Swing Line Settling Bank to the Company, and all funds received by any Domestic Bank pursuant to this Section 2.11(b) shall for all purposes be treated as repayment of amounts owed by the Company with respect to Base Rate Loans made by such Domestic Bank.

(c) The Administrative Agent may (unless notified to the contrary by any Swing Line Settling Bank by 12:00 noon (New York time) one (1) Business Day prior to the Settlement Date) assume that each Swing Line Settling Bank has made available (or will make available by the time specified in Section 2.11(b)) to the Administrative Agent its Swing Line Settlement Amount, and the Administrative Agent may (but shall not be required to), in reliance upon such assumption, make available to each applicable Domestic Bank its share (if any) of the aggregate Swing Line Settlement Amount. If the Swing Line Settlement Amount of such Swing Line Settling Bank is made available to the Administrative Agent by such Swing Line Settling Bank on a date after such Swing Line Settlement Date, such Swing Line Settling Bank shall pay the Administrative Agent on demand an amount equal to the product of (i) the average, computed for the period referred to in clause (iii) below, of the weighted average annual interest rate paid by the Administrative Agent for federal funds acquired by the Administrative Agent during each day included in such period times (ii) the Swing Line Settlement Amount times (iii) a fraction, the numerator of which is the number of days that elapse from and including such Swing Line Settlement Date to but not including the date on which the Swing Line Settlement Amount shall become immediately available to the Administrative Agent, and the

denominator of which is 365. Upon payment of such amount the Swing Line Settling Bank shall be deemed to have delivered its Swing Line Settlement Amount on the Swing Line Settlement Date and shall become entitled to interest payable by the Company with respect to such Domestic Bank's Swing Line Settlement Amount as if such share were delivered on the Swing Line Settlement Date. If the Swing Line Settlement Amount is not in fact made available to the Administrative Agent by the Swing Line Settling Bank within three (3) Business Days of such Swing Line Settlement Date, the Administrative Agent shall be entitled to recover such amount from the Company, with interest thereon at the Base Rate.

(d) After any Swing Line Settlement Date, any payment by the Company of Swing Line Loans hereunder shall be allocated among the Domestic Banks, in amounts determined so as to provide that after such application and the related Swing Line Settlement, the outstanding amount of Syndicated Loans of each Domestic Bank equals, as nearly as practicable, such Domestic Bank's Domestic Commitment Percentage of the aggregate amount of Syndicated Loans.

(e) FNBB will notify the Administrative Agent promptly following each advance of a Swing Line Loan or any repayment with respect thereto.

SECTION 3. BANKERS' ACCEPTANCES.

SECTION 3.1. ACCEPTANCE AND PURCHASE. Subject to the terms and conditions hereof, each Canadian Bank severally agrees to accept and purchase Bankers' Acceptances drawn upon it by the Canadian Borrowers denominated in Canadian Dollars. The Canadian Borrowers shall notify the Canadian Agent by irrevocable written notice (each a "Bankers' Acceptance Notice") by 10:00 a.m. (New York time) two (2) Business Days prior to the date of any borrowing by way of Bankers' Acceptances. Each borrowing by way of Bankers' Acceptances shall be in a minimum aggregate face amount of C\$1,000,000 and integral multiples of C\$100,000 in excess thereof. The face amount of each Bankers' Acceptance shall be C\$100,000 or any integral multiple thereof. Each Bankers' Acceptance Notice shall be in the form of Exhibit C-4. In no event shall the Dollar Equivalent of the aggregate face amount of all outstanding Bankers' Acceptances exceed the Total Canadian Commitment minus the sum of the outstanding principal amount of all Canadian Loans (expressed in its Dollar Equivalent thereof), plus the Maximum Drawing Amount (expressed in its Dollar Equivalent thereof) of all outstanding Canadian Letters of Credit.

(a) Term. Bankers' Acceptances shall be issued and shall mature on a Business Day. Each Bankers' Acceptance shall have a term of 30, 60, 90 or 180 days and shall mature no later than five (5) days prior to the Maturity Date and shall be in form and substance reasonably satisfactory to the Canadian Bank which is accepting such Bankers' Acceptance.

(b) Bankers' Acceptances in Blank. To facilitate the acceptance of Bankers' Acceptances under this Agreement, the Canadian Borrowers shall, upon execution of this Agreement and from time to time as required, provide to the Canadian Agent drafts, in form satisfactory to the Canadian Agent, duly executed and endorsed in blank by the Canadian Borrowers in quantities sufficient for each Canadian Bank to fulfill its obligations hereunder. In addition, the Canadian Borrowers hereby appoint each Canadian Bank as its attorney to sign and endorse on its behalf, in handwriting or by facsimile or mechanical signature as and when deemed necessary by such Canadian Bank, blank forms of Bankers' Acceptances. The Canadian Borrowers recognize and agree that all Bankers' Acceptances signed and/or endorsed on their behalf by a Canadian Bank shall bind the Canadian Borrowers as fully and effectually as if signed in the handwriting of and duly issued by the proper signing officers of the Canadian Borrowers. Each Canadian Bank is hereby authorized to issue such Bankers' Acceptances endorsed in blank in such face amounts as may be determined by such Canadian Bank provided that the aggregate amount thereof is equal to the aggregate amount of Bankers' Acceptances required to be accepted by such Bank pursuant to clause (d) below. No Canadian Bank shall be responsible or liable for its failure to accept a Bankers' Acceptance if the cause of such failure is, in whole or in part, due to the failure of the Canadian Borrowers to provide duly executed and endorsed drafts to the Canadian Agent on a timely basis nor shall any Canadian Bank or the Canadian Agent be liable for any damage, loss or other claim arising by reason of any loss or improper use of any such instrument except loss or improper use arising by reason of the gross negligence or willful misconduct of such Bank or the Canadian Agent, its officers, employees, agents or representatives. Each Canadian Bank shall maintain a record with respect to Bankers' Acceptances (A) received by it from the Canadian Agent in blank hereunder, (B) voided by it for any reason, (C) accepted by it hereunder, (D) purchased by it hereunder and (E) cancelled at their respective maturities. Each Canadian Bank further agrees to retain such records in the manner and for the statutory periods provided in the various Canadian provincial or federal statutes and regulations which apply to such Bank.

(c) Execution of Bankers' Acceptances. Drafts of the Canadian Borrowers to be accepted as Bankers' Acceptances hereunder shall be duly executed by one or more duly authorized officers on behalf of the Canadian Borrowers. Notwithstanding that any person whose signature appears on any Bankers' Acceptance as a signatory for the Canadian Borrowers may no longer be an authorized signatory for the Canadian Borrowers at the date of issuance of a Bankers' Acceptance, such signature shall nevertheless be valid and sufficient for all purposes as if such authority had remained in force at the time of such issuance and any such Bankers' Acceptance so signed shall be binding on the Canadian Borrowers.

(d) Issuance of Bankers' Acceptances. Promptly following receipt of a Bankers' Acceptance Notice, the Canadian Agent shall so advise the Canadian Banks of the face amount of each Bankers' Acceptance to be accepted by it and the term thereof. The aggregate face amount of Bankers' Acceptances to be accepted by a Canadian Bank shall be determined by the Canadian Agent by reference to the respective Canadian Commitments of the Canadian Banks, except that, if the face amount of a Bankers' Acceptance, which would otherwise be accepted by a Canadian Bank, would not be C\$100,000 or an integral multiple thereof, such face amount shall be increased or reduced by the Canadian Agent in its sole and unfettered discretion to the nearest integral multiple of C\$100,000.

(e) Acceptances of Bankers' Acceptances. Each Bankers' Acceptance to be accepted by a Canadian Bank shall be accepted at such Bank's office shown on Schedule 2 hereof or as otherwise designated by said Canadian Bank from time to time.

(f) Purchase of Bankers' Acceptances. On the relevant date of borrowing, each Canadian Bank severally agrees to purchase from the Canadian Borrowers, at the face amount thereof discounted by the Applicable BA Discount Rate, any Bankers' Acceptance accepted by it and provide to the Canadian Agent, for the account of the Canadian Borrowers, the BA Discount Proceeds in respect thereof after deducting therefrom the amount of the Acceptance Fee payable by the Canadian Borrowers to such Bank under Section 3.3 in respect of such Bankers' Acceptance.

(g) Sale of Bankers' Acceptances. Each Canadian Bank may at any time and from time to time hold, sell, rediscount or otherwise dispose of any or all Bankers' Acceptances accepted and purchased by it.

(h) Waiver of Presentment and Other Conditions. Each of the Canadian Borrowers waives presentment for payment and any other defense to payment of any amounts due to a Canadian Bank in respect of a Bankers' Acceptance accepted by such Canadian Bank pursuant to this Agreement which might exist solely by reason of such Bankers' Acceptance being held, at the maturity thereof, by such Bank in its own right. The Canadian Borrowers shall not claim or require any days of grace or require the Canadian Agent or any Canadian Bank to claim any days of grace for the payment of any Bankers' Acceptance.

3.2. REFUNDING BANKERS' ACCEPTANCES. With respect to each Bankers' Acceptance, the Canadian Borrowers, prior to the occurrence and continuation of an Event of Default, may give irrevocable telephone or written notice (or such other method of notification as may be agreed upon between the Canadian Agent and the Canadian Borrowers) to the Canadian Agent at or before 2:00 p.m. (New York time) two (2) Business Days prior to the maturity date of such Bankers' Acceptance followed by written confirmation electronically transmitted to the Canadian Agent on the same day, of the Canadian Borrowers' intention to issue one or more Bankers' Acceptances on such maturity date (each a "Refunding Bankers' Acceptance") to provide for the payment of such maturing Bankers' Acceptance (it being understood that payments by the Canadian Borrowers and fundings by the Canadian Banks in respect of each maturing Bankers' Acceptance and each related Refunding Bankers' Acceptance shall be made on a net basis reflecting the difference between the face amount of such maturing Bankers' Acceptance and the BA Discount Proceeds (net of the applicable Acceptance Fee) of such Refunding Bankers' Acceptance). Any funding on account of any maturing Bankers' Acceptance must be made at or before 12:00 noon (New York time) on the maturity date of such Bankers' Acceptance. If the Canadian Borrowers fail to give such notice, the Canadian Borrowers shall be irrevocably deemed to have requested and to have been advanced a Canadian Prime Rate Loan in the face amount of such maturing Bankers' Acceptance on the maturity date of such maturing Bankers' Acceptance from the Canadian Bank which accepted such maturing Bankers' Acceptance, which Canadian Prime Rate Loan shall thereafter bear interest as such in accordance with the provisions hereof and otherwise shall be subject to all provisions of this Agreement applicable to Canadian Prime Rate Loans until paid in full.

SECTION 3.3. ACCEPTANCE FEE. An acceptance fee (the "Acceptance Fee") shall be payable by the Canadian Borrowers to each Canadian Bank and each Canadian Bank shall deduct the amount of such Acceptance Fee from the BA Discount Proceeds (in the manner specified in Section 3.1(f) in respect of each Bankers' Acceptance), said fee to be calculated at a rate per annum equal to the Applicable L/C Rate calculated on the face amount of such

Bankers' Acceptance and computed on the basis of the number of days in the term of such Bankers' Acceptance and a year of 365 days.

SECTION 3.4. CASH COLLATERAL. Subject to Section 30, upon the occurrence and during the continuance of any Event of Default, and in addition to any other rights or remedies of any Canadian Bank and the Canadian Agent hereunder, any Canadian Bank or the Canadian Agent as and by way of collateral security (or such alternate arrangement as may be agreed upon by the Canadian Borrowers and such Canadian Bank or the Canadian Agent, as applicable) shall be entitled to deposit and retain in an account to be maintained by the Canadian Agent (bearing interest at the Canadian Agent's rates as may be applicable in respect of other deposits of similar amounts for similar terms) amounts which are received by such Canadian Bank or the Canadian Agent from the Canadian Borrowers hereunder or as proceeds of the exercise of any rights or remedies of any Canadian Bank or the Canadian Agent hereunder against the Canadian Borrowers, to the extent such amounts may be required to satisfy any contingent or unmatured obligations or liabilities of the Canadian Borrowers to the Canadian Banks or the Canadian Agent, or any of them hereunder.

SECTION 4. LETTERS OF CREDIT.

SECTION 4.1 LETTER OF CREDIT COMMITMENTS.

(a) Subject to the terms and conditions hereof and the receipt of a Letter of Credit Application by the Issuing Bank, with a copy to the Administrative Agent in the case of Domestic Letters of Credit and to the Canadian Agent in the case of Canadian Letters of Credit, reflecting the Maximum Drawing Amount of all Domestic Letters of Credit or Canadian Letters of Credit, as applicable (including the requested Letter of Credit), the Issuing Bank, on behalf of the Domestic Banks in the case of Domestic Letters of Credit or the Canadian Banks in the case of Canadian Letters of Credit, and in reliance upon the representations and warranties of the Borrowers contained herein and the agreement of the Banks contained in Section 4.1(b) hereof, agrees to issue Domestic Letters of Credit for the account of the Company or Canadian Letters of Credit for the account of the Canadian Borrowers, as applicable (which may incorporate automatic renewals for periods of up to twelve (12) months), in such form as may be requested from time to time by such Borrower(s) and agreed to by the Issuing Bank; provided, however, that, after giving effect to such request, (i) the aggregate Maximum Drawing Amount of all Domestic Letters of Credit issued at any time shall not exceed the lesser of (A) \$400,000,000, or (B) the Total Domestic Commitment minus the aggregate outstanding amount of the Domestic Loans, and (ii) the

aggregate Maximum Drawing Amount of Canadian Letters of Credit issued at any time shall not exceed the Total Canadian Commitment less the sum of all outstanding Canadian Loans and the aggregate face amount of all outstanding Bankers' Acceptances, and provided further, that no Letter of Credit shall have an expiration date later than the earlier of (x) eighteen (18) months after the date of issuance (which may incorporate automatic renewals for periods of up to twelve (12) months), or (y) five (5) Business Days prior to the Maturity Date. The letters of credit listed in Schedule 4.1(a) and issued by Issuing Banks under the previous credit facility of the Company and under the existing Sanifill Credit Agreement dated July 16, 1996 shall be Letters of Credit under this Agreement.

(b) Each Domestic Letter of Credit shall be denominated in Dollars, and each Canadian Letter of Credit shall be denominated in Canadian Dollars or Dollars, at the option of the Canadian Borrowers. With respect to any request for a Canadian Letter of Credit denominated in Canadian Dollars, the Canadian Agent shall calculate the U.S. Dollar Equivalent of the Maximum Drawing Amount of such requested Canadian Letter of Credit and shall notify the Canadian Borrowers and the Administrative Agent of the results of such calculation. Such U.S. Dollar Equivalent of the Maximum Drawing Amount shall be used to determine compliance with the provisions of Section 4.1(a) and in any other calculation of compliance with Canadian Commitments and the Total Canadian Commitment.

(c) Each Domestic Bank with respect to Domestic Letters of Credit and each Canadian Bank with respect to Canadian Letters of Credit severally agrees that it shall be absolutely liable, without regard to the occurrence of any Default or Event of Default, the termination of the Total Commitment pursuant to Section 13.2, or any other condition precedent whatsoever, to the extent of such Bank's Domestic Commitment Percentage or Canadian Commitment Percentage, as applicable, to reimburse the Issuing Bank on demand for the amount of each draft paid by the Issuing Bank under each Domestic Letter of Credit or Canadian Letter of Credit, as applicable, to the extent that such amount is not reimbursed by the applicable Borrower(s), pursuant to Section 4.2 (such agreement for a Bank being called herein the "Letter of Credit Participation" of such Bank). Each Bank agrees that its obligation to reimburse the Issuing Bank pursuant to this Section 4.1(c) shall not be affected in any way by any circumstance other than the gross negligence or willful misconduct of the Issuing Bank.

(d) Each such reimbursement payment made by a Bank to the Issuing Bank shall be treated as the purchase by such Bank of a participating interest in the applicable Reimbursement Obligation under Section 4.2 in an amount equal to such payment. Each Bank shall share in accordance with its participating interest in any interest which accrues pursuant to Section 4.2.

SECTION 4.2. REIMBURSEMENT OBLIGATION OF THE BORROWERS. In order to induce the Issuing Bank to issue, extend and renew each Letter of Credit, (i) the Company hereby agrees to reimburse or pay to the Issuing Bank, with respect to each Domestic Letter of Credit issued, extended or renewed by the Issuing Bank hereunder, and (ii) each of the Canadian Borrowers hereby jointly and severally agrees to reimburse or pay to the Issuing Bank, with respect to each Canadian Letter of Credit issued, extended or renewed by the Issuing Bank hereunder, as follows:

(a) if any draft presented under any Letter of Credit is honored by the Issuing Bank or the Issuing Bank otherwise makes payment with respect thereto, the sum of (i) the amount paid by the Issuing Bank under or with respect to such Letter of Credit, and (ii) the amount of any taxes, fees, charges or other costs and expenses whatsoever incurred by the Issuing Bank in connection with any payment made by the Issuing Bank under, or with respect to, such Letter of Credit, provided however, if the applicable Borrower(s) do not reimburse the Issuing Bank on the Drawdown Date, such amount shall become automatically a Syndicated Loan which is a Base Rate Loan or a Canadian Loan which is a Canadian Base Rate Loan or Canadian Prime Rate Loan, as applicable, advanced hereunder in an amount equal to such sum; and

(b) upon the Maturity Date or the acceleration of the Reimbursement Obligations with respect to all Letters of Credit in accordance with Section 13, an amount equal to the then Maximum Drawing Amount of (i) all Domestic Letters of Credit shall be paid by the Company to the Administrative Agent and (ii) all Canadian Letters of Credit shall be paid by the Canadian Borrowers to the Canadian Agent, in each case to be held as cash collateral for the applicable Reimbursement Obligations.

SECTION 4.3. OBLIGATIONS ABSOLUTE. The Borrowers' respective obligations under this Section 4 shall be absolute and unconditional under any and all circumstances and irrespective of the occurrence of any Default or Event of Default or any condition precedent whatsoever or any setoff, counterclaim or defense to payment which the Borrowers may have or have had against any Issuing Bank, any Bank or any beneficiary of a Letter of Credit, and each of

the Borrowers expressly waives any such rights that it may have with respect thereto. The Borrowers further agree with such Issuing Bank and the Banks that such Issuing Bank and the Banks (i) shall not be responsible for, and the Borrowers' respective Reimbursement Obligations under Section 4.2 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged (unless due to the willful misconduct of the Issuing Bank or any other Banks), or any dispute between or among the Borrowers and the beneficiary of any Letter of Credit or any financing institution or other party to which any Letter of Credit may be transferred or any claims or defenses whatsoever of the Borrowers against the beneficiary of any Letter of Credit or any such transferee, and (ii) shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit except to the extent of their own willful misconduct. The Borrowers agree that any action taken or omitted by the Issuing Bank or any Bank in good faith under or in connection with any Letter of Credit and the related drafts and documents shall be binding upon the applicable Borrower(s) and shall not result in any liability on the part of the Issuing Bank or any Bank (or their respective affiliates) to the Borrowers. Nothing herein shall constitute a waiver by the Borrowers of any of their rights against any beneficiary of a Letter of Credit.

SECTION 4.4. RELIANCE BY THE ISSUING BANK. To the extent not inconsistent with Section 4.3, the Issuing Bank shall be entitled to rely, and shall be fully protected in relying upon, any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, facsimile, telex or teletype message, statement, order or other document believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel, independent accountants and other experts selected by the Issuing Bank.

SECTION 4.5. NOTICE REGARDING LETTERS OF CREDIT. One (1) Business Day prior to the issuance of any Letter of Credit or amendments or extensions thereof, the Issuing Bank shall notify the Administrative Agent or the Canadian Agent, as applicable, of the terms of such Letter of Credit, amendment or extension. On the day of any drawing under any Letter of Credit, the Issuing Bank shall notify the Administrative Agent or the Canadian Agent, as applicable, of such drawing under any Letter of Credit.

SECTION 4.6. LETTER OF CREDIT FEE. The Company, in the case of Domestic Letters of Credit, and the Canadian Borrowers jointly and severally, in the case of Canadian Letters of Credit shall pay a fee (the "Letter of Credit Fee") equal to the Applicable L/C Rate on the Maximum Drawing Amount of

applicable Letters of Credit issued hereunder to the Administrative Agent or the Canadian Agent, as applicable, for the account of the Banks, to be shared pro-rata by each of such Banks in accordance with their respective Domestic Commitment Percentages or Canadian Commitment Percentages, as applicable. The Letter of Credit Fee shall be payable quarterly in arrears on the first day of each calendar quarter for the quarter just ended, commencing October 1, 1996, and on the Maturity Date. In addition, an issuing fee (the "Issuance Fee") to be agreed upon annually between the applicable Borrower(s) and such Issuing Bank shall be payable to the Issuing Bank for its account.

SECTION 5. COMPETITIVE BID LOANS.

SECTION 5.1. THE COMPETITIVE BID OPTION. In addition to the Syndicated Loans made pursuant to Section 2 hereof, the Company may request Competitive Bid Loans pursuant to the terms of this Section 5. The Domestic Banks may, but shall have no obligation to, make such offers and the Company may, but shall have no obligation to, accept such offers in the manner set forth in this Section 5. Notwithstanding any other provision herein to the contrary, at no time shall the aggregate principal amount of Competitive Bid Loans outstanding at any time exceed the lesser of (i) the Total Domestic Commitment minus the sum of (a) the aggregate outstanding principal amount of Syndicated Loans (including the Swing Loans), plus (b) the Maximum Drawing Amount of Domestic Letters of Credit outstanding at such time, or (ii) \$500,000,000.

SECTION 5.2. COMPETITIVE BID LOAN ACCOUNTS: COMPETITIVE BID NOTES.

(a) The obligation of the Company to repay the outstanding principal amount of any and all Competitive Bid Loans, plus interest at the applicable Competitive Bid Rate accrued thereon, shall be evidenced by this Agreement and by individual loan accounts (the "Competitive Bid Loan Accounts" and individually, a "Competitive Bid Loan Account") maintained by the Administrative Agent on its books for each of the Domestic Banks, it being the intention of the parties hereto that, except as provided for in paragraph (b) of this Section 5.2, the Company's obligations with respect to Competitive Bid Loans are to be evidenced only as stated herein and not by separate promissory notes.

(b) Any Domestic Bank may at any time, and from time to time, request that any Competitive Bid Loans outstanding to such Domestic Bank be evidenced by a promissory note of the Company in substantially the form of Exhibit B hereto (each, a "Competitive Bid Note"), dated as of the Closing Date and completed with appropriate insertions. One Competitive Bid Note shall be payable to the order of each Domestic Bank in an amount equal to \$500,000,000, and

representing the obligation of the Company to pay such Domestic Bank such principal amount or, if less, the outstanding principal amount of any and all Competitive Bid Loans made by such Domestic Bank, plus interest at the applicable Competitive Bid Rate or Competitive Bid Margin accrued thereon, as set forth herein. Upon execution and delivery by the Company of a Competitive Bid Note, the Company's obligation to repay any and all Competitive Bid Loans made to it by such Domestic Bank and all interest thereon shall thereafter be evidenced by such Competitive Bid Note.

(c) The Company irrevocably authorizes (i) each Domestic Bank to make or cause to be made, in connection with a Drawdown Date of any Competitive Bid Loan or at the time of receipt of any payment of principal on such Domestic Bank's Competitive Bid Note in the case of a Competitive Bid Note, and (ii) the Administrative Agent to make or cause to be made, in connection with a Drawdown Date of any Competitive Bid Loan or at the time of receipt of any payment of principal on such Domestic Bank's Competitive Bid Loan Account in the case of a Competitive Bid Loan Account, an appropriate notation on such Domestic Bank's records or on the schedule attached to such Domestic Bank's Competitive Bid Note or a continuation of such schedule attached thereto, or the Administrative Agent's records, as applicable, reflecting the making of the Competitive Bid Loan or the receipt of such payment (as the case may be) and may, prior to any transfer of a Competitive Bid Note, endorse on the reverse side thereof the outstanding principal amount of Competitive Bid Loans evidenced thereby. The outstanding amount of the Competitive Bid Loans set forth on such Domestic Bank's record or the Administrative Agent's records, as applicable, shall be prima facie evidence of the principal amount thereof owing and unpaid to such Domestic Bank, but the failure to record, or any error in so recording, any such amount shall not limit or otherwise affect the obligations of the Company hereunder to make payments of principal of or interest on any Competitive Bid Loan when due.

SECTION 5.3. COMPETITIVE BID QUOTE REQUEST; INVITATION FOR COMPETITIVE BID QUOTES.

(a) When the Company wishes to request offers to make Competitive Bid Loans under this Section 5, it shall transmit to the Administrative Agent by telex or facsimile a Competitive Bid Quote Request substantially in the form of Exhibit F hereto (a "Competitive Bid Quote Request") so as to be received no later than 1:00 p.m. (New York time) (x) five (5) Eurodollar Business Days prior to the requested Drawdown Date in the case of a LIBOR Competitive Bid Loan (a

"LIBOR Competitive Bid Loan") or (y) one (1) Business Day prior to the requested Drawdown Date in the case of an Absolute Competitive Bid Loan (an "Absolute Competitive Bid Loan"), specifying:

(i) the requested Drawdown Date (which must be a Eurodollar Business Day in the case of a LIBOR Competitive Bid Loan or a Business Day in the case of an Absolute Competitive Bid Loan);

(ii) the aggregate amount of such Competitive Bid Loans, which shall be \$10,000,000 or larger multiple of \$1,000,000;

(iii) the duration of the Interest Period(s) applicable thereto, subject to the provisions of the definition of Interest Period; and

(iv) whether the Competitive Bid Quotes requested are for LIBOR Competitive Bid Loans or Absolute Competitive Bid Loans.

The Company may request offers to make Competitive Bid Loans for more than one Interest Period in a single Competitive Bid Quote Request. No new Competitive Bid Quote Request shall be given until the Company has notified the Administrative Agent of its acceptance or non-acceptance of the Competitive Bid Quotes relating to any outstanding Competitive Bid Quote Request.

(b) Promptly upon receipt of a Competitive Bid Quote Request, the Administrative Agent shall send to the Domestic Banks by telecopy or facsimile transmission an Invitation for Competitive Bid Quotes substantially in the form of Exhibit G hereto, which shall constitute an invitation by the Company to each Domestic Bank to submit Competitive Bid Quotes in accordance with this Section 5.

SECTION 5.4. ALTERNATIVE MANNER OF PROCEDURE. If, after receipt by the Administrative Agent and each of the Domestic Banks of a Competitive Bid Quote Request from the Company in accordance with Section 5.3, the Administrative Agent or any Domestic Bank shall be unable to complete any procedure of the auction process described in Sections 5.5 through 5.6 (inclusive) due to the inability of such Person to transmit or receive communications through the means specified therein, such Person may rely on telephonic notice for the transmission or receipt of such communications. In any case where such Person shall rely on telephone transmission or receipt, any communication made by telephone shall, as soon as possible thereafter, be followed by written confirmation thereof.

SECTION 5.5. SUBMISSION AND CONTENTS OF COMPETITIVE BID QUOTES.

(a) Each Domestic Bank may, but shall be under no obligation to, submit a Competitive Bid Quote containing an offer or offers to make Competitive Bid Loans in response to any Competitive Bid Quote Request. Each Competitive Bid Quote must comply with the requirements of this Section 5.5 and must be submitted to the Administrative Agent by telex or facsimile transmission at its offices as specified in or pursuant to Section 22 not later than (x) 2:00 p.m. (New York time) on the fourth Eurodollar Business Day prior to the proposed Drawdown Date, in the case of a LIBOR Competitive Bid Loan or (y) 10:00 a.m. (New York time) on the proposed Drawdown Date, in the case of an Absolute Competitive Bid Loan, provided that Competitive Bid Quotes may be submitted by the Administrative Agent in its capacity as a Domestic Bank only if it submits its Competitive Bid Quote to the Company not later than (x) one hour prior to the deadline for the other Domestic Banks, in the case of a LIBOR Competitive Bid Loan or (y) 15 minutes prior to the deadline for the other Domestic Banks, in the case of an Absolute Competitive Bid Loan. Subject to the provisions of Sections 11 and 12 hereof, any Competitive Bid Quote so made shall be irrevocable except with the written consent of the Administrative Agent given on the instructions of the Company.

(b) Each Competitive Bid Quote shall be in substantially the form of Exhibit H hereto and shall in any case specify:

(i) the proposed Drawdown Date;

(ii) the principal amount of the Competitive Bid Loan for which each proposal is being made, which principal amount (w) may be greater than or less than the Domestic Commitment of the quoting Domestic Bank, (x) must be \$5,000,000 or a larger multiple of \$1,000,000, (y) may not exceed the aggregate principal amount of Competitive Bid Loans for which offers were requested and (z) may be subject to an aggregate limitation as to the principal amount of Competitive Bid Loans for which offers being made by such quoting Domestic Bank may be accepted;

(iii) the Interest Period(s) for which Competitive Bid Quotes are being submitted;

(iv) in the case of a LIBOR Competitive Bid Loan, the margin above or below the applicable LIBOR Rate (the "Competitive Bid Margin") offered for each such Competitive Bid

Loan, expressed as a percentage (specified to the nearest 1/10,000th of 1%) to be added to or subtracted from such LIBOR Rate;

(v) in the case of an Absolute Competitive Bid Loan, the rate of interest per annum (specified to the nearest 1/10,000th of 1%) (the "Competitive Bid Rate") offered for each such Absolute Competitive Bid Loan; and

(vi) the identity of the quoting Domestic Bank.

A Competitive Bid Quote may include up to five separate offers by the quoting Domestic Bank with respect to each Interest Period specified in the related Invitation for Competitive Bid Quotes.

(c) Any Competitive Bid Quote shall be disregarded if it:

(i) is not substantially in the form of Exhibit H hereto;

(ii) contains qualifying, conditional or similar language;

(iii) proposes terms other than or in addition to those set forth in the applicable Invitation for Competitive Bid Quotes; or

(iv) arrives after the time set forth in Section 5.5 (a) hereof.

SECTION 5.6. NOTICE TO COMPANY. The Administrative Agent shall promptly notify the Company of the terms (x) of any Competitive Bid Quote submitted by a Domestic Bank that is in accordance with Section 5.5 and (y) of any Competitive Bid Quote that amends, modifies or is otherwise inconsistent with a previous Competitive Bid Quote submitted by such Domestic Bank with respect to the same Competitive Bid Quote Request. Any such subsequent Competitive Bid Quote shall be disregarded by the Administrative Agent unless such subsequent Competitive Bid Quote is submitted solely to correct a manifest error in such former Competitive Bid Quote. The Administrative Agent's notice to the Company shall specify (A) the aggregate principal amount of Competitive Bid Loans for which offers have been received for each Interest Period specified in the related Competitive Bid Quote Request, (B) the respective principal amounts and Competitive Bid Margins or Competitive Bid Rates, as the case may be, so offered, and the identity of the respective Domestic Banks submitting such offers, and (C) if applicable, limitations on the aggregate principal amount of Competitive Bid Loans for which offers in any single Competitive Bid Quote may be accepted.

SECTION 5.7 ACCEPTANCE AND NOTICE BY COMPANY AND ADMINISTRATIVE AGENT. Not later than 11:00 a.m. (New York time) on (x) the third Eurodollar Business Day prior to the proposed Drawdown Date, in the case of a LIBOR Competitive Bid Loan or (y) the proposed Drawdown Date, in the case of an Absolute Competitive Bid Loan, the Company shall notify the Administrative Agent of its acceptance or non-acceptance of each Competitive Bid Quote in substantially the form of Exhibit I hereto. The Company may accept any Competitive Bid Quote in whole or in part; provided that:

(i) the aggregate principal amount of each Competitive Bid Loan may not exceed the applicable amount set forth in the related Competitive Bid Quote Request;

(ii) acceptance of offers may only be made on the basis of ascending Competitive Bid Margins or Competitive Bid Rates, as the case may be, and

(iii) the Company may not accept any offer that is described in subsection 5.5(c) or that otherwise fails to comply with the requirements of this Agreement.

The Administrative Agent shall promptly notify each Domestic Bank which submitted a Competitive Bid Quote of the Company's acceptance or non-acceptance thereof. At the request of any Domestic Bank which submitted a Competitive Bid Quote and with the consent of the Company, the Administrative Agent will promptly notify all Domestic Banks which submitted Competitive Bid Quotes of (a) the aggregate principal amount of, and (b) the range of Competitive Bid Rates or Competitive Bid Margins of, the accepted Competitive Bid Loans for each requested Interest Period.

SECTION 5.8. ALLOCATION BY ADMINISTRATIVE AGENT. If offers are made by two or more Domestic Banks with the same Competitive Bid Margin or Competitive Bid Rate, as the case may be, for a greater aggregate principal amount than the amount in respect of which offers are accepted for the related Interest Period, the principal amount of Competitive Bid Loans in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Domestic Banks as nearly as possible (in such multiples, not less than \$1,000,000, as the Administrative Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determination by the Administrative Agent of the amounts of Competitive Bid Loans shall be conclusive in the absence of manifest error.

SECTION 5.9. FUNDING OF COMPETITIVE BID LOANS. If, on or prior to the Drawdown Date of any Competitive Bid Loan, the Total Domestic Commitment has not terminated in full and if, on such Drawdown Date, the

applicable conditions of Sections 11 and 12 hereof are satisfied, the Domestic Bank or Domestic Banks whose offers the Company has accepted will fund each Competitive Bid Loan so accepted. Such Domestic Bank or Domestic Banks will make such Competitive Bid Loans by crediting the Administrative Agent for further credit to the Company's specified account with the Administrative Agent, in immediately available funds not later than 1:00 p.m. (New York time) on such Drawdown Date.

SECTION 5.10. FUNDING LOSSES. If, after acceptance of any Competitive Bid Quote pursuant to Section 5, the Company (i) fails to borrow any Competitive Bid Loan so accepted on the date specified therefor, or (ii) repays the outstanding amount of the Competitive Bid Loan prior to the last day of the Interest Period relating thereto, the Company shall indemnify the Domestic Bank making such Competitive Bid Quote or funding such Competitive Bid Loan against any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Domestic Bank to fund or maintain such unborrowed Loans, including, without limitation compensation as provided in Section 6.8.

SECTION 5.11. REPAYMENT OF COMPETITIVE BID LOANS; INTEREST. The principal of each Competitive Bid Loan shall become absolutely due and payable by the Company on the last day of the Interest Period relating thereto, and the Company hereby absolutely and unconditionally promises to pay to the Administrative Agent for the account of the relevant Domestic Banks at or before 1:00 p.m. (New York time) on the last day of the Interest Periods relating thereto the principal amount of all such Competitive Bid Loans, plus interest thereon at the applicable Competitive Bid Rates. The Competitive Bid Loans shall bear interest at the rate per annum specified in the applicable Competitive Bid Quotes. Interest on the Competitive Bid Loans shall be payable (a) on the last day of the applicable Interest Periods, and if any such Interest Period is longer than three months, also on the last day of the third month following the commencement of such Interest Period, and (b) on the Maturity Date for all Loans. Subject to the terms of this Agreement, the Company may make Competitive Bid Quote Requests with respect to new borrowings of any amounts so repaid prior to the Maturity Date.

SECTION 6. PROVISIONS RELATING TO ALL LOANS AND LETTERS OF CREDIT.

SECTION 6.1. PAYMENTS.

(a) All payments of principal, interest, Reimbursement Obligations, fees (other than the Issuance Fee) and any other amounts due hereunder or under any of the other Loan Documents shall be made to the Administrative Agent or the Canadian Agent, as

applicable, received at the applicable Head Office in immediately available funds by 11:00 a.m. (New York time) on any due date. Subject to the provisions of Section 30, if a payment is received by such Bank Agent at or before 1:00 p.m. (New York time) on any Business Day, such Bank Agent shall on the same Business Day transfer in immediately available funds to (1) each of the Domestic Banks, their pro-rata portion of such payment in accordance with their respective Domestic Commitment Percentages, in the case of payments with respect to Syndicated Loans, (2) FNBB in the case of payments with respect to Swing Line Loans (3) each of the Canadian Banks, their pro-rata portion of such payment in accordance with their respective Canadian Commitment Percentages in the case of payments with respect to Canadian Loans, and (4) the appropriate Domestic Bank(s), in the case of payments with respect to Competitive Bid Loans. If such payment is received by such Bank Agent after 1:00 p.m. (New York time) on any Business Day, such transfer shall be made by such Bank Agent to the applicable Bank(s) on the next Business Day. In the event that such Bank Agent fails to make such transfer to any Bank as set forth above, such Bank Agent shall pay to such Bank on demand an amount equal to the product of (i) the average, computed for the period referred to in clause (iii) below, of the weighted average interest rate paid by such Bank for funds acquired by such Bank during each day included in such period, times (ii) the amount (A) equal to such Bank's Domestic Commitment Percentage of such payment in the case of payments with respect to Syndicated Loans, (B) equal to such Bank's Canadian Commitment Percentage of such payment in the case of payments with respect to Canadian Loans, or (C) of such payment to which such Bank is entitled in the case of payments with respect to Competitive Bid Loans and Swing Line Loans, times (iii) a fraction, the numerator of which is the number of days that elapse from and including the date of payment to and including the date on which the amount due to such Bank shall become immediately available to such Bank, and the denominator of which is 365. A statement of such Bank submitted to the applicable Bank Agent with respect to any amounts owing under this paragraph shall be prima facie evidence of the amount due and owing to such Bank by such Bank Agent.

(b) INTENTIONALLY OMITTED.

(c) Each Domestic Bank that is not incorporated or organized under the laws of the United States of America or a state thereof or the District of Columbia (a "Non-U.S. Bank") agrees that, prior to the first date on which any payment is due to it hereunder, it will deliver to the Company and the Documentation Agent two duly completed

copies of United States Internal Revenue Service Form 1001 or 4224 or successor applicable form, as the case may be, certifying in each case that such Non-U.S. Bank is entitled to receive payments under this Agreement and the Notes payable to it, without deduction or withholding of any United States federal income taxes. Each Non-U.S. Bank that so delivers a Form 1001 or 4224 pursuant to the preceding sentence further undertakes to deliver to each of the Company and the Documentation Agent two further copies of Form 1001 or 4224 or successor applicable form, or other manner of certification, as the case may be, on or before the date that any such letter or form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Company, and such extensions or renewals thereof as may reasonably be requested by the Company, certifying in the case of a Form 1001 or 4224 that such Non-U.S. Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Non-U.S. Bank from duly completing and delivering any such form with respect to it and such Non-U.S. Bank advises the Company that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(d) The Company shall not be required to pay any additional amounts to any Non-U.S. Bank in respect of United States Federal withholding tax pursuant to Section 18 to the extent that (i) the obligation to withhold amounts with respect to United States Federal withholding tax existed on the date such Non-U.S. Bank became a party to this Credit Agreement or, with respect to payments to a different lending office designated by the Non-U.S. Bank as its applicable lending office (a "New Lending Office"), the date such Non-U.S. Bank designated such New Lending Office with respect to a Loan; provided, however, that this clause (i) shall not apply to any transferee or New Lending Office as a result of an assignment, transfer or designation made at the request of the Company; and provided further, however, that this clause (i) shall not apply to the extent the indemnity payment or additional amounts any transferee, or Bank through a New Lending Office, would be entitled to receive without regard to this clause (i) do not exceed the indemnity payment or additional amounts that the Person making the assignment or transfer to such transferee, or Bank making the designation of such New Lending Office, would have been entitled to receive in the absence of such assignment, transfer or

designation; or (ii) the obligation to pay such additional amounts would not have arisen but for a failure by such Non-U.S. Bank to comply with the provisions of paragraph (c) above.

(e) Notwithstanding the foregoing, each Bank agrees to use reasonable efforts (consistent with legal and regulatory restrictions) to change its lending office to avoid or to minimize any amounts otherwise payable under Section 18 in each case solely if such change can be made in a manner so that such Bank, in its sole determination, suffers no legal, economic or regulatory disadvantage.

(f) Payments of principal or interest with respect to any Loan, unpaid Reimbursement Obligation or obligation with respect to Bankers' Acceptances shall be made in the currency in which such Loan was advanced or in which such Letter of Credit or Bankers' Acceptance was issued. Notwithstanding the foregoing, any and all fees payable hereunder (other than Issuance Fees with respect to Letters of Credit issued in C\$) shall be payable in solely US\$.

SECTION 6.2. MANDATORY REPAYMENTS OF THE LOANS. If at any time (i) the sum of the outstanding amount of the Domestic Loans plus the Maximum Drawing Amount of all outstanding Domestic Letters of Credit exceeds the Total Domestic Commitment, whether by reduction of the Total Domestic Commitment or otherwise, or (ii) the sum of the outstanding amount of the Canadian Loans, plus the Maximum Drawing Amount of all outstanding Canadian Letters of Credit, plus the aggregate face amount of all outstanding Bankers' Acceptances, exceeds the Total Canadian Commitment, then the Company shall immediately pay the amount of such excess to the Administrative Agent in the case of clause (i) above, or the Canadian Borrowers, jointly and severally, shall immediately pay the amount of such excess to the Canadian Agent, in the case of clause (ii) above, (a) for application to the Loans, in the case of clause (i) above, first to Syndicated Loans, then to Competitive Bid Loans, subject to Section 6.8, or (b) if no Loans shall be outstanding, to be held by the Administrative Agent or the Canadian Agent, as the case may be for the benefit of the Banks as collateral security for such excess Maximum Drawing Amount and/or borrowing by way of Bankers' Acceptances; provided, however, that if the amount of cash collateral held by the Administrative Agent or the Canadian Agent pursuant to this Section 6.2 exceeds the Maximum Drawing Amount and/or borrowings by way of Bankers' Acceptances required to be collateralized from time to time, such Bank Agent shall return such excess to the applicable Borrower(s).

SECTION 6.3. COMPUTATIONS.

(a) Except as otherwise expressly provided herein, all computations of interest, Letter of Credit Fees or other fees shall be based on a 360-day year and paid for the actual number of days elapsed, except that computations of the Administrative Agent's "prime rate", Canadian Prime Rate and Canadian Base Rate shall be based on a 365 or 366, as applicable, day year and paid for the actual number of days elapsed. Whenever a payment hereunder or under any of the other Loan Documents becomes due on a day that is not a Business Day, the due date for such payment shall be extended to the next succeeding Business Day, and interest shall accrue during such extension; provided that for any Interest Period for any Eurodollar Loan if such next succeeding Business Day falls in the next succeeding calendar month or after the Maturity Date, it shall be deemed to end on the next preceding Business Day.

(b) All computations of outstanding Loans, Commitment availability, mandatory prepayments, or other matters hereunder shall be made in US\$ or Dollar Equivalents.

SECTION 6.4. ILLEGALITY; INABILITY TO DETERMINE EURODOLLAR RATE.

Notwithstanding any other provision of this Agreement (other than Section 6.10) if (a) the introduction of, any change in, or any change in the interpretation of, any law or regulation applicable to any Bank or the Administrative Agent or the Canadian Agent shall make it unlawful, or any central bank or other governmental authority having jurisdiction thereof shall assert that it is unlawful, for any Bank or any such Bank Agent to perform its obligations in respect of any Eurodollar Loans, or (b) if any Bank or any such Bank Agent, as applicable shall reasonably determine with respect to Eurodollar Loans that (i) by reason of circumstances affecting any Eurodollar interbank market, adequate and reasonable methods do not exist for ascertaining the Eurodollar Rate which would otherwise be applicable during any Interest Period, or (ii) deposits of Dollars in the relevant amount for the relevant Interest Period are not available to such Bank or such Bank Agent in any Eurodollar interbank market, or (iii) the Eurodollar Rate does not or will not accurately reflect the cost to such Bank or such Bank Agent of obtaining or maintaining the applicable Eurodollar Loans during any Interest Period, then such Bank or such Bank Agent shall promptly give telephonic, telex or cable notice of such determination to the applicable Borrower(s) (which notice shall be conclusive and binding upon such Borrower(s)). Upon such notification by such Bank or such Bank Agent, the obligation of the Banks and such Bank Agent to make Eurodollar Loans shall be suspended until the Banks or such Bank Agent, as the case may be, determine that such circumstances no longer exist, and to the extent

permitted by law the outstanding Eurodollar Loans shall continue to bear interest at the applicable rate based on the Eurodollar Rate until the end of the applicable Interest Period, and thereafter shall be deemed converted to Base Rate Loans or Canadian Base Rate Loans, as applicable, in equal principal amounts of such former Eurodollar Loans.

SECTION 6.5. ADDITIONAL COSTS, ETC. If any present or future applicable law (which expression, as used herein, includes statutes, rules and regulations thereunder and interpretations thereof by any competent court or by any governmental or other regulatory body or official charged with the administration or the interpretation thereof and requests, directives, instructions and notices at any time or from time to time hereafter made upon or otherwise issued to any Bank by any central bank or other fiscal, monetary or other authority, whether or not having the force of law) shall:

(a) subject such Bank to any tax, levy, impost, duty, charge, fee, deduction or withholding of any nature with respect to this Agreement, the other Loan Documents, such Bank's Domestic Commitment or Canadian Commitment, or the Loans (other than taxes based upon or measured by the income or profits of such Bank imposed by the jurisdiction of its incorporation or organization, or the location of its lending office); or

(b) materially change the basis of taxation (except for changes in taxes on income or profits of such Bank imposed by the jurisdiction of its incorporation or organization, or the location of its lending office) of payments to such Bank of the principal or of the interest on any Loans or any other amounts payable to such Bank under this Agreement or the other Loan Documents; or

(c) except as provided in Section 6.6 or as otherwise reflected in the Base Rate, Canadian Base Rate, Canadian Prime Rate, the Eurodollar Rate, or the Competitive Bid Rate, impose or increase or render applicable (other than to the extent specifically provided for elsewhere in this Agreement) any special deposit, reserve, assessment, liquidity, capital adequacy or other similar requirements (whether or not having the force of law) against assets held by, or deposits in or for the account of, or loans by, or commitments of, an office of any Bank with respect to this Agreement, the other Loan Documents, such Bank's Domestic Commitment or Canadian Commitment, or the Loans; or

(d) impose on such Bank any other conditions or requirements with respect to this Agreement, the other Loan Documents, the Loans, such Bank's Domestic Commitment or Canadian Commitment, as applicable, or any class of loans or

commitments of which any of the Loans or such Bank's Domestic Commitment or Canadian Commitment, as applicable, forms a part, and the result of any of the foregoing is:

(i) to increase the cost to such Bank of making, funding, issuing, renewing, extending or maintaining the Loans or such Bank's Domestic Commitment or Canadian Commitment, as applicable, or issuing or participating in Letters of Credit, or accepting and purchasing Bankers' Acceptances;

(ii) to reduce the amount of principal, interest or other amount payable to such Bank hereunder on account of such Bank's Domestic Commitment, Canadian Commitment or the Loans, the Reimbursement Obligations or Bankers' Acceptances; or

(iii) to require such Bank to make any payment or to forego any interest or other sum payable hereunder, the amount of which payment or foregone interest or other sum is calculated by reference to the gross amount of any sum receivable or deemed received by such Bank from the Borrowers hereunder,

then, and in each such case, the Canadian Borrowers, in the case of Canadian Loans, Canadian Letters of Credit and Bankers' Acceptances, and the Company, in each other case, will, upon demand made by such Bank at any time and from time to time as often as the occasion therefore may arise (which demand shall be accompanied by a statement setting forth the basis of such demand which shall be conclusive absent manifest error), pay such reasonable additional amounts as will be sufficient to compensate such Bank for such additional costs, reduction, payment or foregone interest or other sum.

SECTION 6.6. CAPITAL ADEQUACY. If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule, or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or any corporation controlling such Bank) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or any corporation controlling such Bank) could have achieved but for such

adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank, the Canadian Borrowers, in the case of Canadian Banks, and the Company in the case of the Domestic Banks, shall pay to such Bank such additional amount or amounts as will, in such Bank's reasonable determination, fairly compensate such Bank (or any corporation controlling such Bank) for such reduction. Each Bank shall allocate such cost increases among its customers in good faith and on an equitable basis.

SECTION 6.7. CERTIFICATE. A certificate setting forth the additional amounts payable pursuant to Section 6.5 or Section 6.6 and a reasonable explanation of such amounts which are due, submitted by any Bank to the applicable Borrower(s), shall be conclusive, absent manifest error, that such amounts are due and owing.

SECTION 6.8. EURODOLLAR AND COMPETITIVE BID INDEMNITY. The Company agrees to indemnify the Domestic Banks and the Administrative Agent, and the Canadian Borrowers agree to indemnify the Canadian Banks and the Canadian Agent, and to hold them harmless from and against any reasonable loss, cost or expense that any such Bank and such Bank Agent may sustain or incur as a consequence of (a) the default by such Borrower(s) in payment of the principal amount of or any interest on any Eurodollar Loans or Competitive Bid Loans as and when due and payable, including any such loss or expense arising from interest or fees payable by any Bank or such Bank Agent to lenders of funds obtained by it in order to maintain its Eurodollar Loans or Competitive Bid Loans, (b) the default by such Borrower(s) in making a borrowing of a Eurodollar Loan or Competitive Bid Loan or conversion of a Eurodollar Loan or a prepayment of a Eurodollar or Competitive Bid Loan other than on an Interest Payment Date after such Borrower(s) has given (or is deemed to have given) a Syndicated Loan and Letter of Credit Request, a notice pursuant to Section 2.7 or a Notice of Acceptance of Competitive Bid Quote(s), or a notice pursuant to Section 2.10, and (c) the making of any payment of a Eurodollar Loan or Competitive Bid Loan, or the making of any conversion of any Eurodollar Loan to a Base Rate Loan or Canadian Base Rate Loan, as applicable, or the reallocation of any Eurodollar Loan pursuant to Section 2.3(d) or Section 2.3(e) on a day that is not the last day of the applicable Interest Period with respect thereto. Such loss or reasonable expense shall include an amount equal to the excess, if any, as reasonably determined by each Bank of (i) its cost of obtaining the funds for (A) the Eurodollar Loan being paid, prepaid, converted, not converted, reallocated, or not borrowed, as the case may be (based on the Eurodollar Rate), or (B) the Competitive Bid Loan being paid, prepaid, or not borrowed, as the case may be (based on the Competitive Bid Rate) for the period from the date of such payment, prepayment, conversion, or failure to borrow or

convert, as the case may be, to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for the Loan which would have commenced on the date of such failure to borrow) over (ii) the amount of interest (as reasonably determined by such Bank) that would be realized by such Bank in reemploying the funds so paid, prepaid, converted, or not borrowed, converted, or prepaid for such period or Interest Period, as the case may be, which determinations shall be conclusive absent manifest error.

SECTION 6.9. INTEREST ON OVERDUE AMOUNTS. Overdue principal and (to the extent permitted by applicable law) interest on the Loans and all other overdue amounts payable hereunder or under any of the other Loan Documents shall bear interest compounded monthly and payable on demand at a rate per annum equal to the Base Rate, Canadian Base Rate or Canadian Prime Rate, as applicable, plus 2%, until such amount shall be paid in full (after as well as before judgment).

SECTION 6.10. INTEREST LIMITATION.

(a) Notwithstanding any other term of this Agreement or the Notes, any other Loan Document or any other document referred to herein or therein, the maximum amount of interest which may be charged to or collected from any Person liable hereunder or under the Notes by any Bank shall be absolutely limited to, and shall in no event exceed, the maximum amount of interest which could lawfully be charged or collected by such Bank under applicable laws (including, to the extent applicable, the provisions of Section 5197 of the Revised Statutes of the United States of America, as amended, 12 U.S.C. Section 85, as amended and the Criminal Code (Canada)).

(b) With respect to Canadian Loans, whenever interest is payable hereunder on the basis of a year of 360 days, for the purposes of the Interest Act (Canada), the yearly rate of interest which is equivalent to the rate payable hereunder is the rate payable hereunder multiplied by the actual number of days in the year and divided by 360. All interest will be calculated using the nominal rate method and not the effective rate method and the deemed reinvestment principle shall not apply to such calculations.

SECTION 6.11. REASONABLE EFFORTS TO MITIGATE. Each Bank agrees that as promptly as practicable after it becomes aware of the occurrence of an event or the existence of a condition that would cause it to be affected under Sections 6.4, 6.5 or 6.6, such Bank will give notice thereof to the applicable Borrower(s), with a copy to the Administrative Agent and the Canadian Agent, as applicable, and, to the extent so requested by such Borrower(s) and not

inconsistent with such Bank's internal policies, such Bank shall use reasonable efforts and take such actions as are reasonably appropriate if as a result thereof the additional moneys which would otherwise be required to be paid to such Bank pursuant to such subsections would be materially reduced, or the illegality or other adverse circumstances which would otherwise require a conversion of such Loans or result in the inability to make such Loans pursuant to such sections would cease to exist, and in each case if, as determined by such Bank in its sole discretion, the taking such actions would not adversely affect such Loans or such Bank or otherwise be disadvantageous to such Bank.

SECTION 6.12. REPLACEMENT OF BANKS. If any Bank (an "Affected Bank") (i) makes demand upon the Borrowers for (or if Borrowers are otherwise required to pay) amounts pursuant to Sections 6.5 or 6.6, (ii) is unable to make or maintain Eurodollar Loans as a result of a condition described in Section 6.4 or (iii) defaults in its obligation to make Loans, participate in Letters of Credit and/or, in the case of the Canadian Banks, accept and purchase Bankers' Acceptances, in accordance with the terms of this Agreement (such Bank being referred to as a "Defaulting Bank"), the Borrowers may, within 90 days of receipt of such demand, notice (or the occurrence of such other event causing the Borrowers to be required to pay such compensation or causing Section 6.4 to be applicable), or default, as the case may be, by notice (a "Replacement Notice") in writing to the Bank Agents and such Affected Bank (A) request the Affected Bank to cooperate with the Borrowers in obtaining a replacement bank satisfactory to the Bank Agents and the Borrowers (the "Replacement Bank"); (B) request the non-Affected Banks to acquire and assume all of the Affected Bank's Loans and Commitment, participate in Letters of Credit and/or, in the case of the Canadian Banks, accept and purchase Bankers' Acceptances, as provided herein, but none of such Banks shall be under an obligation to do so; or (C) designate a Replacement Bank reasonably satisfactory to the Bank Agents. If any satisfactory Replacement Bank shall be obtained, and/or any of the non-Affected Banks shall agree to acquire and assume all of the Affected Bank's Loans and Commitment, participate in Letters of Credit and/or, in the case of the Canadian Banks, accept and purchase Bankers' Acceptances, then such Affected Bank shall, so long as no Event of Default shall have occurred and be continuing, assign, in accordance with Section 20, all of its Commitment, Loans, Notes and other rights and obligations under this Agreement and all other Loan Documents to such Replacement Bank or non-Affected Banks, as the case may be, in exchange for payment of the principal amount so assigned and all interest and fees accrued on the amount so assigned, plus all other Obligations then due and payable to the Affected Bank; provided, however, that (i) such assignment shall be without recourse, representation or warranty and shall be on terms and conditions reasonably satisfactory to such Affected Bank and such Replacement Bank and/or non-Affected Banks, as the case may be, and (ii)

prior to any such assignment, the applicable Borrower(s) shall have paid to such Affected Bank all amounts properly demanded and unreimbursed under Sections 6.5, 6.6 and 6.8. Upon the effective date of such assignment, the Canadian Borrowers, in the case of Canadian Banks, and the Company, in all other cases, shall issue replacement Notes to such Replacement Bank and/or non-Affected Banks, as the case may be, and such institution shall become a "Bank" for all purposes under this Agreement and the other Loan Documents.

SECTION 6.13. ADVANCES BY ADMINISTRATIVE AGENT AND CANADIAN AGENT.

The Administrative Agent or the Canadian Agent, as applicable, may (unless earlier notified to the contrary by any Bank by 12:00 noon (New York time) one (1) Business Day prior to any Drawdown Date) assume that each Bank has made available (or will before the end of such Business Day make available) to such Bank Agent the amount of such Bank's Domestic Commitment Percentage or Canadian Commitment Percentage, as applicable, with respect to the Loans (or, in the case of Competitive Bid Loans, the amount of such Domestic Bank's accepted offers of such Loans, if any) to be made on such Drawdown Date, and such Bank Agent may (but shall not be required to), in reliance upon such assumption, make available to the applicable Borrower(s) a corresponding amount. If any Bank makes such amount available to such Bank Agent on a date after such Drawdown Date, such Bank shall pay such Bank Agent on demand an amount equal to the product of (i) the average, computed for the period referred to in clause (iii) below, of the weighted average annual interest rate paid by such Bank Agent for federal funds acquired by such Bank Agent, or corresponding Canadian funds in the case of the Canadian Agent, during each day included in such period times (ii) the amount equal to such Bank's Domestic Commitment Percentage of such Syndicated Loan and Canadian Commitment Percentage of such Canadian Loan, as applicable (or, in the case of Competitive Bid Loans and Swing Line Loans, the amount of such Domestic Bank's accepted offer of such Loans, if any), times (iii) a fraction, the numerator of which is the number of days that elapse from and including such Drawdown Date to but not including the date on which the amount equal to such Bank's Domestic Commitment Percentage or Canadian Commitment Percentage, as applicable, of such Loans, or the amount of such Domestic Bank's accepted offers of such Competitive Bid Loans and Swing Line Loans, shall become immediately available to the such Bank Agent, and the denominator of which is 365. A statement of such Bank Agent submitted to such Bank with respect to any amounts owing under this paragraph shall be prima facie evidence of the amount due and owing to such Bank Agent by such Bank. If such amount is not in fact made available to such Bank Agent by such Bank within three (3) Business Days of such Drawdown Date, such Bank Agent shall be entitled to recover such amount

from such Borrower(s), with interest thereon at the applicable rate per annum.

SECTION 6.14. CURRENCY FLUCTUATIONS.

(a) Not later than 1:00 p.m. (New York time) on the last Business Day of each calendar month (the "Calculation Date"), the Administrative Agent shall determine the Exchange Rate as of such date. The Exchange Rate so determined shall become effective on the first Business Day immediately following such determination (a "Reset Date") and shall remain effective until the next succeeding Reset Date.

(b) Not later than 4:00 p.m. (New York time) on each Reset Date, the Administrative Agent shall consult with the Canadian Agent to determine the U.S. Dollar Equivalent of the outstanding Canadian Loans, Bankers' Acceptances and Canadian Letters of Credit denominated in Canadian Dollars.

(c) If, on any Reset Date and on the Maturity Date, the aggregate outstanding amount (expressed in U.S. Dollars) of all Canadian Loans, the Maximum Drawing Amount with respect to Canadian Letters of Credit, and the aggregate face amount of all outstanding Bankers' Acceptances exceeds the Total Canadian Commitment by more than \$100,000, then (i) the Canadian Agent shall give notice thereof to the Canadian Borrowers and the Canadian Banks and (ii) within two (2) Business Days thereafter, the Canadian Borrowers shall repay or prepay Canadian Loans in accordance with this Agreement in an aggregate principal amount such that, after giving effect thereto, the aggregate outstanding amount (expressed in U.S. Dollars) of all Canadian Loans, the Maximum Drawing Amount with respect to Canadian Letters of Credit and the aggregate face amount of all outstanding Bankers' Acceptances no longer exceeds the Total Canadian Commitment (expressed in U.S. Dollars).

(d) Without limiting subsection Section 6.14(c), if, on any day prior to the Maturity Date, the aggregate outstanding amount (expressed in U.S. Dollars) of all Canadian Loans, the Maximum Drawing Amount with respect to Canadian Letters of Credit and the aggregate face amount of all outstanding Bankers' Acceptances exceeds the Total Canadian Commitment by five percent (5%) or more, then (i) the Canadian Agent shall give notice thereof to the Canadian Borrowers and the Canadian Banks and (ii) within two (2) Business Days thereafter, the Canadian Borrowers shall repay or prepay Canadian Loans in accordance with this Agreement in an aggregate principal

amount such that, after giving effect thereto, the aggregate outstanding amount (expressed in U.S. Dollars) of all Canadian Loans, the Maximum Drawing Amount with respect to Canadian Letters of Credit and the aggregate face amount of all outstanding Bankers' Acceptances no longer exceeds the Total Canadian Commitment (expressed in U.S. Dollars). Nothing set forth in this Section 6.14 shall be construed to require any Bank Agent to calculate daily compliance under this Section 6.14 unless expressly requested to do so by a Bank.

(e) To the extent the repayments and prepayments referenced in Section 6.14(c) and Section 6.14(d) are such that, after giving effect thereto, the Maximum Drawing Amount with respect to Canadian Letters of Credit and the aggregate face amount of all outstanding Bankers' Acceptances (expressed in U.S. Dollars) still exceeds the Total Canadian Commitment (expressed in U.S. Dollars), then the Canadian Borrowers shall immediately upon demand provide cash collateral to the Canadian Agent required to obtain such results.

SECTION 7. REPRESENTATIONS AND WARRANTIES. Each of the Borrowers (and Sanifill, where identified by name) represents and warrants to the Banks that:

SECTION 7.1. CORPORATE AUTHORITY.

(a) Incorporation; Good Standing. The Company and each of its Subsidiaries (i) is a corporation duly organized, validly existing and in good standing under the laws of its respective jurisdiction of incorporation, (ii) has all requisite corporate power to own its property and conduct its business as now conducted and as presently contemplated, and (iii) is in good standing as a foreign corporation and is duly authorized to do business in each jurisdiction in which its property or business as presently conducted or contemplated makes such qualification necessary, except where a failure to be so qualified would not have a material adverse effect on the business, assets or financial condition of the Company and its Subsidiaries as a whole.

(b) Authorization. The execution, delivery and performance of its Loan Documents and the transactions contemplated hereby and thereby (i) are within the corporate authority of each of the Borrowers and Sanifill, (ii) have been duly authorized by all necessary corporate proceedings on the part of each of the Borrowers and Sanifill, (iii) do not conflict with or result in any breach or contravention of any provision of law, statute, rule or regulation to which any of the Borrowers, Sanifill or any Subsidiary of the Company is subject or any

judgment, order, writ, injunction, license or permit applicable to any of the Borrowers, Sanifill or any such Subsidiary so as to materially adversely affect the assets, business or any activity of any of the Borrowers, Sanifill and their Subsidiaries as a whole, and (iv) do not conflict with any provision of the corporate charter or bylaws of either of the Borrowers, Sanifill or any Subsidiary or any agreement or other instrument binding upon any of the Borrowers, Sanifill or any of their Subsidiaries.

(c) Enforceability. The execution, delivery and performance of the Loan Documents by each of the Borrowers and Sanifill will result in valid and legally binding obligations of each of the Borrowers and Sanifill enforceable against it in accordance with the respective terms and provisions hereof and thereof, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

SECTION 7.2. GOVERNMENTAL APPROVALS. The execution, delivery and performance of the Loan Documents by each of the Borrowers and Sanifill and the consummation by each of the Borrowers and Sanifill of the transactions contemplated hereby and thereby do not require any approval or consent of, or filing with, any governmental agency or authority other than those already obtained and those required after the date hereof in connection with the Company's and its Subsidiaries' performance of their covenants contained in Sections 8, 9 and 10 hereof.

SECTION 7.3. TITLE TO PROPERTIES; LEASES. The Company and its Subsidiaries own all of the assets reflected in the consolidated balance sheet as at the Balance Sheet Date or acquired since that date (except property and assets operated under capital leases or sold or otherwise disposed of in the ordinary course of business since that date), subject to no mortgages, Capitalized Leases, conditional sales agreements, title retention agreements, liens or other encumbrances except Permitted Liens.

SECTION 7.4. FINANCIAL STATEMENTS; SOLVENCY.

(a) There have been furnished to the Banks consolidated balance sheets of the Company and its Subsidiaries and of Sanifill and its Subsidiaries dated the Balance Sheet Date and consolidated statements of operations for the fiscal periods then ended, certified by the Accountants. All said balance sheets and statements of operations

have been prepared in accordance with GAAP (but, in the case of any of such financial statements which are unaudited, only to the extent GAAP is applicable to interim unaudited reports), fairly present the financial condition of the Company and its Subsidiaries or Sanifill and its Subsidiaries, on a consolidated basis, as at the close of business on the Balance Sheet Date and the results of operations for the period then ended, subject, in the case of unaudited interim financial statements, to changes resulting from audit and normal year-end adjustments and to the absence of complete footnotes. There are no contingent liabilities of the Company and its Subsidiaries or Sanifill and its Subsidiaries involving material amounts, known to the officers of the Company and Sanifill, which have not been disclosed in said balance sheets and the related notes thereto or otherwise in writing to the Banks.

(b) The Company and its Subsidiaries on a consolidated basis (both before and after giving effect to the transactions contemplated by this Agreement including the Sanifill Merger) are solvent (i.e., they have assets having a fair value in excess of the amount required to pay their probable liabilities on their existing debts as they become absolute and matured) and have, and expect to have, the ability to pay their debts from time to time incurred in connection therewith as such debts mature.

SECTION 7.5. NO MATERIAL CHANGES, ETC. Since the Balance Sheet Date, there have occurred no material adverse changes in the consolidated financial condition, business or assets of the Company and its Subsidiaries, taken together, or Sanifill and its Subsidiaries, taken together, as the case may be, as shown on or reflected in the consolidated balance sheets of the Company and its Subsidiaries or Sanifill and its Subsidiaries as at the Balance Sheet Date, or the consolidated statements of income for the period then ended other than changes in the ordinary course of business which have not had any material adverse effect either individually or in the aggregate on the financial condition, business or assets of the Company and its Subsidiaries, taken together, or Sanifill and its Subsidiaries, taken together, as the case may be. Since the Balance Sheet Date, there have not been any Distributions (including Distributions by the Company or Sanifill) other than as permitted by Section 9.5 hereof.

SECTION 7.6. FRANCHISES, PATENTS, COPYRIGHTS, ETC. The Company and each of its Subsidiaries possess all franchises, patents, copyrights, trademarks, trade names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of its business substantially as now conducted (other than those the absence of which would not have a material adverse effect on the business, operations or financial condition of the

Company and its Subsidiaries as a whole) without known conflict with any rights of others other than a conflict which would not have a material adverse effect on the financial condition, business or assets of the Company and its Subsidiaries as a whole.

SECTION 7.7. LITIGATION. Except as set forth on Schedule 7.7, there are no actions, suits, proceedings or investigations of any kind pending or, to the knowledge of the Company or any of its Subsidiaries, threatened against the Company or any of its Subsidiaries before any court, tribunal or administrative agency or board which, either in any case or in the aggregate, could reasonably be expected to have a material adverse effect on the financial condition, business, or assets of the Company and its Subsidiaries, considered as a whole, or materially impair the right of the Company and its Subsidiaries, considered as a whole, to carry on business substantially as now conducted, or result in any substantial liability not adequately covered by insurance, or for which adequate reserves are not maintained on the consolidated balance sheet or which question the validity of any of the Loan Documents to which the Company or any of its Subsidiaries is a party, or any action taken or to be taken pursuant hereto or thereto.

SECTION 7.8. NO MATERIALLY ADVERSE CONTRACTS, ETC. Neither the Company nor any of its Subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company's or such Subsidiary's officers has or could reasonably be expected in the future to have a materially adverse effect on the business, assets or financial condition of the Company and its Subsidiaries, considered as a whole. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement which in the judgment of the Company's or its Subsidiary's officers has or could reasonably be expected to have any materially adverse effect on the financial condition, business or assets of the Company and its Subsidiaries, considered as a whole, except as otherwise reflected in adequate reserves as required by GAAP.

SECTION 7.9. COMPLIANCE WITH OTHER INSTRUMENTS, LAWS, ETC. Neither the Company nor any of its Subsidiaries is (a) violating any provision of its charter documents or by-laws or (b) any agreement or instrument to which any of them may be subject or by which any of them or any of their properties may be bound or any decree, order, judgment, or any statute, license, rule or regulation, in a manner which could (in the case of such agreements or such instruments) reasonably be expected to result in the imposition of substantial penalties or materially and adversely affect the financial condition, business or assets of the Company and its Subsidiaries, considered as a whole.

SECTION 7.10. TAX STATUS. The Company and its Subsidiaries have filed all federal, state, provincial and territorial income and all other tax returns, reports and declarations (or obtained extensions with respect thereto) required by applicable law to be filed by them (unless and only to the extent that the Company or such Subsidiary has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes as required by GAAP); and have paid all taxes and other governmental assessments and charges (other than taxes, assessments and other governmental charges imposed by jurisdictions other than the United States, Canada or any political subdivision thereof which in the aggregate are not material to the financial condition, business or assets of the Company or such Subsidiary on an individual basis or of the Company and its Subsidiaries on a consolidated basis) that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith; and, as required by GAAP, have set aside on their books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. Except to the extent contested in the manner permitted in the preceding sentence, there are no unpaid taxes in any material amount claimed by the taxing authority of any jurisdiction to be due and owing by the Company or any Subsidiary, nor do the officers of the Company or any of its Subsidiaries know of any basis for any such claim.

SECTION 7.11. NO EVENT OF DEFAULT. No Default or Event of Default has occurred and is continuing.

SECTION 7.12. HOLDING COMPANY AND INVESTMENT COMPANY ACTS. Neither the Company nor any of its Subsidiaries is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935; nor is any of them a "registered investment company", or an "affiliated company" or a "principal underwriter" of a "registered investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

SECTION 7.13. ABSENCE OF FINANCING STATEMENTS, ETC. Except as permitted by Section 9.2 of this Agreement, there is no Indebtedness senior to the Obligations, and there is no effective financing statement, security agreement, chattel mortgage, real estate mortgage or other documents filed or recorded with any filing records, registry, or other public office, which purports to cover, affect or give notice of any present or possible future lien on, or security interests in, any assets or property of the Company or any of its Subsidiaries or right thereunder.

SECTION 7.14. EMPLOYEE BENEFIT PLANS.

(a) In General. Each Employee Benefit Plan has been maintained and operated in compliance in all material respects with the provisions of ERISA and/or all Applicable Canadian Pension Legislation, as applicable, and, to the extent applicable, the Code, including but not limited to the provisions thereunder respecting prohibited transactions.

(b) Terminability of Welfare Plans. Under each Employee Benefit Plan which is an employee welfare benefit plan within the meaning of Section 3(1) or Section 3 (2)(B) of ERISA, no benefits are due unless the event giving rise to the benefit entitlement occurs prior to plan termination (except as required by Title I, part 6 of ERISA.) The Company, each of its Subsidiaries, or ERISA Affiliate, as appropriate, may terminate each such plan at any time (or at any time subsequent to the expiration of any applicable bargaining agreement) in the discretion of Company or such Subsidiary, or ERISA Affiliate without material liability to any Person.

(c) Guaranteed Pension Plans. Neither the Company nor any of its Subsidiaries is a sponsor of, or contributor to, a Guaranteed Pension Plan.

(d) Multiemployer Plans. Neither the Company, any of its Subsidiaries, nor any ERISA Affiliate has incurred any material liability (including secondary liability) to any Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan under Section 4201 of ERISA or as a result of a sale of assets described in Section 4204 of ERISA. Neither the Company, any of its Subsidiaries, nor any ERISA Affiliate has been notified that any Multiemployer Plan is in reorganization or is insolvent under and within the meaning of Section 4241 or Section 4245 of ERISA or that any Multiemployer Plan intends to terminate or has been terminated under Section 4041A of ERISA.

SECTION 7.15. ENVIRONMENTAL COMPLIANCE. The Company and its Subsidiaries have taken all necessary steps to investigate the past and present condition and usage of the Real Property and the operations conducted by the Company and its Subsidiaries and, based upon such diligent investigation, have determined that, except as set forth on Schedule 7.15:

(a) Neither the Company, its Subsidiaries, nor any operator of their properties, is in violation, or alleged violation, of any judgment, decree, order, law, permit, license, rule or regulation pertaining to environmental matters, including without limitation,

those arising under the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, or any United States or Canadian federal, state, provincial, territorial or local statute, regulation, ordinance, order or decree relating to health, safety, waste transportation or disposal, or the environment (the "Environmental Laws"), which violation would have a material adverse effect on the business, assets or financial condition of the Company and its Subsidiaries on a consolidated basis.

(b) Except as described on Schedule 7.15, neither the Company nor any of its Subsidiaries has received notice from any third party including, without limitation: any federal, state, provincial, territorial or local governmental authority, (i) that any one of them has been identified by the United States Environmental Protection Agency ("EPA") as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B; (ii) that any hazardous waste, as defined by 42 U.S.C. Section 6903(5), any hazardous substances as defined by 42 U.S.C. Section 9601(14), any pollutant or contaminant as defined by 42 U.S.C. Section 9601(33) and any toxic substance, oil or hazardous materials or other chemicals or substances regulated by any Environmental Laws, excluding household hazardous waste ("Hazardous Substances") which any one of them has generated, transported or disposed of, has been found at any site at which a federal, state, provincial, territorial or local agency or other third party has conducted or has ordered that the Company or any of its Subsidiaries conduct a remedial investigation, removal or other response action pursuant to any Environmental Law; or (iii) that it is or shall be a named party to any claim, action, cause of action, complaint, legal or administrative proceeding arising out of any third party's incurrence of costs, expenses, losses or damages of any kind whatsoever in connection with the Release of Hazardous Substances.

(c) (i) No portion of the Real Property or other assets of the Company and its Subsidiaries has been used for the handling, processing, storage or disposal of Hazardous Substances except in accordance with applicable Environmental Laws, except as would not reasonably be expected to have a material adverse effect on the business, assets or financial condition of the Company and its Subsidiaries on a consolidated basis; and no underground tank or other underground storage receptacle for Hazardous Substances is located on such properties; (ii) in the course of any activities conducted

by the Company, its Subsidiaries, or operators of the Real Property or other assets of the Company and its Subsidiaries, no Hazardous Substances have been generated or are being used on such properties except in accordance with applicable Environmental Laws, except for occurrences that would not have a material adverse effect on the business, assets or financial condition of the Company and its Subsidiaries on a consolidated basis; (iii) there have been no unpermitted Releases or threatened Releases of Hazardous Substances on, upon, into or from the Real Property or other assets of the Company or its Subsidiaries, which Releases would have a material adverse effect on the value of such properties; (iv) to the best of the Company's and its Subsidiaries' knowledge, there have been no Releases on, upon, from or into any real property in the vicinity of the Real Property or other assets of the Company or its Subsidiaries which, through soil or groundwater contamination, may have come to be located on, and which would reasonably be expected to have a material adverse effect on the value of, such properties; and (v) in addition, any Hazardous Substances that have been generated on the Real Property or other assets of the Company or its Subsidiaries have been transported offsite only by carriers having an identification number issued by the EPA, treated or disposed of only by treatment or disposal facilities maintaining valid permits as required under applicable Environmental Laws, which transporters and facilities have been and are, to the best of the Company's and its Subsidiaries' knowledge, operating in compliance with such permits and applicable Environmental Laws.

(d) None of the Real Property or other assets of the Company or its Subsidiaries or any of the stock (or assets) being acquired with proceeds of Loans is or shall be subject to any applicable environmental clean-up responsibility law or environmental restrictive transfer law or regulation, by virtue of the transactions set forth herein and contemplated hereby.

SECTION 7.16 TRUE COPIES OF CHARTER AND OTHER DOCUMENTS. Each of the Borrowers and Sanifill has furnished the Documentation Agent copies, in each case true and complete as of the Closing Date, of (a) all charter and other incorporation documents (together with any amendments thereto) and (b) by-laws (together with any amendments thereto).

SECTION 7.17 DISCLOSURE. No representation or warranty made by any of the Borrowers or Sanifill in this Agreement or in any agreement, instrument, document, certificate, statement or letter furnished to the Banks or the Bank Agents by or on behalf of or at the request of the Borrowers and Sanifill in connection with any of the transactions

contemplated by the Loan Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which they are made.

SECTION 7.18. PERMITS AND GOVERNMENTAL AUTHORITY. All permits (other than those the absence of which would not have a material adverse effect on the business, operations or financial condition of the Company and its Subsidiaries as a whole) required for the construction and operation of all landfills currently owned or operated by the Company or any of its Subsidiaries have been obtained and remain in full force and effect and are not subject to any appeals or further proceedings or to any unsatisfied conditions that may allow material modification or revocation. Neither the Company nor any of its Subsidiaries, nor, to the knowledge of the Company and its Subsidiaries, the holder of such permits is in violation of any such permits, except for any violation which would not have a material adverse effect on the business, operations or financial condition of the Company and its Subsidiaries as a whole.

SECTION 8. AFFIRMATIVE COVENANTS OF THE BORROWERS. Each of the Company, and the Canadian Borrowers where applicable, agree that, so long as any Obligation or any Letter of Credit is outstanding or the Banks have any obligation to make Loans, or the Canadian Banks have any further obligation with respect to Bankers' Acceptances, or the Issuing Bank has any obligation to issue, extend or renew any Letters of Credit hereunder, or the Banks have any obligations to reimburse the Issuing Bank for drawings honored under any Letter of Credit, it shall, and shall cause its Subsidiaries to comply with the following covenants:

SECTION 8.1. PUNCTUAL PAYMENT. The applicable Borrower(s) will duly and punctually pay or cause to be paid the principal and interest on the Loans, all Reimbursement Obligations, fees and other amounts provided for in this Agreement and the other Loan Documents, all in accordance with the terms of this Agreement and such other Loan Documents.

SECTION 8.2. MAINTENANCE OF U.S. OFFICE. The Company will, and will cause each of its U.S. Subsidiaries to, maintain their chief executive offices at Houston, Texas, or at such other place in the United States of America as the Company shall designate upon 30 days prior written notice to the Bank Agents.

SECTION 8.3. RECORDS AND ACCOUNTS. The Company will, and will cause each of its Subsidiaries to, keep true and accurate records and books of account in which full, true and correct entries will be made in accordance with GAAP and with the requirements of all regulatory authorities and

maintain adequate accounts and reserves for all taxes (including income taxes), depreciation, depletion, obsolescence and amortization of its properties, all other contingencies, and all other proper reserves.

SECTION 8.4. FINANCIAL STATEMENTS, CERTIFICATES AND INFORMATION. The Company will deliver to the Banks:

(a) as soon as practicable, but, in any event not later than 90 days after the end of each fiscal year of the Company, the consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, consolidated statements of cash flows, and the related consolidated statements of operations, each setting forth in comparative form the figures for the previous fiscal year, all such consolidated financial statements to be in reasonable detail, prepared, in accordance with GAAP and, with respect to the consolidated financial statements, certified by Coopers & Lybrand LLP or by other independent auditors selected by the Company and reasonably satisfactory to the Banks (the "Accountants"). In addition, simultaneously therewith, the Company shall provide the Banks with a written statement from such Accountants to the effect that they have read a copy of this Agreement, and that, in making the examination necessary to said certification, they have obtained no knowledge of any Default or Event of Default, or, if such Accountants shall have obtained knowledge of any then existing Default or Event of Default they shall disclose in such statement any such Default or Event of Default;

(b) as soon as practicable, but in any event not later than 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, copies of the consolidated balance sheet and statement of operations of the Company and its Subsidiaries as at the end of such quarter, subject to year end adjustments, and the related consolidated statement of cash flows, all in reasonable detail and prepared in accordance with GAAP (to the extent GAAP is applicable to interim unaudited financial statements) with a certification by the principal financial or accounting officer of the Company (the "CFO or the CAO") that the consolidated financial statements are prepared in accordance with GAAP (to the extent GAAP is applicable to interim unaudited financial statements) and fairly present the consolidated financial condition of the Company and its Subsidiaries on a consolidated basis as at the close of business on the date thereof and the results of operations for the period then ended, it being understood that no such statement need be accompanied by complete footnotes;

(c) simultaneously with the delivery of the financial statements referred to in (a) and (b) above, a certificate in the form of Exhibit D hereto (the "Compliance Certificate") signed by the CFO or the CAO or corporate treasurer, stating that the Company and its Subsidiaries are in compliance with the covenants contained in Sections 8, 9 and 10 hereof as of the end of the applicable period setting forth in reasonable detail computations evidencing such compliance with respect to the covenants contained in Sections 9.1(e), 9.3, 9.4, 9.5, and 10 hereof and that no Default or Event of Default exists, provided that if the Company shall at the time of issuance of such Compliance Certificate or at any other time obtain knowledge of any Default or Event of Default, the Company shall include in such certificate or otherwise deliver forthwith to the Banks a certificate specifying the nature and period of existence thereof and what action the Company proposes to take with respect thereto;

(d) contemporaneously with, or promptly following, the filing or mailing thereof, copies of all material of a financial nature filed with the Securities and Exchange Commission or sent to the Company's and its Subsidiaries' stockholders generally; and

(e) from time to time such other financial data and other information as the Banks may reasonably request.

The Borrowers hereby authorize each Bank to disclose any information obtained pursuant to this Agreement to all appropriate governmental regulatory authorities where required by law; provided, however, this authorization shall not be deemed to be a waiver of any rights to object to the disclosure by the Banks of any such information which any Borrower has or may have under the federal Right to Financial Privacy Act of 1978, as in effect from time to time, except as to matters specifically permitted therein.

SECTION 8.5. CORPORATE EXISTENCE AND CONDUCT OF BUSINESS. The Company will, and will cause each Subsidiary to do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, corporate rights and franchises; and effect and maintain its foreign qualifications (except where the failure of the Company or any Subsidiary to remain so qualified would not materially adversely impair the financial condition, business or assets of the Company and its Subsidiaries on a consolidated basis), licensing, domestication or authorization except as terminated by its Board of Directors in the exercise of its reasonable judgment; provided that such termination would not have a material adverse effect on the financial condition, business or assets of the Company and its Subsidiaries on a consolidated basis. The Company will not, and will cause

its Subsidiaries not to, become obligated under any contract or binding arrangement which, at the time it was entered into, would materially adversely impair the financial condition, business or assets of the Company and its Subsidiaries, on a consolidated basis. The Company will, and will cause each Subsidiary to, continue to engage primarily in the businesses now conducted by it and in related businesses.

SECTION 8.6. MAINTENANCE OF PROPERTIES. The Company will, and will cause its Subsidiaries to, cause all material properties used or useful in the conduct of their businesses to be maintained and kept in good condition, repair and working order (ordinary wear and tear excepted) and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company and its Subsidiaries may be necessary so that the businesses carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this section shall prevent the Company or any of its Subsidiaries from discontinuing the operation and maintenance of any of its properties if such discontinuance is, in the judgment of the Company or such Subsidiary, desirable in the conduct of its or their business and which does not in the aggregate materially adversely affect the financial condition, business or assets of the Company and its Subsidiaries on a consolidated basis.

SECTION 8.7. INSURANCE. The Company will, and will cause its Subsidiaries to, maintain with financially sound and reputable insurance companies, funds or underwriters' insurance of the kinds, covering the risks (other than risks arising out of or in any way connected with personal liability of any officers and directors thereof) and in the relative proportionate amounts usually carried by reasonable and prudent companies conducting businesses similar to that of the Company and its Subsidiaries, in amounts substantially similar to the existing coverage policies maintained by the Company and its Subsidiaries, copies of which have been provided to the Documentation Agent. In addition, the Company will furnish from time to time, upon the Banks' request, a summary of the insurance coverage of the Company and its Subsidiaries, which summary shall be in form and substance satisfactory to the Banks and, if requested by any of the Banks, will furnish to the Documentation Agent and such Bank copies of the applicable policies.

SECTION 8.8. TAXES. The Company will, and will cause its Subsidiaries to, duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue, all taxes, assessments and other governmental charges (other than taxes, assessments and other governmental charges imposed by jurisdictions other than the United States, Canada or any political subdivision thereof, which in the aggregate are not material to the

business, financial conditions, or assets of the Company and its Subsidiaries on a consolidated basis) imposed upon it and its real properties, sales and activities, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies, which if unpaid might by law become a lien or charge upon any of its property; provided, however, that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if the Company or such Subsidiary shall have set aside on its books adequate reserves with respect thereto as required by GAAP; and provided, further, that the Company or such Subsidiary will pay all such taxes, assessments, charges, levies or claims forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefor.

SECTION 8.9. INSPECTION OF PROPERTIES, BOOKS AND CONTRACTS. The Company will, and will cause its Subsidiaries to, permit the Bank Agents or any Bank or any of their designated representatives, upon reasonable notice, to visit and inspect any of the properties of the Company and its Subsidiaries, to examine the books of account of the Company and its Subsidiaries, or contracts (and to make copies thereof and extracts therefrom), and to discuss the affairs, finances and accounts of the Company and its Subsidiaries with, and to be advised as to the same by, their officers, all at such times and intervals as may be reasonably requested.

SECTION 8.10. COMPLIANCE WITH LAWS, CONTRACTS, LICENSES AND PERMITS; MAINTENANCE OF MATERIAL LICENSES AND PERMITS. The Company will, and will cause each Subsidiary to, (i) comply with the provisions of its charter documents and by-laws; (ii) comply in all material respects with all agreements and instruments by which it or any of its properties may be bound; (iii) comply with all applicable laws and regulations (including Environmental Laws), decrees, orders, judgments, licenses and permits, including, without limitation, all environmental permits ("Applicable Requirements"), except where noncompliance with such Applicable Requirements would not reasonably be expected to have a material adverse effect in the aggregate on the consolidated financial condition, properties or businesses of the Company and its Subsidiaries; and (iv) maintain all material operating permits for all landfills now owned or hereafter acquired; and (v) dispose of hazardous waste only at licensed disposal facilities operating, to the best of the Company's or such Subsidiary's knowledge after reasonable inquiry, in compliance with Environmental Laws. If at any time any authorization, consent, approval, permit or license from any officer, agency or instrumentality of any government shall become necessary or required in order that the Company or any Subsidiary may fulfill any of its obligations hereunder, the Company will immediately take or cause to be taken all reasonable steps within the power of the Company or such

Subsidiary to obtain such authorization, consent, approval, permit or license and furnish the Banks with evidence thereof.

SECTION 8.11. ENVIRONMENTAL INDEMNIFICATION. The Company covenants and agrees that it will indemnify and hold the Banks, the Issuing Bank and the Bank Agents and their respective affiliates, and each of the representatives, agents and officers of each of the foregoing, harmless from and against any and all claims, expense, damage, loss or liability incurred by the Banks, the Issuing Bank or the Bank Agents (including all costs of legal representation incurred by the Banks, the Issuing Banks or the Bank Agents) relating to (a) any Release or threatened Release of Hazardous Substances on the Real Property; (b) any violation of any Environmental Laws or Applicable Requirements with respect to conditions at the Real Property or other assets of the Company or its Subsidiaries, or the operations conducted thereon; or (c) the investigation or remediation of offsite locations at which the Company, any of its Subsidiaries, or their predecessors are alleged to have directly or indirectly Disposed of Hazardous Substances. Further, each of the Canadian Borrowers covenants and agrees that it will indemnify and hold the Canadian Banks and the Canadian Agent and their respective affiliates, and each of the representatives, agents and officers of each of the foregoing, harmless as and to the same extent as the Company indemnifies the Banks, the Issuing Bank and Bank Agents above, provided, that such indemnity by the Canadian Borrowers shall apply only to the extent that matters set forth in clauses (a), (b) and (c) above relate to the Real Property owned or operated by the Canadian Borrowers, or violations of Environmental Laws or Disposal of Hazardous Wastes by the Canadian Borrowers. It is expressly acknowledged by the Company and the Canadian Borrowers that this covenant of indemnification shall survive the payment of the Loans and Reimbursement Obligations and satisfaction of all other Obligations hereunder and shall inure to the benefit of the Banks, the Issuing Bank, the Bank Agents and their affiliates, successors and assigns.

SECTION 8.12. FURTHER ASSURANCES. Each of the Borrowers and Sanifill will cooperate with the Documentation Agent and execute such further instruments and documents as the Documentation Agent shall reasonably request to carry out to the Banks' satisfaction the transactions contemplated by this Agreement.

SECTION 8.13. NOTICE OF POTENTIAL CLAIMS OR LITIGATION. The Company shall deliver to the Banks, within 30 days of receipt thereof, written notice of the initiation of any action, claim, complaint, or any other notice of dispute or potential litigation against the Company or any of its Subsidiaries wherein the potential liability is in excess of \$5,000,000 together with a copy of each such notice received by the Company or any of its Subsidiaries.

SECTION 8.14. NOTICE OF CERTAIN EVENTS CONCERNING INSURANCE AND ENVIRONMENTAL CLAIMS.

(a) The Company will provide the Banks with written notice as to any material cancellation or material adverse change in any insurance of the Company or any of its Subsidiaries within ten (10) Business Days after the Company and any of its Subsidiary's receipt of any notice (whether formal or informal) of such material cancellation or material change by any of its insurers.

(b) The Company will promptly notify the Banks in writing of any of the following events:

(i) upon the Company's or any Subsidiary's obtaining knowledge of any violation of any Environmental Law regarding the Real Property or the Company or any Subsidiary's operations which violation could have a material adverse effect on the business, financial condition, or assets of the Company and its Subsidiaries on a consolidated basis;

(ii) upon the Company's or any Subsidiary's obtaining knowledge of any potential or known Release, or threat of Release, of any Hazardous Substance at, from, or into the Real Property which could materially affect the business, financial condition, or assets of the Company and its Subsidiaries on a consolidated basis;

(iii) upon the Company's or any Subsidiary's receipt of any notice of any material violation of any Environmental Law or of any Release or threatened Release of Hazardous Substances, including a notice or claim of liability or potential responsibility from any third party (including any federal, state, provincial, territorial or local governmental officials) and including notice of any formal inquiry, proceeding, demand, investigation or other action with regard to (A) the Company's, any Subsidiary's or any Person's operation of the Real Property, (B) contamination on, from, or into the Real Property, or (C) investigation or remediation of offsite locations at which the Company, any Subsidiary, or its predecessors are alleged to have directly or indirectly Disposed of Hazardous Substances, and with respect to which the liability associated therewith could be reasonably expected to exceed \$5,000,000; or

(iv) upon the Company's or any Subsidiary's obtaining knowledge that any expense or loss which individually or in the aggregate exceeds \$5,000,000 has been incurred by such

governmental authority in connection with the assessment, containment, removal or remediation of any Hazardous Substances with respect to which the Company or any Subsidiary may be liable or for which a lien may be imposed on the Real Property.

SECTION 8.15 NOTICE OF DEFAULT. The Company will promptly notify the Banks in writing of the occurrence of any Default or Event of Default. If any Person shall give any notice or take any other action in respect of a claimed default (whether or not constituting an Event of Default) under this Agreement or any other note, evidence of indebtedness, indenture or other obligation evidencing indebtedness in excess of \$5,000,000 as to which the Company or any of its Subsidiaries is a party or obligor, whether as principal or surety, the Company shall forthwith upon obtaining actual knowledge thereof give written notice thereof to the Banks, describing the notice of action and the nature of the claimed default.

SECTION 8.16 USE OF PROCEEDS. The proceeds of the Domestic Loans shall be used for general corporate purposes and in connection with the Sanifill Merger, including refinancing existing debt and letters of credit of Sanifill and the Company. The proceeds of the Canadian Loans shall be used for the general corporate purposes of the Canadian Borrowers. No proceeds of the Loans shall be used in any way that will violate Regulations G, T, U or X of the Board of Governors of the Federal Reserve System.

SECTION 8.17 CERTAIN TRANSACTIONS. Except as disclosed in filings made by the Company under the Securities Exchange Act of 1934, and except for arm's length transactions pursuant to which the Company or any Subsidiary makes payments in the ordinary course of business upon terms no less favorable than the Company or such Subsidiary could obtain from third parties, none of the officers, directors, or employees of the Company or any Subsidiary are presently or shall be a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company or any Subsidiary, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

SECTION 9. CERTAIN NEGATIVE COVENANTS OF THE BORROWERS. Each of the Company, and the Canadian Borrowers where applicable, agrees that, so long as any Obligation or Letter of Credit or Bankers' Acceptance is outstanding or the Banks have any obligation to

make Loans or the Canadian Banks have any further obligations with respect to Bankers' Acceptances, or the Issuing Bank has any obligation to issue, extend or renew any Letters of Credit hereunder, or the Banks have any obligation to reimburse the Issuing Bank for drawings honored under any Letter of Credit, it shall, and shall cause its Subsidiaries to, comply with the following covenants:

SECTION 9.1. RESTRICTIONS ON INDEBTEDNESS. Neither the Company nor any of its Subsidiaries shall become or be a guarantor or surety of, or otherwise create, incur, assume, or be or remain liable, contingently or otherwise, with respect to any Indebtedness, or become or be responsible in any manner (whether by agreement to purchase any obligations, stock, assets, goods or services, or to supply or advance any funds, assets, goods or services or otherwise) with respect to any Indebtedness of any other Person, or incur any Indebtedness other than:

(a) Indebtedness arising under this Agreement or the other Loan Documents;

(b) Existing Indebtedness of the Company and its Subsidiaries listed on Schedule 9.1(b) hereto on the terms and conditions in effect as of the date hereof, including extensions, renewals and refinancing of such Indebtedness in amounts no greater than and on terms no more restrictive than exist on the Closing Date (provided, that no such extension, renewal or refinancing of the Indebtedness identified on Schedule 9.1(b) hereto as Temporary Indebtedness Incurred with Philip Acquisition shall be permitted other than one extension of not more than thirty (30) days);

(c) (i) Indebtedness incurred by the Company or any Subsidiary with respect to any suretyship or performance bond incurred in the ordinary course of its business (other than landfill closure bonds); and

(ii) Guarantees of the Subsidiaries' obligations to governmental authorities in lieu of the posting of any landfill closure bonds;

(d) Unsecured Indebtedness of the Company which is pari passu or subordinated to the Obligations; provided that there does not exist a Default or Event of Default at the time of the incurrence of such Indebtedness and no Default or Event of Default would be created by incurrence of such Indebtedness;

(e) (i) Indebtedness of the Company's Subsidiaries, (ii) secured Indebtedness of the Company, and (iii) Indebtedness with respect to landfill closure bonds of the Company's Subsidiaries; provided that the aggregate amount of such Indebtedness in (i), (ii) and (iii) shall not exceed 5% of Consolidated Tangible Assets at any time;

(f) Indebtedness of Sanifill with respect to the Sanifill Convertible Subordinated Debt and the Prudential Private Placement Debt on the terms and conditions in effect as of the Closing Date;

(g) Other Indebtedness of the Canadian Borrowers in an aggregate amount outstanding not in excess of \$30,000,000; and

(h) Indebtedness of the Company with respect to the Prudential Private Placement Debt on the terms and conditions in effect as of the Closing Date; provided however, that the Company shall prepay such Indebtedness on the earlier to occur of (i) December 31, 1996 or (ii) the date on which the sum of the outstanding principal amount of the Domestic Loans and the Maximum Drawing Amount of outstanding Domestic Letters of Credit shall exceed the remainder of the Total Domestic Commitment minus \$110,000,000; unless, prior to such date, either (A) the Prudential Private Placement Debt shall have been amended to delete paragraph 5(D) thereof with respect to the "springing lien" provision contained therein pursuant to an amendment satisfactory to the Bank Agents or (B) the Bank Agents and The Prudential Insurance Company of America shall have entered into an intercreditor agreement on terms and conditions satisfactory to the Bank Agents.

SECTION 9.2 RESTRICTIONS ON LIENS. The Company will not, and will cause its Subsidiaries not to, create or incur or suffer to be created or incurred or to exist any lien, encumbrance, mortgage, pledge, charge, restriction or other security interest of any kind upon any property or assets of any character, whether now owned or hereafter acquired, or upon the income or profits therefrom; or transfer any of such property or assets or the income or profits therefrom for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to payment of its general creditors; or acquire, or agree or have an option to acquire, any property or assets upon conditional sale or other title retention or purchase money security agreement, device or arrangement; or suffer to exist for a period of more than 30 days after the same shall have been incurred any Indebtedness or claim or demand against it which if unpaid might by law or upon bankruptcy or insolvency, or otherwise, be given any priority whatsoever over its general creditors; or sell, assign, pledge or otherwise

transfer any accounts, contract rights, general intangibles or chattel paper, with or without recourse, except as follows (the "Permitted Liens"):

(a) Liens existing on the Closing Date and listed on Schedule 9.2(a) hereto;

(b) Liens securing Indebtedness permitted by Section 9.1(c)(i) hereof; provided that the assets subject to such liens and security interests shall be limited to those contracts to which such guaranty, suretyship or indemnification obligations relate and the rights to payment thereunder;

(c) Liens securing Indebtedness permitted under Section 9.1(e) and Section 9.1(g);

(d) Liens to secure taxes, assessments and other government charges in respect of obligations not overdue;

(e) Deposits or pledges made in connection with, or to secure payment of, workmen's compensation, unemployment insurance, old age pensions or other social security obligations;

(f) Liens in respect of judgments or awards which have been in force for less than the applicable period for taking an appeal so long as execution is not levied thereunder or in respect of which the Company (or any Subsidiary) shall at the time in good faith be prosecuting an appeal or proceedings for review and in respect of which a stay of execution shall have been obtained pending such appeal or review and in respect of which the Company maintains adequate reserves;

(g) Liens of carriers, warehousemen, mechanics and materialmen, and other like liens, in existence less than 120 days from the date of creation thereof in respect of obligations not overdue, provided that such liens may continue to exist for a period of more than 120 days if the validity or amount thereof shall currently be contested by the Company (or any Subsidiary) in good faith by appropriate proceedings and if the Company shall have set aside on its books adequate reserves with respect thereto as required by GAAP and provided further that the Company (or any Subsidiary) will pay any such claim forthwith upon commencement of proceedings to foreclose any such lien; and

(h) Encumbrances consisting of easements, rights of way, zoning restrictions, restrictions on the use of real property and defects and irregularities in the title thereto, landlord's or lessor's liens under

leases to which the Company or any Subsidiary is a party, and other minor liens or encumbrances none of which in the opinion of the Company interferes materially with the use of the property affected in the ordinary conduct of the business of the Company or any of its Subsidiaries, which defects do not individually or in the aggregate have a material adverse effect on the business of the Company or any Subsidiary individually or of the Company and its Subsidiaries on a consolidated basis.

The Company and Sanifill covenant and agree that if either of them or any of their Subsidiaries shall create or assume any lien upon any of their respective properties or assets, whether now owned or hereafter acquired, other than Permitted Liens (unless prior written consent shall have been obtained from the Banks), they will make or cause to be made effective provision whereby the Obligations and the Guaranteed Obligations will be secured by such lien equally and ratably with any and all other Indebtedness thereby secured so long as such other Indebtedness shall be so secured; provided, that the covenants of the Company and Sanifill contained in this sentence shall only be in effect for so long as the Company and/or Sanifill shall be similarly obligated under any other Indebtedness.

SECTION 9.3.RESTRICTIONS ON INVESTMENTS. Except to the extent provided in Section 9.4, neither the Company nor any Subsidiary may make or permit to exist or to remain outstanding any Investment, unless both before and after giving effect thereto (i) the Company and its Subsidiaries are in compliance with the covenants set forth in Sections 8, 9 and 10 hereof; (ii) there does not exist a Default or Event of Default and no Default or Event of Default would be created by the making of such Investment; and (iii) the aggregate amount of all Investments (excluding Investments in (A) direct obligations of the United States of America or any agency thereof having maturities of less than one (1) year, (B) certificates of deposit having maturities of less than one (1) year, issued by commercial banks in the United States or Canada having capital and surplus of not less than \$100,000,000, and (C) wholly-owned Subsidiaries) does not exceed 10% of Consolidated Tangible Assets; provided, that the ability of the Company and its Subsidiaries to incur any Indebtedness in connection with any Investment permitted by this Section 9.3 shall be governed by Section 9.1.

SECTION 9.4. MERGERS, CONSOLIDATIONS, SALES. Neither the Company nor any Subsidiary shall be a party to any merger, consolidation or exchange of stock unless the Company shall be the surviving entity with respect to any such transactions to which the Company is a party or a Subsidiary shall be the surviving entity (and continue to be a Subsidiary) with respect to any such transactions to which one or more Subsidiaries is a party (and the conditions set forth below are satisfied), or purchase or otherwise acquire all or substantially all of the assets or stock of any class of, or any partnership

or joint venture interest in, any other Person except as otherwise provided in Section 9.3 or this Section 9.4, or sell, transfer, convey or lease any assets or group of assets including the sale or transfer of any property owned by the Company or any Subsidiary in order then or thereafter to lease such property or lease other property which the Company or such Subsidiary intends to use for substantially the same purpose as the property being sold or transferred (except (1) transfers of personal property among Subsidiaries of the Company which are wholly owned by the Company and (2) so long as no Default or Event of Default has occurred and is continuing, or would result therefrom, sales of assets in the ordinary course of business between the date hereof and the Maturity Date with an aggregate value not greater than ten percent (10%) of Consolidated Total Assets, as set forth in the most recent financial statements delivered to the Banks pursuant to Section 8.4 hereof) or sell or assign, with or without recourse, any receivables (except accounts receivable more than sixty (60) days past due sold or assigned in the ordinary course of collecting past due accounts). Notwithstanding the foregoing, the Company and its Subsidiaries may purchase or otherwise acquire all or substantially all of the assets or stock of any class of, or joint venture interest in, any Person if the following conditions have been met: (a) the proposed transaction will not otherwise create a Default or an Event of Default hereunder; (b) the business to be acquired predominantly involves the collection, transfer, hauling, disposal or recycling of solid waste (excluding hazardous waste as that term is defined in RCRA) or thermal soil remediation; (c) the business to be acquired operates predominantly (i) in North America or (ii) outside North America, provided, that the aggregate amount of such acquisitions under this clause (ii) does not exceed five percent (5%) of Consolidated Tangible Assets; and (d) the board of directors and (if required by applicable law) the shareholders, or the equivalent thereof, of the business to be acquired has approved such acquisition; and provided, further, that if the cash consideration to be paid by the Company or its Subsidiary in connection with such acquisition (including liabilities assumed) exceeds \$50,000,000, the Company will provide calculations showing compliance with the covenants set forth in Section 10 on a pro forma historical combined basis as if the transaction occurred on the first day of the period of measurement. Notwithstanding the foregoing, the ability of the Company and its Subsidiaries to incur any Indebtedness in connection with any transaction permitted pursuant to this Section 9.4 shall be governed by Section 9.1.

SECTION 9.5 RESTRICTED DISTRIBUTIONS AND REDEMPTIONS. Neither the Company nor any of its Subsidiaries will (a) declare or pay any Distributions, or (b) redeem, convert, retire or otherwise acquire shares of any class of its capital stock (other than in connection with a merger permitted by Section 9.4 hereof or conversion into another form of equity of any preferred shares of the Company existing as of the Closing Date pursuant to

the terms thereof); provided that the Company and its Subsidiaries may pay cash dividends and redeem stock in an aggregate amount not to exceed (x) \$25,000,000 plus (y) on a cumulative basis, 50% of positive Consolidated Net Income after December 31, 1995. Notwithstanding the above, any Subsidiary may make Distributions to the Company and the Company agrees that neither the Company nor any Material Subsidiary will enter into any agreement restricting Distributions from such Material Subsidiary to the Company, other than restrictions set forth in the documents governing the Prudential Private Placement Debt as in effect as of the Closing Date.

SECTION 9.6. EMPLOYEE BENEFIT PLANS. None of the Company, any of its Subsidiaries, or any ERISA Affiliate will:

(a) engage in any "prohibited transaction" within the meaning of 9406 of ERISA or Section 4975 of the Code which could result in a material liability for the Company on a consolidated basis; or

(b) permit any Guaranteed Pension Plan to incur an "accumulated funding deficiency", as such term is defined in Section 302 of ERISA, whether or not such deficiency is or may be waived; or

(c) fail to contribute to any Guaranteed Pension Plan to an extent which, or terminate any Guaranteed Pension Plan in a manner which, could result in the imposition of a lien or encumbrance on the assets of the Company or any guarantor pursuant to Section 302(f) or Section 4068 of ERISA; or

(d) permit or take any action which would result in the aggregate benefit liabilities (with the meaning of Section 4001 of ERISA) of all Guaranteed Pension Plans exceeding the value of the aggregate assets of such Plans, disregarding for this purpose the benefit liabilities and assets of any such Plan with assets in excess of benefit liabilities; or

(e) take any action referred to in paragraph (a), (b), (c) or (d) above that would violate any provisions of Applicable Canadian Pension Legislation.

The Company and its Subsidiaries will (i) promptly upon filing the same with the Department of Labor or Internal Revenue Service, furnish to the Banks a copy of the most recent actuarial statement required to be submitted under Section 103(d) of ERISA and Annual Report, Form 5500, with all required attachments, in respect of each Guaranteed Pension Plan and (ii) promptly upon receipt or dispatch, furnish to the Banks any notice, report or demand sent or received in respect of a Guaranteed Pension Plan under

Sections 302, 4041, 4042, 4043, 4063, 4065, 4066 and 4068 of ERISA, or in respect of a Multiemployer Plan, under Sections 4041A, 4202, 4219, or 4245 of ERISA.

SECTION 9.7. RELIANCE DOCUMENTS. The Company will not make any material amendments or modifications of (a) the Amended and Restated Underwriting and Continuing Indemnity Agreement dated as of June 30, 1995 among the Company and Reliance Insurance Company and certain of its affiliates ("Reliance"), (b) the Security Agreement dated as of June 30, 1995 among the Company, its Subsidiaries and Reliance and (c) the Equipment and Landfill Utilization Agreement dated as of June 30, 1995 among the Company the Banks and Reliance, in each case without the prior written consent of the Bank Agents if such material amendment(s) or such modification(s) would create more restrictive terms on the Company or any of its Subsidiaries.

SECTION 10. FINANCIAL COVENANTS OF THE COMPANY. The Company agrees that, so long as any Obligation or Letter of Credit or Bankers' Acceptance is outstanding or the Banks have any obligation to make Loans, or the Canadian Banks have any further obligations with respect to Bankers' Acceptances, or any Issuing Bank has any obligation to issue, extend or renew any Letters of Credit hereunder, or the Banks have any obligation to reimburse the Issuing Bank for drawings honored under any Letter of Credit, it shall, and shall cause its Subsidiaries to, comply with the following covenants:

SECTION 10.1. INTEREST COVERAGE RATIO. As of the end of any fiscal quarter of the Company, the ratio of (a) EBIT for the period of four consecutive fiscal quarters ending on that date to (b) Consolidated Total Interest Expense for such period shall not be less than 3.00:1.

SECTION 10.2. DEBT TO EBITDA RATIO. As of the end of any fiscal quarter of the Company, the ratio of (a) Funded Debt to (b) EBITDA for the period of four consecutive fiscal quarters ending on that date shall not be greater than 3.25:1.

SECTION 10.3. DEBT TO TOTAL CAPITALIZATION.

(a) The ratio of (i) Funded Debt to (ii) Consolidated Total Capitalization shall not exceed 0.58:1 at any time; and

(b) The ratio of (i) Funded Debt to (ii) Consolidated Total Capitalization shall not exceed 0.55:1 at the end of any two consecutive fiscal quarters of the Company.

SECTION 11. CONDITIONS TO EFFECTIVENESS. The effectiveness of this Agreement and the obligations of the Banks to make any Loans, and of the Canadian Banks with respect to Bankers' Acceptances, and of any Issuing Bank to issue Letters of Credit and of the Banks to participate in Letters of Credit and otherwise be bound by the terms of this Agreement shall be subject to the satisfaction of each of the following conditions precedent which shall occur no later than October 31, 1996:

SECTION 11.1. CORPORATE ACTION. All corporate action necessary for the valid execution, delivery and performance by the Borrowers and Sanifill of the Loan Documents shall have been duly and effectively taken, and evidence thereof certified by authorized officers of the Borrowers and Sanifill and satisfactory to the Banks shall have been provided to the Banks.

SECTION 11.2. LOAN DOCUMENTS, ETC. Each of the Loan Documents and other documents listed on the closing agenda shall have been duly and properly authorized, executed and delivered by the respective parties thereto and shall be in full force and effect in a form satisfactory to the Banks.

SECTION 11.3. CERTIFIED COPIES OF CHARTER DOCUMENTS. The Banks shall have received from each of the Borrowers and Sanifill a copy, certified by a duly authorized officer of such Person to be true and complete on the Closing Date, of (a) its charter or other incorporation documents as in effect on such date of certification, and (b) its by-laws as in effect on such date.

SECTION 11.4. INCUMBENCY CERTIFICATE. The Banks shall have received an incumbency certificate, dated as of the Closing Date, signed by duly authorized officers giving the name and bearing a specimen signature of each individual who shall be authorized: (a) to sign the Loan Documents on behalf of the Borrowers and Sanifill (b) to make Syndicated Loan and Letter of Credit Requests; (c) to make Competitive Bid Quote Requests; and (d) to give notices and to take other action on the Borrowers' and Sanifill's behalf under the Loan Documents.

SECTION 11.5. CERTIFICATES OF INSURANCE. The Banks shall have received (i) a certificate of insurance from an independent insurance broker dated as of the Closing Date, or within 15 days prior thereto, identifying insurers, types of insurance, insurance limits, and policy terms, and otherwise describing the insurance obtained in accordance with the provisions of the Loan Documents and (ii) copies of all policies evidencing such insurance (or certificates therefor signed by the insurer or an agent authorized to bind the insurer).

SECTION 11.6. OPINIONS OF COUNSEL AND PERMIT CERTIFICATE. The Banks shall have received (a) favorable legal opinions from outside counsel to the Borrowers and Sanifill, addressed to the Banks, dated the Closing Date, in

form and substance satisfactory to the Agents, and (b) an environmental permit certificate from the CFO of the Company satisfactory to the Banks concerning principal operating permits at the Company's and its Subsidiaries' (including Sanifill's) principal operating facilities.

SECTION 11.7. SANIFILL MERGER. The merger between Quatro Acquisition Corp. and Sanifill shall have occurred on terms and conditions substantially the same as described in the draft S-4 registration statement dated July 15, 1996.

SECTION 11.8 EXISTING DEBT. The Bank Agents shall have received payoff letters in a form satisfactory to the Bank Agents with respect to the Company's and Sanifill's existing credit facilities, such payoff letters indicating the amount of the loan obligations of the Company and Sanifill and its Subsidiaries as of the Closing Date, and acknowledging in the case of Sanifill, that upon receipt of such funds the applicable lender will forthwith execute and deliver to the Documentation Agent for filing all termination statements and take such other actions as may be necessary to discharge all mortgages, deeds of trust and security interests (other than Permitted Liens) granted by Sanifill and its Subsidiaries to such lenders, all in form and substance satisfactory to the Bank Agents.

SECTION 11.9. RELEASE OF PRUDENTIAL GUARANTEES. Sanifill's Subsidiaries shall have been released from all guarantees with respect to the Prudential Private Placement Debt.

SECTION 11.10 SATISFACTORY FINANCIAL CONDITION. No material adverse change, in the judgment of the Majority Banks, shall have occurred in the financial condition, results of operations, business, properties or prospects of the Company and its Subsidiaries, taken as a whole, or Sanifill and its Subsidiaries, taken as a whole, since the most recent financial statements and projections provided to the Banks.

11.11. PAYMENT OF CLOSING FEES. The Company shall have paid closing fees to the Administrative Agent for the account of the Banks in accordance with the engagement letter agreement dated as of July 30, 1996 among Agents and the Company.

SECTION 12. CONDITIONS TO ALL LOANS. The obligations of the Banks to make any Loan, the obligations of the Canadian Banks with respect to Bankers' Acceptances, and the obligation of the Issuing Bank to issue, extend, or renew any Letter of Credit at the time of and subsequent to the Closing Date is subject to the following conditions precedent:

SECTION 12.1. REPRESENTATIONS TRUE. Each of the representations and warranties of the Borrowers and Sanifill (as applicable) contained in this Agreement or in any document or instrument delivered pursuant to or in connection with this Agreement shall be true as of the date as of which they were made and shall also be true at and as of the time of the making of such Loan, the accepting and purchasing of any Bankers' Acceptances or the issuance, extension, or renewal of any Letters of Credit, as applicable, with the same effect as if made at and as of that time (except to the extent of changes resulting from transactions contemplated or permitted by this Agreement and changes occurring in the ordinary course of business which singly or in the aggregate are not materially adverse to the business, assets or financial condition of the Company and its Subsidiaries as a whole, and to the extent that such representations and warranties relate expressly and solely to an earlier date).

SECTION 12.2. PERFORMANCE; NO EVENT OF DEFAULT. The Borrowers shall have performed and complied with all terms and conditions herein required to be performed or complied with by them prior to or at the time of the making of any Loan, the accepting and purchasing of any Bankers' Acceptances or the issuance, extension or renewal of any Letter of Credit, and at the time of the making of any Loan, the accepting and purchasing of any Bankers' Acceptance or the issuance, renewal or extension of any Letter of Credit, there shall exist no Default or Event of Default or condition which would result in a Default or an Event of Default upon consummation of such Loan, accepting and purchasing any Bankers' Acceptances or the issuance, extension, or renewal of any Letters of Credit, as applicable. Each request for a Loan, for the acceptance and purchase of a Bankers' Acceptance, or for issuance, extension or renewal of a Letter of Credit shall constitute certification by the Borrowers that the conditions specified in Sections 12.1 and 12.2 will be duly satisfied on the date of such Loan, Bankers' Acceptance or Letter of Credit issuance, extension or renewal.

SECTION 12.3. NO LEGAL IMPEDIMENT. No change shall have occurred in any law or regulations thereunder or interpretations thereof which in the reasonable opinion of the Banks would make it illegal for the Banks to make Loans, for the Issuing Bank to issue, extend or renew, or the Banks to participate in, Letters of Credit hereunder or for the Canadian Banks to accept and purchase Bankers' Acceptances.

SECTION 12.4. GOVERNMENTAL REGULATION. The Banks shall have received from the Company and its Subsidiaries such statements in substance and form reasonably satisfactory to the Banks as they shall require for the purpose of compliance with any applicable regulations of the Comptroller of the Currency or the Board of Governors of the Federal Reserve System or the Office of the Superintendent of Financial Institutions.

SECTION 12.5. PROCEEDINGS AND DOCUMENTS. All proceedings in connection with the transactions contemplated by this Agreement and all documents incident thereto shall have been delivered to the Banks as of the date of the making of such Loan in substance and in form satisfactory to the Banks, including without limitation a Syndicated Loan Request in the form attached hereto as Exhibit C-1, a Letter of Credit Request in the form of Exhibit C-2, a Canadian Loan Request in the form attached hereto as Exhibit C-3, or a Bankers' Acceptance Notice in the form of Exhibit C-4 and the Banks shall have received all information and such counterpart originals or certified or other copies of such documents as the Banks may reasonably request.

SECTION 13. EVENTS OF DEFAULT; ACCELERATION; TERMINATION OF COMMITMENT.

SECTION 13.1 EVENTS OF DEFAULT AND ACCELERATION. If any of the following events ("Events of Default" or, if the giving of notice or the lapse of time or both is required, then, prior to such notice and/or lapse of time, "Defaults") shall occur:

- (a) if the applicable Borrower(s) shall fail to pay any principal of the Loans when the same shall become due and payable, whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;
- (b) if the applicable Borrower(s) shall fail to pay any interest or fees or other amounts owing hereunder (other than those specified in subsection (a) above) within five (5) Business Days after the same shall become due and payable whether at the Maturity Date or any accelerated date of maturity or at any other date fixed for payment;
- (c) if the Borrowers shall fail to comply with any of the covenants contained in Sections 8, 9 and 10 hereof;
- (d) if the Borrowers shall fail to perform any term, covenant or agreement contained herein or in any of the other Loan Documents (other than those specified in subsections (a), (b), and (c) above) and such failure shall not be remedied within 30 days after written notice of such failure shall have been given to the Borrowers by the Documentation Agent or any of the Banks;
- (e) if any representation or warranty contained in this Agreement or in any document or instrument delivered pursuant to or in connection with this Agreement shall prove to have been false in any material respect upon the date when made or repeated;

(f) if the Company or any of its Subsidiaries shall fail to pay when due, or within any applicable period of grace, any Indebtedness in an aggregate amount greater than \$5,000,000, or fail to observe or perform any material term, covenant or agreement contained in any one or more agreements by which it is bound, evidencing or securing any Indebtedness in an aggregate amount greater than \$5,000,000 for such period of time as would, or would have permitted (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof or terminate its commitment with respect thereto;

(g) if the Company, any of the Canadian Borrowers, Sanifill or any Material Subsidiary makes an assignment for the benefit of creditors, or admits in writing its inability to pay or generally fails to pay its debts as they mature or become due, or petitions or applies for the appointment of a trustee or other custodian, liquidator or receiver of the Company, any Canadian Borrower, Sanifill or any Material Subsidiary, any of the Canadian Borrowers, Sanifill or any Material Subsidiary or of any substantial part of the assets of the Company, any Canadian Borrower, Sanifill or any Material Subsidiary or commences any case or other proceeding relating to the Company, any of the Canadian Borrowers, Sanifill or any Material Subsidiary under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction, now or hereafter in effect, or takes any action to authorize or in furtherance of any of the foregoing, or if any such petition or application is filed or any such case or other proceeding is commenced against the Company, any of the Canadian Borrowers, Sanifill or any Material Subsidiary or the Company, any of the Canadian Borrowers, Sanifill or any Material Subsidiary indicates its approval thereof, consent thereto or acquiescence therein;

(h) if a decree or order is entered appointing any such trustee, custodian, liquidator or receiver or adjudicating the Company, any of the Canadian Borrowers, Sanifill or any Material Subsidiary bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief is entered in respect of the Company, any of the Canadian Borrowers, Sanifill or any Material Subsidiary in an involuntary case under federal bankruptcy laws of any jurisdiction as now or hereafter constituted, and such decree or order remains in effect for more than 30 days, whether or not consecutive;

(i) if there shall remain in force, undischarged, unsatisfied and unstayed, for more than thirty days, whether or not consecutive,

any final judgment against the Company or any Subsidiary which, with other outstanding final judgments against the Company and its Subsidiaries exceeds in the aggregate \$5,000,000 after taking into account any undisputed insurance coverage;

(j) if, with respect to any Guaranteed Pension Plan (or any corresponding plan described in any Applicable Canadian Pension Legislation), an ERISA Reportable Event or similar event under Applicable Canadian Pension Legislation shall have occurred and the Banks shall have determined in their reasonable discretion that such event reasonably could be expected to result in liability of the Company or any Subsidiary to the PBGC or similar Canadian authorities or the Plan in an aggregate amount exceeding \$5,000,000 and such event in the circumstances occurring reasonably could constitute grounds for the partial or complete termination of such Plan by the PBGC or similar Canadian authorities or for the appointment by the appropriate United States District Court or Canadian Court of a trustee to administer such Plan; or a trustee shall have been appointed by the appropriate United States District Court or Canadian Court to administer such Plan; or the PBGC or similar Canadian authorities shall have instituted proceedings to terminate such Plan;

(k) if any of the Loan Documents shall be cancelled, terminated, revoked or rescinded otherwise than in accordance with the terms thereof or with the express prior written agreement, consent or approval of the Banks, or any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by or on behalf of the Company, any of the Canadian Borrowers, Sanifill or any of their respective stockholders, or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof; or

(l) if any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of (i) 25% or more of the outstanding shares of common voting stock of the Company or (ii) with respect to the Rangos family, 20% or more of such stock; or, during any period of twelve consecutive calendar months, individuals who were directors of the Company on

the first day of such period shall cease to constitute a majority of the board of directors of the Company;

then, and in any such event, so long as the same may be continuing, the Bank Agents may, and upon the request of the Majority Banks shall, by notice in writing to the Borrowers, declare all amounts owing with respect to this Agreement, the Notes and the other Loan Documents and all Reimbursement Obligations to be, and they shall thereupon forthwith become, immediately due and payable without presentment, demand, protest, notice of intent to accelerate, notice of acceleration to the extent permitted by law or other notice of any kind, all of which are hereby expressly waived by the Borrowers; provided that in the event of any Event of Default specified in Section 13.1(g) or 13.1(h), all such amounts shall become immediately due and payable automatically and without any requirement of notice from the Bank Agents or any Bank. Upon demand by the Majority Banks after the occurrence of any Event of Default, the applicable Borrower(s) shall immediately provide to the Administrative Agent and/or the Canadian Agent, as applicable, cash in an amount equal to the aggregate Maximum Drawing Amount and the aggregate face amount of outstanding Bankers' Acceptances to be held by the Administrative Agent and/or the Canadian Agent, as applicable as collateral security for the Reimbursement Obligations and such Bankers' Acceptances.

SECTION 13.2. TERMINATION OF COMMITMENTS. If any Event of Default pursuant to Sections 13.1(g) or 13.1(h) hereof shall occur, any unused portion of the Total Commitment hereunder shall forthwith terminate and the Banks and the Issuing Bank shall be relieved of all obligations to make Loans, to accept and purchase Bankers' Acceptances or to issue, extend or renew Letters of Credit hereunder; or if any other Event of Default shall occur, the Majority Banks may by notice to the Borrowers terminate the unused portion of the Total Commitment hereunder, and, upon such notice being given, such unused portion of the Total Commitment hereunder shall terminate immediately and the Banks and the Issuing Bank shall be relieved of all further obligations to make Loans, to accept and purchase Bankers' Acceptances or to issue, extend or renew Letters of Credit hereunder. No termination of any portion of the Total Commitment hereunder shall relieve the Borrowers of any of their existing Obligations to the Banks, the Issuing Bank or the Bank Agents hereunder or elsewhere.

SECTION 13.3. REMEDIES. In case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Banks shall have accelerated the maturity of the Loans and other Obligations pursuant to Section 13.1, each Bank, upon notice to the other Banks, if owed any amount with respect to the Loans, Bankers' Acceptances or the Reimbursement Obligations, may proceed to protect and enforce its rights by suit in equity,

action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the Obligations to such Bank are evidenced, including, without limitation, as permitted by applicable law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any legal or equitable right of such Bank, any recovery being subject to the terms of Section 30 hereof. No remedy herein conferred upon any Bank or the Bank Agents or the holder of any Note is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law.

SECTION 14. SETOFF. Regardless of the adequacy of any collateral, during the continuance of an Event of Default, any deposits or other sums credited by or due from any Bank to the Borrowers or any of them and any securities or other property of the Borrowers or any of them in the possession of such Bank may be applied to or set off against the payment of Obligations and any and all other liabilities, direct, or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of the Borrowers to the Banks or the Bank Agents. Any amounts set off pursuant to this Section 14 shall be distributed ratably in accordance with Section 30 among all of the Banks by the Bank setting off such amounts. If any Bank fails to share such setoff ratably, the Administrative Agent and/or the Canadian Agent, as applicable, shall have the right to withhold such Bank's share of any Borrowers' payments until each of the Banks shall have, in the aggregate, received a pro rata repayment.

SECTION 15. EXPENSES. Whether or not the transactions contemplated herein shall be consummated, the Borrowers hereby promise to reimburse the Documentation Agent for all reasonable out-of-pocket fees and disbursements (including all reasonable attorneys' fees) incurred or expended in connection with the preparation, filing or recording, or interpretation of this Agreement, the other Loan Documents, or any amendment, modification, approval, consent or waiver hereof or thereof. The Borrowers further promise to reimburse the Bank Agents and the Banks for all reasonable out-of-pocket fees and disbursements (including all reasonable legal fees and the allocable cost of in-house attorneys' fees) incurred or expended in connection with the enforcement of any Obligations or the satisfaction of any indebtedness of the Borrowers hereunder or under any other Loan Document, or in connection with any litigation, proceeding or dispute hereunder in any way related to the credit hereunder. The Company also promises to pay the Administrative Agent all reasonable out-of-pocket

fees and disbursements, incurred or expended in connection with the Competitive Bid Loan procedure under Section 5 hereof.

SECTION 16. THE BANK AGENTS.

SECTION 16.1. APPOINTMENT, POWERS AND IMMUNITIES. Each Bank hereby irrevocably appoints and authorizes (a) FNBB to act as Documentation Agent, (b) MGT to act as Administrative Agent, and (c) MBC to act as Canadian Agent hereunder and under the other Loan Documents, provided, however, the Administrative Agent, Documentation Agent, and Canadian Agent are hereby authorized to serve only as administrative and documentation agents, as applicable, for the Banks and to exercise such powers as are reasonably incidental thereto and as are set forth in this Agreement and the other Loan Documents. The Bank Agents hereby acknowledge that they do not have the authority to negotiate any agreement which would bind the Banks or agree to any amendment, waiver or modification of any of the Loan Documents or bind the Banks except as set forth in this Agreement or the Loan Documents. Except as provided in this Agreement, and in the other Loan Documents, the Bank Agents shall take action or refrain from acting only upon instructions of the Banks. It is agreed that the duties, rights, privileges and immunities of the Issuing Bank, in its capacity as issuer of Letters of Credit hereunder, shall be identical to the duties, rights, privileges and immunities of the Bank Agents as provided in this Section 16. The Bank Agents shall not have any duties or responsibilities or any fiduciary relationship with any Bank except those expressly set forth in this Agreement. None of the Bank Agents nor any of their affiliates shall be responsible to the Banks for any recitals, statements, representations or warranties made by the Borrowers or any other Person whether contained herein or otherwise or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, the other Loan Documents or any other document referred to or provided for herein or therein or for any failure by the Borrowers or any other Person to perform its obligations hereunder or thereunder or in respect of the Notes. The Bank Agents may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither the Bank Agents nor any of their directors, officers, employees or agents shall be responsible for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct. Any Bank Agent in its separate capacity as a Bank shall have the same rights and powers hereunder as any other Bank.

SECTION 16.2. ACTIONS BY BANK AGENTS. Each Bank Agent shall be fully justified in failing or refusing to take any action under this Agreement as reasonably deemed appropriate unless it shall first have received the

consent of the Banks, and shall be indemnified to its reasonable satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Bank Agents shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any of the Loan Documents in accordance with the instruction of the Banks, and such instruction and any action taken or failure to act pursuant thereto shall be binding upon the Banks and all future holders of the Notes or any Letter of Credit Participation.

SECTION 16.3 INDEMNIFICATION. Without limiting the obligations of the Borrowers hereunder or under any other Loan Document, the Banks agree to indemnify the Bank Agents, ratably in accordance with their respective Domestic Commitment Percentages and Canadian Commitment Percentages, as applicable, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against the Bank Agents in any way relating to or arising out of this Agreement or any other Loan Document or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or the enforcement of any of the terms hereof or thereof or of any such other documents; provided, that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the applicable Bank Agents (or any agent thereof), IT BEING THE INTENT OF THE PARTIES HERETO THAT ALL SUCH INDEMNIFIED PARTIES SHALL BE INDEMNIFIED FOR THEIR ORDINARY SOLE OR CONTRIBUTORY NEGLIGENCE.

SECTION 16.4 REIMBURSEMENT. Without limiting the provisions of Sections 6.1(a), 6.13, and 13.3, no Bank Agent shall be obliged to make available to any Person any sum which such Bank Agent is expecting to receive for the account of that Person until such Bank Agent has determined that it has received that sum. A Bank Agent may, however, disburse funds prior to determining that the sums which such Bank Agent expects to receive have been finally and unconditionally paid to such Bank Agent, if such Bank Agent wishes to do so. If and to the extent that a Bank Agent does disburse funds and it later becomes apparent that such Bank Agent did not then receive a payment in an amount equal to the sum paid out, then any Person to whom such Bank Agent made the funds available shall, on demand from such Bank Agent, refund to such Bank Agent the sum paid to that Person. If, in the opinion of a Bank Agent, the distribution of any amount received by it in such capacity hereunder or under the other Loan Documents might involve it in liability, it may refrain from making distribution until its right to make distribution shall have been adjudicated by a court of competent

jurisdiction. If a court of competent jurisdiction shall adjudge that any amount received and distributed by a Bank Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to such Bank Agent its proportionate share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

SECTION 16.5. DOCUMENTS. The Bank Agents will forward to each Bank, promptly after receipt thereof, a copy of each notice or other document furnished to the Bank Agents for such Bank hereunder; provided, however, that, notwithstanding the foregoing, the Administrative Agent may furnish to the Banks a monthly summary with respect to Letters of Credit issued hereunder in lieu of copies of the related Letter of Credit Applications.

SECTION 16.6. NON-RELIANCE ON BANK AGENTS AND OTHER BANKS. Each Bank represents that it has, independently and without reliance on the Bank Agents, the Agents or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of the financial condition and affairs of the Borrowers and Sanifill and the decision to enter into this Agreement and the other Loan Documents and agrees that it will, independently and without reliance upon the Bank Agents, the Agents or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own appraisals and decisions in taking or not taking action under this Agreement or any other Loan Document. Except as herein expressly provided to the contrary, the Bank Agents shall not be required to keep informed as to the performance or observance by the Borrowers and Sanifill of this Agreement, the other Loan Documents or any other document referred to or provided for herein or therein or by any other Person of any other agreement or to make inquiry of, or to inspect the properties or books of, any Person. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Bank Agents hereunder, the Bank Agents shall not have any duty or responsibility to provide any Bank with any credit or other information concerning any person which may come into the possession of the Bank Agents or any of their affiliates. Each Bank shall have access to all documents relating to the Bank Agents' performance of their duties hereunder at such Bank's request. Unless any Bank shall promptly object to any action taken by the Bank Agents hereunder of which such Bank has actual knowledge (other than actions which require the prior consent of such Bank in accordance with the terms hereof or to which the provisions of Section 16.8 are applicable and other than actions which constitute gross negligence or willful misconduct by the Bank Agents), such Bank shall be presumed to have approved the same.

SECTION 16.7. RESIGNATION OF BANK AGENTS. A Bank Agent may resign at any time by giving 60 days' prior written notice thereof to the Banks and the applicable Borrower(s). Upon any such resignation, the Banks (other than the resigning Bank Agent) shall have the right to appoint a successor Bank Agent from among the Banks. If no successor to such Bank Agent shall have been so appointed by the Banks and shall have accepted such appointment within 30 days after the retiring Bank Agent's giving of notice of resignation, then the retiring Bank Agent may, on behalf of the Banks, appoint a successor Bank Agent from among the remaining Banks, which shall be a financial institution having a combined capital and surplus in excess of \$1,000,000,000. Upon the acceptance of any appointment as Bank Agent hereunder by a successor Bank Agent, such successor Bank Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Bank Agent, and the retiring Bank Agent shall be discharged from its duties and obligations hereunder. After any retiring Bank Agent's resignation, the provisions of this Agreement shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Bank Agent. Any new Issuing Bank appointed pursuant to this Section 16.7 shall immediately issue new Letters of Credit in place of Letters of Credit previously issued or, if acceptable to the resigning Issuing Bank, issue letters of credit in favor of the resigning Issuing Bank as security for the outstanding Letters of Credit and shall in due course replace all Letters of Credit previously issued by the resigning Issuing Bank.

SECTION 16.8. ACTION BY THE BANKS, CONSENTS, AMENDMENTS, WAIVERS, ETC. Any action to be taken (including the giving of notice) may be taken, any consent or approval required or permitted by this Agreement or any other Loan Document to be given by the Banks may be given, any term of this Agreement, any other Loan Document or any other instrument, document or agreement related to this Agreement or the other Loan Documents or mentioned therein may be amended, and the performance or observance by the Borrowers or any other Person of any of the terms thereof and any Default or Event of Default (as defined in any of the above-referenced documents or instruments) may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Majority Banks; provided, however, that no such consent or amendment which affects the rights, duties or liabilities of any Bank Agent shall be effective without the written consent of such Bank Agent. Notwithstanding the foregoing, no amendment, waiver or consent shall do any of the following unless in writing and signed by ALL of the Banks (a) increase the principal amount of the Total Commitment (or subject any Bank to any additional obligations), (b) reduce the principal of or interest on the Notes (including, without limitation, interest on overdue amounts) or any fees payable hereunder, (c) postpone any date fixed for any

payment in respect of principal or interest (including, without limitation, interest on overdue amounts) on the Notes, or any fee hereunder; (d) change the definition of "Majority Banks" or number of Banks which shall be required for the Banks or any of them to take any action under the Loan Documents; (e) amend this Section 16.8; (f) change the Canadian Commitment Percentage of any Canadian Bank, except as permitted pursuant to Section 2.3, (g) change the Domestic Commitment Percentage of any Domestic Bank, except as permitted under Section 20 hereof and pursuant to Section 2.3, (h) change the Total Commitment Percentage of any Bank, or (i) release any Borrower or Guarantor from its obligations hereunder (except as expressly set forth herein).

SECTION 17. INDEMNIFICATION. The Borrowers agree to indemnify and hold harmless the Banks and the Bank Agents and their affiliates, as well as the Banks' and the Bank Agents' and their affiliates' shareholders, directors, agents, officers, subsidiaries and affiliates, from and against all damages, losses, settlement payments, obligations, liabilities, claims, suits, penalties, assessments, citations, directives, demands, judgments, actions or causes of action, whether statutory created or under the common law, and reasonable costs and expenses incurred, suffered, sustained or required to be paid by an indemnified party by reason of or resulting from the transactions contemplated hereby, except any of the foregoing which result from the gross negligence or willful misconduct of any indemnified party. In any investigation, enforcement matter, proceeding or litigation, or the preparation therefor, the Banks and the Bank Agents shall be entitled to select their own counsel and, in addition to the foregoing indemnity, the Borrowers agree to pay promptly the reasonable fees and expenses of such counsel. In the event of the commencement of any such proceeding or litigation against the Banks or Bank Agents by third parties, the Borrowers shall be entitled to participate in such proceeding or litigation with counsel of its choice at their expense, provided that such counsel shall be reasonably satisfactory to the Banks or Bank Agents. The covenants of this Section 17 shall survive payment or satisfaction of payment of amounts owing with respect to any Note or any other Loan Document and satisfaction of all the Obligations hereunder, IT BEING THE INTENT OF THE PARTIES HERETO THAT ALL SUCH INDEMNIFIED PARTIES SHALL BE INDEMNIFIED FOR THEIR ORDINARY SOLE OR CONTRIBUTORY NEGLIGENCE.

SECTION 18. WITHHOLDING TAXES. The Borrowers hereby agree that:

(a) Any and all payments made by any of the Borrowers hereunder shall be made free and clear of, and without deduction for, any and all present or future taxes, levies, fees, duties, imposts, deductions, charges or withholdings of any nature whatsoever, excluding, in the case of the Bank Agents or the Banks or any holder

of the Notes, (i) taxes imposed on, or measured by, its net income or profits, (ii) franchise taxes imposed on it, (iii) taxes imposed by any jurisdiction as a direct consequence of it, or any of its affiliates, having a present or former connection with such jurisdiction, including, without limitation, being organized, existing or qualified to do business, doing business or maintaining a permanent establishment or office in such jurisdiction or (iv) taxes imposed by reason of its failure to comply with any applicable certification, identification, information, documentation or other reporting requirement (all such non-excluded taxes being hereinafter referred to as "Indemnifiable Taxes"). In the event that any withholding or deduction from any payment to be made by the Borrowers hereunder is required in respect of any Indemnifiable Taxes pursuant to any applicable law, or governmental rule or regulation, then the Borrowers will (i) direct to the relevant taxing authority the full amount required to be so withheld or deducted, (ii) forward to the applicable Bank Agent for delivery to the applicable Bank an official receipt or other documentation satisfactory to the applicable Bank Agent and the applicable Bank evidencing such payment to such taxing authority, and (iii) direct to the applicable Bank Agent for the account of the relevant Banks such additional amount or amounts as is necessary to ensure that the net amount actually received by each relevant Bank will equal the full amount such Bank would have received had no such withholding or deduction (including any Indemnifiable Taxes on such additional amounts) been required. Moreover, if any Indemnifiable Taxes are directly asserted against the applicable Bank Agent or any Bank with respect to any payment received by the Bank Agents or such Bank by reason of the Borrowers' failure to properly deduct and withhold such Indemnifiable Taxes from such payment, the applicable Bank Agent or such Bank may pay such Indemnifiable Taxes and the Borrowers will promptly pay all such additional amounts (including any penalties, interest or reasonable expenses) as is necessary in order that the net amount received by such Person after the payment of such Indemnifiable Taxes (including any Indemnifiable Taxes on such additional amount) shall equal the amount such Person would have received had not such Indemnifiable Taxes been asserted. Any such payment shall be made promptly after the receipt by the Borrowers from the applicable Bank Agent or such Bank, as the case may be, of a written statement setting forth in reasonable detail the amount of the Indemnifiable Taxes and the basis of the claim.

(b) The Borrowers shall pay any present or future stamp or documentary taxes or any other excise or any other similar levies which arise from any payment made hereunder or from the execution,

delivery or registration of, or otherwise with respect to, this Agreement ("Other Taxes").

(c) The Borrowers hereby indemnify and hold harmless the Bank Agents and each Bank for the full amount of Indemnifiable Taxes or Other Taxes (including, without limitation, any Indemnifiable Taxes or Other Taxes imposed on amounts payable under this Section 18) paid by the Bank Agents or such Bank, as the case may be, and any liability (including penalties, interest and reasonable expenses) arising therefrom or with respect thereto, by reason of the Borrowers' failure to properly deduct and withhold Indemnifiable Taxes pursuant to paragraph (a) above or to properly pay Other Taxes pursuant to paragraph (b) above. Any indemnification payment from the Borrowers under the preceding sentence shall be made promptly after receipt by the Borrowers from the applicable Bank Agent or Bank of a written statement setting forth in reasonable detail the amount of such Indemnifiable Taxes or such Other Taxes, as the case may be, and the basis of the claim.

(d) If the Borrowers pay any amount under this Section 18 to the Bank Agents or any Bank and such payee knowingly receives a refund of any taxes with respect to which such amount was paid, the Bank Agents or such Bank, as the case may be, shall pay to the Borrowers the amount of such refund promptly following the receipt thereof by such payee.

(e) In the event any taxing authority notifies any of the Borrowers that any of them has improperly failed to deduct or withhold any taxes (other than Indemnifiable Taxes) from a payment made hereunder to the Bank Agents or any Bank, the Borrowers shall timely and fully pay such taxes to such taxing authority.

(f) The Bank Agents or the Banks shall, upon the request of the Borrowers, take reasonable measures to avoid or mitigate the amount of Indemnifiable Taxes required to be deducted or withheld from any payment made hereunder if such measures can be taken without such Person in its sole judgment suffering any legal, regulatory or economic disadvantage.

(g) Without prejudice to the survival of any other agreement of the parties hereunder, the agreements and obligations of the Borrowers contained in this Section 18 shall survive the payment in full of the Obligations.

SECTION 19. SURVIVAL OF COVENANTS, ETC. Unless otherwise stated herein, all covenants, agreements, representations and warranties made herein, in the other Loan Documents or in any documents or other papers delivered by or on behalf of the Borrowers and Sanifill pursuant hereto shall be deemed to have been relied upon by the Banks, the Issuing Bank and the Bank Agents, notwithstanding any investigation heretofore or hereafter made by them, and shall survive the making by the Banks of the Loans, the accepting and purchasing of Bankers' Acceptances and the issuance, extension or renewal of any Letters of Credit by the Issuing Bank, as herein contemplated, and shall continue in full force and effect so long as any amount due under this Agreement, any Obligation, any Letter of Credit or any Note remains outstanding and unpaid or any Bank has any obligation to make any Loans or the Issuing Bank has any obligation to issue, extend, or renew any Letters of Credit hereunder or any Canadian Bank has any obligation to accept or purchase any Bankers' Acceptances. All statements contained in any certificate or other paper delivered by or on behalf of the Borrowers pursuant hereto or in connection with the transactions contemplated hereby shall constitute representations and warranties by the Borrowers hereunder.

SECTION 20. ASSIGNMENT AND PARTICIPATION. It is understood and agreed that each Bank shall have the right to assign at any time all or a portion of its Domestic Commitment Percentage and Canadian Commitment Percentage, as applicable, and interests in the risk relating to the Loans, outstanding Letters of Credit, Bankers' Acceptances and its Domestic Commitment and Canadian Commitment, as applicable, hereunder in an amount equal to or greater than \$5,000,000 (which assignment shall be of an equal percentage of (a) the Domestic Commitment, the Domestic Loans and outstanding Domestic Letters of Credit, or (b) the Canadian Commitment, the Canadian Loans, the Bankers' Acceptances, and the outstanding Canadian Letters of Credit, unless in each case otherwise agreed to by the Agents) to additional banks or other financial institutions with the prior written approval of the Administrative Agent or the Canadian Agent, as applicable, the Documentation Agent and, so long as no Event of Default has occurred and is continuing, the applicable Borrower(s), which approvals shall not be unreasonably withheld; provided that a Bank may assign all or a portion of its Canadian Commitment Percentage and Canadian Loans outstanding, Canadian Letters of Credit and Bankers' Acceptances, only to an Eligible Canadian Assignee. Any Bank may at any time, and from time to time, assign to any branch, lending office, or affiliate or such Bank all or any part of its rights and obligations under the Loan Documents by notice to the Agents and the Company. It is further agreed that each bank or other financial institution which executes and delivers to the Documentation Agent, and the Borrowers hereunder an Assignment and Acceptance substantially in the form of Exhibit E hereto (an "Assignment and

Acceptance") together with an assignment fee in the amount of \$2,500 payable by the assigning Bank to the Documentation Agent, shall, on the date specified in such Assignment and Acceptance, become a party to this Agreement and the other Loan Documents for all purposes of this Agreement and the other Loan Documents, and its portion of the Domestic Commitment and Canadian Commitment, as applicable, the Loans and Letters of Credit and Bankers' Acceptances shall be as set forth in such Assignment and Acceptance. The Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement. Upon the execution and delivery of such Assignment and Acceptance, (a) the Borrowers shall issue to the bank or other financial institution Notes in the amount of such bank's or other financial institution's Domestic Commitment or Canadian Commitment dated the date of the assignment or such other date as may be specified by the Documentation Agent, and otherwise completed in substantially the form of Exhibits A-1, A-2 or A-3, and to the extent any assigning Bank has retained a portion of its obligations hereunder, a replacement Syndicated Note and Canadian Note, as applicable, to the assigning Bank reflecting its assignment; (b) to the extent applicable, the Company shall issue a Competitive Bid Note in substantially the form of Exhibit B (and a replacement Competitive Bid Note) or the Administrative Agent shall make appropriate entries on the Competitive Bid Loan Accounts to reflect such assignment of Competitive Bid Loan(s); (c) the Documentation Agent shall distribute to the Borrowers, the Banks and such bank or financial institution a schedule reflecting such changes; and (d) this Agreement shall be appropriately amended to reflect (i) the status of the bank or financial institution as a party hereto and (ii) the status and rights of the Banks hereunder.

Each Bank shall also have the right to grant participations to one or more banks or other financial institutions in its Domestic Commitment or Canadian Commitment, the Loans, Bankers' Acceptances and outstanding Letters of Credit. The documents evidencing any such participation shall limit such participating bank's or financial institution's voting rights with respect to this Agreement to the matters set forth in Section 16.8 which require the approval of all Banks.

Notwithstanding the foregoing, no assignment or participation shall operate to increase the Total Commitment hereunder or otherwise alter the substantive terms of this Agreement, and no Bank which retains a Commitment hereunder shall have a Commitment of less than \$10,000,000, as such amount may be reduced upon reductions in the Total Commitment pursuant to Section 2.3 hereof.

Anything contained in this Section 20 to the contrary notwithstanding, any Bank may at any time pledge all or any portion of its interest and rights under this Agreement (including all or any portion of its Notes) to any of the twelve Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or the enforcement thereof shall release the pledgor Bank from its obligations hereunder or under any of the other Loan Documents.

SECTION 21. PARTIES IN INTEREST. All the terms of this Agreement and the other Loan Documents shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto and thereto; provided, that the Borrowers shall not assign or transfer their rights or obligations hereunder or thereunder without the prior written consent of each of the Banks.

SECTION 22. NOTICES, ETC. Except as otherwise expressly provided in this Agreement, all notices and other communications made or required to be given pursuant to this Agreement or the other Loan Documents shall be in writing and shall be delivered in hand, mailed by United States or Canadian first class mail, as applicable, postage prepaid, or sent by telegraph, telex or facsimile and confirmed by letter, addressed as follows:

(a) if to the Borrowers or Sanifill, at 5400 LBJ Freeway, Suite 300, Dallas, Texas 75240, Attention: Earl E. DeFrates, facsimile number (214) 383-7911; or

(b) if to FNBB or the Documentation Agent, at The First National Bank of Boston, 100 Federal Street, Boston, MA 02110, Attention: Charles C. Woodard, Managing Director, facsimile number: (617) 434-2160; or

(c) if to BAI, at Bank of America Illinois, 231 South LaSalle Street, Chicago, Illinois 60697, Attention: Robert P. Rospierski, Vice President, facsimile number (312) 828-1974; or

(d) if to MGT, J.P. Morgan Securities Inc., the Administrative Agent or the Canadian Agent, at Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, New York 10260-0060, facsimile number (212) 648-5336; or

(e) if to any Bank, at the address set forth next to such Bank's name on Schedule 3 hereto;

or such other address for notice as shall have last been furnished in writing to the Person giving the notice.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (a) if delivered by hand to a responsible officer of the party to which it is directed, at the time of the receipt thereof by such officer, (b) if sent by registered or certified first-class mail, postage prepaid, five Business Days after the posting thereof, and (c) if sent by telex, facsimile, or cable, at the time of the dispatch thereof, if in normal business hours in the country of receipt, or otherwise at the opening of business on the following Business Day.

SECTION 23. MISCELLANEOUS. The rights and remedies herein expressed are cumulative and not exclusive of any other rights which the Banks, the Issuing Bank or the Bank Agents would otherwise have. The captions in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof. This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

SECTION 24. CONSENTS, ETC. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in this Section 24, subject to the provisions of Section 16.8. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. Except as otherwise expressly provided in this Agreement, any consent or approval required or permitted by this Agreement to be given by the Banks may be given, and any term of this Agreement or of any other instrument related hereto or mentioned herein may be amended, and the performance or observance by the Borrowers of any terms of this Agreement or such other instrument or the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Borrowers, and the Banks. To the extent permitted by law, no course of dealing or delay or omission on the part of any of the Banks, the Issuing Bank or the Bank Agents in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. No notice to or demand upon the Borrowers shall entitle the Borrowers to other or further notice or demand in similar or other circumstances.

SECTION 25. WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE BORROWERS AND THE GUARANTORS HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR ANY OF

THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. EXCEPT AS PROHIBITED BY LAW, THE BORROWERS AND THE GUARANTORS HEREBY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN THE PRECEDING SENTENCE ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. EACH OF THE BORROWERS AND THE GUARANTORS (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY BANK, ISSUING BANK OR BANK AGENT HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH BANK, ISSUING BANK OR BANK AGENT WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS AND (B) ACKNOWLEDGES THAT THE BANK AGENTS, THE BANKS HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BECAUSE OF, AMONG OTHER THINGS, THE BORROWERS' AND THE GUARANTORS' WAIVERS AND CERTIFICATIONS CONTAINED HEREIN.

SECTION 26. GOVERNING LAW. THIS AGREEMENT AND EACH OF THE OTHER LOAN DOCUMENTS ARE CONTRACTS UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS AND SHALL FOR ALL PURPOSES BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF SAID COMMONWEALTH (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWERS AND THE GUARANTORS CONSENT TO THE JURISDICTION OF ANY OF THE FEDERAL OR STATE COURTS LOCATED IN THE COMMONWEALTH OF MASSACHUSETTS IN CONNECTION WITH ANY SUIT TO ENFORCE THE RIGHTS OF THE BANKS, THE ISSUING BANK OR THE BANK AGENTS UNDER THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS.

SECTION 27. SEVERABILITY. The provisions of this Agreement are severable and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

SECTION 28. JOINT AND SEVERAL LIABILITY; LIMITATION OF LIABILITY. Notwithstanding anything herein to the contrary, each of the Canadian Borrowers covenants and agrees that all Obligations with respect to all Canadian Loans, Reimbursement Obligations with respect to

Canadian Letters of Credit, Bankers' Acceptances and any other Obligations payable to the Canadian Agent or any of the Canadian Banks shall constitute the joint and several obligation of such Canadian Borrower, and the Canadian Borrowers shall have no liability for any such Obligations with respect to Syndicated Loans, Swing Line Loans, Competitive Bid Loans and Reimbursement Obligations with respect to Domestic Letters of Credit and any other Obligations payable to the Administrative Agent or any of the Domestic Banks. Each of the Canadian Borrowers, to the fullest extent permitted by applicable law, is accepting joint and several liability for the Obligations of the Canadian Borrowers hereunder and under the other Loan Documents in consideration of the financial accommodation to be provided by the Canadian Agent and the Canadian Banks under this Agreement, for the mutual benefit, directly or indirectly, of each of the Canadian Borrowers and in consideration of the undertakings of each other Canadian Borrower to accept the joint and several liability for the Obligations of the Canadian Borrowers.

SECTION 29. GUARANTY.

SECTION 29.1 GUARANTY. For value received and hereby acknowledged and as an inducement to the Banks and the Issuing Bank to make the Loans and Letters of Credit available to the Borrowers and to accept and purchase Bankers' Acceptances, Sanifill hereby unconditionally and irrevocably guarantees (a) the full punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all Obligations of the Borrowers now or hereafter existing whether for principal, interest, fees, expenses or otherwise, and (b) the strict performance and observance by the Borrowers of all agreements, warranties and covenants applicable to the Borrowers in the Loan Documents and (c) the obligations of the Borrowers under the Loan Documents (such Obligations collectively being hereafter referred to as Sanifill's "Guaranteed Obligations"); and the Company hereby unconditionally and irrevocably guarantees (a) the full punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all Obligations of the Canadian Borrowers now or hereafter existing whether for principal, interest, fees, expenses or otherwise, and (b) the strict performance and observance by the Canadian Borrowers of all agreements, warranties and covenants applicable to the Canadian Borrowers in the Loan Documents (such Obligations collectively being hereinafter referred to as the Company's "Guaranteed Obligations").

SECTION 29.2 GUARANTY ABSOLUTE. Each of the Guarantors guarantees that its Guaranteed Obligations will be paid strictly in accordance with the terms hereof, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Bank, the Issuing Bank or any Bank Agent with respect thereto. The liability of the

Guarantors under the guaranty granted under this Agreement with regard to the Guaranteed Obligations shall be absolute and unconditional irrespective of:

- (a) any change in the time, manner or place of payment of, or in any other term of, all or any of its Guaranteed Obligations or any other amendment or waiver of or any consent to departure from this Agreement or any other Loan Document (with regard to such Guaranteed Obligations);
- (b) any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of its Guaranteed Obligations;
- (c) any change in ownership of the Borrowers;
- (d) any acceptance of any partial payment(s) from the Borrowers or the other Guarantor; or
- (e) any other circumstance which might otherwise constitute a defense available to, or a discharge of, any of the Borrowers in respect of its Obligations under any Loan Document.

The guaranty under this Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any Guaranteed Obligation is rescinded or must otherwise be returned by the Banks, the Issuing Bank or the Bank Agents upon the insolvency, bankruptcy or reorganization of any Borrower or otherwise, all as though such payment had not been made.

SECTION 29.3. EFFECTIVENESS; ENFORCEMENT. The guaranty under this Agreement shall be effective and shall be deemed to be made with respect to each Loan made, each Letter of Credit issued and each Bankers' Acceptance accepted as of the time it is made, issued or accepted, as applicable. No invalidity, irregularity or unenforceability by reason of any bankruptcy or similar law, or any law or order of any government or agency thereof purporting to reduce, amend or otherwise affect any liability of any Borrower, and no defect in or insufficiency or want of powers of any Borrower or irregular or improperly recorded exercise thereof, shall impair, affect, be a defense to or claim against such guaranty. The guaranty under this Agreement is a continuing guaranty and shall (a) survive any termination of this Agreement, and (b) remain in full force and effect until payment in full of, and performance of, all Guaranteed Obligations and all other amounts payable under the guaranty under this Agreement. Notwithstanding anything set forth in this Section 29 to the contrary, Sanifill shall be released from its guaranty obligations upon the satisfaction (as

determined in the Bank Agents' judgment and evidenced by a release executed by the Bank Agents) of the Prudential Private Placement Debt and the Sanifill Convertible Subordinated Debt. The guaranty under this Agreement is made for the benefit of the Bank Agents, the Issuing Bank and the Banks and their successors and assigns, and may be enforced from time to time as often as occasion therefor may arise and without requirement on the part of the Bank Agents, the Issuing Bank or the Banks first to exercise any rights against the Borrowers, or to resort to any other source or means of obtaining payment of any of the said obligations or to elect any other remedy.

SECTION 29.4. WAIVER. Except as otherwise specifically provided in any of the Loan Documents, each of the Guarantors hereby waives promptness, diligence, protest, notice of protest, all suretyship defenses, notice of acceptance and any other notice with respect to any of its Guaranteed Obligations and the guaranty under this Agreement and any requirement that the Banks, the Issuing Bank or the Bank Agents protect, secure, perfect any security interest or lien or any property subject thereto or exhaust any right or take any action against the Borrowers, or any other Person. Each of the Guarantors also irrevocably waives, to the fullest extent permitted by law, all defenses which at any time may be available to it in respect of its Guaranteed Obligations by virtue of any statute of limitations, valuation, stay, moratorium law or other similar law now or hereafter in effect.

SECTION 29.5. EXPENSES. Each of the Guarantors hereby promises to reimburse (a) the Documentation Agent for all reasonable out-of-pocket fees and disbursements (including all reasonable attorneys' fees), incurred or expended in connection with the preparation, filing or recording, or interpretation of the guaranty under this Agreement, the other Loan Documents to which such Guarantor is a party, or any amendment, modification, approval, consent or waiver hereof or thereof, and (b) the Bank Agents, the Issuing Bank and the Banks and their respective affiliates for all reasonable out-of-pocket fees and disbursements (including reasonable attorneys' fees), incurred or expended in connection with the enforcement of its Guaranteed Obligations (whether or not legal proceedings are instituted). The Guarantors will pay any taxes (including any interest and penalties in respect thereof) other than the Banks' taxes based on overall income or profits, payable on or with respect to the transactions contemplated by the guaranty under this Agreement, each of the Guarantors hereby agreeing jointly and severally to indemnify each Bank with respect thereto.

SECTION 29.6 CONCERNING JOINT AND SEVERAL LIABILITY OF THE
GUARANTORS.

(a) Each of the Guarantors hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the applicable Borrower(s), with respect to the payment and performance of all of its Guaranteed Obligations (including, without limitation, any Guaranteed Obligations arising under this Section 29), it being the intention of the parties hereto that all such Guaranteed Obligations shall be the joint and several Guaranteed Obligations of such Guarantor and the applicable Borrower(s) without preferences or distinction among them.

(b) If and to the extent that the applicable Borrower(s) shall fail to make any payment with respect to any of its Guaranteed Obligations as and when due or to perform any of its Guaranteed Obligations in accordance with the terms thereof, then in each such event the applicable Guarantor will make such payment with respect to, or perform, such Guaranteed Obligation.

(c) The Guaranteed Obligations of each Guarantor under the provisions of this Section 29 constitute full recourse obligations of such Guarantor enforceable against such Guarantor to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement or any other circumstance whatsoever.

(d) Except as otherwise expressly provided in this Agreement, each of the Guarantors hereby waives notice of acceptance of its joint and several liability, notice of any Loans made, Bankers' Acceptances accepted or Letters of Credit issued under this Agreement, notice of any action at any time taken or omitted by the Bank Agents, the Issuing Bank or the Banks under or in respect of any of the Guaranteed Obligations, and, generally, to the extent permitted by applicable law, all demands, notices and other formalities of every kind in connection with this Agreement. Each of the Guarantors hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Guaranteed Obligations, the acceptance of any payment of any of the Guaranteed Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by the Bank Agents, the Issuing Bank or the Banks at any time or times in respect of any Default or Event of Default by any of the Borrowers or the Guarantors in the performance or satisfaction of any term, covenant, condition or provision of this Agreement, any and all other indulgences whatsoever.

by the Bank Agents, the Issuing Bank or the Banks in respect of any of the Guaranteed Obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of the Guaranteed Obligations or the addition, substitution or release, in whole or in part, of any of the Borrowers or any other Guarantor. Without limiting the generality of the foregoing, each of the Guarantors assents to any other action or delay in acting or failure to act on the part of the Banks, the Issuing Bank or the Bank Agents with respect to the failure by any of the Borrowers or the other Guarantor to comply with its respective Obligations or Guaranteed Obligations, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder, which might, but for the provisions of this Section 29, afford grounds for terminating, discharging or relieving the Guarantors, in whole or in part, from any of the Guaranteed Obligations under this Section 29, it being the intention of the Guarantors that, so long as any of the Guaranteed Obligations hereunder remain unsatisfied, the Guaranteed Obligations of each of the Guarantors under this Section 29 shall not be discharged except by performance and then only to the extent of such performance. The Guaranteed Obligations of each of the Guarantors under this Section 29 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to any of the Borrowers or the Guarantors or the Banks, the Issuing Bank or the Bank Agents. The joint and several liability of each of the Guarantors hereunder shall continue in full force and effect notwithstanding any absorption, merger, consolidation, amalgamation or any other change whatsoever in the name, membership, constitution or place of formation of the Borrowers or the Guarantors, the Banks, the Issuing Bank or the Bank Agents.

(e) Sanifill, and, solely in its capacity as a Guarantor of the Obligations of the Canadian Borrowers under this Section 29, the Company, shall be liable under the Guaranty under this Section 29 only for the maximum amount of such liabilities that can be incurred under applicable law without rendering this Agreement, as it relates to the guaranty under this Section 29, voidable under applicable law relating to fraudulent conveyance and fraudulent transfer, and not for any greater amount. Accordingly, if any obligation under any provision of the guaranty under this Section 29 shall be declared to be invalid or unenforceable in any respect or to any extent, it is the stated intention and agreement of the Guarantors, the Bank Agents, the Issuing Bank, and the Banks that any balance of the obligation created by such provision and all other obligations of the Guarantors under this Section 29 to the Banks, the Issuing Bank or the Bank Agents shall remain valid

and enforceable, and that all sums not in excess of those permitted under applicable law shall remain fully collectible by the Banks, the Issuing Bank and the Bank Agents from Sanifill or the Company, as the case may be.

(f) The provisions of this Section 29 are made for the benefit of the Bank Agents, the Issuing Bank and the Banks and their successors and assigns, and may be enforced in good faith by them from time to time against the Guarantors as often as occasion therefor may arise and without requirement on the part of the Bank Agents, the Issuing Bank or the Banks first to marshal any of their claims or to exercise any of their rights against the Borrowers or the Guarantors or to exhaust any remedies available to them against the Borrowers or the Guarantors or to resort to any other source or means of obtaining payment of any of the obligations hereunder or to elect any other remedy. The provisions of this Section 29 shall remain in effect until all of the Guaranteed Obligations shall have been paid in full or otherwise fully satisfied and the Domestic Commitments and Canadian Commitments have expired and all outstanding Letters of Credit and Bankers' Acceptances have expired, matured or otherwise been terminated. If at any time, any payment, or any part thereof, made in respect of any of the Guaranteed Obligations, is rescinded or must otherwise be restored or returned by the Banks, the Issuing Bank or the Bank Agents upon the insolvency, bankruptcy or reorganization of any of the Borrowers or the Guarantors, or otherwise, the provisions of this Section 29 will forthwith be reinstated in effect, as though such payment had not been made.

SECTION 29.7 WAIVER. Until the final payment and performance in full of all of the Obligations, neither of the Guarantors shall exercise and each of the Guarantors hereby waives any rights such Guarantor may have against the Borrowers or the other Guarantor arising as a result of payment by such Guarantor hereunder, by way of subrogation, reimbursement, restitution, contribution or otherwise, and will not prove any claim in competition with the Bank Agents, the Issuing Bank or any Bank in respect of any payment hereunder in any bankruptcy, insolvency or reorganization case or proceedings of any nature; such Guarantor will not claim any setoff, recoupment or counterclaim against the Borrowers or the other Guarantor in respect of any liability of the Borrowers to such Guarantor; and such Guarantor waives any benefit of and any right to participate in any collateral security which may be held by the Bank Agents, the Issuing Bank or any Bank.

SECTION 29.8 SUBROGATION; SUBORDINATION. The payment of any amounts due with respect to any indebtedness of the Borrowers for money borrowed or credit received now or hereafter owed to either of the Guarantors is hereby subordinated to the prior payment in full of all of the Obligations. Each of the Guarantors agrees that, after the occurrence of any default in the payment or performance of any of the Obligations, such Guarantor will not demand, sue for or otherwise attempt to collect any such indebtedness of the Borrowers or the other Guarantor to such Guarantor until all of the Obligations shall have been paid in full. If, notwithstanding the foregoing sentence, either of the Guarantors shall collect, enforce or receive any amounts in respect of such indebtedness while any Obligations are still outstanding, such amounts shall be collected, enforced and received by such Guarantor as trustee for the Banks, the Issuing Bank and the Bank Agents and be paid over to the Administrative Agent at Default, for the benefit of the Banks, the Issuing Bank, and the Bank Agents on account of the Obligations without affecting in any manner the liability of such Guarantor under the other provisions hereof.

29.9 CURRENCY OF PAYMENT. Each of the Guarantors shall pay its respective Guaranteed Obligations in the currency in which such Obligation was incurred by the applicable Borrower(s).

30. PARI PASSU TREATMENT.

(a) Notwithstanding anything to the contrary set forth herein, each payment or prepayment of principal and interest received after the occurrence of an Event of Default hereunder shall be distributed pari passu among the Banks, in accordance with the aggregate outstanding principal amount of the Obligations owing to each Bank divided by the aggregate outstanding principal amount of all Obligations..

(b) Following the occurrence and during the continuance of any Event of Default, each Bank agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against any Borrower (pursuant to Section 14 or otherwise), including a secured claim under Section 506 of the Bankruptcy Code or other security or interest arising from or in lieu of, such secured claim, received by such Bank under any applicable bankruptcy, insolvency or other similar law or otherwise, obtain payment (voluntary or involuntary) in respect of the Notes, Loans, Bankers' Acceptances, Reimbursement Obligations and other Obligations held by it (other than pursuant to Section 6.5, Section 6.6 or Section 6.8) as a result of which the unpaid principal portion of the Notes and the Obligations held by it shall be proportionately less than the unpaid

principal portion of the Notes and Obligations held by any other Bank, it shall be deemed to have simultaneously purchased from such other Bank a participation in the Notes and Obligations held by such other Bank, so that the aggregate unpaid principal amount of the Notes, Obligations and participations in Notes and Obligations held by each Bank shall be in the same proportion to the aggregate unpaid principal amount of the Notes and Obligations then outstanding as the principal amount of the Notes and other Obligations held by it prior to such exercise of banker's lien, setoff or counterclaim was to the principal amount of all Notes and other Obligations outstanding prior to such exercise of banker's lien, setoff or counterclaim; provided, however, that if any such purchase or purchases or adjustments shall be made pursuant to this Section 30 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustments restored without interest. Each Borrower expressly consents to the foregoing arrangements and agrees that any Person holding such a participation in the Notes and the Obligations deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by such Borrower to such Person as fully as if such Person had made a Loan directly to such Borrower in the amount of such participation.

SECTION 31. FINAL AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement under seal as of the date first set forth above.

THE BORROWERS AND GUARANTORS:

USA WASTE SERVICES, INC.

By: /s/ EARL E. DeFRATES

Earl E. DeFrates
Executive Vice President
and CFO

SANIFILL, INC.

By: /s/ EARL E. DeFRATES

Title: Vice President

CANADIAN WASTE SERVICES INC.

By: /s/ EARL E. DeFRATES

Title: Vice President

THE BANKS AND AGENTS:

THE FIRST NATIONAL BANK OF
BOSTON, Individually and as
Documentation Agent

By: /s/ ENNIS J. WALTON

Managing Director

BANK OF AMERICA ILLINOIS

By: /s/ ROBERT ROSPIERSKI

Title: Vice President

BANK OF AMERICA CANADA

By: /s/ [ILLEGIBLE]

Title: _____

MORGAN GUARANTY TRUST COMPANY OF
NEW YORK, Individually and as
Administrative Agent

By: /s/ JOHN MIKOLAY

Title: Vice President

J.P. MORGAN CANADA, individually
and as Canadian Agent

By: /s/ JOHN MAYNARD

Title: Controller and Vice President

ABN AMRO BANK, HOUSTON AGENCY

By: ABN AMRO, NORTH AMERICA,
INC., as agent

By: /s/ RON MAHZE

Title: Group Vice President and Director

By: /s/ LAURIE TUZO

Title: Vice President and Director

THE BANK OF NEW YORK

By: /s/ STEVEN ROSS

Title: Asst. Vice President

THE BANK OF NOVA SCOTIA

By: /s/ A.S. NORSWORTHY

Title: Sr. Team Leader -
Loan Operations

BHF-BANK AKTIENGESELLSCHAFT

By: /s/ PAUL TRAVERS

Title: Vice President

By: /s/ EVON CANTOS

Title: Vice President

CIBC INC.

By: /s/ GARY GASKILL

Title: Authorized Signatory

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ JACQUES-YVES MULLIEZ

Title: Sr. Vice President

DEUTSCHE BANK AG, NEW YORK AND/
OR CAYMAN ISLAND BRANCHES

By: /s/ JEAN HANNIGAN

Title: Vice President

By: /s/ JAMES FOX

Title: Assistant Vice President

THE FUJI BANK, LIMITED, HOUSTON
AGENCY

By: /s/ DAVID KELLY

Title: Senior Vice President

WELLS FARGO BANK (TEXAS),
NATIONAL ASSOCIATION

By: /s/ DAVID ANDERSON

Title: Vice President

BANQUE PARIBAS, HOUSTON AGENCY

By: /s/ SCOTT CLINGAN

Title: Vice President

By: /s/ LARRY ROBINSON

Title: Vice President

BANK OF TOKYO-MITSUBISHI LTD.

By: /s/ JOHN E. BECKWITH

Title: Vice President

COMERICA BANK

By: /s/ REGINALD GOLDSMITH III

Title: Vice President

THE SANWA BANK LIMITED, DALLAS
AGENCY

By: /s/ TORU SAKAMURO

Title: Vice President

TEXAS COMMERCE BANK

By: /s/ CURT KARGES

Title: Sr. Vice President

TORONTO DOMINION (TEXAS), INC.

By: /s/ NEVA NESBITT

Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By: /s/ JULIE BLOOMFIELD

Title: Vice President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK AND
CAYMAN ISLAND BRANCHES

By: /s/ RICHARD NEWMAN
By: /s/ MPM RANSLEY

Title: Vice President
Associate

FLEET BANK, N.A.

By: /s/ DILCIA HILL

Title: Vice President

BANK AUSTRIA AKTIENGESELLSCHAFT

By: /s/ PAUL DEERIN

Title: Vice President

By: /s/ JEANINE BALL

Title: Assistant Vice President

THE DAI-ICHI KANGYO BANK, LTD.

By: /s/ [ILLEGIBLE]

Title: Vice President

DG BANK DEUTSCHE GENOSSENSCHAFTS
BANK

By: /s/ [ILLEGIBLE]

Title: Vice President

By: /s/ PAMELA INGRAM

Title: Assistant Vice President

THE LONG-TERM CREDIT BANK OF
JAPAN, LIMITED, NEW YORK BRANCH

By: /s/ J. M. SULLIVAN

Title: Joint General Manager

THE MITSUBISHI TRUST AND BANKING
CORP., CHICAGO BRANCH

By: /s/ AKIRA SUZUKI

Title: Deputy General Manager

THE SUMITOMO BANK, LIMITED -
HOUSTON AGENCY

By: /s/ HARUMITSU SEKI

Title: General Manager

SUNTRUST BANK, ATLANTA

By: /s/ JOHN FIELDS JR

Title: Vice President

By: /s/ F. MCCLELLAN DEEVER III

Title: Group Vice President

HIBERNIA NATIONAL BANK

By: /s/ COLLEEN LACY

Title: Vice President

COOPERATIEVE CENTRALE RAIFFEISEN
BOERENLEENBANK, B.A., "RABOBANK
NEDERLAND", NEW YORK BRANCH

By: /s/ IAN REECE

Title: Vice President and Manager

By: /s/ DANA HEMENWAY

Title: Vice President

ROYAL BANK OF CANADA

By: /s/ GORDON MACARTHUR

Title: Manager

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SANIFILL, INC.

AND

USA WASTE SERVICES, INC.

TO

TEXAS COMMERCE BANK NATIONAL ASSOCIATION
as Trustee

FIRST SUPPLEMENTAL INDENTURE

Dated as of September 3, 1996

Supplementing and Amending Indenture Dated as of March 1, 1996

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THIS FIRST SUPPLEMENTAL INDENTURE, dated as of September 3, 1996 (this "Supplemental Indenture"), is by and among Sanifill, Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called "Sanifill"), having its principal executive office at 2777 Allen Parkway, Suite 700, Houston, Texas 77019-2156, USA Waste Services, Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called "USA Waste"), having its principal executive office at 5400 LBJ Freeway, Suite 300 - Tower One, Dallas, Texas 75240, and Texas Commerce Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as Trustee (herein called the "Trustee").

RECITALS OF SANIFILL AND USA WASTE

Sanifill has executed and delivered to the Trustee its Indenture, dated as of March 1, 1996 (herein called the "Indenture"), to provide for the issuance from time to time of its unsecured debentures, notes or other evidences of indebtedness, to be issued in one or more series, as provided in the Indenture.

Pursuant to the Indenture, Sanifill has issued its 5% Convertible Subordinated Debentures due 2006 in an original principal amount of \$115 million, all of which are currently outstanding (the "Debentures"). No other securities have been issued pursuant to the Indenture.

Effective as of September 3, 1996 (the "Merger Date"), Quatro Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of USA Waste Services, Inc., a Delaware corporation ("USA Waste"), was merged with and into Sanifill pursuant to the provisions of the General Corporation Law of the State of Delaware (the "Merger"), as a result of which Sanifill became a wholly-owned subsidiary of USA Waste.

Each share of common stock of Sanifill which was issued and outstanding immediately prior to the Merger was, by virtue of the Merger and without any action on the part of the holder thereof, converted into 1.7 shares of the common stock, par value \$0.01 per share, of USA Waste ("USA Waste Shares").

In connection with the Merger, Sanifill and USA Waste, pursuant to appropriate resolutions of their respective Boards of Directors, have duly determined to make, execute and deliver to the Trustee this Supplemental Indenture in order to reflect the results of the Merger as required by the Indenture and to provide for USA Waste to become a co-obligor with respect to certain obligations of Sanifill arising under the Indenture and the Debentures.

Pursuant to Section 1411 of the Indenture, Sanifill, as the survivor to the Merger, is required to execute and deliver to the Trustee an indenture supplemental to the Indenture in connection with the Merger.

The Indenture provides that, without the consent of any Holders, Sanifill and the Trustee may enter into a supplemental indenture to make provision with respect to the conversion rights of Holders pursuant to the requirements of Article Fourteen of the Indenture, and Sanifill has

determined that this Supplemental Indenture may therefore be entered into without the consent of any Holder in accordance with Section 901(9) of the Indenture.

Sanifill and USA Waste have duly authorized the execution and delivery of this Supplemental Indenture and all things necessary have been done to make this Supplemental Indenture a valid agreement of Sanifill and USA Waste, in accordance with its terms.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises, it is mutually agreed, for the equal and proportionate benefit of the respective Holders from time to time of the Securities or of any series thereof, as follows:

ARTICLE ONE
DEFINITIONS

SECTION 101. Indenture Terms.

Capitalized terms used but not defined in this Supplemental Indenture have the respective meanings assigned to them in the Indenture.

ARTICLE TWO
CONCERNING THE SECURITIES

SECTION 201. Conversion Privilege.

The Holder of each Debenture Outstanding on the date hereof shall have the right from and after the date hereof, during the period such Debenture shall be convertible as specified in Section 1401 of the Indenture, to convert such Debenture only into the number of USA Waste Shares, and cash in lieu of fractional USA Waste Shares, receivable upon the effectiveness of the Merger by a holder of the number of shares of Common Stock of the Company into which such Debenture might have been converted immediately prior to the Merger, subject to adjustment as provided in Section 202 below.

SECTION 202. Conversion Price.

The price at which USA Waste Shares shall be delivered upon conversion of Debentures (herein called the "conversion price") shall be the price specified in relation to the Debentures pursuant to Section 301 of the Indenture, as adjusted in accordance with Article Fourteen of the Indenture prior to the Merger. For events subsequent to the effective date of this Supplemental Indenture, the conversion price shall be adjusted in a manner as nearly equivalent as may be practical to the adjustments provided for in Article Fourteen of the Indenture.

SECTION 203. USA Waste as a Co-Obligor.

Sanifill, USA Waste and the Trustee hereby agree that as of the effective date of this Supplemental Indenture, USA Waste shall become a co-obligor with Sanifill under the Indenture, as modified by this Supplemental Indenture, and the Debentures, and shall be jointly and severally liable with Sanifill for the due and punctual payment of the principal of (and premium, if any) and interest on the Securities, as fully and effectively as USA Waste had originally been an obligor under such Securities; provided, however, that USA Waste is not assuming, or becoming a co-obligor for, the performance of any obligation or liability of Sanifill under the Indenture, the Debentures or any other Securities other than such payments and, provided further, that the obligations of USA Waste under the Indenture, as supplemented by this Supplemental Indenture, and the Securities (including the Debentures) shall be subordinate and junior in right of payment to the prior payment in full of all amounts owing on any and all other indebtedness and obligations of USA Waste for the principal of (and premium, if any) and interest on (a) indebtedness of USA Waste (including indebtedness of others guaranteed by USA Waste) other than the Securities, which is (i) for money borrowed or (ii) evidenced by a note or similar instrument given in connection with the acquisition of any businesses, properties or assets of any kind, (b) obligations of USA Waste as lessee under leases required to be capitalized on the balance sheet of the lessee in accordance with generally accepted accounting principles or (c) an amendment, renewal, extension, modification or refunding of any such indebtedness or obligation, in any case whether outstanding on the date hereof or hereafter created, incurred or assumed, unless in any case in the instrument creating or evidencing any such indebtedness or obligation or pursuant to which the same is outstanding it is provided that such indebtedness or obligation is not superior in right of payment to the Securities or it is provided that such obligation is subordinated to senior indebtedness of USA Waste to substantially to the same extent as the Securities are subordinated to the foregoing.

ARTICLE THREE
CONCERNING THE TRUSTEE

SECTION 301. Terms and Conditions.

The Trustee accepts this Supplemental Indenture and agrees to perform the duties of the Trustee upon the terms and conditions herein and in the Indenture set forth.

SECTION 302. No Responsibility.

The Trustee shall not be responsible in any manner whatsoever for or in respect of (i) the validity or sufficiency of this Supplemental Indenture, the authorization or permissibility of this Supplemental Indenture pursuant to the terms of the Indenture or the due execution thereof by Sanifill or USA Waste or (ii) the recitals herein contained, all such recitals being made by Sanifill and USA Waste. The Trustee shall not be responsible in any manner to determine the correctness of provisions contained in this Supplemental Indenture relating either to the kind or amount of securities receivable by Holders of Securities upon the conversion of their Securities after the Merger or to any adjustment provided herein.

ARTICLE FOUR
EFFECT OF EXECUTION AND DELIVERY HEREOF

From and after the execution and delivery of this Supplemental Indenture, (i) the Indenture shall be deemed to be amended and modified as provided herein, (ii) this Supplemental Indenture shall form a part of the Indenture, (iii) except as modified and amended by this Supplemental Indenture, the Indenture shall continue in full force and effect, (iv) the Debentures shall continue to be governed by the Indenture, as modified and amended by this Supplemental Indenture, and the resolutions of the Board of Directors of Sanifill creating and designating the terms and conditions of the Debentures (the "Resolutions"), including, but not limited to, the definition of "Senior Indebtedness" contained in the Resolutions and (v) every Holder of Securities heretofore and hereafter authenticated and delivered under the Indenture shall be bound by this Supplemental Indenture.

ARTICLE FIVE
MISCELLANEOUS PROVISIONS

SECTION 501. Headings Descriptive.

The headings of the several Articles and Sections of this Supplemental Indenture are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Supplemental Indenture.

SECTION 502. Rights and Obligations of the Trustee.

All of the provisions of the Indenture with respect to the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of this Supplemental Indenture as fully and with the same effect as if set forth herein in full.

SECTION 503. Successors and Assigns.

This Supplemental Indenture shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto and the Holders of any Securities then Outstanding.

SECTION 504. Counterparts.

This Supplemental Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 505. Governing Law.

This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

SANIFILL, INC.

By: /s/ H. STEVEN WALTON

Name: H. Steven Walton
Title: Vice President

Attest:

By: /s/ MICHAEL J. HARLAN

Name: Michael J. Harlan
Title: Treasurer & Assistant Secretary

USA WASTE SERVICES, INC.

By: /s/ GREGORY T. SANGALIS

Name: Gregory T. Sangalis
Title: Vice President, General
Counsel and Secretary

Attest:

By: /s/ EARL E. DeFRATES

Name: Earl E. DeFrates
Title: Executive Vice President &
Chief Financial Officer

TEXAS COMMERCE BANK NATIONAL
ASSOCIATION

By: /s/ TERRY L. STEWART

Name: Terry L. Stewart
Title: Assistant Vice President &
Trust Officer

STATE OF TEXAS)
)
COUNTY OF HARRIS)

On the 30th day of August, 1996, before me personally came H. Steven Walton, to me known, who, being by me duly sworn, did depose and say that he is Vice President of Sanifill, Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

/s/ ELIZABETH STREET

STATE OF TEXAS)
)
COUNTY OF HARRIS)

On the 30th day of August, 1996, before me personally came Gregory T. Sangalis, to me known, who, being by me duly sworn, did depose and say that he is Vice President, General Counsel and Secretary of USA Waste Services, Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

/s/ ELIZABETH STREET

STATE OF TEXAS)
)
COUNTY OF HARRIS)

On the 30th day of August, 1996, before me personally came Terry L. Stewart, to me known, who, being by me duly sworn, did depose and say that he is Assistant Vice President and Trust Officer of Texas Commerce Bank National Association, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

/s/ ROBYN MARIE MASON

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports included in or made a part of this Current Report on Form 8-K.

ARTHUR ANDERSEN LLP

Houston, Texas
September 18, 1996

[USA WASTE LETTERHEAD]

FOR IMMEDIATE RELEASE

Lew Nevins
USA Waste Services, Inc.
(214) 383-7940

UW #96-14

USA WASTE ANNOUNCES COMPLETION OF MERGER
AND NEW \$1.2 BILLION CREDIT AGREEMENT

Dallas, Texas (September 3, 1996) -- USA Waste Services, Inc. (NYSE -- "UW") announced today that in accordance with the Agreement and Plan of Merger dated June 22, 1996, Sanifill, Inc., became a wholly owned subsidiary of USA Waste. In support of the merger, USA Waste has arranged a \$1.2 billion five year revolving credit agreement with a group of 30 banks led by Bank of America, Bank of Boston and Morgan Guaranty Trust Company. In addition to improved terms and reduced borrowing costs, the facility will be available for working capital requirements and future acquisitions. On August 30, 1996, USA Waste also entered into a consent decree with the U.S. Department of Justice to resolve certain anti-trust issues and obtain clearance to consummate the merger.

John E. Drury, Chief Executive Officer of USA Waste, stated, "We are delighted to have completed this merger, one which we believe makes USA Waste the premier solid waste company in North America. Sanifill, with its established market presence and diverse asset base, gives us additional access to several new markets and a larger presence in others. The process of integrating Sanifill's operations with USA Waste's will move forward rapidly with substantial savings planned over the coming months." Mr. Drury indicated that the requirements related to the U.S. Department of Justice consent decree would not change the synergies initially estimated related to the merger or have a material impact on operations.

USA Waste, which will relocate its corporate headquarters to Houston, Texas, is an integrated, non-hazardous, solid waste management company serving municipal, commercial, industrial and residential customers. The Company will now operate in 35 states, the District of Columbia, the Commonwealth of Puerto Rico, Mexico and Canada. The combined Companies' annualized revenues of approximately \$1.3 billion and total assets in excess of \$2.0 billion solidifies USA Waste's position as the third largest waste company in North America.