

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(MARK ONE)

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

For the fiscal year ended December 31, 1997

OR

TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES AND EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
For the transition period from to

COMMISSION FILE NUMBER 1-12154

USA WASTE SERVICES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)
73-1309529
(I.R.S. Employer
Identification No.)
1001 FANNIN STREET, SUITE 4000
HOUSTON, TEXAS
(Address of principal executive offices)
77002
(Zip code)

Registrant's telephone number, including area code: (713) 512-6200

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

TITLE OF EACH CLASS -----	NAME OF EXCHANGED ON WHICH REGISTERED -----
Common Stock, \$.01 par value	New York Stock Exchange
7 1/8% Senior Notes Due 2017	
7 1/8% Senior Notes Due 2007	
7% Senior Notes Due 2004	
6 1/2% Senior Notes Due 2002	
5% Convertible Subordinated Notes Due 2006	
4 1/2% Convertible Subordinated Notes Due 2001	
4% Convertible Subordinated Debentures Due 2002	

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the registrant at March 16, 1998, was approximately \$10,073,799,486. The aggregate market value was computed by using the closing price of the common stock as of that date on the New York Stock Exchange. (For purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.)

The number of shares of Common Stock, \$.01 par value, of the registrant outstanding at March 16, 1998, was 218,995,641.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT -----	INCORPORATED AS TO -----
Proxy Statement for the 1998 Annual Meeting of Stockholders	Part III

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PART I

ITEM 1. BUSINESS.

GENERAL

USA Waste Services, Inc. ("USA Waste" or the "Company") is the third largest integrated solid waste management company in North America, as measured by revenues for the 1997 fiscal year, and currently serves the full spectrum of commercial, industrial, municipal and residential customers in 48 states, the District of Columbia, Canada, and Puerto Rico. The Company's solid waste management services include collection, transfer, and disposal operations and, to a lesser extent, recycling and certain other waste management services. At December 31, 1997, USA Waste owned or operated an extensive network of landfills, transfer stations, and collection operations and had a diversified customer base in excess of seven million with no single customer accounting for more than 5% of the Company's operating revenues during 1997. The Company employed approximately 17,700 people as of December 31, 1997.

The terms "USA Waste" and the "Company" refer to USA Waste Services, Inc., a Delaware corporation incorporated on April 28, 1995, and includes its predecessors, subsidiaries, and affiliates, unless the context requires otherwise. USA Waste's executive offices are located at 1001 Fannin Street, Suite 4000, Houston, Texas 77002, and its telephone number is (713) 512-6200. The Company's common stock is listed on the New York Stock Exchange under the trading symbol "UW."

For the year ended December 31, 1997, approximately 62%, 10%, 24%, and 4% of the Company's revenues were attributable to collection, transfer, disposal, and other waste management services, respectively. Information regarding the Company's domestic and foreign operations is included in Note 10 to the Company's Consolidated Financial Statements included elsewhere herein.

INDUSTRY BACKGROUND

USA Waste operates in the nonhazardous solid waste segment of the waste management industry. Despite the size of this industry, it has historically been a fragmented industry, with a multitude of local private operators and municipal operators servicing relatively centralized areas. In recent years, the industry has undergone a period of significant consolidation. However, local private and municipal operations continue to service a large percentage of the North American nonhazardous solid waste business.

One of the forces causing consolidation within the solid waste management industry has been increased regulation and enforcement of collection and disposal activities. In October 1991, the Environmental Protection Agency ("EPA") adopted new regulations pursuant to Subtitle D of the Resource Conservation and Recovery Act governing the disposal of solid waste. These regulations led to a variety of requirements applicable to landfill disposal sites, including the construction of liners and the installation of leachate collection systems, groundwater monitoring systems, and methane gas recovery systems. The regulations also required enhanced control systems to monitor more closely the waste streams being disposed at the landfills, post-closure monitoring of sites and financial assurances that landfill operators will comply with the stringent regulations. The result of these regulatory requirements has been increased costs in various segments of the industry, particularly for landfill operators.

The costs associated with the new industry regulations have caused some of the consolidation and acquisition activity within the industry. Large waste management companies are typically able to generate economies of scale and bring existing operations into compliance. They have also acquired operations which either complement existing businesses or otherwise improve their cost structure and flexibility. The Company expects waste management companies active in various segments of the industry to continue to seek vertical integration to enable them to become more cost effective and competitive. Despite this industry consolidation, many of the smaller localized companies have low cost positions and provide strong competition in local markets.

STRATEGY

The Company is focused on continuing to pursue profitable growth and operational efficiencies in the nonhazardous solid waste business in North America. Key components of the Company's strategy are:

Growth

Internal Growth

- Increasing revenues through the expansion of existing operations. The Company continually strives to enhance its existing operations and increase volume.

External Growth

- Increasing revenues and enhancing profitability through tuck-in and other acquisitions. The Company continually seeks to expand its services through the acquisition of additional solid waste management businesses and operations that can be effectively integrated with the Company's existing operations. These acquisitions typically involve adding collection operations, transfer stations, or landfills that are complementary to existing operations and that permit the Company to implement operating efficiencies and increase asset utilization.
- Expanding into new markets through acquisitions. The Company pursues acquisitions in new markets where the Company believes it can strengthen its overall competitive position as an important provider of integrated solid waste management services and where opportunities exist to apply the Company's operating and management expertise to enhance the performance of acquired operations. The completion of the Company's recently announced proposed merger with Waste Management, Inc. ("WMI") will significantly expand the Company's operations, both nationally and internationally. It will also result in adding operations, such as hazardous waste disposal, waste to energy operations and environmental engineering activities, which are outside the Company's traditional emphasis on solid waste disposal activities.
- Benefiting from the privatization of solid waste services provided by municipalities. Municipalities currently provide a large percentage of the solid waste management services in North America. Due to the capital and regulatory requirement demands as well as the economics of the solid waste industry, certain portions of these services have been privatized each year. The Company pursues privatization opportunities where it believes solid waste services can be provided at a cost efficient yet profitable level.

Operational Efficiencies

- Increasing productivity and operating efficiencies in existing and acquired operations. The Company seeks to increase productivity, achieve administrative and operating efficiencies, and improve profitability in existing operations and acquired businesses, with the objective of becoming the low cost operator in each of its markets. Measures taken by the Company in this area include consolidating and implementing uniform administrative and management systems, restructuring and consolidating collection routes, improving equipment utilization, and increasing employee productivity through incentive compensation and training programs. The Company's management believes that its ability to serve markets as a low cost operator is fundamental to achieving sustainable internal growth and to realizing the benefits of its acquisition activity.
- Internalization. The Company strives to strengthen its position in its existing markets by expanding the scope of services through the integration of its collection, transfer station, and landfill operations. Internalization (expressed as a percentage) is the amount of waste collected by the Company that is disposed at a landfill owned or operated by the Company. Waste that can be internalized generally has greater profitability than waste that is disposed of at a third party landfill. The utilization of internal disposal capacity is an integral component of the Company's ability to achieve its financial goals and objectives.

- Decentralized management. Because the Company believes the solid waste industry in North America is a local and regional business, the Company is organized based upon a decentralized management and a streamlined corporate structure. The Company believes this approach enhances its ability to manage the local aspects of daily operations and service its customers more effectively.

Financial Flexibility and Strength

- Preserving the financial foundation. The Company monitors the financial demands of its existing operations, acquisition activities, and capital expenditures program in an attempt to maintain its financial flexibility and strength and its ability to capitalize on future opportunities. In managing its financial resources, the Company utilizes commercial banks, equity and debt offerings, and issues equity instruments in certain acquisitions. The Company believes that its ability to continue as an industry consolidator is directly related to its ability to maintain its financial flexibility and strength.

The Company's business is subject to extensive federal, state, and local regulation and legislative initiatives. Further, in some states and municipalities, its business is subject to environmental regulation, mandatory recycling laws, prohibitions on the deposit of certain types of waste in landfills, and restrictions on the flow of solid waste. Because of continuing public awareness and influence regarding the collection, transfer, and disposal of waste and the preservation of the environment, and uncertainty with respect to the enactment and enforcement of future laws and regulations, the Company cannot always accurately predict the impact that any future regulations or laws may have on its operations. See "Regulation" and "Legal Proceedings" for additional information.

ACQUISITION ACTIVITY IN 1997

On March 12, 1997, the Company acquired substantially all of the Canadian solid waste subsidiaries of Allied Waste Industries Inc., ("Allied") for approximately \$518,000,000 in cash. Those businesses represented 41 collection operations, seven landfills, and eight transfer stations in the provinces of Alberta, British Columbia, Manitoba, Ontario, Quebec, and Saskatchewan with annualized revenues of approximately \$270,000,000.

On April 1, 1997, the Company acquired substantially all of the assets of Mid-American Waste Systems, Inc. for approximately \$201,000,000, consisting primarily of cash and the assumption of a limited amount of debt. The assets acquired included 11 collection operations, 11 landfills, six transfer stations, and three recycling operations, with annualized revenues of approximately \$115,000,000.

On June 10, 1997, the Company acquired the majority of WMI's Canadian solid waste businesses for \$124,000,000 in cash and 1,705,757 shares of the Company's common stock. The assets acquired included 13 collection operations, one landfill, and three transfer stations in the provinces of Alberta, British Columbia, Ontario, and Quebec, with annualized revenues totaling approximately \$124,000,000.

On August 26, 1997, the Company consummated a merger with United Waste Systems, Inc. ("United") accounted for as a pooling of interests (the "United Merger"). Under the terms of the United Merger, the Company issued 1.075 shares of its common stock for each outstanding share of United common stock. Additionally, at the effective date of the United Merger, United stock options, whether or not such stock options had vested or become exercisable, were cancelled in exchange for shares of the Company's common stock equal in market value to the fair value of such United stock options, as determined by an independent third party. The United Merger increased the Company's outstanding shares of common stock by approximately 51,900,000 shares, which included approximately 1,900,000 shares exchanged for United stock options. United owned and operated nonhazardous waste disposal, treatment, collection, transfer station, and recycling businesses and complementary operations. At the time of the United Merger, United owned or operated 39 landfills, 78 transfer stations, and 80 collection operations.

In addition to the consummation of the aforementioned acquisition transactions, the Company acquired 236 collection operations, 31 transfer stations, and 26 landfills with annualized revenues aggregating approximately \$960,000,000 during 1997.

RECENT DEVELOPMENTS

On December 9, 1997, the Company announced that it had executed a definitive agreement to acquire the solid waste divisions of City Management Holdings Trust ("City Management"), and on January 14, 1998, consummated such transaction for approximately \$735,000,000 consisting primarily of cash and a limited amount of debt assumed. The businesses acquired include 20 collection operations, ten landfills, and 12 transfer stations primarily in the state of Michigan.

On January 27, 1998, the Company announced that it had entered into a definitive agreement to acquire TransAmerican Waste Industries, Inc. ("TransAmerican") for approximately 2,000,000 shares of the Company's common stock, subject to certain adjustments, and approximately \$43,000,000 in assumption of debt. This acquisition, which is subject to regulatory approval and approval of TransAmerican shareholders, is expected to close during the first half of 1998 and is anticipated to be accounted for as a pooling of interests. The businesses to be acquired include five collection operations, nine landfills, and two transfer stations located throughout the southern region of the United States.

The Company entered into a definitive agreement on February 6, 1998, with American Waste Systems, Inc. ("American"), to acquire American's solid waste businesses for approximately \$150,000,000 in cash. This transaction, which is subject to regulatory approval and approval of American's shareholders, is also expected to close in the first half of 1998. The operations to be acquired include three landfills and one collection operation located in Ohio.

On March 10, 1998, the Company entered into a definitive agreement and plan of merger pursuant to which a subsidiary of the Company will be merged with and into WMI and WMI will become a wholly owned subsidiary of the Company (the "WMI Merger"). As of the effective time of the WMI Merger, each outstanding share of WMI, other than shares held in WMI's treasury or owned by WMI, the Company or any of their wholly owned subsidiaries, will be converted into the right to receive 0.725 shares of the Company. This transaction, which is expected to close during 1998, is subject to regulatory approval and approval of the stockholders of the Company and WMI. It is anticipated that the Company will issue approximately 345,000,000 shares of its common stock related to this transaction and that this merger will be accounted for as a pooling of interests.

OPERATIONS

The Company provides collection, transfer, disposal, and recycling services to commercial, industrial, municipal and residential customers in various locations in the United States, Canada, and Puerto Rico.

Management of the Company's solid waste operations is achieved through an alignment that currently includes five regions organized by geographic area. Each region is headed by a regional vice president ("RVP"). Each RVP is responsible for the oversight of the following departments: sales and marketing, administration and finance, operations, and maintenance. In addition, each RVP typically has a small staff that works interactively with the corporate office in the areas of regulatory compliance and reporting, legal services, engineering services, internal and external development, and strategic planning. Geographically, a region generally encompasses a multi-state or multi-province area and may have up to 175 districts. Regions are divided into districts headed by a district manager. Each district manager is responsible for the day-to-day oversight of the district's field operations, with direct responsibility for customer satisfaction, employee motivation, labor and equipment productivity, internal growth, financial budgets, and profit and loss activity. A district generally encompasses a city, county, or metropolitan area. In certain areas, a divisional vice president, reporting to a RVP, may oversee several districts.

Collection Operations. Solid waste collection is provided under two primary types of arrangements depending on the customer being served. Commercial and industrial collection services are generally performed under one to three-year service agreements, and fees are determined by such factors as collection frequency, type of collection equipment furnished by the Company, type and volume or weight of the waste collected, the distance to the disposal facility, labor cost, and cost of disposal. Most residential solid waste collection services are performed under contracts with, or franchises granted by, municipalities or regional

authorities that have granted the Company exclusive rights to service all or a portion of the homes in their respective jurisdictions. Such contracts or franchises usually range in duration from one to five years. Recently, some municipalities have requested bids on their residential collection contracts based on the volume of waste collected. Residential collection fees are either paid by the municipalities from their tax revenues or service charges or are paid directly by the residents receiving the service.

As part of its services, the Company provides steel containers to most of its commercial and industrial customers to store solid waste. These containers, ranging in size from one to 45 cubic yards, are designed to be lifted mechanically and either emptied into a collection vehicle's compaction hopper or directly into a disposal site in the case of industrial customers. The use of containers enables the Company to service most of its commercial and industrial customers with collection vehicles operated by a single employee.

The Company often obtains waste collection accounts through acquisitions, including the purchase of customer lists and equipment. Once a collection operation is acquired, programs designed to improve equipment utilization, employee productivity, operating efficiencies, and overall profitability are implemented. The Company also solicits commercial and industrial customers in areas surrounding acquired residential collection markets as a means of further improving operating efficiencies and increasing volumes of solid waste collection.

The Company's collection operations internalized approximately 53.8% of disposal costs paid to landfills for the year ended December 31, 1997 as compared to 49.8% for the comparable prior year period. In the remaining markets, waste is collected and delivered to a municipal, county or privately owned unaffiliated landfill or transfer station.

Transfer Stations. A transfer station is a facility located near residential and commercial collection routes where solid waste is received from collection vehicles and then transferred to and compacted in large, specially-constructed trailers for transportation to disposal facilities. This consolidation reduces costs by improving utilization of collection personnel and equipment. Fees are generally based on such factors as the type and volume or weight of the waste transferred and the transportation distance to disposal sites. Transfer stations can also be used to facilitate internalizing disposal costs by giving Company collection operations more cost effective access to landfills owned or operated by the Company.

Landfills. Municipal solid waste landfills are the primary depository for solid waste in North America. These disposal facilities are located on land with geological and hydrological properties that limit the possibility of water pollution, and are operated under prescribed procedures. A landfill must be maintained carefully to meet federal, state, and local regulations. Maintenance includes excavation, continuous spreading and compacting of waste, and covering of waste with earth or other inert material at least once a day. The cost of transporting solid waste to a disposal location places a geographic restriction on solid waste companies. Access to a disposal facility, such as a landfill, is a necessity for all solid waste management companies. While access can be obtained to disposal facilities owned or operated by unaffiliated parties, the Company believes that it is generally preferable for its collection operations to utilize disposal facilities owned or operated by affiliated parties so that access can be assured on favorable terms. Customers are charged disposal charges, known as "tipping fees", based on market factors and the type and volume or weight of solid waste deposited and the type and size of vehicles used in the conveyance of solid waste.

The ownership or lease of a landfill site enables the Company to dispose of waste without payment of tipping fees to unaffiliated parties. The Company does not own or lease a landfill site in every metropolitan area in which it is engaged in waste collection. To date, the Company has not experienced excessive difficulty securing the use of disposal facilities owned or operated by unaffiliated parties in those metropolitan areas in which it does not own or operate its own landfill. The Company's landfills are also used by unaffiliated waste collection companies and government agencies. The Company's average landfill volume for the year ended December 31, 1997, was approximately 127,300 tons per day, and the average remaining life of the Company's landfills owned or operated was approximately 25 years based on remaining permitted capacity and current average daily disposal volumes.

Recycling. In response to the increasing public environmental awareness and expanding federal, state, and local regulations pertaining to waste recycling, the Company has developed recycling as a component of its environmentally responsible integrated solid waste management plan. Curbside collection of recyclable materials for residential customers, commercial and industrial collection of recyclable materials, and material recovery/waste reduction facilities are services in which the Company has become involved to complement its collection and transfer station operations. Although the Company continues to provide the service of collecting recyclable products, to date the Company has not made material capital investments in material recovery/waste reduction facilities. Opportunities for expansion in these areas will continue to be evaluated.

The Company operates curbside recycling programs in connection with its residential collection operations in a number of markets and in association with a number of its transfer stations. Fees are determined by such considerations as market factors, frequency of collection, the type and volume or weight of recycled material, labor costs, the distance the recycled material must be transported, and the value of the recycled material. Overall, however, the Company is not materially affected financially by fluctuations in commodity pricing for recyclable materials.

COMPETITION

The solid waste industry is highly competitive. The industry is comprised of a number of companies of various sizes, numerous municipalities and other regional or multi-county authorities, and large commercial and industrial companies handling their own waste collection or disposal operations. Municipalities and counties are often able to offer lower direct charges to the customer for the same service by subsidizing the cost of such services through the use of tax revenues and tax-exempt financing. Generally, however, municipalities do not provide significant commercial and industrial collection or waste disposal.

The Company competes for landfill business on the basis of tipping fees, geographical location, and quality of operations. The Company's ability to obtain landfill business may be limited by the fact that some major collection companies also own or operate landfills to which they internalize their waste. The Company competes for collection accounts primarily based on price and the quality of its services. Intense competition is encountered for both quality of service and pricing. From time to time, competitors may reduce the price of their services and accept lower profit margins in an effort to expand or maintain market share or to competitively win bid contracts.

The Company provides residential collection services under a number of municipal contracts. As is the case in the industry, such contracts come up for competitive bidding periodically and there is no assurance that the Company will be the successful bidder and will be able to retain such contracts. If the Company is unable to replace any contract lost through the competitive bidding process with a comparable contract within a reasonable time period or to use any surplus equipment in other service areas, the earnings of the Company could be adversely affected. However, during 1997, no one commercial customer or municipal contract accounted for more than 5% of the Company's operating revenues. As the Company continues to grow, the loss of any one contract will have less of an impact on the Company's operations as a whole.

Increased public environmental awareness and certain mandated state regulations have resulted in increased recycling efforts in many different areas of the country that are currently and will in the future reduce the amount of solid waste destined for landfills. In addition, the Company could face competition from companies engaged in waste incineration and other alternatives to landfill disposal. Although the Company believes that landfills will continue to be the primary depository for solid waste well into the future, there can be no assurance that recycling, incineration, and waste reduction efforts will not affect future landfill disposal volumes. The effect, if any, on such volumes could also vary between different regions of the country as well as within individual market areas in each region.

PRICING

Operating costs, disposal costs, and collection fees vary widely throughout the geographic areas in which the Company operates. The prices that the Company charges are determined locally, and typically vary by the volume or weight, type of waste collected, treatment requirements, risks involved in the handling or disposing

of waste, frequency of collections, distance to final disposal sites, labor costs and amount and type of equipment furnished to the customer. Under certain contracts, the Company's ability to pass on cost increases is limited. Long-term solid waste collection contracts typically contain a formula, generally based on published price indices, for automatic adjustment of fees to cover increases in some, but not all, operating costs.

EMPLOYEES

At December 31, 1997, the Company had approximately 17,700 full-time employees, of which approximately 2,550 were employed in clerical, administrative, and sales positions, 800 in management, and the balance in collection, transfer, and disposal operations. Approximately 4,060 of the Company's employees are covered by collective bargaining agreements. The Company has not experienced a work stoppage, and management considers its employee relations to be good.

INSURANCE AND FINANCIAL ASSURANCE OBLIGATIONS

The Company carries a broad range of insurance coverages, which management considers prudent for the protection of the Company's assets and operations. Some of these coverages are subject to varying retentions of risk by the Company. At December 31, 1997, the casualty coverages included \$2,000,000 primary commercial general liability and \$1,000,000 primary automobile liability supported by \$200,000,000 in umbrella insurance protection. The property policy provides insurance coverages for all of the Company's real and personal property, including California earthquake perils. The Company also carries \$200,000,000 in aircraft liability protection.

The Company maintains workers' compensation insurance in accordance with laws of the various states and countries in which it has employees. The Company also currently has an environmental impairment liability ("EIL") insurance policy for certain of its landfills, transfer stations, and recycling facilities that provides coverage for property damages and/or bodily injuries to third parties caused by off-site pollution emanating from such landfills, transfer stations, or recycling facilities. This policy provides \$5,000,000 of coverage per loss with a \$10,000,000 aggregate limit.

To date, the Company has not experienced any difficulty in obtaining insurance. However, if the Company in the future is unable to obtain adequate insurance, or decides to operate without insurance, a partially or completely uninsured claim against the Company, if successful and of sufficient magnitude, could have a material adverse effect upon the Company's financial condition, results of operations or cash flows. Additionally, continued availability of casualty and EIL insurance with sufficient limits at acceptable terms is an important aspect of obtaining revenue-producing waste service contracts.

Municipal and governmental waste management contracts typically require performance bonds or bank letters of credit to secure performance. In addition, the Company is required to provide financial assurance for closure and post-closure obligations with respect to its landfills. The Company has not experienced difficulty in obtaining performance bonds or letters of credit for its current operations. As of December 31, 1997, the Company had provided letters of credit of approximately \$567,729,000 and surety bonds of approximately \$75,271,000 to municipalities and other customers and other regulatory authorities supporting tax-exempt bonds, performance of landfill closure and post-closure requirements, insurance contracts, and other contracts. Continued availability of surety bonds and letters of credit in sufficient amounts at acceptable rates is an important aspect of obtaining additional municipal collection contracts and obtaining or retaining landfill operating permits.

REGULATION

General -- Potential Adverse Effect of Government Regulations

All of the Company's principal business activities are subject to extensive and evolving environmental, health, safety, and transportation laws and regulations at the federal, state, and local levels. These regulations are administered by the EPA in the United States and various other federal, state, and local environmental,

zoning, health, and safety agencies in the United States and elsewhere, many of which periodically examine the Company's operations to monitor compliance with such laws and regulations.

The development, expansion, and operation of landfills and transfer stations are subject to extensive regulations governing siting, design, operations, monitoring, site maintenance, corrective actions, financial assurance, and closure and post-closure obligations. In order to construct, expand, and operate a landfill or transfer station, the Company must obtain and maintain one or more construction or operating permits and licenses and, in certain instances, applicable zoning approvals. Obtaining the necessary permits and approvals in connection with the acquisition, development, or expansion of a landfill or transfer station is difficult, time-consuming (often taking two to three years or more), and expensive, and is frequently opposed by local citizens as well as environmental groups. Once obtained, operating permits are subject to modification and revocation by the issuing agency. Compliance with current and future regulatory requirements may require the Company, as well as others in the waste management industry, from time to time, to make significant capital and operating expenditures.

In the collection segment of the industry, regulation takes such forms as licensing collection vehicles, health and safety requirements, vehicular weight limitations, and, in certain localities, limitations on weight, area, time, and frequency of collection.

Federal, state, and local governments have from time to time proposed or adopted other types of laws, regulations, or initiatives with respect to the environmental services industry, including laws, regulations, and initiatives to ban or restrict the international, interstate, or intrastate shipment of wastes, impose higher taxes on out-of-state waste shipments than on in-state shipments, limit the types of wastes that may be disposed of at existing landfills, mandate waste minimization initiatives, require recycling and yard waste composting, reclassify certain categories of nonhazardous waste as hazardous, and regulate disposal facilities as public utilities. Congress has from time to time considered legislation that would enable or facilitate such bans, restrictions, taxes, and regulations, many of which could adversely affect the demand for the Company's services. Similar types of laws, regulations, and initiatives have also from time to time been proposed or adjusted in other jurisdictions in which the Company operates. The effect of these and similar laws could be a reduction of the volume of waste that would otherwise be disposed of in Company landfills. The Company makes a continuing effort to anticipate regulatory, political, and legal developments that might affect operations, but it is not always able to do so. The Company cannot predict the extent to which any legislation or regulation that may be enacted, amended, repealed, reinterpreted, or enforced in the future may affect its operations. Such actions could adversely affect the Company's operations or impact the Company's financial condition or earnings for one or more fiscal quarters or years.

Governmental authorities have the power to enforce compliance with regulations and permit conditions and to obtain injunctions or impose fines in case of violations. During the ordinary course of its operations, the Company may from time to time receive citations or notices from such authorities that a facility is not in full compliance with applicable environmental or health and safety regulations. Upon receipt of such citations or notices, the Company will work with the authorities to address their concerns. Failure to correct the problems to the satisfaction of the authorities could lead to monetary penalties, curtailed operations, jail terms, facility closure, or an inability to obtain permits for additional sites.

As a result of changing government and public attitudes in the area of environmental regulation and enforcement, management anticipates that continually changing requirements in health, safety, and environmental protection laws will require the Company and others engaged in the solid waste management industry to continually modify or replace various facilities and alter methods of operation at costs that may be substantial. Most of the Company's expenditures incurred in the operation of its landfills relate to complying with the requirements of laws concerning the environment. These expenditures relate to facility upgrades, corrective actions, and facility closure and post-closure care. The majority of these expenditures are made in the normal course of the Company's business and neither materially adversely affect the Company's earnings nor place the Company at any competitive disadvantage. Moreover, the Company has not expended any material amount to remedy any potential impacts of the Company's solid waste operations on the public or the environment resulting from changes in such environmental protection laws. Although the Company, to its

knowledge, is currently in compliance in all material respects with all applicable federal, state, and local laws, permits, regulations, and orders affecting its operations where noncompliance would result in a material adverse effect on the Company's financial condition, results of operations or cash flows, there is no assurance that the Company will not have to expend substantial amounts for such actions in the future.

The Company expects to grow in part by acquiring existing landfills, transfer stations, and collection operations. Although the Company conducts due diligence investigations of the past waste management practices of the businesses that it acquires, it can have no assurance that, through its investigation, it will identify all potential environmental problems or risks. As a result, the Company may have acquired, or may in the future acquire, landfills or other properties that have unknown environmental problems and related liabilities. The Company will be subject to similar risks and uncertainties in connection with the acquisition of closed facilities that had been previously operated by businesses acquired by the Company. The Company seeks to mitigate the foregoing risks by obtaining environmental representations and indemnities from the sellers of the businesses that it acquires. However, there can be no assurance that the Company will be able to rely on any such indemnities if an environmental liability exists.

Federal Regulation

The primary U.S. federal statutes affecting the business of the Company are summarized below.

(1) The Solid Waste Disposal Act ("SWDA"), as amended by the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"). The SWDA and its implementing regulations establish a framework for regulating the handling, transportation, treatment, and disposal of hazardous and nonhazardous waste. They also require states to develop programs to insure the safe disposal of solid waste in landfills.

Subtitle D of RCRA establishes a framework for federal, state, and local government cooperation in controlling the management of nonhazardous solid waste. Under Subtitle D, the EPA has adopted regulations that establish minimum standards for solid waste disposal facilities, which include location standards, hydrogeological investigations, facility design requirements (including liners and leachate collection systems), enhanced operating and control criteria, groundwater and methane gas monitoring, corrective action standards, closure and extended post-closure requirements, and financial assurance standards. These federal regulations must be implemented by the states, although states may impose requirements for landfill sites that are more stringent than the federal Subtitle D standards. The Company could incur significant costs in complying with such regulations; however, the Company does not believe that the costs of complying with such standards will have a material adverse effect on its operations. All of the Company's planned landfill expansions will be engineered to meet or exceed all applicable Subtitle D requirements.

(2) The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"). CERCLA, among other things, provides for the cleanup of sites from which there is a release or threatened release of a hazardous substance into the environment. CERCLA imposes joint and several liability for the costs of cleanup and for damages to natural resources upon the present and former owners or operators of facilities or sites from which there is a release or threatened release of hazardous substances to the extent the disposal of hazardous substances for which there is a release occurred during their period of ownership or operation. Waste generators and transporters (including a contract carrier who has accepted a hazardous substance for transportation) are also strictly liable. Under the authority of CERCLA and its implementing regulations, detailed requirements apply to the manner and degree of remediation of facilities and sites where hazardous substances have been or are threatened to be released into the environment.

Liability under CERCLA is not dependent upon the intentional disposal of "hazardous wastes," as defined under RCRA. It can be founded upon the release or threatened release, even as a result of lawful, unintentional, and non-negligent action, of any one of more than 700 "hazardous substances," including very small quantities of such substances. CERCLA requires the EPA to establish a National Priorities List ("NPL") of sites at which hazardous substances have been or are threatened to be released and which require investigation or cleanup. More than 23% of the sites on the NPL are solid waste landfills that ostensibly never received any regulated "hazardous wastes." Thus, even if the Company's landfills have never received "hazardous wastes" as such, it is likely that one or more hazardous substances have come to be located at its

landfills. Because of the extremely broad definition of "hazardous substances," the same is true of other industrial properties with which the Company or its predecessors has been, or with which the Company may become, associated as an owner or operator. Consequently, if there is a release or threatened release of such substances into the environment from a site currently or previously owned or operated by the Company, the Company could be liable under CERCLA for the cost of removing such hazardous substances at the site, remediation of contaminated soil or groundwater, and for damages to natural resources, even if those substances were deposited at the Company's facilities before the Company acquired or operated them. The costs of a CERCLA cleanup can be very substantial. Given the limited amount of environmental impairment liability insurance maintained by the Company, a finding of such liability could have a material adverse impact on the Company's business and financial condition. Although the Company maintains environmental impairment liability insurance in amounts the Company believes are compliant with state and federal requirements, these coverages apply only to third party claims and might be insufficient to cover a significant CERCLA mandated cleanup.

Although the Company may not be liable under CERCLA for the cleanup of a disposal site containing hazardous wastes transported to such site by the Company so long as the site was selected by the generator of such waste, the Company would be responsible for any hazardous waste during actual transportation. Also, the Company could be liable under CERCLA for off-site environmental contamination caused by the release of hazardous substances transported by the Company, or a waste transporter acquired by the Company, where the transporter selected the disposal site. CERCLA imposes liability for certain environmental response measures upon transporters who arranged for the disposal site at which the release or threatened release of hazardous substances occurred. It therefore is common in the solid waste transport business to receive information requests from EPA about transporting activities to third party disposal sites. The Company has received potentially responsible party information requests regarding third party disposal sites. The environmental agencies or other potentially responsible parties could assert that the Company is liable for environmental response measures arising out of disposal at a site that was selected by the Company, a waste transporter acquired by the Company, or a waste transporter with whom the Company contracted.

Several bills are presently pending before the U.S. Congress to reauthorize and substantially amend CERCLA. In addition to possible changes in the statute's funding mechanisms and provisions for allocating cleanup responsibility, Congress may also fundamentally alter the statute's provisions governing the selection of appropriate site cleanup remedies. In this regard, new approaches to cleanup, removal, treatment, and remediation of hazardous substance contamination may be adopted which rely on nationally or site-specific risk based standards. These types of policy changes could significantly affect the stringency and extent of site remediation, the types of remediation techniques employed, and the types of hazardous waste management facilities that may be used for the treatment and disposal of hazardous substances. Congress may additionally consider revision of the liability imposed by CERCLA on current owners of property for contamination caused prior to a party's acquisition of the site. This consideration could potentially reduce the Company's responsibility for remediation obligations under CERCLA.

The EPA's primary way of determining whether a site is to be included on the NPL is the Hazard Ranking System, which evaluates the relative potential for uncontrolled hazardous substances to pose a threat to human health or the environment pursuant to a scoring system based on factors grouped into three categories: (1) likelihood of release, (2) waste characteristics, and (3) targets. As of February 1998, the EPA had proposed or identified approximately 9,500 sites for preliminary assessment. These sites are compiled on the Comprehensive Environmental Response, Compensation, and Liability Information System ("CERCLIS") list. The identification of a site on the CERCLIS list indicates only that the site has been brought to the attention of the EPA and will undergo an assessment of environmental conditions thereon, but it does not necessarily mean that an actual health or environmental threat currently exists or has ever existed.

(3) The Federal Water Pollution Control Act of 1972 (the "Clean Water Act"). The Clean Water Act establishes rules for regulating the discharge of pollutants into streams, rivers, groundwater, or other surface waters from a variety of sources, including nonhazardous solid waste disposal sites. Should run-off from the Company's landfills or transfer stations be discharged into surface waters, the Clean Water Act could require the Company to apply for and obtain discharge permits, conduct sampling and monitoring, and, under certain

circumstances, reduce the quantity of pollutants in those discharges. In 1990, the EPA issued additional rules under the Clean Water Act which establish standards for management of storm water runoff from landfills and which require landfills to obtain storm water discharge permits. In addition, if a landfill or a transfer station discharges wastewater through a sewage system to a publicly owned treatment works, the facility must comply with discharge limits imposed by the treatment works. Also, if development of a landfill may alter or affect "wetlands," a permit may have to be obtained before such development could commence. This requirement is likely to affect the construction or expansion of many landfill sites. The Clean Water Act provides civil, criminal, and administrative penalties for violations of its provisions.

(4) The Clean Air Act. The Clean Air Act provides for the federal, state, and local regulation of the emission of air pollutants. These regulations impose emission limitations and monitoring and reporting requirements on various operations of the Company, including its landfills and waste collection vehicles. The EPA has construed the Clean Air Act to apply to landfills which may emit methane gas and other air pollutants. The costs of compliance with Clean Air Act permitting and emission control requirements are not anticipated to have a material adverse effect on the Company.

(5) The Occupational Safety and Health Act of 1970 (the "OSHA Act"). The OSHA Act authorizes the Occupational Safety and Health Administration to promulgate occupational safety and health standards. Various of these standards, including standards for notices of hazards, safety in excavation and demolition work, and the handling of asbestos, may apply to the Company's operations.

State and Local Regulation

The states in which the Company operates have their own laws and regulations that may be more strict than comparable federal laws and regulations governing hazardous and nonhazardous solid waste disposal, water and air pollution, releases and cleanup of hazardous substances and liability for such matters. The states also have adopted regulations governing the siting, design, operation, maintenance, closure, and post-closure maintenance of landfills and transfer stations. The Company's facilities and operations are likely to be subject to many, if not all, of these types of requirements. In addition, the Company's collection and landfill operations may be affected by the trend in many states toward requiring the development of waste reduction and recycling programs. For example, several states recently have enacted laws that require counties to adopt comprehensive plans to reduce, through waste planning, composting, recycling, or other programs, the volume of solid waste deposited in landfills. Additionally, the disposal of yard waste in solid waste landfills has recently been banned in several states. Legislative and regulatory measures to mandate or encourage waste reduction at the source and waste recycling have also been considered from time to time by the U.S. Congress and the EPA.

Various states have enacted, or are considering enacting, laws that restrict the disposal within the state of hazardous and nonhazardous solid waste generated outside the state. While laws that overtly discriminate against out-of-state waste have been found to be unconstitutional, some laws that are less overtly discriminatory have been upheld in court. Additionally, certain state and local governments have enacted "flow control" regulations, which attempt to require that all waste generated within the state or local jurisdiction be deposited at specific disposal sites. In May 1994, the U.S. Supreme Court ruled that a flow control ordinance was unconstitutional. Challenges to other such laws are pending. The outcome of pending litigation and the likelihood that other such laws will be passed and will survive constitutional challenge are uncertain. From time to time, the U.S. Congress has considered legislation authorizing states to adopt regulations, restrictions, or taxes on the importation of extraterritorial waste, and granting states and local governments authority to enact partial flow control legislation. To date, such congressional efforts have been unsuccessful. The U.S. Congress' adoption of such legislation allowing for restrictions on importation of extraterritorial waste or certain types of flow control, or the adoption of legislation affecting interstate transportation of waste at the federal or state level, could adversely affect the Company's solid waste management services, including collection, transfer, disposal, and recycling operations, and in particular the Company's ability to expand landfill operations acquired in certain areas.

Many states and local jurisdictions in which the Company operates have enacted "fitness" laws that allow agencies having jurisdiction over waste services contracts or site permits to decline to award such or revoke contracts or deny or revoke such permits on the basis of an applicant's (or permit holder's) compliance history. These laws authorize the agencies to make determinations of an applicant's fitness to be awarded a contract or to operate a facility and to deny or revoke a contract or permit because of unfitness absent a showing that the applicant has been rehabilitated through the adoption of various operating policies and procedures put in place to assure future compliance with applicable laws and regulations.

FACTORS INFLUENCING FUTURE RESULTS AND ACCURACY OF FORWARD-LOOKING STATEMENTS

In the normal course of its business, the Company, in an effort to help keep its stockholders and the public informed about the Company's operations, may from time to time issue or make certain statements, either in writing or orally, that are or contain forward-looking statements, as that term is defined in the U.S. federal securities laws. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, projected or anticipated benefits from acquisitions made by or to be made by the Company, or projections involving anticipated revenues, earnings, or other aspects of operating results. The words "expect," "believe," "anticipate," "project," "estimate," and similar expressions are intended to identify forward-looking statements. The Company cautions readers that such statements are not guarantees of future performance or events and are subject to a number of factors that may tend to influence the accuracy of the statements and the projections upon which the statements are based, including but not limited to those discussed below. As noted elsewhere in this report, all phases of the Company's operations are subject to a number of uncertainties, risks, and other influences, many of which are outside the control of the Company, and any one of which, or a combination of which, could materially affect the results of the Company's operations and whether forward-looking statements made by the Company ultimately prove to be accurate.

The following discussion outlines certain factors that could affect the Company's consolidated results of operations for 1998 and beyond and cause them to differ materially from those that may be set forth in forward-looking statements made by or on behalf of the Company:

No Assurance of Successful Management and Maintenance of Growth

The Company has experienced rapid growth, primarily through acquisitions. The Company's future financial results and prospects depend in large part on its ability to successfully manage and improve the operating efficiencies and productivity of these acquired operations. In particular, whether the anticipated benefits of acquired operations are ultimately achieved will depend on a number of factors, including the ability of the combined companies to achieve administrative cost savings, rationalization of collection routes, insurance and bonding cost reductions, general economies of scale, and the ability of the Company, generally, to capitalize on its combined asset base and strategic position. Moreover, the ability of the Company to continue to grow will depend on a number of factors, including competition from other waste management companies, availability of attractive acquisition opportunities, availability of working capital, ability to maintain margins on existing or acquired operations, and the management of costs in a changing regulatory environment. There can be no assurance that the Company will be able to continue to expand and successfully manage its growth or that the site or pace of its growth will not adversely affect its existing or acquired operations.

Acquisition Strategy

The Company regularly pursues opportunities to expand its services through the acquisition of additional solid waste management businesses and operations that can be effectively integrated with the Company's existing operations. In addition, the Company regularly pursues mergers and acquisition transactions, some of which are significant, in new markets where the Company believes that it can successfully become a provider of integrated solid waste management services. Since 1990, the Company has consummated mergers with five publicly traded companies, purchased assets from several other publicly traded companies, and acquired hundreds of privately owned entities in the solid waste industry. As one of the leading industry consolidators,

the Company could announce other transactions with either publicly or privately owned businesses at any time. The Company's acquisition strategy involves certain potential risks associated with assessing, acquiring, and integrating the operations of acquired companies. Although the Company generally has been successful in implementing its acquisition strategy, there can be no assurance that attractive acquisition opportunities will continue to be available to the Company, that the Company will have access to the capital required to finance potential acquisitions on satisfactory terms, or that any businesses acquired will prove profitable. Future acquisitions may result in the incurrence of additional indebtedness or the issuance of additional equity securities.

International Operations and Expansion

Significant portions of the Company's current operations are conducted in Canada, and the Company intends to continue to expand its Canadian operations. The Company's international operations will also significantly expand upon the consummation of the WMI Merger. See "Recent Developments." Operations in foreign countries generally are subject to a number of risks inherent in any business operating in foreign countries, including political, social, and economic instability, general strikes, nationalization of assets, currency restrictions and exchange rate fluctuations, nullification, modification or renegotiation of contracts, and governmental regulation, all of which are beyond the control of the Company. No prediction can be made as to how existing or future foreign governmental regulations in any jurisdiction may affect the Company in particular or the solid waste management industry in general.

Impact of WMI Transaction

Successful consummation of the WMI Merger will initially alter the nature of the Company's business by significantly expanding the Company's domestic and international operations and by adding operations, such as hazardous waste disposal, waste to energy operations and environmental engineering activities. If the WMI Merger is consummated, the Company's financial position is expected to become more leveraged, which may limit its ability to incur additional indebtedness and maintain its financial flexibility and strength. The success of the WMI Merger will depend upon a number of factors, most importantly the ability of the Company to realize expected synergies from the combined operations of WMI and the Company. The consummation of the transaction is subject to numerous conditions, and there can be no assurance that the WMI Merger will occur as planned.

Need for Capital; Future Debt and Equity Financings

The Company expects to require additional capital from time to time to pursue its acquisition strategy and to fund internal growth. A portion of the Company's future capital requirements may be provided through future debt incurrences or issuances of equity securities. There can be no assurance that the Company will be successful in obtaining additional capital through such debt incurrences or issuances of additional equity securities.

The Company has historically used variable rate debt under revolving bank credit arrangements as one method of financing its rapid growth. Although recent financings by the Company have reduced the amount of variable rate debt currently outstanding, the Company intends to continue to use variable rate debt as a financing alternative. To the extent that variable interest rates tend to fluctuate as general interest rates change, an increase in interest rates could have a material adverse effect on the Company's earnings in the future.

Profitability May be Affected by Factors Beyond the Company's Control, Including Competition

The waste management industry is highly competitive and requires substantial capital resources. The industry consists of two other large national waste management companies, WMI and Browning-Ferris Industries, Inc. ("BFI"), as well as numerous local and regional companies of varying sizes and financial resources. The Company competes with numerous waste management companies, some of which have significantly larger operations and greater resources than the Company. On March 10, 1998, the Company and

WMI entered into an agreement and plan of merger pursuant to which WMI will become a wholly owned subsidiary of the Company. See "Recent Developments." The Company also competes with those counties and municipalities that maintain their own waste collection and disposal operations. These counties and municipalities may have financial advantages due to the availability to them of tax revenues and tax-exempt financing. In addition, competitors may reduce the price of their services in an effort to expand sales volume or to win competitively bid municipal contracts. Profitability may also be affected by the increasing national emphasis on recycling, composting, incineration, and other waste reduction programs that could reduce the volume of solid waste collected or deposited in landfills.

Capitalized Expenditures

In accordance with generally accepted accounting principles, the Company capitalizes certain expenditures and advances relating to their acquisitions, pending acquisitions, and landfill development and expansion projects. Indirect acquisition costs, such as executive salaries, general corporate overhead, public affairs and other corporate services, are expensed as incurred. The Company's policy is to charge against earnings any unamortized capitalized expenditures and advances (net of any portion thereof that the Company estimates will be recoverable, through sale or otherwise) relating to any operation that is permanently shut down, any pending acquisition that is not consummated, and any landfill development or expansion project that is not successfully completed. There can be no assurance that the Company in future periods will not be required to incur a charge against earnings in accordance with such policy, which charge, depending on the magnitude thereof, could have a material adverse effect on the Company's financial position or results of operations.

Potential Adverse Effect of Government Regulation

The Company's operations are subject to and substantially affected by federal, state and local laws, regulations, orders, and permits which govern environmental protection, health and safety, zoning, and other matters. These laws, regulations, orders, and permits may impose restrictions on operations that could adversely affect the Company's results, such as limitations on the expansion of disposal facilities, limitations on or the banning of disposal of out-of-state waste or certain categories of waste, or mandates regarding the disposal of solid waste. In particular, the Company is subject to extensive and evolving environmental and land use laws and regulations, which have become increasingly stringent. These laws and regulations affect the Company's businesses in a variety of ways. In order to develop and operate a landfill or other solid waste management facility, it is necessary to obtain and maintain in effect various facility permits and other governmental approvals, including those relating to zoning, environmental protection and land use. These permit approvals are difficult, time consuming and costly to obtain and may be subject to community opposition by various local officials or citizens, regulatory delays, subsequent modifications and other uncertainties. There can be no assurance that the Company will be successful in obtaining and maintaining in effect permits and approvals required for the successful operation and growth of its business, including permits and approvals for the development of additional disposal capacity needed to replace existing capacity that is exhausted. The siting, design, operation and closure of landfills are also subject to extensive federal and state regulations. These regulations could also require the Company to undertake investigatory or remedial activities, to curtail operations or to close a landfill temporarily or permanently. Furthermore, future changes in these regulations may require the Company to modify, supplement, or replace equipment or facilities at costs which could be substantial.

Potential Environmental Liability

The Company may be subject to liability for environmental damage that its landfills, transfer stations, and collection operations may have caused or may cause nearby landowners, particularly as a result of the contamination of drinking water sources or soil, including damage resulting from conditions existing prior to the acquisition of such assets or operations. Liability may also arise from any off-site environmental contamination caused by hazardous substances, the transportation, treatment or disposal of which was arranged for by the Company or predecessor owners of operations or assets acquired by the Company. Any

substantial liability for environmental damage could materially adversely affect the operating results and financial condition of the Company.

In the ordinary course of its business, the Company may become involved in a variety of legal and administrative proceedings relating to land use and environmental laws and regulations. These may include proceedings by federal, state or local agencies seeking to impose civil or criminal penalties on the Company for violations of such laws and regulations, or to impose liability on the Company under federal or state statutes, or to revoke or deny renewal of a permit; actions brought by citizens groups, adjacent landowners or governmental entities opposing the issuance of a permit or approval to the Company or alleging violations of the permits pursuant to which the Company operates or laws or regulations to which the Company is subject; and actions seeking to impose liability on the Company for any environmental damage at its owned or operated facilities (or at facilities formerly owned by the Company or its predecessors) or damage that those facilities or other properties may have caused to adjacent landowners or others, including groundwater or soil contamination. The adverse outcome of one or more of these proceedings could have a material adverse effect on the Company's financial position, results of operations or cash flows.

During the ordinary course of operations, the Company has from time to time received, and expects that it may in the future from time to time receive, citations or notices from governmental authorities that its operations are not in compliance with its permits or certain applicable environmental or land use laws and regulations. The Company generally seeks to work with the authorities to resolve the issues raised by such citations or notices. There can be no assurance, however, that the Company will always be successful in this regard or that such future citations or notices will not have a materially adverse effect on the Company's financial position, results of operations or cash flows.

The Company's insurance for environmental liability is very limited because the Company believes that the cost for such insurance is high relative to the coverage it would provide. Due to the limited nature of such insurance coverage for environmental liability, if the Company were to incur liability for environmental damage, such liability could have a material adverse effect on the Company's financial position, results of operations or cash flows.

Alternatives to Landfill Disposal

Alternatives to landfill disposal, such as recycling and composting, are increasingly being used. In addition, in certain of the Company's markets, incineration is an alternative to landfill disposal. There also has been an increasing trend at the state and local levels to mandate recycling and waste reduction at the source and to prohibit the disposal of certain types of wastes, such as yard wastes, at landfills. These developments may result in the volume of waste going to landfills being reduced in certain areas, which may affect the Company's ability to operate its landfills at full capacity and the prices that can be charged for landfill disposal services.

Shares Eligible for Future Sale May Adversely Affect Market Price of Stock

Sales of substantial amounts of the Company's common stock in the public market could adversely affect the market price of such stock. The Company maintains a shelf registration statement for the benefit of certain stockholders relating to 4,000,000 shares of the Company's common stock. Such shares are immediately saleable in the open market. In addition, the Company maintains a shelf registration statement covering approximately 17,700,000 shares of the Company's common stock at March 1, 1998, which may be issued in acquisitions. In the event the market price of the Company's stock were adversely affected by such sales, the Company's access to equity capital markets could be adversely affected, and issuances of stock by the Company in connection with acquisitions, or otherwise, could dilute earnings per share.

Seasonality

The Company's operating revenues tend to be somewhat lower in the winter months. This is generally reflected in the Company's first and fourth quarter results of operations. This is primarily attributed to the fact that (i) the volume of waste relating to construction and demolition activities tends to increase in the spring

and summer months and (ii) the volume of industrial and residential waste in certain regions where the Company operates tends to decrease during the winter months.

ITEM 2. PROPERTIES.

The principal property and equipment of the Company consists of land (primarily landfill sites, transfer stations, and bases for collection operations), buildings, and vehicles and equipment. The Company owns or leases real property in most states in which it is doing business. At December 31, 1997, the Company's solid waste landfills aggregated approximately 47,500 total acres, including approximately 14,000 acres that are currently permitted.

The Company leases approximately 85,770 square feet of office space in Houston, Texas, for its executive office under a ten year lease expiring in 2007. The Company owns real estate, buildings, and other physical properties that it employs in substantially all of its solid waste collection operations. The Company also leases a portion of its transfer stations, offices, and garage and shop facilities. For the year ended December 31, 1997, aggregate annual rental payments on real estate leased by the Company were approximately \$17,732,000.

The Company owns approximately 13,450 items of equipment, including waste collection vehicles and related support vehicles, as well as bulldozers, compactors, earth movers, and related heavy equipment and vehicles used in landfill operations. The Company has approximately 918,900 steel containers in use, ranging from one to 45 cubic yards, and a number of stationary compactors and self-dumping hoppers.

The Company believes that its vehicles, equipment, and operating properties are well maintained and adequate for its current operations. However, the Company expects to make substantial investments in additional equipment and property for expansion, for replacement of assets, and in connection with future acquisitions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 3. LEGAL PROCEEDINGS.

As of December 31, 1997, the Company or its subsidiaries has been notified that they are potentially responsible parties ("PRPs") in connection with six locations listed on the Superfund National Priorities List ("NPL"). None of the six NPL sites at which claims have been made against the Company are owned by the Company, and they are at different procedural stages under Superfund. At four of the NPL sites, the Company's liability is well defined as a consequence of a governmental decision as to the appropriate remedy. At the others, where investigations have not been completed, remedies not selected or responsible parties have been unable to reach agreement, the Company's liability is less certain. While the Company, based on its status reviews of its PRP claims, does not currently anticipate that the amount of such liabilities will have a material adverse effect on the Company's operations, financial condition or cash flows, the measurement of environmental liabilities is inherently difficult and the possibility remains that technological, regulatory or enforcement developments, the results of environmental studies, or other factors could materially alter this expectation at any time.

The Company has been advised by the U.S. Department of Justice that United is a target of a federal investigation relating to alleged violations of the Clean Water Act at the Laurel Ridge Landfill in Kentucky. The investigation relates to a period prior to the Company's acquisition of United. The Company is not a target of the investigation and has pledged its full cooperation to the government.

The Company and certain of its subsidiaries are parties to various other litigation matters arising in the ordinary course of business. Management believes that the ultimate resolution of these matters will not have a material adverse impact on the Company's financial position, results of operations or cash flows. In the normal course of its business and as a result of the extensive government regulation of the solid waste industry, the Company periodically may become subject to various judicial and administrative proceedings and investigations involving federal, state, or local agencies. To date, the Company has not been required to pay any material fine or judgment for violation of an environmental law. From time to time, the Company also may be subjected to actions brought by citizen's groups in connection with the permitting of landfills or transfer stations, or alleging violations of the permits pursuant to which the Company operates. The Company is also

subject from time to time to claims for personal injury or property damage arising out of accidents involving its vehicles.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to the stockholders of the Company during the fourth quarter of 1997.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the names and ages, as of March 1, 1998, of the Company's executive officers (as defined by regulations of the Securities and Exchange Commission), the positions they hold with the Company, and summaries of their business experience.

John E. Drury, age 53, has been Chairman of the Board since June 30, 1995, and Chief Executive Officer and a director of USA Waste since May 27, 1994. From 1991 to May 1994, Mr. Drury served as a Managing Director of Sanders Morris Mundy Inc. ("SMMI"), a Houston based investment banking firm. Prior thereto, Mr. Drury served in various management capacities at BFI, including President and Chief Operating Officer of BFI from 1982 to 1991.

Rodney R. Proto, age 49, has been President, Chief Operating Officer, and a director since joining USA Waste in August 1996. Prior to joining USA Waste, Mr. Proto was President, Chief Operating Officer, and a director of Sanifill, Inc. ("Sanifill") since February 1992. Prior to such time, Mr. Proto was employed by BFI for twelve years where he served, among other positions, as President of Browning-Ferris Industries Europe, Inc. from 1987 through 1991 and Chairman of BFI Overseas from 1985 through 1987.

Earl E. DeFrates, age 54, has been Executive Vice President and Chief Financial Officer since May 1994. From October 1990 to April 1995, he was also Secretary. Mr. DeFrates joined USA Waste as Vice President-Finance in October 1990 and was elected Executive Vice President in May 1994. Prior thereto, Mr. DeFrates was employed by Acadiana Energy Inc. (formerly Tatham Oil & Gas, Inc.) serving in various officer capacities including the company's Chief Financial Officer, since 1980.

Susan J. Piller, age 45, has been Senior Vice President -- Employee Relations since May 1996. Prior to joining the Company, Ms. Piller was at BFI from 1984 until 1996, where she held various labor and employment positions, including Vice President -- Employee Relations. Prior thereto, Ms. Piller was employed by the Houston law firm of Fulbright & Jaworski.

William A. Rothrock, age 45, has been Senior Vice President -- Business Development of the Company since August 1996. Mr. Rothrock held similar business development positions with Sanifill from 1990 to 1996 and BFI from 1985 to 1990.

Ronald H. Jones, age 47, has been Vice President and Treasurer since joining USA Waste in June 1995. Prior to joining USA Waste, Mr. Jones was employed by Chambers Development Company, Inc. ("Chambers") as Vice President and Treasurer from July 1992 to June 1995, Director, Corporate Development from December 1990 to July 1992, and Assistant Vice President -- Finance from July 1989 to December 1990. Prior to joining Chambers, Mr. Jones was a Vice President and Manager of the Cincinnati regional office engaged in corporate and middle market lending with Bank of New York (formerly Irving Trust Company) and with Chase Manhattan Bank.

Gregory T. Sangalis, age 42, has been Vice President, General Counsel and Secretary since April 4, 1995. Prior to joining USA Waste, Mr. Sangalis was employed by a solid waste subsidiary of WMI serving in various legal capacities since 1986 and including Group Vice President and General Counsel from August 1992 to April 1995. Prior to joining WMI, he was General Counsel of Peavey Company and had been engaged in the private practice of law in Minnesota.

Bruce E. Snyder, age 42, has been Vice President and Chief Accounting Officer of USA Waste since July 1, 1992. Prior to joining USA Waste, Mr. Snyder was employed by the international accounting firm of Coopers & Lybrand L.L.P., serving there since 1989 as an audit manager. From 1985 to 1989, Mr. Snyder held various financial positions with Price Edwards Henderson & Co., a privately held real estate development

and management company in Oklahoma City, Oklahoma, and its affiliated companies, ultimately serving as Senior Vice President.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "UW." The following table sets forth the range of the high and low per share sales prices for the common stock as reported on the NYSE Composite Tape.

	HIGH -----	LOW -----
1996		
First Quarter.....	\$25.63	\$17.25
Second Quarter.....	32.63	24.00
Third Quarter.....	34.13	22.75
Fourth Quarter.....	34.25	28.63
1997		
First Quarter.....	\$38.88	\$28.63
Second Quarter.....	39.25	29.50
Third Quarter.....	44.13	38.00
Fourth Quarter.....	41.75	32.63
1998		
First Quarter (through March 16, 1998).....	\$46.00	\$34.44

On March 16, 1998, the closing sale price as reported on the NYSE was \$46.00 per share. The number of holders of record of common stock based on the transfer records of the Company at March 16, 1998, was 4,032. On March 10, 1998, the last trading day prior to the announcement of the WMI transaction, the closing stock price as reported on the NYSE was \$39.13 per share.

The Company has never paid cash dividends on its common stock. Although payment of dividends on the common stock is currently restricted by the terms of the Company's revolving credit facility, the Board of Directors may review its dividend policy in the future. See Note 4 to the Consolidated Financial Statements of the Company included elsewhere herein.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected consolidated financial information as of December 31, 1997 and 1996, and for each of the years in the three year period ended December 31, 1997, has been derived from the audited consolidated financial statements of the Company included elsewhere herein. This information should be read in conjunction with such Consolidated Financial Statements and related notes thereto. The selected consolidated financial information as of December 31, 1995, 1994 and 1993, and for each of the years in the two year period ended December 31, 1994, has been derived from audited consolidated financial statements of the Company, that have been previously included in the Company's reports under the Exchange Act, that are not included herein. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEARS ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
STATEMENT OF OPERATIONS DATA:					
Operating revenues.....	\$2,613,768	\$1,649,131	\$1,216,082	\$1,043,687	\$ 887,972
Costs and expenses:					
Operating (exclusive of depreciation and amortization shown below).....	1,345,769	881,401	672,117	596,868	514,483
General and administrative.....	284,946	200,101	169,686	159,097	144,623
Depreciation and amortization.....	303,241	191,044	143,878	127,108	108,024
Merger costs.....	109,411	126,626	26,539	3,782	--
Unusual items.....	24,720	63,800	4,733	8,863	2,672
	2,068,087	1,462,972	1,016,953	895,718	769,802
Income from operations.....	545,681	186,159	199,129	147,969	118,170
Other income (expense):					
Shareholder litigation settlement and other litigation related costs.....	--	--	--	(79,400)	(5,500)
Interest expense:					
Nonrecurring.....	--	--	(10,994)	(1,254)	--
Other.....	(104,261)	(60,497)	(58,619)	(54,102)	(50,737)
Interest income.....	7,634	6,699	6,682	5,085	5,072
Other income, net.....	14,213	6,376	4,891	2,629	1,749
	(82,414)	(47,422)	(58,040)	(127,042)	(49,416)
Income before income taxes and extraordinary item.....	463,267	138,737	141,089	20,927	68,754
Provision for income taxes.....	189,944	70,398	60,313	8,959	29,170
Income before extraordinary item.....	273,323	68,339	80,776	11,968	39,584
Extraordinary item, net of taxes.....	(6,293)	--	--	--	--
Net income.....	\$ 267,030	\$ 68,339	\$ 80,776	\$ 11,968	\$ 39,584
Basic earnings per common share:					
Income before extraordinary item.....	\$ 1.31	\$ 0.39	\$ 0.56	\$ 0.08	\$ 0.32
Extraordinary item.....	(0.03)	--	--	--	--
Net income.....	\$ 1.28	\$ 0.39	\$ 0.56	\$ 0.08	\$ 0.32
Diluted earnings per common share:					
Income before extraordinary item.....	\$ 1.26	\$ 0.37	\$ 0.54	\$ 0.08	\$ 0.32
Extraordinary item.....	(0.03)	--	--	--	--
Net income.....	\$ 1.23	\$ 0.37	\$ 0.54	\$ 0.08	\$ 0.32
BALANCE SHEET DATA (AT END OF PERIOD):					
Working capital.....	\$ 86,736	\$ 31,842	\$ 26,134	\$ 1,901	\$ 37,565
Intangible assets, net.....	1,645,985	804,251	433,944	250,551	196,353
Total assets.....	6,622,845	3,631,547	2,455,102	1,833,099	1,617,422
Long-term debt, including current maturities.....	2,763,729	1,504,888	909,050	759,123	711,014
Stockholders' equity.....	2,628,976	1,473,990	1,149,885	688,603	623,510

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion reviews the Company's operations for the three years ended December 31, 1997, and should be read in conjunction with the Company's Consolidated Financial Statements and related notes thereto included elsewhere herein. The Company has restated its previously issued financial statements for years prior to 1997 to reflect the acquisition of United, consummated August 26, 1997, and accounted for under the pooling of interests method of accounting.

The following discussion includes statements that are forward-looking in nature. Whether such statements ultimately prove to be accurate depends upon a variety of factors that may affect the business and operations of the Company. Certain of these factors are discussed under "Business -- Factors Influencing Future Results and Accuracy of Forward-Looking Statements" included in Item 1 of this report.

INTRODUCTION

The Company provides nonhazardous solid waste management services, consisting of collection, transfer, disposal, recycling, and other miscellaneous services in various locations throughout the United States, Canada, and Puerto Rico. Since August 1990, the Company has experienced significant growth principally through the acquisition and integration of solid waste businesses and is currently the third largest nonhazardous solid waste management company in North America, as measured by revenues for the 1997 fiscal year. As of December 31, 1997, the Company owned or operated an extensive network of landfills, transfer stations, and collection operations serving in excess of seven million customers.

The Company's operating revenues consist primarily of fees charged for its collection and disposal services. Revenues for collection services include fees from residential, commercial, industrial, and municipal collection customers. A portion of these fees are billed in advance; a liability for future service is recorded upon receipt of payment and operating revenues are recognized as services are provided. Fees for residential services are normally based on the type and frequency of service. Fees for commercial and industrial services are normally based on the type and frequency of service and the volume of solid waste collected.

The Company's operating revenues from its landfill operations consist of disposal fees (known as tipping fees) charged to third parties and are normally billed monthly. Tipping fees are based on the volume or weight of solid waste being disposed of at the Company's landfill sites. Fees are charged at transfer stations based on the volume or weight of solid waste deposited, taking into account the Company's cost of loading, transporting, and disposing of the solid waste at a landfill. Intercompany revenues between the Company's collection, transfer, and landfill operations have been eliminated in the Consolidated Financial Statements presented elsewhere herein.

Operating expenses include direct and indirect labor and the related taxes and benefits, fuel, maintenance and repairs of equipment and facilities, tipping fees paid to third party landfills, property taxes, and accruals for future landfill closure and post-closure costs. Certain direct landfill development expenditures are capitalized and depreciated over the estimated useful life of a site as capacity is consumed, and include acquisition, engineering, upgrading, construction, capitalized interest, and permitting costs. All indirect development expenses, such as administrative salaries and general corporate overhead, are expensed in the period incurred.

General and administrative costs include management salaries, clerical and administrative costs, professional services, facility rentals, and related insurance costs, as well as costs related to the Company's marketing and sales force.

RESULTS OF OPERATIONS

The following table presents, for the periods indicated, the period to period change in dollars (in thousands) and percentages for the various Consolidated Statements of Operations line items and for certain supplementary data.

	PERIOD TO PERIOD CHANGE			
	FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996		FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995	
STATEMENT OF OPERATIONS:				
Operating revenues.....	\$964,637	58.5%	\$433,049	35.6%
Costs and expenses:				
Operating (exclusive of depreciation and amortization shown below).....	464,368	52.7	209,284	31.1
General and administrative.....	84,845	42.4	30,415	17.9
Depreciation and amortization.....	112,197	58.7	47,166	32.8
Merger costs.....	(17,215)	(13.6)	100,087	377.1
Unusual items.....	(39,080)	(61.3)	59,067	1,248.0
	605,115	41.4	446,019	43.9
Income from operations.....	359,522	193.1	(12,970)	(6.5)
Other income (expense):				
Interest expense:				
Nonrecurring.....	--	--	10,994	100.0
Other.....	(43,764)	(72.3)	(1,878)	(3.2)
Interest income.....	935	14.0	17	0.3
Other income, net.....	7,837	122.9	1,485	30.4
	(34,992)	(73.8)	10,618	18.3
Income before income taxes and extraordinary item.....	324,530	233.9	(2,352)	(1.7)
Provision for income taxes.....	119,546	169.8	(10,085)	(16.7)
Income before extraordinary item.....	204,984	300.0	(12,437)	(15.4)
Extraordinary item, net of taxes.....	(6,293)	(100.0)	--	--
Net income.....	\$198,691	290.7%	\$(12,437)	(15.4)%
SUPPLEMENTARY DATA:				
EBITDA(1).....	\$471,719	125.1%	\$ 34,196	10.0%
EBITDA, excluding merger costs and unusual items(1).....	415,424	73.2	193,350	51.7

(1) EBITDA represents income from operations plus depreciation and amortization expense. EBITDA, which is not a measure of financial performance under generally accepted accounting principles, is provided because the Company understands that such information is used by certain investors when analyzing the financial position and performance of the Company.

The following table presents, for the periods indicated, the percentage relationship that the various Consolidated Statements of Operations line items and certain supplementary data bear to operating revenues.

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
STATEMENT OF OPERATIONS:			
Operating revenues:			
Collection.....	62.2%	54.8%	54.3%
Transfer.....	10.2	10.3	8.9
Disposal.....	23.8	27.9	27.9
Other.....	3.8	7.0	8.9
	-----	-----	-----
	100.0	100.0	100.0
	-----	-----	-----
Costs and expenses:			
Operating (exclusive of depreciation and amortization shown below).....			
General and administrative.....	51.5	53.4	55.2
Depreciation and amortization.....	10.9	12.1	14.0
Merger costs.....	11.6	11.6	11.8
Unusual items.....	4.2	7.7	2.2
	0.9	3.9	0.4
	-----	-----	-----
	79.1	88.7	83.6
	-----	-----	-----
Income from operations.....	20.9	11.3	16.4
	-----	-----	-----
Other income (expense):			
Interest expense:			
Nonrecurring.....	--	--	(0.9)
Other.....	(4.0)	(3.7)	(4.8)
Interest Income.....	0.3	0.4	0.5
Other income, net.....	0.5	0.4	0.4
	-----	-----	-----
	(3.2)	(2.9)	(4.8)
	-----	-----	-----
Income before income taxes and extraordinary item.....	17.7	8.4	11.6
Provision for income taxes.....	7.2	4.3	5.0
	-----	-----	-----
Income before extraordinary item.....	10.5	4.1	6.6
Extraordinary item, net of taxes.....	(0.2)	--	--
	-----	-----	-----
Net income.....	10.3%	4.1%	6.6%
	=====	=====	=====
SUPPLEMENTARY DATA:			
EBITDA(1).....	32.5%	22.9%	28.2%
EBITDA, excluding merger costs and unusual items(1).....	37.6	34.4	30.8

(1) EBITDA represents income from operations plus depreciation and amortization expense. EBITDA, which is not a measure of financial performance under generally accepted accounting principles, is provided because the Company understands that such information is used by certain investors when analyzing the financial position and performance of the Company.

RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 1997

Operating Revenues

Operating revenues increased \$964,637,000, or 58.5%, in 1997 as compared to the respective prior year. This increase was primarily attributable to the effect of acquisitions of domestic and Canadian solid waste businesses and the internal growth of comparable operations. Acquisitions of domestic solid waste businesses consummated during 1997 and the effect of such acquisitions consummated during 1996 accounted for increases in operating revenues of \$624,200,000, or 37.8%. Acquisitions of Canadian solid waste businesses consummated during 1997 and the effect of such acquisitions consummated during 1996, accounted for increases in operating revenues of \$309,100,000, or 18.7%. Internal growth of comparable operations resulted

in increases in operating revenues of \$155,600,000, consisting of 3.3% due to pricing and 6.1% due to volume. Offsetting these increases was the disposition of certain nonstrategically located solid waste collection and disposal operations and certain non-core businesses in 1997. Although the Company operated in one line of business, integrated nonhazardous solid waste management which encompasses the entire waste stream from collection to transfer station and landfill, the change in the Company's mix of operating revenues from 1996 to 1997 reflects an increase in collection revenues as a percentage of total revenues from 54.8% to 62.2%. This change is primarily the result of acquisitions of certain solid waste businesses with large collection operations in the first and second quarters of 1997, including the Canadian solid waste subsidiaries of Allied and a majority of the Canadian solid waste businesses of WMI.

Operating revenues increased \$433,049,000, or 35.6%, in 1996 as compared to the previous year. This increase was primarily attributable to 1996 acquisitions and the full year effect of 1995 acquisitions which resulted in increases in operating revenues of \$349,757,000 or 28.8%. Internal growth of comparable operations resulted in an increase in operating revenues of \$100,637,000, representing a 2.0% price increase and 6.3% volume increase. These increases were partially offset by a decrease in operating revenues from non-core businesses and a decrease in operating revenues related to divestitures.

As discussed above, the Company has made significant investments in Canadian solid waste businesses in 1997 primarily through the acquisitions of the Canadian solid waste subsidiaries of Allied in the first quarter and a majority of WMI's Canadian solid waste businesses in the second quarter. As a result, operating revenues from foreign operations have significantly increased as a percentage of total operating revenues from 1995 to 1997. The following table summarizes the Company's operating revenues by geographic area and the percentage relationship of operating revenue by geographic area to total operating revenues (dollars in thousands):

	YEARS ENDED DECEMBER 31,					
	1997		1996		1995	
United States and Puerto Rico.....	\$2,265,526	86.7%	\$1,624,742	98.5%	\$1,210,827	99.6%
Canada.....	337,504	12.9	15,039	0.9	--	--
Mexico.....	10,738	0.4	9,350	0.6	5,255	0.4
Total operating revenues...	\$2,613,768	100.0%	\$1,649,131	100.0%	\$1,216,082	100.0%

Operating Costs and Expenses (Exclusive of Depreciation and Amortization Shown Below)

Operating costs and expenses increased \$464,368,000, or 52.7%, in 1997 as compared to the prior year. The increase in operating costs and expenses was primarily attributable to new acquisitions, however, was offset by the increased utilization of internal disposal capacity and cost reductions in comparable operations. The effect of new acquisitions resulted in increases to operating costs and expenses of \$555,939,000, of which, \$163,473,000 related to acquisitions of Canadian solid waste businesses. A decrease in operating costs and expenses from comparable operations of \$56,701,000 resulted primarily from the increased utilization of internal disposal capacity from 49.8% in 1996 to 53.8% in 1997, and operating synergies realized from tuck-in acquisitions and the Company's mergers with United, Sanifill, and Western Waste Industries ("Western") in August 1997, August 1996, and May 1996, respectively. Additionally, a decrease in operating costs and expenses in 1997 as compared to 1996 was the result of the disposition of certain nonstrategically located solid waste collection and disposal operations and certain non-core businesses. Operating costs and expenses decreased as a percentage of operating revenues from 53.4% in 1996 to 51.5% in 1997. This decrease in operating costs and expenses as a percentage of operating revenues was slightly offset by the effect in the change in revenue mix as discussed above. Typically, as a percentage of operating revenues, collection operations have higher operating costs and lower margin returns than disposal operations.

Operating costs and expenses increased \$209,284,000, or 31.1%, in 1996 as compared to 1995, however, have decreased as a percentage of operating revenues from 55.2% in 1995 to 53.4% in 1996. The net increases in operating costs and expenses was primarily attributable to the effect of new acquisitions, net of dispositions, which resulted in an increase of \$283,563,000. This increase was offset by a decrease of \$14,215,000 related to increased internalization of internal disposal capacity from 44.9% in 1995 to 49.8% in 1996, a decrease of

\$4,506,000 related to the Company's decision to discontinue certain non-core businesses, and a decrease of \$45,258,000 related to improvements in comparable operations primarily as a result of operating synergies realized from tuck-in acquisitions and mergers with Chambers, Sanifill, and Western in June 1995, August 1996, and May 1996, respectively.

General and Administrative

General and administrative expenses increased \$84,845,000, or 42.4%, in 1997 as compared to 1996, and increased \$30,415,000, or 17.9%, in 1996 as compared to 1995. As a percentage of operating revenues, however, general and administrative expenses decreased from 14.0% in 1995 to 12.1% in 1996 to 10.9% in 1997. The decrease in general and administrative expenses as a percentage of operating revenues is primarily the result of the Company's ability to integrate new business acquisitions without a proportionate increase in general and administrative expenses as well as cost reductions resulting from mergers with United, Sanifill, Western, and Chambers in August 1997, August 1996, May 1996, and June 1995, respectively.

Depreciation and Amortization

Depreciation and amortization expense increased \$112,197,000, or 58.7%, in 1997 as compared to 1996, and increased \$47,166,000, or 32.8%, in 1996 as compared to 1995. As a percentage of operating revenues, however, depreciation and amortization decreased from 11.8% in 1995 to 11.6% in 1996 and 1997. The increase in depreciation and amortization is primarily due to acquisitions, increased landfill volumes, and upgrades to existing operations. The incremental depreciation and amortization due to the improved utilization of internal disposal capacity was offset by the improved utilization of equipment through internal growth in collection and disposal operations.

Merger Costs

In the third quarter of 1997, the Company recorded \$89,152,000 related to its merger with United and \$15,000,000 related to the acquisitions of other businesses accounted for as poolings of interests. The costs related to the United Merger included \$17,566,000 of transaction costs, \$26,198,000 of severance and other termination benefits, \$21,629,000 for the integration of operations, and \$23,759,000 of estimated losses related to the disposition of duplicate facilities and the disposition of a Pennsylvania landfill ordered by the United States Department of Justice. In the first and second quarters of 1997, the Company recorded \$1,996,000 and \$3,263,000, respectively, related to the acquisition of other businesses accounted for as poolings of interests.

In the third quarter of 1996, the Company recorded \$84,751,000 of merger costs related to acquisitions accounted for as poolings of interests. Of that amount, \$80,000,000 related to the Company's merger with Sanifill, which included \$9,500,000 of transaction costs, \$20,000,000 of relocation, severance, and other termination benefits, \$13,000,000 for the integration of operations, and \$37,500,000 for the disposal of duplicate facilities. The Company recorded \$35,000,000 of merger costs in the second quarter of 1996 related to its merger with Western, which included \$6,800,000 of transaction costs, \$15,000,000 of severance and other termination benefits, and \$13,200,000 of costs related to integrating operations and \$5,296,000 related to the acquisitions of other businesses accounted for as poolings of interests. In the fourth quarter of 1996, the Company recorded \$1,579,000 related to the acquisition of other businesses accounted for as poolings of interests.

In 1995, the Company recorded \$26,539,000 of merger costs related to acquisitions accounted for as poolings of interests. Of that amount, \$25,073,000 related to the Company's merger with Chambers in June 1995, which included \$11,900,000 of transaction costs, \$9,473,000 of severance and other termination benefits, and \$3,700,000 of costs for integrating operations.

Unusual Items

In the third quarter of 1997, the Company recorded charges for unusual items of \$24,720,000, which included \$10,400,000 of estimated losses for the closure and abandonment of two transfer stations in Minnesota, \$8,400,000 of estimated losses related to the closure and abandonment of two landfills in

Massachusetts, and \$5,920,000 of reserves for various other terminated projects. In the third quarter of 1996, the Company recorded charges for unusual items of \$50,848,000, which included \$28,900,000 for estimated losses related to the disposition of certain non-core business assets, \$15,000,000 of project reserves related to certain operations in Mexico, and \$6,948,000 of reserves for various other terminated projects. In the second quarter of 1996, unusual items included \$4,824,000 of retirement benefits associated with Western's pre-merger retirement and severance plans and \$8,128,000 of estimated future losses related to municipal solid waste contracts in California as a result of the decline in the prices of recyclable materials.

Income from Operations

Income from operations increased \$359,522,000 in 1997 and decreased \$12,970,000 in 1996 as compared to the respective prior year periods due to the reasons discussed above. Exclusive of merger costs and unusual items, income from operations as a percentage of operating revenues was 26.0%, 22.8%, and 18.9% in 1997, 1996, and 1995, respectively. The improvement in recurring operations was the result of economies of scale realized by the Company as a result of recent mergers and acquisitions, increased utilization of internal disposal capacity, and improvements in comparable operations.

Other Income and Expense

Other income and expense consists of interest expense, interest income, and other income. Interest expense, gross of amounts capitalized, increased due to the Company's outstanding indebtedness. Interest capitalized was \$25,198,000, \$21,189,000, and \$13,808,000 in 1997, 1996, and 1995, respectively. The increase in capitalized interest during each period is due to development activity incurred in connection with disposal sites acquired in each respective year. Nonrecurring interest of \$10,994,000 in 1995 consists of various extension fees and other charges related to the refinancing of certain Chambers senior notes in the second quarter of 1995.

Provision for Income Taxes

The Company recorded a provision for income taxes before extraordinary items of \$189,944,000 in 1997, compared to \$70,398,000 and \$60,313,000 in 1996 and 1995, respectively. The difference in the provision for income taxes at the federal statutory rate and the recorded amount primarily relates to nondeductible merger costs and state and local income taxes.

Income before Extraordinary Item

For reasons discussed above, income before extraordinary item was \$80,776,000 in 1995, \$68,339,000 in 1996, and \$273,323,000 in 1997. Income before extraordinary item, exclusive of nonrecurring charges and assuming a 40% effective tax rate, increased \$160,941,000 and \$87,485,000 in 1997 and 1996, respectively, as compared to the corresponding prior year.

Extraordinary Item

During the third quarter of 1997, the Company recorded extraordinary losses related to the early retirement of two privately placed senior note issuances of approximately \$9,286,000, comprised of prepayment penalties of approximately \$7,975,000 and unamortized deferred offering costs of approximately \$1,311,000. Additionally, during the third quarter of 1997, the Company recorded extraordinary losses of approximately \$1,206,000 primarily related to the write-off of the unamortized deferred financing costs related to United's credit facility which was retired upon consummation of its merger with the Company.

Net Income

Net income was \$80,776,000, \$68,339,000, and \$267,030,000 for 1995, 1996, and 1997, respectively, for reasons discussed above.

Variation in Quarterly Results

The Company has grown significantly through acquisitions, including the consummation of one merger in 1997 and two mergers in 1996 with other publicly owned companies as discussed in Note 2 to the Consolidated Financial Statements included elsewhere herein. These mergers were accounted for as poolings of interests and, accordingly, operating results for periods prior to these mergers, including quarterly results, have been restated. Moreover, the Company incurred nonrecurring charges related to these mergers of \$89,152,000 in the third quarter of 1997 and \$35,000,000 and \$80,000,000 in the second and third quarters of 1996, respectively. Additionally, the Company recognized other nonrecurring charges of \$18,248,000 in the second quarter, \$55,599,000 in the third quarter, and \$1,579,000 in the fourth quarter of 1996, and \$1,996,000 in the first quarter, \$3,263,000 in the second quarter, and \$39,720,000 in the third quarter of 1997, as further discussed in Notes 2, 11 and 13 to the Consolidated Financial Statements included elsewhere herein.

The merger costs and unusual items (and the tax effects of such charges) have significantly affected the quarterly trend analysis of the Company's operating results for 1996 and 1997. A comparison of the reported quarterly earnings (loss) per share for 1996 and 1997 compared to pro forma earnings per share, which exclude such merger costs and unusual items and reflect income taxes at a 40% effective tax rate, is as follows:

	AS REPORTED		PRO FORMA	
	BASIC	DILUTED	BASIC	DILUTED
1996				
First Quarter.....	\$ 0.20	\$ 0.19	\$0.20	\$0.19
Second Quarter.....	0.03	0.03	0.27	0.26
Third Quarter.....	(0.16)	(0.16)	0.33	0.31
Fourth Quarter.....	0.32	0.30	0.33	0.31
1997				
First Quarter.....	\$ 0.30	\$ 0.29	\$0.31	\$0.29
Second Quarter.....	0.43	0.40	0.44	0.41
Third Quarter.....	0.09	0.09	0.50	0.47
Fourth Quarter.....	0.47	0.45	0.47	0.45

The Company's business strategy is to continue to grow through acquisitions. Consequently, future quarterly results could be impacted by additional merger costs and related expenses associated with such merger and acquisition activity.

LIQUIDITY AND CAPITAL RESOURCES

The Company operates in an industry that requires a high level of capital investment. The Company's capital requirements basically stem from (i) its working capital needs for its ongoing operations, (ii) capital expenditures for cell construction and expansion of its landfill sites, as well as new trucks and equipment for its collection operations, and (iii) business acquisitions. The Company's strategy is to meet these capital needs first from internally generated funds and secondly from various financing sources available to the Company, including the incurrence of debt and the issuance of its common stock. It is further part of the Company's strategy to minimize working capital while maintaining available commitments under bank credit agreements to fund any capital needs in excess of internally generated cash flow.

As of December 31, 1997, the Company had working capital of \$86,736,000 (a ratio of current assets to current liabilities of 1.15:1) and a cash balance of \$51,241,000, which compares to working capital of \$31,842,000 (a ratio of current assets to current liabilities of 1.08:1) and a cash balance of \$26,079,000 as of December 31, 1996. For the year ended December 31, 1997, net cash from operating activities was approximately \$452,832,000, as compared to \$283,351,000 in 1996 and \$128,692,000 in 1995, and net cash from financing activities was approximately \$1,603,985,000, as compared to \$514,849,000 in 1996 and \$382,811,000 in 1995. In 1997, net cash from operating activities and financing activities was primarily used to fund acquisitions of businesses of \$1,818,996,000, which includes approximately \$97,000,000 for a 49% interest in a partnership formed for the purpose of acquiring shares of WMI (see "Recent Developments"),

and for capital expenditures of \$436,317,000. The 49% partnership interest is included in other assets at December 31, 1997, in the Consolidated Financial Statements included herein. Net cash from operating activities and financing activities in 1996 and 1995 was also primarily used to fund acquisitions of businesses of \$403,672,000 and \$268,687,000, respectively, and for capital expenditures of \$443,247,000 and \$252,648,000, respectively.

In general, the Company's capital expenditure and working capital requirements have increased reflecting the Company's business strategy of growth through acquisitions and development projects. The Company intends to finance its 1998 capital expenditures through internally generated cash flow and amounts available under its senior revolving credit facility.

SIGNIFICANT FINANCING EVENTS

At December 31, 1996, the Company had borrowed \$637,000,000 and had letters of credit issued of \$277,994,000 under its \$1,200,000,000 senior revolving credit facility. The credit facility was used to refinance existing bank loans and letters of credit and to fund additional acquisitions and working capital. The credit facility was available for standby letters of credit of up to \$400,000,000. Loans under the credit facility bore interest at a rate based on the Eurodollar rate plus a spread not to exceed 0.75% per annum (spread set at 0.30% per annum, or an applicable interest rate of 5.87% per annum at December 31, 1996). The credit facility required a facility fee not to exceed 0.375% per annum on the entire available credit facility (facility fee set at 0.15% per annum at December 31, 1996). The credit facility contained financial covenants with respect to interest coverage and debt capitalization ratios. The credit facility also contained limitations on dividends, additional indebtedness, liens, and asset sales. Principal reductions were not required during the five-year term of the credit facility. On March 5, 1997, the credit facility was replaced with a \$1,600,000,000 senior revolving credit facility with the same general terms, covenants, and limitations, which was available for standby letters of credit of up to \$500,000,000. On August 7, 1997, the credit facility was again replaced with a \$2,000,000,000 senior revolving credit facility with the same general terms, covenants, and limitations, which is available for standby letters of credit up to \$650,000,000. At December 31, 1997, the Company had borrowed \$430,000,000 and had letters of credit of \$467,029,000 under its \$2,000,000,000 senior revolving credit facility. The applicable interest rate and facility fee at December 31, 1997, was 6.1% per annum and 0.1125% per annum, respectively.

On February 7, 1997, the Company issued \$535,275,000 of 4% convertible subordinated notes, due on February 1, 2002 ("Convertible Notes Offering"). Interest is payable semi-annually in February and August. The notes are convertible by the holders into shares of the Company's common stock at any time at a conversion price of \$43.56 per share. The notes are subordinated in right of payment to all existing and future senior indebtedness, as defined. The notes are redeemable after February 1, 2000 at the option of the Company at 101.6% of the principal amount, declining to 100.8% of the principal amount on February 1, 2001 and thereafter until maturity at which time the notes will be redeemed at par, plus accrued interest. Deferred offering costs of approximately \$14,000,000 were incurred and are being amortized ratably over the life of the notes. The proceeds were primarily used to repay debt under the Company's credit facility, to fund acquisitions, and for general corporate purposes.

On February 7, 1997, concurrent with the Convertible Notes Offering, the Company completed a public offering of 11,500,000 shares of its common stock, priced at \$35.125 per share. The net proceeds of approximately \$387,438,000 were primarily used to repay debt under the Company's credit facility and for general corporate purposes.

On March 3, 1997, prior to its becoming a wholly owned subsidiary of the Company, United completed a public offering in which it issued 3,450,000 shares of its common stock, priced at \$36.50 per share (equivalent to 3,708,750 shares of the Company's common stock, priced at \$33.95 per share). The net proceeds of approximately \$119,000,000 were used to repay approximately \$47,000,000 of debt under United's credit facility and for general corporate purposes.

During August 1997 and September 1997, the Company prepaid the holders of both privately placed senior note issuances an aggregate amount of \$182,500,000 with proceeds from its senior revolving credit

facility. Interest on these privately placed senior notes ranged from 7.29% to 8.44%. In connection with this transaction, the Company was required to pay prepayment penalties of approximately \$7,975,000, which was recorded as an extraordinary item in the third quarter of 1997.

On September 12, 1997, the Company issued \$300,000,000 of 7% senior notes due October 1, 2004, and \$300,000,000 of 7 1/8% senior notes due October 1, 2007. The senior notes constitute senior and unsecured obligations of the Company, ranking equal in right of payment with all other senior and unsecured obligations of the Company, as defined. The senior notes are redeemable at the option of the Company at any time and from time to time at par of the principal amount of such notes, plus accrued interest. Deferred offering costs of approximately \$4,125,000 were incurred and are being amortized ratably over the life of the senior notes. The proceeds were used to repay debt under the Company's senior revolving credit facility. In anticipation of this offering, the Company entered into interest rate locks on July 25, 1997, with various institutions as a hedging transaction to cover the future issuance of \$600,000,000 of debt. The gain realized from this hedging transaction of approximately \$5,632,000 is being amortized over the life of the related notes using the effective interest method and has the effect of reducing the all-inclusive interest rate to 6.90% on the 7% senior notes due October 1, 2004, and 7.06% on the 7 1/8% senior notes due October 1, 2007. Interest is payable semiannually on October 1 and April 1.

On December 17, 1997, the Company issued \$350,000,000 of 6 1/2% senior notes due December 15, 2002, and \$150,000,000 of 7 1/8% senior notes due December 15, 2017. The senior notes constitute senior and unsecured obligations of the Company ranking equal in right of payment with all other senior and unsecured obligations of the Company, as defined. The 6 1/2% senior notes due December 15, 2002, are not redeemable. The \$150,000,000 of 7 1/8% senior notes due December 15, 2017, are redeemable, in whole or in part, at the option of the Company at any time and from time to time at a redemption price equal to the Make-Whole Price, as defined. Deferred offering costs of approximately \$3,713,000 were incurred and are being amortized ratably over the life of the senior notes. The proceeds were used to repay debt under the Company's senior revolving credit facility. In anticipation of this offering, the Company entered into interest rate locks on December 9, 1997, with various institutions as a hedging transaction to cover the future issuance of \$500,000,000 of debt. The amount paid by the Company from this hedging transaction of approximately \$6,845,000 is being amortized over the life of the related notes. The all inclusive interest rate is 6.67% on the 6 1/2% senior notes due December 15, 2002, and is 7.27% on the 7 1/8% senior notes due December 15, 2017. Interest payable semi-annually on December 15 and June 15.

In July 1997, the Company filed a universal shelf registration statement with the Securities and Exchange Commission to provide for the issuance of up to \$1,500,000,000 of either debt or equity securities, or a combination thereof, to be used for general corporate purposes. The Company utilized the universal shelf registration statement for the issuance of its senior notes in September and December of 1997. As of December 31, 1997, the Company had available up to \$400,000,000 of either debt or equity securities, or a combination thereof, under its existing universal shelf registration statement.

ACQUISITION ACTIVITY IN 1997

On March 12, 1997, the Company acquired all of Allied's Canadian solid waste subsidiaries for approximately \$518,000,000 in cash. Those businesses represented 41 collection operations, seven landfills, and eight transfer stations in the provinces of Alberta, British Columbia, Manitoba, Ontario, Quebec, and Saskatchewan, with annualized revenues of approximately \$270,000,000.

On April 1, 1997, the Company acquired substantially all of the assets of Mid-American Waste Systems, Inc. for approximately \$201,000,000, consisting primarily of cash and the assumption of a limited amount of debt. The assets acquired included 11 collection operations, 11 landfills, six transfer stations, and three recycling operations, with annualized revenues of approximately \$115,000,000.

On June 10, 1997, the Company acquired the majority of WMI's Canadian solid waste businesses for \$124,000,000 in cash and 1,705,757 shares of the Company's common stock. The assets acquired included 13 collection operations, one landfill, and three transfer stations in the provinces of Alberta, British Columbia, Ontario, and Quebec, with annualized revenues totaling approximately \$124,000,000.

On August 26, 1997, the Company consummated a merger with United accounted for as a pooling of interests. Under the terms of the United Merger, the Company issued 1.075 shares of its common stock for each outstanding share of United common stock. Additionally, at the effective date of the United Merger, United stock options, whether or not such stock options had vested or become exercisable, were cancelled in exchange for the Company's common stock equal in market value to the fair value of such United stock options, as determined by an independent third party. The United Merger increased the Company's outstanding shares of common stock by approximately 51,900,000 shares, which included approximately 1,900,000 shares exchanged for the United stock options. United owned and operated nonhazardous waste disposal, treatment, collection, transfer station, and recycling businesses and complementary operations. At the time of the United Merger, United owned or operated 39 landfills, 78 transfer stations, and 80 collection operations.

In addition to the consummation of the aforementioned acquisition transactions, the Company acquired 236 collection operations, 31 transfer stations, and 26 landfills with annualized revenues aggregating approximately \$960,000,000 during 1997.

RECENT DEVELOPMENTS

On December 9, 1997, the Company announced that it had executed a definitive agreement to acquire the solid waste divisions of City Management, and on January 14, 1998, consummated such transaction for approximately \$735,000,000 consisting primarily of cash and a limited amount of debt assumed. The businesses acquired include 20 collection operations, ten landfills, and 12 transfer stations primarily in the state of Michigan.

On January 27, 1998, the Company announced that it had entered into a definitive agreement to acquire TransAmerican for approximately 2,000,000 shares of the Company's common stock, subject to certain adjustments, and approximately \$43,000,000 in assumption of debt. This acquisition, which is subject to regulatory approval and approval of TransAmerican shareholders, is expected to close during the first half of 1998 and is anticipated to be accounted for as a pooling of interests. The businesses to be acquired include five collection operations, nine landfills, and two transfer stations located throughout the southern region of the United States.

The Company entered into a definitive agreement on February 6, 1998, with American, to acquire American's solid waste businesses for approximately \$150,000,000 in cash. This transaction, which is subject to regulatory approval and approval of American's shareholders, is also expected to close in the first half of 1998. The operations to be acquired include three landfills and one collection operation located in Ohio.

On March 10, 1998, the Company entered into a definitive agreement and plan of merger pursuant to which a subsidiary of the Company will be merged with and into WMI and WMI will become a wholly owned subsidiary of the Company. As of the effective time of the WMI Merger, each outstanding share of WMI, other than shares held in WMI's treasury or owned by WMI, the Company or any of their wholly owned subsidiaries, will be converted into the right to receive 0.725 shares of the Company. This transaction, which is expected to close during 1998, is subject to regulatory approval and approval of the stockholders of the Company and WMI. It is anticipated that the Company will issue approximately 345,000,000 shares of its common stock related to this transaction and that this merger will be accounted for as a pooling of interests.

The Company's business plan is to grow through acquisitions as well as development projects. The Company has issued equity securities in business acquisitions and expects to do so in the future. Furthermore, the Company's future growth will depend greatly upon its ability to raise additional capital. The Company continually reviews various financing alternatives and depending upon market conditions could pursue the sale of debt and/or equity securities to help effectuate its business strategy. Management believes that it can arrange the necessary financing required to accomplish its business plan; however, to the extent the Company is not successful in its future financing strategies the Company's growth could be limited.

On August 4, 1997, the Company filed a shelf registration statement with the Securities and Exchange Commission to provide for the issuance of up to 20,000,000 shares of the Company's common stock that may

be offered and issued by the Company from time to time in connection with the acquisition directly or indirectly by the Company of other businesses or properties or interests therein, and which may be reserved for issuance pursuant to, or offered and issued upon exercise or conversion of, warrants, options, convertible notes, or other similar instruments issued by the Company from time to time in connection with such acquisitions. As of March 1, 1998, the Company had approximately 17,700,000 shares of its common stock available for future offerings and issuances under this shelf registration statement.

ENVIRONMENTAL MATTERS

The Company has material financial commitments for the costs associated with its future closure and post-closure obligations with respect to the landfills it operates or for which it is otherwise responsible. The Company bases accruals for these commitments on periodic management reviews, typically performed at least annually, based on input from its engineers and accountants and interpretations of current regulatory requirements and proposed regulatory changes. The accrual for closure and post-closure costs includes final capping and cover for the site, methane gas control, leachate management and ground water monitoring, and other operational and maintenance costs to be incurred after each site discontinues accepting waste. The Company does not discount its accruals for closure and post-closure obligations.

While the precise amount of these future costs cannot be determined with certainty, the Company has estimated that the aggregate final closure and post-closure costs for all sites owned or operated as of December 31, 1997, will be approximately \$477,629,000. As of December 31, 1997 and 1996, the Company had recorded liabilities of \$220,378,000 and \$167,290,000, respectively, for closure and post-closure costs of disposal facilities. The difference between the closure and post-closure costs accrued at December 31, 1997, and the total estimated final closure and post-closure costs to be incurred will be accrued and charged to expense as airspace is consumed such that the total estimated final closure and post-closure to be incurred will be fully accrued for each landfill at the time the site stops accepting waste and is closed. As of December 31, 1997, the Company also expects to incur approximately \$956,346,000 related to future capping activities during the remaining operating lives of the disposal sites, which are also being expensed over the useful lives of the disposal sites as airspace is consumed.

Management believes that the ultimate disposition of these environmental matters will not have a material, adverse effect on the financial condition of the Company. However, the Company's operation of landfills subjects it to certain operational, monitoring, site maintenance, closure and post-closure obligations that could give rise to increased costs for monitoring and corrective measures. The Company cannot predict the effect of any regulations or legislation enacted in the future on the Company's operations.

SEASONALITY AND INFLATION

The Company's operating revenues tend to be somewhat lower in the winter months. This is generally reflected in the Company's first quarter and fourth quarter operating results. This is primarily attributable to the fact that (i) the volume of waste relating to construction and demolition activities tends to increase in the spring and summer months and (ii) the volume of industrial and residential waste in certain regions where the Company operates tends to decrease during the winter months.

The Company believes that inflation and changing prices have not had, and are not expected to have, any material adverse effect on the results of operations in the near future.

YEAR 2000 DATE CONVERSION

In 1997, the Company began to modify its computer information systems to ensure proper processing of transactions relating to the year 2000 and beyond and expects to complete the required modifications during 1998. The amount charged to expense in 1997, as well as the amounts anticipated to be charged to expense in 1998 related to the year 2000 computer compliance modifications, have not been and are not expected to be material to the Company's financial position, results of operations or cash flows.

NEW ACCOUNTING PRONOUNCEMENTS

In October 1996, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position No. 96-1, Environmental Remediation Liabilities ("SOP No. 96-1"). SOP No. 96-1 provides authoritative guidance on the recognition, measurement, presentation, and disclosure of environmental remediation liabilities. The adoption of SOP No. 96-1 in 1997 did not have a material effect on the Company's financial position, results of operations or cash flows.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income ("SFAS No. 130"). SFAS No. 130 establishes standards for reporting and presentation of comprehensive income and its components. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. SFAS No. 130 is effective for the Company for the year ended December 31, 1998. Assuming the Company adopted SFAS No. 130 in 1995, comprehensive income would have been \$263,861,000, \$67,273,000, and \$73,353,000 for the years ended December 31, 1997, 1996, and 1995, respectively.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information ("SFAS No. 131"). SFAS No. 131 establishes standards for reporting information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997. Adoption is not recognized for interim periods in the initial year of application. Adoption of this statement will not have a material impact on the consolidated financial statements of the Company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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CONSOLIDATED FINANCIAL STATEMENTS

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(2) Consolidated Financial Statement Schedules:

All Consolidated Financial Statement Schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements or the notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Stockholders of USA Waste Services, Inc.:

We have audited the accompanying consolidated balance sheets of USA Waste Services, Inc. as of December 31, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of USA Waste Services, Inc. as of December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Houston, Texas
March 16, 1998

USA WASTE SERVICES, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PAR VALUE AMOUNTS)

ASSETS

	DECEMBER 31,	
	1997	1996
Current assets:		
Cash and cash equivalents.....	\$ 51,241	\$ 26,079
Accounts receivable, net of allowance for doubtful accounts of \$34,923 and \$17,502, respectively.....	442,347	265,002
Notes and other receivables.....	56,361	38,495
Deferred income taxes.....	52,592	48,561
Prepaid expenses and other.....	52,845	49,365
	-----	-----
Total current assets.....	655,386	427,502
Notes and other receivables.....	32,386	49,059
Property and equipment, net.....	3,955,008	2,198,231
Excess of cost over net assets of acquired businesses, net.....	1,539,927	715,910
Other intangible assets, net.....	106,058	88,341
Other assets.....	334,080	152,504
	-----	-----
Total assets.....	\$6,622,845	\$3,631,547
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 237,176	\$ 118,823
Accrued liabilities.....	228,771	206,591
Deferred revenues.....	63,417	35,640
Current maturities of long-term debt.....	39,286	34,606
	-----	-----
Total current liabilities.....	568,650	395,660
Long-term debt, less current maturities.....	2,724,443	1,470,282
Deferred income taxes.....	320,439	45,421
Closure, post-closure, and other liabilities.....	380,337	246,194
	-----	-----
Total liabilities.....	3,993,869	2,157,557
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$1.00 par value; 10,000,000 shares authorized; none issued.....	--	--
Common stock, \$.01 par value; 500,000,000 shares authorized; 217,805,496 and 181,630,519 shares issued, respectively.....	2,178	1,816
Additional paid-in capital.....	2,392,797	1,504,449
Retained earnings (accumulated deficit).....	253,497	(15,948)
Foreign currency translation adjustment.....	(19,012)	(15,843)
Less treasury stock at cost, 23,485 shares.....	(484)	(484)
	-----	-----
Total stockholders' equity.....	2,628,976	1,473,990
	-----	-----
Total liabilities and stockholders' equity.....	\$6,622,845	\$3,631,547
	=====	=====

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

USA WASTE SERVICES, INC.

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

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Operating revenues.....	\$2,613,768	\$1,649,131	\$1,216,082
Costs and expenses:			
Operating (exclusive of depreciation and amortization shown below).....	1,345,769	881,401	672,117
General and administrative.....	284,946	200,101	169,686
Depreciation and amortization.....	303,241	191,044	143,878
Merger costs.....	109,411	126,626	26,539
Unusual items.....	24,720	63,800	4,733
	2,068,087	1,462,972	1,016,953
Income from operations.....	545,681	186,159	199,129
Other income (expense):			
Interest expense:			
Nonrecurring.....	--	--	(10,994)
Other.....	(104,261)	(60,497)	(58,619)
Interest income.....	7,634	6,699	6,682
Other income, net.....	14,213	6,376	4,891
	(82,414)	(47,422)	(58,040)
Income before income taxes and extraordinary item.....	463,267	138,737	141,089
Provision for income taxes.....	189,944	70,398	60,313
Income before extraordinary item.....	273,323	68,339	80,776
Extraordinary item related to early retirement of debt, net of tax benefit of \$4,195.....	(6,293)	--	--
Net income.....	267,030	68,339	80,776
Preferred dividends.....	--	--	373
Net income available to common stockholders.....	\$ 267,030	\$ 68,339	\$ 80,403
Basic earnings per common share:			
Income before extraordinary item.....	\$ 1.31	\$ 0.39	\$ 0.56
Extraordinary item.....	(0.03)	--	--
Net income.....	\$ 1.28	\$ 0.39	\$ 0.56
Diluted earnings per common share:			
Income before extraordinary item.....	\$ 1.26	\$ 0.37	\$ 0.54
Extraordinary item.....	(0.03)	--	--
Net income.....	\$ 1.23	\$ 0.37	\$ 0.54
Weighted average number of common shares outstanding.....	208,246	173,993	143,346
Weighted average number of common and dilutive potential common shares outstanding.....	233,371	182,680	150,575

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

USA WASTE SERVICES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED DEFICIT)	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TREASURY STOCK
	-----	-----	-----	-----	-----	-----
Balance, January 1, 1995.....	\$ 1	\$1,173	\$ 836,829	\$(140,083)	\$ (7,354)	\$(1,961)
Common stock options and warrants exercised, including tax benefits.....	--	18	14,566	--	--	142
Common stock issued in business combinations and development projects.....	--	97	159,661	--	--	--
Common stock issued in public offerings and conversion of subordinated debentures.....	--	137	229,876	--	--	--
Conversion of preferred stock into common stock.....	(1)	10	(8)	--	--	--
Elimination of investment in Western common stock.....	--	(10)	(11,358)	--	--	--
Change in Western fiscal year.....	--	--	--	(8,865)	--	--
Foreign currency translation adjustment...	--	--	--	--	(7,423)	--
Transactions of pooled companies.....	--	--	2,660	(8,072)	--	--
Preferred stock dividends.....	--	--	--	(373)	--	--
Other.....	--	4	9,443	--	--	--
Net income.....	--	--	--	80,776	--	--
	----	----	-----	-----	-----	-----
Balance, December 31, 1995.....	--	1,429	1,241,669	(76,617)	(14,777)	(1,819)
Common stock options and warrants exercised, including tax benefits.....	--	52	68,064	--	--	2,086
Common stock issued in business combinations and development projects.....	--	89	128,390	--	--	--
Common stock returned for acquisition settlement.....	--	--	--	--	--	(751)
Common stock issued for conversion of subordinated debentures.....	--	35	59,590	--	--	--
Foreign currency translation adjustment...	--	--	--	--	(1,066)	--
Transactions of pooled companies.....	--	8	1,558	(7,670)	--	--
United two-for-one stock split.....	--	196	(196)	--	--	--
Other.....	--	7	5,374	--	--	--
Net income.....	--	--	--	68,339	--	--
	----	----	-----	-----	-----	-----
Balance, December 31, 1996.....	--	1,816	1,504,449	(15,948)	(15,843)	(484)
Common stock options and warrants exercised, including tax benefits.....	--	35	74,614	--	--	--
Common stock issued in business combinations and development projects.....	--	146	260,264	--	--	--
Common stock issued in public offering....	--	152	506,196	--	--	--
Common stock issued for United stock options.....	--	19	25,809	--	--	--
Foreign currency translation adjustment...	--	--	--	--	(3,169)	--
Transactions of pooled companies.....	--	--	(1,735)	2,415	--	--
Other.....	--	10	23,200	--	--	--
Net income.....	--	--	--	267,030	--	--
	----	----	-----	-----	-----	-----
Balance, December 31, 1997.....	\$--	2,178	\$2,392,797	\$ 253,497	\$(19,012)	\$(484)
	====	=====	=====	=====	=====	=====

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

USA WASTE SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Cash flows from operating activities:			
Net income.....	\$ 267,030	\$ 68,339	\$ 80,776
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	303,241	191,044	143,878
Deferred income taxes.....	72,846	12,960	16,217
Net gain on disposal of assets.....	(14,320)	(6,040)	(1,434)
Effect of nonrecurring charges.....	48,479	61,144	--
Change in assets and liabilities, net of effects of acquisitions and divestitures:			
Accounts receivable and other receivables.....	(94,073)	(81,704)	(14,279)
Prepaid expenses and other.....	6,189	(5,388)	(2,199)
Other assets.....	(36,511)	10,311	(7,406)
Accounts payable and accrued liabilities.....	(117,860)	63,149	(11,643)
Accrued shareholder litigation settlement.....	--	--	(85,300)
Deferred revenues and other liabilities.....	19,747	(29,283)	11,855
Other, net.....	(1,936)	(1,181)	(1,773)
Net cash provided by operating activities.....	452,832	283,351	128,692
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired.....	(1,818,996)	(403,672)	(268,687)
Capital expenditures.....	(436,317)	(443,247)	(252,648)
Loans and advances to others.....	(41,571)	(18,399)	(19,660)
Collection of loans and advances to others.....	43,480	15,010	4,880
Proceeds from sale of assets.....	244,756	80,294	11,181
Other.....	(22,828)	(30,002)	(1,178)
Net cash used in investing activities.....	(2,031,476)	(800,016)	(526,112)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt.....	3,441,930	1,483,573	778,721
Principal payments on long-term debt.....	(2,384,846)	(1,015,277)	(642,313)
Net proceeds from issuance of common stock.....	506,348	--	251,999
Proceeds from exercise of common stock options and warrants.....	36,955	53,518	13,811
Other.....	3,597	(6,965)	(19,407)
Net cash provided by financing activities.....	1,603,984	514,849	382,811
Effect of exchange rate changes on cash and cash equivalents.....	(178)	115	(178)
Increase (decrease) in cash and cash equivalents.....	25,162	(1,701)	(14,787)
Cash and cash equivalents at beginning of year.....	26,079	27,780	42,567
Cash and cash equivalents at end of year.....	\$ 51,241	\$ 26,079	\$ 27,780
Supplemental cash flow information:			
Cash paid during the year for:			
Interest.....	\$ 110,798	\$ 75,551	\$ 67,543
Income taxes.....	66,044	33,019	51,573
Non-cash investing and financing activities:			
Acquisitions of property and equipment through capital leases.....	--	--	8,378
Note receivable from sale of assets.....	26,583	27,800	--
Conversion of subordinated debentures to common stock...	500	60,000	51,661
Issuance of common stock for preferred stock dividends.....	--	--	10,378
Acquisitions of businesses and development projects:			
Liabilities incurred or assumed.....	184,562	355,767	101,111
Common stock issued.....	260,410	128,479	159,758

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

USA WASTE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business -- USA Waste Services, Inc. and subsidiaries (the "Company") is engaged in the nonhazardous solid waste management business and provides solid waste management services, consisting of collection, transfer, disposal, recycling, and other miscellaneous services to commercial, industrial, municipal and residential customers in various locations throughout the United States, Canada, and Puerto Rico. As discussed in Note 10, during 1997 the Company contributed the net book value of its Mexico operations to a non-public solid waste entity focusing on Mexico's solid waste market in exchange for a 37.5% interest in that entity.

Principles of consolidation -- The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries after elimination of all material intercompany balances and transactions. Investments in affiliated companies in which the Company owns 50% or less are accounted for under the equity method or cost method of accounting, as appropriate.

Use of estimates -- The preparation of the financial statements in conformity with generally accepted accounting principles requires management 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 the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents -- Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, money market accounts, and investment grade commercial paper purchased with original maturities of three months or less.

Restricted funds held by trustees -- Restricted funds held by trustees of \$84,475,000 and \$61,098,000 at December 31, 1997 and 1996, respectively, are included in other assets and consist principally of funds deposited in connection with landfill closure and post-closure obligations, insurance escrow deposits, and amounts held for landfill construction arising from industrial revenue financings. Amounts are principally invested in fixed income securities of federal, state, and local governmental entities and financial institutions. The Company considers its landfill closure, post-closure, and construction escrow investments to be held to maturity. At December 31, 1997 and 1996, the aggregate fair value of these investments approximates their amortized costs and substantially all of these investments mature within one year. The Company's insurance escrow funds are invested in pooled investment accounts that hold debt and equity securities and are considered to be available for sale. The market value of those pooled accounts approximates their aggregate cost at December 31, 1997 and 1996.

Concentrations of credit risk -- Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash investments and accounts receivable. The Company places its cash investments with high quality financial institutions and limits the amount of credit exposure with any one institution. Concentrations of credit risk with respect to accounts receivable are limited because a large number of geographically diverse customers make up the Company's customer base, thus spreading the trade credit risk. No single group or customer represents greater than 10% of total accounts receivable. The Company controls credit risk through credit approvals, credit limits, and monitoring procedures. The Company performs in-depth credit evaluations for commercial and industrial customers and performs ongoing credit evaluations of its customers' financial condition, but generally does not require collateral to support accounts receivable. The Company maintains an allowance for doubtful accounts for potential credit losses.

Interest rate swap agreements -- The Company uses interest rate swap agreements to minimize the impact of interest rate fluctuations on floating interest rate long-term borrowings. The differential paid or received on interest rate swap agreements is recognized as an adjustment to interest expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Property and equipment -- Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized, while minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in results of operations. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method and assuming no salvage value. The estimated useful lives for property and equipment is as follows (in years):

Vehicles.....	5 to 10
Machinery and equipment.....	5 to 10
Containers.....	8 to 12
Buildings and improvements.....	20
Furniture and fixtures.....	3 to 7

Disposal sites are stated at cost and amortized ratably using the units-of-production method over the estimated usable life of the site as airspace of the landfill is consumed. Disposal site costs include expenditures for the acquisition of land and related airspace, engineering and permitting costs, direct site improvement costs, and capitalized interest. During the years ended December 31, 1997, 1996, and 1995, interest costs were \$129,459,000, \$81,686,000, and \$83,421,000, respectively, of which \$25,198,000, \$21,189,000, and \$13,808,000 were capitalized, respectively, with respect to landfills and facilities under construction. Disposal site amortization rates are determined periodically not less than annually for each disposal site based on estimates provided by the Company's engineers and accountants. Disposal site amortization rate calculations consider information provided by aerial surveys, which are generally performed annually, and other density measures, as well as the future receipt of a disposal site permit expansion for those sites that the Company believes permit expansion is probable.

Business Combinations -- The Company assesses each acquisition to determine whether the pooling of interests or the purchase method of accounting is appropriate. For those acquisitions accounted for under the pooling of interests method, the financial statements of the acquired company are combined with those of the Company at their historical amounts, and, if material, all periods presented are restated as if the combination occurred on the first day of the earliest year presented. For those acquisitions accounted for using the purchase method of accounting, the Company allocates the cost of the acquired business to the assets acquired and the liabilities assumed based on estimates of fair values thereof. These estimates are revised during the allocation period as necessary when information regarding contingencies becomes available to define and quantify assets acquired and liabilities assumed. The allocation period varies for each acquisition, however, does not exceed one year. To the extent contingencies such as preacquisition environmental matters, litigation and related legal fees, and preacquisition tax matters are resolved or settled during the allocation period, such items are included in the revised allocation of the purchase price. After the allocation period, the effect of changes in such contingencies is included in results of operations in the periods in which the adjustments are determined. Management of the Company does not believe potential deviations between its fair value estimates and actual fair values to be material.

In certain business combinations, the Company will agree to pay additional amounts to sellers contingent upon 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. Contingent payments, when incurred, are recorded as purchase price adjustments or compensation expense, as appropriate, based on the nature of each contingent payment. Contingent payments recorded as purchase price adjustments are amortized over the remaining useful life of the related assets.

Excess of cost over net assets of acquired businesses -- The excess of cost over net assets of acquired businesses is amortized on a straight-line basis over 40 years commencing on the dates of the respective

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

acquisitions. Accumulated amortization was \$55,041,000 and \$38,894,000 at December 31, 1997 and 1996, respectively.

Other intangible assets -- Other intangible assets consist primarily of customer lists, covenants not to compete, licenses, permits, and contracts. Other intangible assets are recorded at cost and amortized on a straight-line basis. Customer lists are amortized over five to seven years. Covenants not to compete are amortized over the term of the agreement, which is generally three to five years. Licenses, permits, and contracts are amortized over the shorter of the definitive terms of the related agreements or 40 years. Accumulated amortization was \$77,571,000 and \$69,824,000 at December 31, 1997 and 1996, respectively.

Long-lived assets -- Long-lived assets consist primarily of property and equipment, excess of cost over net assets of acquired businesses, and other intangible assets. The recoverability of long-lived assets is evaluated at the operating unit level by an analysis of operating results and consideration of other significant events or changes in the business environment. If an operating unit has current operating losses and based upon projections there is a likelihood that such operating losses will continue, the Company will evaluate whether impairment exists on the basis of undiscounted expected future cash flows from operations before interest for the remaining amortization period. If impairment exists, the carrying amount of the long-lived assets is reduced to its estimated fair value.

Closure, post-closure, and other liabilities -- The Company has material financial commitments for the costs associated with its future obligations for final closure, which is the closure of the final cell of a landfill, and post-closure of landfills it operates or for which it is otherwise responsible. While the precise amount of these future costs cannot be determined with certainty, the Company has estimated that the aggregate final closure and post-closure costs for all sites owned or operated as of December 31, 1997, will be approximately \$477,629,000. As of December 31, 1997 and 1996, the Company has accrued \$220,378,000 and \$167,290,000, respectively, for final closure and post-closure costs of disposal facilities. The Company does not discount its accruals for closure and post-closure liabilities. The difference between the final closure and post-closure costs accrued as of December 31, 1997, and the total estimated final closure and post-closure costs to be incurred will be accrued and charged to expense as airspace is consumed such that the total estimated final closure and post-closure costs will be fully accrued for each landfill at the time the site discontinues accepting waste and is closed. As of December 31, 1997, the Company also expects to incur an estimated \$956,346,000 related to future capping activities during the remaining operating lives of these disposal sites. The future capping costs are being charged to expense through airspace amortization over the useful lives of the disposal sites as airspace is consumed.

The Company bases its estimates for these accruals on management's reviews, typically performed not less than annually, including input from its engineers and accountants and interpretations of current requirements and proposed regulatory changes. The closure and post-closure requirements are established under the standards of the U.S. Environmental Protection Agency's Subtitle D regulations as implemented and applied on a state-by-state basis. Final closure and post-closure accruals consider estimates for the final cap and cover for the site, methane gas control, leachate management and groundwater monitoring, and other operational and maintenance costs to be incurred after the site discontinues accepting waste, which is generally expected to be for a period of up to thirty years after final site closure. For disposal sites that were previously operated by others, the Company assessed and recorded a final closure and post-closure liability at the time the Company assumed closure responsibility based upon the estimated total closure and post-closure costs and the percentage of airspace utilized as of such date. Thereafter, the difference between the final closure and post-closure costs accrued and the total estimated closure and post-closure costs to be incurred is accrued and charged to expense as airspace is consumed.

Income taxes -- Deferred income taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. Deferred tax assets include tax loss and credit

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

carryforwards and are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Foreign currency translation -- The functional currency of the Company's international operations is the local currency. Adjustments resulting from the translation of financial information are reflected as a separate component of stockholders' equity or recognized through income as appropriate.

Revenue recognition -- The Company recognizes revenues as services are provided. Amounts billed and collected prior to services being performed are included in deferred revenues.

Earnings per common share -- In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS No. 128"). SFAS No. 128 specifies the computation, presentation, and disclosure requirements of earnings per share and supercedes Accounting Principles Board Opinion No. 15, Earnings Per Share. SFAS No. 128 requires a dual presentation of basic and diluted earnings per share. Basic earnings per share, which is based on the weighted average number of common shares outstanding, replaces primary earnings per share. Diluted earnings per share, which is based on the weighted average number of common and dilutive potential common shares outstanding, replaces fully diluted earnings per share and utilizes the average market price per share as opposed to the greater of the average market price per share or ending market price per share when applying the treasury stock method in determining dilutive potential shares. SFAS No. 128 is effective for the Company in 1997 and requires all prior-period earnings per share data to be restated to conform to its presentation. Accordingly, the Company has restated all previously reported earnings per share amounts.

Diluted earnings per common share for the year ended December 31, 1997, has been calculated assuming conversion of the Company's convertible subordinated notes and debentures, and therefore interest, net of taxes, of \$19,006,000 has been added back to net income for this calculation. Diluted earnings per common share for the year ended December 31, 1996, has calculated without assuming conversion of the Company's convertible subordinated notes and debentures due to their antidiluted notes for this period.

The following reconciles the number of common shares outstanding to the weighted average number of common shares outstanding and the weighted average number of common and dilutive potential common shares outstanding for the purposes of calculating basic and dilutive earnings per common share, respectively (in thousands):

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Number of common shares outstanding.....	217,782	181,631	161,813
Effect of using weighted average common shares outstanding.....	(9,536)	(7,638)	(18,467)
Weighted average number of common shares outstanding.....	208,246	173,993	143,346
Dilutive effect of common stock options and warrants.....	3,830	8,687	7,229
Dilutive effect of convertible subordinated notes and debentures.....	21,295	--	--
Weighted average number of common and dilutive potential common shares outstanding.....	233,371	182,680	150,575

New accounting pronouncements -- In October 1996, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position No. 96-1, Environmental Remediation Liabilities ("SOP No. 96-1"). SOP No. 96-1 provides authoritative guidance on the recognition, measurement, presentation, and disclosure of environmental remediation liabilities. The adoption of SOP No. 96-1 in 1997 did not have a material effect on the Company's financial position, results of operations or cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income ("SFAS No. 130"). SFAS No. 130 establishes standards for reporting and presentation of comprehensive income and its components. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. SFAS No. 130 is effective for the Company for the year ended December 31, 1998. Assuming the Company adopted SFAS No. 130 in 1995, comprehensive income would have been \$263,861,000, \$67,273,000, and \$73,353,000 for the years ended December 31, 1997, 1996, and 1995, respectively.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information ("SFAS No. 131"). SFAS No. 131 establishes standards for reporting information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997. Adoption is not recognized for interim periods in the initial year of application. Adoption of this statement will not have a material impact on the consolidated financial statements of the Company.

2. BUSINESS COMBINATIONS

1997 Pooling of Interests Acquisitions

On August 26, 1997, the Company consummated a merger with United Waste Systems, Inc. ("United") accounted for as a pooling of interests (the "United Merger") and, accordingly, the accompanying consolidated financial statements have been restated to include the accounts and operations of United for all periods presented. Under the terms of the United Merger, the Company issued 1.075 shares of its common stock for each outstanding share of United common stock. Additionally, at the effective date of the United Merger, United stock options, whether or not such stock options had vested or had become exercisable, were cancelled in exchange for shares of the Company's common stock equal in market value to the fair value of such United stock options, as determined by an independent third party. The United Merger increased the Company's outstanding shares of common stock by approximately 51,900,000 shares, which includes approximately 1,900,000 shares exchanged for the United stock options. In the third quarter of 1997, the Company incurred approximately \$89,152,000 in merger related costs associated with the United Merger, of which approximately \$30,630,000 remained in accrued liabilities at December 31, 1997. Of this amount, \$17,566,000 related to transaction costs, \$26,198,000 for severance and other termination benefits, \$21,629,000 for integration of operations, and \$23,759,000 for estimated losses related to the disposition of a Pennsylvania landfill ordered by the United States Department of Justice in connection with the United Merger and the disposition of other duplicative facilities. The results of operations for United prior to consummation of the merger for the restated periods are as follows (in thousands):

	SIX MONTHS ENDED JUNE 30, 1997	YEAR ENDED DECEMBER 31,	
		1996	1995
	(UNAUDITED)		
Operating revenues.....	\$216,619	\$335,743	\$228,377
Net income.....	23,849	35,393	28,288

The Company consummated 23 additional acquisitions accounted for as poolings of interests during 1997, pursuant to which Company issued approximately 7,500,000 shares of its common stock in exchange for all outstanding shares of acquired companies. Periods prior to consummation of the mergers were not restated to include the accounts and operations of the acquired companies as combined results are not materially different from the results as presented. In connection with these poolings of interests, the Company incurred

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

\$1,996,000, \$3,263,000, and \$15,000,000 in merger related costs in the first, second, and third quarters of 1997, respectively.

1996 Pooling of Interests Acquisitions

On August 30, 1996, the Company consummated a merger with Sanifill, Inc. ("Sanifill") accounted for as a pooling of interests (the "Sanifill Merger") and, accordingly, the accompanying consolidated financial statements have been restated to include the accounts and operations of Sanifill for all periods presented. Under the terms of the Sanifill Merger, the Company issued 1.70 shares of its common stock for each share of Sanifill outstanding common stock. The Sanifill Merger increased the Company's outstanding shares of common stock by approximately 43,414,000 shares and the Company assumed Sanifill's options and warrants equivalent to approximately 4,361,000 underlying shares of Company common stock. In the third quarter of 1996, the Company incurred approximately \$80,000,000 in merger related costs associated with the Sanifill Merger, of which approximately \$24,280,000 remained in accrued liabilities at December 31, 1996. The \$80,000,000 of merger costs includes \$9,500,000 of transaction costs, \$20,000,000 of relocation, severance, and other termination benefits, \$13,000,000 of costs relating to integrating operations, and \$37,500,000 of costs relating to the disposal of duplicate facilities. The results of operations for Sanifill prior to consummation of the merger for the restated periods are as follows (in thousands):

	SIX MONTHS ENDED JUNE 30, 1996	YEAR ENDED DECEMBER 31, 1995
	-----	-----
	(UNAUDITED)	
Operating revenues.....	\$181,406	\$256,705
Net income.....	18,964	27,913

On June 28, 1996, the Company consummated a merger with Salinas Disposal Service, Inc., Rural Dispos-All Service, Inc., and Madison Lane Properties, Inc. (collectively the "Salinas Companies") accounted for as a pooling of interests and, accordingly, the accompanying consolidated financial statements have been restated to include the accounts and operations of the Salinas Companies for all periods presented. Under the terms of the merger agreement, approximately 786,000 shares of the Company's common stock were issued in exchange for all outstanding shares of the Salinas Companies' common stock. Related to this merger, the Company incurred \$2,196,000 of merger costs in the second quarter of 1996. The results of operations for the Salinas Companies prior to consummation of the merger for the restated periods are as follows (in thousands):

	THREE MONTHS ENDED MARCH 31, 1996	YEAR ENDED DECEMBER 31, 1995
	-----	-----
	(UNAUDITED)	
Operating revenues.....	\$4,060	\$16,587
Net income (loss).....	(61)	842

On May 15, 1996, the Company consummated a merger with Grand Central Sanitation, Inc. and related companies ("Grand Central") accounted for as a pooling of interests, pursuant to which the Company issued 2,067,605 shares of its common stock in exchange for all outstanding shares of Grand Central. Periods prior to 1996 were not restated as combined results are not materially different from results as presented. Related to this merger, the Company incurred \$2,700,000 of merger costs in the second quarter of 1996.

On May 7, 1996, the Company consummated a merger with Western Waste Industries ("Western") accounted for as a pooling of interests (the "Western Merger") and, accordingly, the accompanying consolidated financial statements have been restated to include the accounts and operations of Western for all periods presented. Under the terms of the Western Merger, the Company issued 1.50 shares of its common stock for each share of Western outstanding common stock. Prior to the Western Merger, the Company

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

owned approximately 4.1% of Western's outstanding shares (634,900 common shares), which were cancelled on the effective date of the Western Merger. The Western Merger increased the Company's outstanding shares of common stock by approximately 22,028,000 shares and the Company assumed options under Western's stock option plans equivalent to approximately 5,200,000 underlying Company shares of common stock. In the second quarter of 1996, the Company incurred approximately \$35,000,000 in merger related costs associated with the Western Merger and approximately \$4,800,000 in benefits related to Western's pre-merger retirement program. The \$35,000,000 of merger costs include \$6,800,000 of transaction costs, \$15,000,000 of severance and other termination benefits, and \$13,200,000 of costs related to integrating operations. The results of operations for Western prior to consummation of the merger for the restated periods are as follows (in thousands):

	THREE MONTHS ENDED MARCH 31, 1996 ----- (UNAUDITED)	YEAR ENDED DECEMBER 31, 1995 -----
Operating revenues.....	\$68,441	\$273,901
Net income.....	4,703	17,021

The Company consummated eight additional acquisitions accounted for as poolings of interests during 1996, pursuant to which the Company issued approximately 2,839,000 shares of its common stock in exchange for all outstanding shares of the acquired companies. Periods prior to consummation of the mergers were not restated to include the accounts and operations of the acquired companies as combined results are not materially different from the results as presented.

1995 Pooling of Interests Acquisitions

On September 29, 1995, the Company consummated a merger with Carmel Marina Corporation, Neal Road Landfill Corporation, Jolan Road Landfill Corporation, Cal Sanitation Services, Inc., and Portable Site Services, Inc. (collectively the "Carmel Marina Companies") accounted for as a pooling of interests and, accordingly, the accompanying consolidated financial statements have been restated to include the accounts and operations of the Carmel Marina Companies for all periods presented. Under the terms of the merger agreement, approximately 2,422,000 shares of the Company's common stock were issued in exchange for all outstanding shares of the Carmel Marina Companies' common stock. Related to this merger, the Company incurred \$900,000 of merger costs in the third quarter of 1995.

On June 30, 1995, the Company consummated a merger with Chambers Development Company, Inc. ("Chambers") accounted for as a pooling of interests and, accordingly, the accompanying consolidated financial statements have been restated to include the accounts and operations of Chambers for all periods presented. Under the terms of the merger agreement, approximately 27,800,000 shares of the Company's common stock were issued in exchange for all outstanding shares of Chambers common stock and Class A common stock. Related to this merger, the Company incurred \$25,073,000 in merger costs in the second quarter of 1995, which includes \$11,900,000 of transaction costs, \$9,473,000 of severance and other termination benefits, and \$3,700,000 of costs related to integrating operations.

On May 31, 1995, the Company consummated a merger with Metropolitan Disposal and Recycling Corporation, Energy Reclamation, Inc., and EE Equipment, Inc. (collectively "MDC") accounted for as a pooling of interests and, accordingly, the accompanying consolidated financial statements have been restated to include the accounts and operations of MDC for all periods presented. Under the terms of the merger agreement, approximately 1,900,000 shares of the Company's common stock were issued in exchange for all outstanding shares of MDC common stock. Related to this merger, the Company incurred \$566,000 of merger costs in the second quarter of 1995.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company consummated two additional acquisitions accounted for as poolings of interests, pursuant to which the Company issued approximately 2,588,000 shares of its common stock in exchange for all outstanding shares of the acquired companies. Periods prior to consummation of these mergers were not restated to include the accounts and operations of the acquired companies as combined results are not materially different from the results as presented.

1997 and 1996 Purchase Acquisitions

On March 12, 1997, the Company acquired substantially all of the Canadian solid waste subsidiaries of Allied Waste Industries Inc. for approximately \$518,000,000 in cash. Those businesses represented 41 collection operations, seven landfills, and eight transfer stations in the provinces of Alberta, British Columbia, Manitoba, Ontario, Quebec, and Saskatchewan.

On April 1, 1997, the Company acquired substantially all of the assets of Mid-American Waste Systems, Inc. for approximately \$201,000,000, consisting primarily of cash and the assumption of a limited amount of debt. The assets acquired included 11 collection operations, 11 landfills, six transfer stations, and three recycling operations.

On June 10, 1997, the Company acquired the majority of Waste Management, Inc.'s ("WMI") Canadian solid waste businesses for \$124,000,000 in cash and 1,705,757 shares of the Company's common stock. The assets acquired included 13 collection operations, one landfill, and three transfer stations in the provinces of Alberta, British Columbia, Ontario, and Quebec.

In addition to the above purchase acquisitions, the Company consummated several acquisitions that were accounted for under the purchase method of accounting. Results of operations of companies that were acquired and subject to purchase accounting are included from the dates of such acquisitions. The total cost of acquisitions accounted for under the purchase method was \$2,280,775,000 in 1997, which includes approximately \$97,000,000 for a 49% interest in a partnership formed for the purpose of acquiring shares of WMI (see Note 14), and \$638,788,000 in 1996, respectively. The 49% partnership interest is included in other assets at December 31, 1997. The excess of the aggregate purchase price over the fair value of net assets acquired in 1997 and 1996 was approximately \$942,175,000 and \$351,797,000, respectively.

The pro forma information set forth below assumes acquisitions in 1997 and 1996 accounted for as purchases had occurred at the beginning of 1996. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated at that time (in thousands, except per share amounts):

	YEARS ENDED DECEMBER 31,	
	1997	1996
	(UNAUDITED)	(UNAUDITED)
Operating revenues.....	\$3,099,007	\$2,972,979
Income before extraordinary item.....	301,746	141,408
Net income.....	295,453	141,408
Basic earnings per common share:		
Income before extraordinary item.....	1.43	0.78
Net income.....	1.40	0.78
Diluted earnings per common share:		
Income before extraordinary item.....	1.36	0.74
Net income.....	1.33	0.74

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	DECEMBER 31,	
	1997	1996
Disposal sites, including costs incurred for expansion projects in process of \$64,971 and \$68,075, respectively.....	\$3,143,860	\$1,695,628
Vehicles.....	687,087	404,839
Machinery and equipment.....	251,523	186,231
Containers.....	302,793	215,473
Buildings and improvements.....	250,008	191,463
Furniture and fixtures.....	46,031	40,979
Land.....	162,715	130,912
	4,844,017	2,865,525
Less accumulated depreciation and amortization.....	(889,009)	(667,294)
	\$3,955,008	\$2,198,231

Depreciation and amortization expenses for property and equipment was \$268,197,000, \$162,949,000, and \$118,785,000 for the years ended December 31, 1997, 1996, and 1995, respectively.

4. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	DECEMBER 31,	
	1997	1996
Senior revolving credit facility.....	\$ 430,000	\$ 637,000
United credit facility.....	--	31,450
6 1/2% Senior notes due 2002, net of unamortized discount of \$2,229.....	347,771	--
7% Senior notes due 2004, net of unamortized discount of \$2,455.....	297,545	--
7 1/8% Senior notes due 2007, net of unamortized discount of \$2,919.....	297,081	--
7 1/8% Senior notes due 2017, net of unamortized discount of \$1,533.....	148,467	--
Senior notes, maturing in varying annual installments through September 2005, interest ranging from 7.29% to 8.44%.....	--	182,500
4% Convertible subordinated notes due 2002.....	535,275	--
4 1/2% Convertible subordinated notes due 2001.....	149,500	150,000
5% Convertible subordinated debentures due 2006.....	115,000	115,000
Tax-exempt bonds, principal payable in periodic installments, maturing through 2021, fixed and variable interest rates ranging from 4.00% to 9.25% at December 31, 1997.....	265,355	196,439
Other.....	177,735	192,499
	2,763,729	1,504,888
Less current maturities.....	39,286	34,606
	\$2,724,443	\$1,470,282

The aggregate estimated payments, including scheduled minimum maturities, of long-term obligations outstanding at December 31, 1997 for the five years ending December 31, 1998 through 2002 are: 1998 -- \$39,286,000, 1999 -- \$27,558,000, 2000 -- \$22,174,000, 2001 -- \$28,220,000, and 2002 -- \$170,734,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

On February 7, 1997, the Company issued \$535,275,000 of 4% convertible subordinated notes, due on February 1, 2002 ("Convertible Notes Offering"). Interest is payable semi-annually in February and August. The notes are convertible by the holders into shares of the Company's common stock at any time at a conversion price of \$43.56 per share. The notes are subordinated in right of payment to all existing and future senior indebtedness, as defined. The notes are redeemable after February 1, 2000 at the option of the Company at 101.6% of the principal amount, declining to 100.8% of the principal amount on February 1, 2001 and thereafter until maturity at which time the notes will be redeemed at par, plus accrued interest. Deferred offering costs of approximately \$14,000,000 were incurred and are being amortized ratably over the life of the notes. The proceeds were primarily used to repay debt under the Company's credit facility, to fund acquisitions, and for general corporate purposes.

On February 7, 1997, concurrent with the Convertible Notes Offering, the Company completed a public offering of 11,500,000 shares of its common stock, priced at \$35.125 per share. The net proceeds of approximately \$387,438,000 were primarily used to repay debt under the Company's credit facility and for general corporate purposes.

On March 3, 1997, prior to its becoming a wholly owned subsidiary of the Company, United completed a public offering in which it issued 3,450,000 shares of its common stock, priced at \$36.50 per share (equivalent to 3,708,750 shares of the Company's common stock, priced at \$33.95 per share). The net proceeds of approximately \$119,000,000 were used to repay approximately \$47,000,000 of debt under United's credit facility, to fund acquisitions, and for general corporate purposes.

During August 1997 and September 1997, the Company prepaid the holders of both privately placed senior note issuances an aggregate amount of \$182,500,000 with proceeds from its senior revolving credit facility. Interest on these privately placed senior notes ranged from 7.29% to 8.44%. In connection with this transaction, the Company was required to pay prepayment penalties of approximately \$7,975,000, which was recorded as an extraordinary item in the third quarter of 1997.

On September 12, 1997, the Company issued \$300,000,000 of 7% senior notes due October 1, 2004, and \$300,000,000 of 7 1/8% senior notes due October 1, 2007. The senior notes constitute senior and unsecured obligations of the Company, ranking equal in right of payment with all other senior and unsecured obligations of the Company, as defined. The senior notes are redeemable at the option of the Company at any time and from time to time at par of the principal amount of such notes, plus accrued interest. Deferred offering costs of approximately \$4,125,000 were incurred and are being amortized ratably over the life of the senior notes. The proceeds were used to repay debt under the Company's senior revolving credit facility. In anticipation of this offering, the Company entered into interest rate locks on July 25, 1997, with various institutions as a hedging transaction to cover the future issuance of \$600,000,000 of debt. The gain realized from this hedging transaction of approximately \$5,632,000 is being amortized over the life of the related notes using the effective interest method and has the effect of reducing the all-inclusive interest rate to 6.90% on the 7% senior notes due October 1, 2004, and 7.06% on the 7 1/8% senior notes due October 1, 2007. Interest is payable semiannually on October 1 and April 1.

On December 17, 1997, the Company issued \$350,000,000 of 6 1/2% senior notes due December 15, 2002, and \$150,000,000 of 7 1/8% senior notes due December 15, 2017. The senior notes constitute senior and unsecured obligations of the Company ranking equal in right of payment with all other senior and unsecured obligations of the Company, as defined. The 6 1/2% senior notes due December 15, 2002, are not redeemable. The \$150,000,000 of 7 1/8% senior notes due December 15, 2017, are redeemable, in whole or in part, at the option of the Company at any time and from time to time at a redemption price equal to the Make-Whole Price, as defined. Deferred offering costs of approximately \$3,713,000 were incurred and are being amortized ratably over the life of the senior notes. The proceeds were used to repay debt under the Company's senior revolving credit facility. In anticipation of this offering, the Company entered into interest rate locks on December 9, 1997, as a hedging transaction to cover the future issuance of \$500,000,000 of debt. The amount

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

paid by the Company from this hedging transaction of approximately \$6,845,000 is being amortized over the life of the related notes. The all inclusive interest rate is 6.67% on the 6 1/2% senior notes due December 15, 2002, and is 7.27% on the 7 1/8% senior notes due December 15, 2017. Interest is payable semi-annually on December 15 and June 15.

On May 7, 1996, in connection with the Western Merger, the Company replaced its existing credit facility with a \$750,000,000 senior revolving credit facility and retired amounts outstanding under Western's credit facility. The credit facility was used to refinance existing bank loans and letters of credit, to fund additional acquisitions, and for working capital. The credit facility was available for standby letters of credit, to fund additional acquisitions, and for the working capital. The credit facility was available for standby letters of credit of up to \$300,000,000. Loans under the credit facility bore interest at a rate based on the Eurodollar rate plus a spread not to exceed 0.75% per annum (spread initially set at 0.405% per annum). The credit facility required a facility fee not to exceed 0.375% per annum on the entire available credit facility (facility fee initially set at 0.22% per annum.)

On August 30, 1996, in connection with the Sanifill Merger, the Company replaced the \$750,000,000 senior revolving credit facility with a \$1,200,000,000 senior revolving credit facility and retired amounts under Sanifill's senior revolving credit facility. The senior revolving credit facility was used to refinance existing bank loans and letters of credit and to fund additional acquisitions and working capital. The senior revolving credit facility was available for standby letters of credit of up to \$400,000,000. Loans under the senior revolving credit facility bore interest at a rate based on the Eurodollar rate plus a spread not to exceed 0.75% per annum (spread set at 0.30% per annum, or an applicable interest rate of 5.87% per annum at December 31, 1996). The senior revolving credit facility required a facility fee not to exceed 0.375% per annum on the entire available senior revolving credit facility (facility fee set at 0.15% per annum at December 31, 1996). The senior revolving credit facility contained financial covenants with respect to interest coverage and debt capitalization ratios. The senior revolving credit facility also contained limitations on dividends, additional indebtedness, liens, and asset sales. Principal reductions were not required during the five-year term of the senior revolving credit facility. On March 5, 1997, the senior revolving credit facility was replaced with a \$1,600,000,000 senior revolving credit facility with the same general terms, covenants, and limitations, which was available for standby letters of credit of up to \$500,000,000. On August 7, 1997, the \$1,600,000,000 senior revolving credit facility was replaced with a \$2,000,000,000 senior revolving credit facility with the same general terms, covenants, and limitations, which is available for \$650,000,000 of standby letters of credit. At December 31, 1997, the Company had borrowed \$430,000,000 and had issued letters of credit of \$467,029,000 under its \$2,000,000,000 senior revolving credit facility. The applicable interest rate and facility fee at December 31, 1997, was 6.1% and 0.1125% per annum, respectively.

United's credit facility provided for a three year, \$190,000,000 revolving credit facility due December 1999. Outstanding loans under the United credit facility bore interest at a rate per annum equal to the Eurodollar Rate (Reserve Adjusted) (as defined in the loan agreement providing for the United credit facility) applicable to each interest period plus 0.625% to 1.25% per annum or the Alternate Reference Rate (as defined) from time to time in effect. At December 31, 1996, the weighted average interest rate was 6.98%. The credit facility also allowed United to obtain up to \$90,000,000 in letters of credit. The aggregate amount that United was permitted to borrow under its credit facility was reduced by the aggregate face amount of all outstanding letters of credit issued thereunder. United's credit facility required United to comply with covenants including the maintenance of certain financial ratios, limitations on additional indebtedness, limitations on capital expenditures, and a prohibition on United's payment of cash dividends on its common stock. In connection with the United Merger, the Company retired amounts outstanding under United's credit facility with proceeds from its senior revolving credit facility.

On June 5, 1996, United issued \$150,000,000 of 4 1/2% convertible subordinated notes, due June 1, 2001. Interest is payable semi-annually in June and December. The notes are convertible into shares of the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Company's common stock at a conversion price of \$30.23 per share. The notes are subordinated in right of payment to all existing and future senior indebtedness, as defined. The notes are redeemable after June 1, 1999, at the option of the Company at 101.8% of the principle amount, declining annually to par on June 1, 2001, plus accrued interest. Deferred offering costs of approximately \$5,287,000 were incurred and are being amortized ratably over the life of the notes. The proceeds were used to repay outstanding indebtedness of approximately \$75,000,000 under United's credit facility, fund acquisitions and capital expenditures, and for general corporate purposes.

On March 4, 1996, Sanifill issued \$115,000,000 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 \$28.31 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 \$2,900,000 were incurred and are being amortized ratably over the life of the debentures. The proceeds were used to repay debt under Sanifill's credit facility.

On March 18, 1996, Sanifill called for redemption all of its \$60,000,000 of 7 1/2% convertible subordinated debentures due June 1, 2006, at redemption price of 104.5% of their face amount plus accrued interest from December 1, 1995, to, and including, the redemption date of April 17, 1996. Alternatively, holders of these debentures were allowed to convert their debentures into 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 (equivalent to \$16.95 for the Company's common stock). Holders electing to convert received 34.7 shares of Sanifill's common stock (equivalent to 59 shares of the Company's common stock) for each \$1,000 principal amount of debentures surrendered. The \$60,000,000 of debentures were ultimately converted to approximately 3,570,000 shares of Company common stock. Deferred offering costs of approximately \$1,700,000 were recorded as a reduction to additional paid-in-capital.

The Company has guaranteed specific obligations of certain unconsolidated affiliates or businesses totaling approximately \$58,749,000 and \$25,000,000 at December 31, 1997 and 1996, respectively. The Company believes that these unconsolidated affiliates or businesses will be able to perform under their respective obligations and that no payments will be required and, due to the Company's ability to assume a senior debt position, no losses will be incurred under such guarantees.

In August 1995, the Company entered into a three year interest rate swap agreement whereby the Company fixed a maximum interest rate on \$125,000,000 of its senior revolving credit facility. The interest rate was a fixed annual rate of approximately 5.9% plus the applicable spread over the Eurodollar rate (not to exceed 1.75% per annum) as determined under the Company's senior revolving credit facility (6.2% at December 31, 1997 and 1996.)

The Company has completed several tax-exempt bond issues totaling \$265,355,000 and \$196,439,000 at December 31, 1997 and 1996, respectively, with maturities ranging through 2021. Certain of the bonds are subject to annual sinking fund redemptions and proceeds of the issues are restricted to fund certain assets of the related projects. Certain of the bonds are supported by irrevocable letters of credit and bear interest at floating rates with rates reset weekly by a remarketing agent. An interest rate swap agreement with approximately two years remaining at December 31, 1997, has fixed the rate at 6.29% on \$24,000,000 of these bonds.

Other long-term debt at December 31, 1997 and 1996 consists primarily of miscellaneous notes payable and obligations under capital leases. Other long-term debt at December 31, 1996, also includes \$83,475,000 paid in January 1997 through additional borrowings under the Company's senior revolving credit facility to the former owners of a landfill and collection operation acquired by the Company in December 1996.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Chambers incurred nonrecurring interest expense of \$10,994,000 in 1995, as a result of amendments to its credit facility and senior notes in November 1994. Chambers proratably accrued the extension fees, the expected refinancing premium, and other charges incurred upon consummation of its merger with the Company.

Letters of credit and surety bonds have been provided by the Company supporting tax-exempt bonds, performance of landfill closure and post-closure requirements, insurance contracts, and other contracts. Total letters of credit and surety bonds outstanding at December 31, 1997, aggregated \$567,729,000 and \$75,271,000, respectively.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, restricted funds held by trustees, trade accounts receivable, trade accounts payable, and financial instruments included in notes and other receivables and other assets approximate their fair values principally because of the short-term maturities of these instruments.

The fair values of the Company's debt maturing within one year and the credit facilities approximate the carrying values due to the nature of the instruments involved. The fair values of the Company's publicly held senior notes and convertible debt are as follows (in thousands):

	DECEMBER 31,			
	1997		1996	
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
6 1/2% Senior notes due 2002.....	\$347,771	\$349,963	\$ --	\$ --
7% Senior notes due 2004.....	297,545	305,024	--	--
7 1/8% Senior notes due 2007.....	297,081	307,575	--	--
7 1/8% Senior notes due 2017.....	148,467	149,282	--	--
4% Convertible subordinated notes due 2002.....	535,275	592,148	--	--
4 1/2% Convertible subordinated notes due 2001.....	149,500	214,906	150,000	172,500
5% Convertible subordinated debentures due 2006.....	115,000	170,631	115,000	142,025

The fair value of the Company's \$125,000,000 interest rate swap approximates the carrying value due to the instrument's relatively short remaining maturity and the differential between its fixed rate of 6.2% at December 31, 1997 and 1996, compared to the related senior revolving credit facility's variable rate of 5.86% and 5.87% at December 31, 1997 and 1996, respectively.

The senior notes maturing in varying annual installments through September 2005, that were outstanding at December 31, 1996, have carrying values at the respective dates that are considered to approximate their respective fair values based on valuation techniques that consider cash flows discounted at current market rates.

The fair values of the tax-exempt bonds approximate the carrying values as the interest rates on a majority of the bonds are reset weekly based on the credit quality of the letters of credit which collateralize the bonds.

In the normal course of business, the Company has letters of credit, performance bonds, insurance policies, and other guarantees that are not reflected in the accompanying consolidated balance sheets. In the past, no significant claims have been made against these financial instruments. Management believes that the likelihood of the Company's performance under these financial instruments is minimal and expects no material losses to occur in connection with these financial instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. PREFERRED STOCK

The Board of Directors is authorized to issue preferred stock in series, and with respect to each series, to fix its designation, relative rights (including voting, dividend, conversion, sinking fund, and redemption rights), preferences (including dividends and liquidation), and limitations. The Company currently has no issued or outstanding preferred stock.

7. COMMON STOCK OPTIONS AND WARRANTS

In accordance with the Company's 1990 Stock Option Plan (the "1990 Plan"), options to purchase 900,000 shares of the Company's common stock may be granted to officers, directors, and key employees. In accordance with the Company's 1993 Stock Option Incentive Plan, as amended (the "1993 Plan"), options to purchase 6,500,000 shares of the Company's common stock may be granted to officers, directors, and key employees. Options are granted under both the 1990 Plan and the 1993 Plan at an exercise price which equals or exceeds the fair market value of the common stock on the date of grant, with various vesting periods, and expire up to ten years from the date of grant. No options are available for future grant under the 1990 Plan.

In May 1996, the Company adopted the 1996 Stock Option Plan for Non-Employee Directors ("1996 Directors Plan") to offer its directors who are not officers, full-time employees, or consultants of the Company an annual grant of 10,000 options on each January 1 (subsequently amended to 12,500 options). In accordance with the 1996 Directors Plan, options to purchase up to 400,000 shares of the Company's common stock may be granted, with five year vesting periods, and expiration dates ten years from the date of grant. Options may be granted at an exercise price which equals fair market value of the common stock on the date of grant.

Western maintained three stock option plans ("Western Plans"): the 1992 Stock Option Plan ("1992 Western Plan"), the Incentive Stock Option Plan, and the Non-Qualified Stock Option Plan, which allowed key employees and directors of Western the right to purchase shares of its common stock. Options granted under the 1992 Western Plan were designated as incentive or non-qualified in nature, at the discretion of the Compensation Committee of Western's Board of Directors, though only employees were eligible to receive incentive stock options. Western had reserved 2,000,000 shares of its common stock under each of the Western Plans. Options were granted under the Western Plans at an exercise price which equaled or exceeded the fair market value on the date of grant. Options were generally exercisable in installments beginning one year after the grant date. As a result of the Western Merger, all unexpired and unexercised options under the Western Plans converted to options to purchase shares of the Company's common stock, as adjusted, subject to the same terms and conditions as provided under the Western Plans. No additional options may be issued under these plans.

Sanifill maintained an incentive compensation plan (the "Incentive Plan") which allowed for the ability to grant non-qualified options, restricted stock, deferred stock, incentive stock options, stock appreciation rights, and other long-term incentive awards. Under the Incentive Plan, stock options were typically granted at fair market value on the date of grant. The number of shares available for issuance under the Incentive Plan was limited to 14% of the number of outstanding shares of Sanifill's common stock at that time less shares outstanding under the Incentive Plan and the Company's previously utilized stock option plan (the "Stock Option Plan"). The Incentive Plan did not provide for the granting of options to non-employee directors. The Stock Option Plan provided for options of up to 382,500 of the authorized shares to be granted to non-employee directors. In May 1995, Sanifill granted 26,095 shares of restricted stock to certain key executives under the Incentive Plan, which were to vest at the end of eight years or upon the achievement of certain financial objectives, if sooner. During 1996, these financial objectives were met and all restricted shares were vested. Sanifill incurred compensation expense of \$2,204,000 and \$312,000 in 1996 and 1995, respectively, related to restricted stock. As a result of the Sanifill Merger, all unexpired and unexercised options under the plans converted to options to purchase shares of the Company's common stock, as adjusted, subject to the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

same terms and conditions as provided under such plans. No additional options may be issued under these plans.

United granted stock options pursuant to the 1992 Stock Option Plan, various similar plans, and the 1992 Disinterested Director Stock Option Plan. Under the 1992 Stock Option Plan, United was authorized to grant up to 5,900,000 incentive and non-statutory stock options. Under the 1992 Disinterested Director Stock Option Plan, a fixed number of non-statutory stock options were granted annually to members of United's Board of Directors. At the effective date of the United Merger, United stock options, whether or not such stock options had vested or had become exercisable, were cancelled in exchange for shares of the Company's common stock equal in market value to the fair value of such United stock options, as determined by an independent third party. No additional options may be issued under these plans.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123"). SFAS No. 123 prescribes a fair value based method of determining compensation expense related to stock-based awards granted to employees. The recognition provisions of SFAS No. 123 are optional; however, entities electing not to adopt the recognition provisions of SFAS No. 123 are required, beginning in 1996, to make disclosures of pro forma net income and earnings per share as if the recognition provisions of SFAS No. 123 had been applied as of January 1, 1995, as well as disclosures regarding assumptions utilized in determining the pro forma amounts. The Company did not adopt the recognition provisions of SFAS No. 123, however, required disclosures are included below.

Stock options granted by the Company in 1997, 1996, and 1995 have ten year terms. Stock options granted by Chambers and Western became fully vested upon consummation of the related mergers. Stock options granted by Sanifill continue to vest under varying vesting periods ranging from immediate vesting to five years following the date of grant. As discussed above, at the effective date of the United Merger, United stock options, whether or not such stock options had vested or had become exercisable, were cancelled in exchange for shares of the Company's common stock equal in market value to the fair value of such United stock options, as determined by an independent third party. The Company has issued warrants expiring through 2002 for the purchase of shares of its common stock in connection with private placements of debt and equity securities, acquisitions of businesses, bank borrowings, reorganizations, and certain employment agreements. The following table summarizes common stock options and warrants transactions related to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

employees or Company directors under all of the aforementioned plans for 1997, 1996, and 1995 (in thousands):

	OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Outstanding at January 1, 1995.....	15,328	\$ 6.62
Granted.....	5,507	17.52
Exercised.....	(1,731)	8.58
Forfeited.....	(118)	29.62

Outstanding at December 31, 1995.....	18,986	11.18
Granted.....	8,068	24.71
Exercised.....	(5,141)	10.05
Forfeited.....	(63)	15.71

Outstanding at December 31, 1996.....	21,850	16.51
Granted.....	3,892	34.83
Exercised.....	(6,741)	15.61
Forfeited.....	(237)	21.97

Outstanding at December 31, 1997.....	18,764	20.98
	=====	
Exercisable at December 31, 1996.....	10,669	\$11.93
Exercisable at December 31, 1997.....	8,417	13.69

The common stock options and warrants outstanding at December 31, 1997, include 6,673,000 common stock options and warrants granted by Chambers, Western, Sanifill, and United, of which 5,517,000 are exercisable. The Company holds 23,485 shares of its common stock in treasury as of December 31, 1997, for future distribution upon exercise of options under the plans.

The weighted average fair value of common stock options and warrants granted to employees or Company directors during 1997 and 1996 were \$11.40 and \$7.95, respectively. The fair value of each common stock option or warrant granted to employees or Company directors by the Company during 1997 and 1996 is estimated utilizing the Black-Scholes option-pricing model. The following weighted average assumptions were used: dividend yield of 0%, risk-free interest rates which vary for each grant and range from 5.61% to 6.31%, expected life of four years for all grants, and stock price volatility ranging from 29.5% to 31% for all grants.

Outstanding and exercisable stock options and warrants related to employees or Company directors at December 31, 1997, were as follows (in thousands):

EXERCISE PRICE	OUTSTANDING			EXERCISABLE	
	OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING TERM	OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----	-----	-----	-----
\$2.25 to \$10.00.....	3,367	\$ 6.90	3.6 years	3,308	\$ 6.86
\$10.01 to \$20.00.....	5,316	14.24	6.9 years	3,137	13.66
\$20.01 to \$30.00.....	6,099	25.41	8.4 years	1,836	24.06
\$30.01 to \$59.10.....	3,982	35.09	9.5 years	136	40.25
	-----			-----	
\$2.25 to \$59.10.....	18,764	20.98	7.4 years	8,417	13.69
	=====			=====	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table summarizes transactions involving common stock warrants related to nonemployees for 1997, 1996, and 1995 (in thousands):

	WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Outstanding at January 1, 1995.....	312	\$ 9.33
Granted.....	230	11.61
Exercised.....	(415)	9.03
Forfeited.....	--	--

Outstanding at December 31, 1995.....	127	10.65
Granted.....	528	25.46
Exercised.....	(81)	9.15
Forfeited.....	(21)	10.50

Outstanding at December 31, 1996.....	553	19.52
Granted.....	441	38.70
Exercised.....	(136)	16.69
Forfeited.....	(97)	13.50

Outstanding at December 31, 1997.....	761	31.91
	====	
Exercisable at December 31, 1996.....	222	\$15.37
Exercisable at December 31, 1997.....	320	16.84

The weighted average fair value of common stock warrants granted to nonemployees during 1997 and 1996 were \$12.54 and \$10.37, respectively. The fair value of each common stock warrant granted to nonemployees by the Company during 1997 and 1996 is estimated utilizing the Black-Scholes option-pricing model. The following weighted average assumptions were used: dividend yield of 0%, risk-free interest rates which vary for each grant and range from 5.06% to 7.67%, expected life of five years for all grants, and a stock price volatility of approximately 31% for all grants. No common stock warrants have been granted by United to nonemployees for purposes other than business combinations. Compensation expense related to common stock warrants granted to nonemployees in 1997 and 1996 was not material.

If the Company applied the recognition provisions of SFAS No. 123, the Company's net income and earnings per common share for 1997, 1996, and 1995 would approximate the pro forma amounts shown below (in thousands, except per share amounts):

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
	-----	-----	-----
SFAS No. 123 charge, net of income taxes.....	\$ 18,059	\$13,951	\$ 3,192
Income before extraordinary item.....	255,264	54,388	77,584
Net income.....	248,971	54,388	77,584
Basic earnings per common share:			
Income before extraordinary item.....	1.23	0.31	0.54
Net income.....	1.20	0.31	0.54
Diluted earnings per common share:			
Income before extraordinary item.....	1.18	0.30	0.52
Net income.....	1.15	0.30	0.52

The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts. SFAS No. 123 does not apply to awards prior to 1995.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

8. EMPLOYEE BENEFIT PLAN

Effective July 1, 1995, the Company established the USA Waste Services, Inc. Employee Savings Plan ("Savings Plan"), a qualified defined contribution retirement plan, covering employees (except those working subject to a collective bargaining agreement) 21 years of age or older who have completed one year of service or were actively employed on the Savings Plan's commencement date. The Savings Plan allows eligible employees to contribute up to the lesser of 15% of their annual compensation or the maximum permitted under IRS regulations to various investment funds. The Company matches 50% of the first 6% an employee contributes. Both employee and Company contributions vest immediately. In 1997, 1996, and 1995, the Company contributed approximately \$5,335,000, \$1,248,000, and \$218,000, respectively, and incurred approximately \$225,000, \$148,000, and \$25,000, respectively, in administrative fees.

9. INCOME TAXES

The provision for income taxes on continuing operations consists of the following (in thousands):

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Current:			
Domestic.....	\$108,741	\$52,063	\$43,689
Foreign.....	8,357	5,375	407
	-----	-----	-----
	117,098	57,438	44,096
	-----	-----	-----
Deferred:			
Domestic.....	44,510	13,399	16,730
Foreign.....	28,336	(439)	(513)
	-----	-----	-----
	72,846	12,960	16,217
	-----	-----	-----
Provision for income taxes.....	\$189,944	\$70,398	\$60,313
	=====	=====	=====

The difference between income taxes at the federal statutory rate and the provision for income taxes on continuing operations for the years presented is as follows (in thousands):

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Income taxes at federal statutory rate.....	\$162,143	\$48,558	\$49,381
Nondeductible merger costs.....	9,253	10,323	7,189
Nondeductible costs relating to acquired intangibles.....	11,370	2,335	1,606
State and local income taxes, net of federal income tax benefit.....	9,772	7,038	4,050
Foreign income taxes.....	309	1,977	494
Federal tax credits.....	(2,542)	(305)	(456)
Other.....	(361)	472	(1,951)
	-----	-----	-----
Provision for income taxes.....	\$189,944	\$70,398	\$60,313
	=====	=====	=====

Chambers' federal income tax returns for years 1988 through 1992 are currently under examination by the Internal Revenue Service ("IRS"). The Company has reached a tentative agreement with the IRS regarding the tax treatment of certain costs and expenses deducted for financial statement purposes in these open tax years. That agreement is subject to the approval of the Joint Committee on Taxation. Western's federal income tax returns for fiscal years 1991 through 1993 are currently under examination by the IRS. The IRS assessed additional tax for these years, which the Company is vigorously protesting, which neither alone

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

nor in aggregate would have a material effect on the Company's financial position, results of operations or cash flows when resolved. USA Waste's federal income tax returns for the years 1994 through 1996 are currently under examination by the IRS.

The components of the net deferred tax assets (liabilities) are as follows (in thousands):

	DECEMBER 31,	
	1997	1996
Deferred tax assets:		
Net operating loss carryforwards.....	\$ 93,490	\$ 87,496
Closure, post-closure, and other reserves.....	47,127	46,452
Self insurance.....	3,274	5,042
Asset impairments, losses from planned asset divestitures, and other.....	61,937	57,626
Valuation allowance.....	(24,000)	(24,000)
	-----	-----
Deferred tax assets.....	181,828	172,616
Deferred tax liabilities:		
Property, equipment, intangible assets, and other.....	(449,675)	(169,476)
	-----	-----
Net deferred tax assets (liabilities).....	\$ (267,847)	\$ 3,140
	=====	=====

At December 31, 1997, the Company had approximately \$162,000,000 of federal net operating loss ("NOL") carryforwards, \$217,000,000 of state NOL carryforwards, and \$39,000,000 of foreign NOL carryforwards. Most of the federal NOL carryforwards, which were primarily a result of losses incurred by Chambers prior to the Company's merger with Chambers, will begin to expire in 2007. The use of the federal NOL carryforwards is subject to annual limitations of approximately \$39,000,000 due to an ownership change within the meaning of Internal Revenue Code Section 382. The Company periodically evaluates the deferred tax assets and adjusts the related valuation allowance on the deferred tax assets to an amount which is more likely than not to be realized through future taxable income.

The provision for domestic income taxes on undistributed earnings of foreign subsidiaries is made only on those amounts in excess of the funds considered to be permanently reinvested. The Company has no present intention of remitting undistributed earnings of foreign subsidiaries and therefore, no deferred tax liability has been established related to these earnings. If the reinvested earnings were to be remitted, the federal income taxes due under current tax law would not have a material effect on the Company's financial position, results of operations or cash flows.

10. DOMESTIC AND FOREIGN OPERATIONS

The Company operates in one line of business: integrated nonhazardous solid waste management which encompasses the entire waste stream from collection to transfer station to landfill. The Company conducts its operations in various locations throughout the United States, Canada, and Puerto Rico. During 1997, the Company contributed the net book value of its Mexico operations to a non-public solid waste entity focusing on Mexico's solid waste market in exchange for a 37.5% interest in that entity. Accordingly, the Company is

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

accounting for this investment under the entity method of accounting. The following is a summary of the Company's operations by geographic area (in thousands):

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Operating revenues:			
United States and Puerto Rico.....	\$2,265,526	\$1,624,742	\$1,210,827
Canada.....	337,504	15,039	--
Mexico.....	10,738	9,350	5,255
Total operating revenues.....	<u>\$2,613,768</u>	<u>\$1,649,131</u>	<u>\$1,216,082</u>
Income from operations:			
United States and Puerto Rico.....	\$ 429,526	\$ 182,265	\$ 201,297
Canada.....	116,227	5,908	--
Mexico.....	(72)	(2,014)	(2,168)
Total income from operations.....	<u>\$ 545,681</u>	<u>\$ 186,159</u>	<u>\$ 199,129</u>
Identifiable assets at end of year:			
United States and Puerto Rico.....	\$5,352,254	\$3,481,060	\$2,432,397
Canada.....	1,270,591	125,104	--
Mexico.....	--	25,383	22,705
Total identifiable assets at end of year.....	<u>\$6,622,845</u>	<u>\$3,631,547</u>	<u>\$2,455,102</u>

11. UNUSUAL ITEMS

A summary of unusual items is as follows (in thousands):

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Provision for asset impairments, abandoned projects, and estimated losses related to the disposition of non-core business assets.....	\$24,720	\$35,848	\$ --
Provisions for losses on contractual commitments.....	--	23,128	1,313
Financing and professional fees.....	--	--	610
Corporate and regional restructurings.....	--	--	2,810
Western retirement benefits.....	--	4,824	--
Total unusual items.....	<u>\$24,720</u>	<u>\$63,800</u>	<u>\$ 4,733</u>

In the third quarter of 1997, the Company charged to expense unusual items of \$10,400,000 related to estimated losses for the closure of two transfer stations in Minnesota, \$8,400,000 related to estimated losses for the closure and abandonment of two landfills in Massachusetts, and \$5,920,000 related to reserves for various terminated projects.

In the second quarter of 1996, unusual items include approximately \$4,824,000 of retirement benefits associated with Western's pre-merger retirement plan and approximately \$8,128,000 of estimated future losses related to municipal solid waste contracts in California as a result of the continuing decline in prices of recyclable materials. In the third quarter of 1996, the Company also recognized approximately \$50,848,000 of unusual items, which included \$28,900,000 of estimated losses related to the disposition of certain non-core business assets, \$15,000,000 of project reserves related to certain Mexico operations, and \$6,948,000 of reserves for various other terminated projects.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

12. COMMITMENTS AND CONTINGENCIES

Operating leases -- The Company has entered into certain noncancelable operating leases for vehicles, equipment, offices, and other facilities which expire through 2017, certain of which contain renewal options. Lease expense aggregated \$29,476,000, \$21,260,000, and \$15,954,000, during 1997, 1996, and 1995, respectively. Future minimum lease payments under operating leases in effect at December 31, 1997 are 1998 -- \$10,990,000; 1999 -- \$8,758,000; 2000 -- \$7,223,000; 2001 -- \$5,878,000; 2002 -- \$5,290,000; and thereafter \$21,314,000.

Environmental matters -- The Company is subject to extensive and evolving federal, state, and local environmental laws and regulations in the United States and elsewhere that have been enacted in response to technological advances and the public's increased concern over environmental issues. As a result of changing governmental attitudes in this area, management anticipates that the Company will continually modify or replace facilities and alter methods of operation. The majority of the expenditures necessary to comply with the environmental laws and regulations are made in the normal course of business. Although the Company, to the best of its knowledge, is in compliance in all material respects with the laws and regulations affecting its operations, there is no assurance that the Company will not have to expend substantial amounts for compliance in the future.

Litigation -- As of December 31, 1997, the Company or its subsidiaries has been notified that they are potentially responsible parties ("PRPs") in connection with six locations listed on the Superfund National Priorities List ("NPL"). None of the six NPL sites at which claims have been made against the Company are owned by the Company, and they are at different procedural stages under Superfund. At four of the NPL sites, the Company's liability is well defined as a consequence of a governmental decision as to the appropriate remedy. At the others, where investigations have not been completed, remedies not selected or responsible parties have been unable to reach agreement, the Company's liability is less certain. While the Company, based on its status reviews of its PRP claims, does not currently anticipate that the amount of such liabilities will have a material adverse effect on the Company's operations, financial condition or cash flows, the measurement of environmental liabilities is inherently difficult and the possibility remains that technological, regulatory or enforcement developments, the results of environmental studies, or other factors could materially alter this expectation at any time.

The Company has been advised by the U.S. Department of Justice that United is a target of a federal investigation relating to alleged violations of the Clean Water Act at the Laurel Ridge Landfill in Kentucky. The investigation relates to a period prior to the Company's acquisition of United. The Company is not a target of the investigation and has pledged its full cooperation to the government.

The Company and certain of its subsidiaries are parties to various other litigation matters arising in the ordinary course of business. Management believes that the ultimate resolution of these matters will not have a material adverse impact on the Company's financial position, results of operations or cash flows. In the normal course of its business and as a result of the extensive government regulation of the solid waste industry, the Company periodically may become subject to various judicial and administrative proceedings and investigations involving federal, state, or local agencies. To date, the Company has not been required to pay any material fine or judgment for violation of an environmental law. From time to time, the Company also may be subjected to actions brought by citizen's groups in connection with the permitting of landfills or transfer stations, or alleging violations of the permits pursuant to which the Company operates. The Company is also subject from time to time to claims for personal injury or property damage arising out of accidents involving its vehicles.

Insurance -- The Company carries a broad range of insurance coverages, which management considers prudent for the protection of the Company's assets and operations. Some of these coverages are subject to varying retentions of risk by the Company. The casualty coverages currently include \$2,000,000 primary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

commercial general liability and \$1,000,000 primary automobile liability supported by \$200,000,000 in umbrella insurance protection. The property policy provides insurance coverage for all of the Company's real and personal property, including California earthquake perils. The Company also carries \$200,000,000 in aircraft liability protection.

The Company maintains workers' compensation insurance in accordance with laws of the various states and countries in which it has employees. The Company also currently has an environmental impairment liability ("EIL") insurance policy for certain of its landfills, transfer stations, and recycling facilities that provides coverage for property damages and/or bodily injuries to third parties caused by off-site pollution emanating from such landfills, transfer stations, or recycling facilities. This policy provides \$5,000,000 of coverage per loss with a \$10,000,000 aggregate limit.

To date, the Company has not experienced any difficulty in obtaining insurance. However, if the Company in the future is unable to obtain adequate insurance, or decides to operate without insurance, a partially or completely uninsured claim against the Company, if successful and of sufficient magnitude, could have a material adverse effect on the Company's financial condition, results of operations or cash flows. Additionally, continued availability of casualty and EIL insurance with sufficient limits at acceptable terms is an important aspect of obtaining revenue-producing waste service contracts.

13. SELECTED QUARTERLY FINANCIAL DATA, UNAUDITED

The following table summarizes the unaudited consolidated quarterly results of operations for 1997 and 1996 (in thousands, except per share amounts):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	-----	-----	-----	-----
Operating revenues:				
1997.....	\$460,484	\$656,225	\$761,751	\$735,308
	=====	=====	=====	=====
1996.....	\$352,105	\$410,000	\$442,801	\$444,225
	=====	=====	=====	=====
Income (loss) from operations:				
1997.....	\$107,315	\$165,679	\$ 74,355	\$198,332
	=====	=====	=====	=====
1996.....	\$ 66,880	\$ 40,047	\$(27,298)	\$106,530
	=====	=====	=====	=====
Income (loss) before income taxes and extraordinary item:				
1997.....	\$ 96,916	\$146,243	\$ 48,658	\$171,450
	=====	=====	=====	=====
1996.....	\$ 55,529	\$ 25,507	\$(38,701)	\$ 96,402
	=====	=====	=====	=====
Net income (loss):				
1997.....	\$ 57,962	\$ 87,296	\$ 18,902	\$102,870
	=====	=====	=====	=====
1996.....	\$ 33,430	\$ 5,021	\$(27,471)	\$ 57,359
	=====	=====	=====	=====
Basic earnings (loss) per common share:				
1997.....	\$ 0.30	\$ 0.43	\$ 0.09	\$ 0.47
	=====	=====	=====	=====
1996.....	\$ 0.20	\$ 0.03	\$(0.16)	\$ 0.32
	=====	=====	=====	=====
Diluted earnings (loss) per common share:				
1997.....	\$ 0.29	\$ 0.40	\$ 0.09	\$ 0.45
	=====	=====	=====	=====
1996.....	\$ 0.19	\$ 0.03	\$(0.16)	\$ 0.30
	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Basic and diluted earnings per common share for each of the quarters presented above is based on the respective weighted average number of common and dilutive potential common shares outstanding for each period and the sum of the quarters may not necessarily be equal to the full year basic and diluted earnings per common share amounts.

Amounts presented for 1997 and 1996 are restated for the pooling of interests transactions with United, Sanifill, and Western as discussed in Note 2, and are different from amounts originally reported. The results of operations for 1997 and 1996 include certain nonrecurring charges for merger costs, unusual items, and nonrecurring interest, as disclosed elsewhere herein. Nonrecurring items charged to expense in the first, second, and third quarters of 1997 were \$1,996,000, \$3,263,000, and \$128,872,000, respectively. In 1996, nonrecurring charges were \$53,248,000, \$135,599,000, and \$1,579,000 in the second, third, and fourth quarters, respectively.

14. SUBSEQUENT EVENTS

On January 14, 1998, the Company acquired the solid waste divisions of City Management Holdings Trust ("City Management") for approximately \$735,000,000 consisting primarily of cash and a limited amount of debt assumed. The businesses acquired include 20 collection operations, ten landfills, and 12 transfer stations primarily in the state of Michigan. This acquisition was accounted for under the purchase method of accounting.

The unaudited pro forma information set forth below assumes acquisitions in 1996, 1997, and through February 1, 1998, accounted for as purchases had occurred at the beginning of 1996. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated at that time (in thousands, except per share amounts):

	YEARS ENDED DECEMBER 31,	
	1997	1996
	(UNAUDITED)	(UNAUDITED)
Operating revenues.....	\$3,394,513	\$3,268,485
Income before extraordinary item.....	315,307	154,969
Net income.....	309,014	154,969
Basic earnings per common share:		
Income before extraordinary item.....	1.49	0.85
Net income.....	1.46	0.85
Diluted earnings per common share:		
Income before extraordinary item.....	1.41	0.81
Net income.....	1.39	0.81

On January 27, 1998, the Company announced that it had entered into a definitive agreement to acquire TransAmerican Waste Industries, Inc. ("TransAmerican") for approximately 2,000,000 shares of the Company's common stock, subject to certain adjustments, and approximately \$43,000,000 in assumption of debt. This acquisition, which is subject to regulatory approval and approval of TransAmerican shareholders, is expected to close during the first half of 1998 and is anticipated to be accounted for as a pooling of interests. The businesses to be acquired include five collection operations, nine landfills, and two transfer stations located throughout the southern region of the United States.

The Company entered into a definitive agreement on February 6, 1998, with American Waste Systems, Inc. ("American"), to acquire American's solid waste businesses for approximately \$150,000,000 in cash. This transaction, which is subject to regulatory approval and approval of American's shareholders, is also

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

expected to close in the first half of 1998. The businesses to be acquired include three landfills and one collection operation located in Ohio.

On March 10, 1998, the Company entered into a definitive agreement and plan of merger pursuant to which a subsidiary of the Company will be merged with and into WMI and WMI will become a wholly owned subsidiary of the Company. As of the effective time of the merger, each outstanding share of WMI, other than shares held in WMI's treasury or owned by WMI, the Company, or any wholly owned subsidiary of either of them, will be converted into the right to receive 0.725 shares of the Company. This transaction, which is expected to close during 1998, is subject to regulatory approval and approval of the stockholders of the Company and WMI. It is anticipated that the Company will issue approximately 345,000,000 shares of its common stock related to this transaction and that this merger will be accounted for as a pooling of interests.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this Item is set forth under the caption "Election of Directors" in the Company's definitive Proxy Statement for its 1998 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1998 Proxy Statement"), and is incorporated herein by reference. Information concerning the executive officers of the Company is set forth above under "Executive Officers of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is set forth under the caption "Election of Directors -- Executive Compensation" in the 1998 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is set forth under the caption "Election of Directors -- Beneficial Ownership of USA Waste Common Stock" in the 1998 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is set forth under the caption "Election of Directors -- Certain Relationships and Related Transactions" in the 1998 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) (1) Consolidated Financial Statements:

Report of Independent Accountants

Consolidated Balance Sheets as of December 31, 1997 and 1996

Consolidated Statements of Operations for the years ended December 31, 1997, 1996, and 1995

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1997, 1996, and 1995

Consolidated Statements of Cash Flows for the years ended December 31, 1997, 1996, and 1995

Notes to Consolidated Financial Statements

(a) (2) Consolidated Financial Statement Schedules:

All Consolidated Financial Statement Schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements or the notes thereto.

(a) (3) Exhibits:

EXHIBIT NO.* -----	DESCRIPTION -----
2.1	-- Amended and Restated Agreement and Plan of Merger, dated as of November 28, 1994, by and among the Registrant, Chambers Acquisition Corporation and Chambers Development Company, Inc. [Incorporated by reference to Appendix A in the Registrant's Registration Statement on Form S-4, File No. 33-59259].
2.2	-- Agreement and Plan of Merger, dated as of December 18, 1995, by and among the Registrant, Riviera Acquisition Corporation and Western Waste Industries [Incorporated by reference to Appendix A in the Registrant's Registration Statement on Form S-4, File No. 333-02181].
2.3	-- Agreement and Plan of Merger, dated as of June 22, 1996, by and among the Registrant, Quatro Acquisition Corp. and Sanifill, Inc. [Incorporated by reference to Annex A in the Registrant's Registration Statement on Form S-4, File No. 333-08161].
2.4	-- Amendment No. 1, dated as of July 18, 1996, to Agreement and Plan of Merger by and among the Registrant, Quatro Acquisition Corp. and Sanifill, Inc. [Incorporated by reference to Annex A in the Registrant's Registration Statement on Form S-4, File No. 333-08161].
2.5	-- Agreement and Plan of Merger, dated as of April 13, 1997, by and among the Registrant, Riviera Acquisition Corporation and United Waste Systems, Inc. [Incorporated by reference to Appendix A in the Registrant's Registration Statement on Form S-4, File No. 333-31979].
2.6	-- Agreement and Plan of Merger, dated March 10, 1998, by and among the Registrant, Dome Merger Subsidiary, Inc. and Waste Management, Inc. [Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K dated March 10, 1998].
3.1	-- Restated Certificate of Incorporation, as amended [Incorporated by reference to Exhibit 3(b) of the Registrant's Quarterly Report, as amended, on Form 10-Q for the three months ended September 30, 1997].

EXHIBIT NO.*
-----DESCRIPTION

- 3.2 -- Bylaws [Incorporated by reference to Exhibit 3.2 to the Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-4, File No. 33-60103].
- 4.1 -- Specimen Stock Certificate [Incorporated by reference to Exhibit 4.3 of the Registrant's Registration Statement on Form S-3, File No. 33-76224].
- 4.2 -- Supplemental Indenture, dated as of September 3, 1996, among the Registrant, Sanifill, Inc., and Texas Commerce Bank National Association relating to Sanifill, Inc.'s 5% Convertible Subordinated Debentures Due March 1, 2006 [Incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K dated September 3, 1996].
- 4.3 -- Indenture for Subordinated Debt Securities dated February 3, 1997, among the Registrant and Texas Commerce Bank National Association, as trustee [Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated February 7, 1997].
- 4.4 -- Supplemental Indenture, dated as of August 26, 1997, among the Registrant, United Waste Systems, Inc. and Bankers Trust Company relating to United Waste Systems, Inc.'s 4 1/2% Convertible Subordinated Notes due June 1, 2001 [Incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K dated August 26, 1997].
- 4.5 -- Indenture for Senior Debt Securities dated September 10, 1997, among the Registrant and Texas Commerce Bank National Association, as trustee [Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated September 10, 1997].
- 10.1 -- 1990 Stock Option Plan [Incorporated by reference to Exhibit 10.1 of the Registrant's Annual report on Form 10-K for the year ended December 31, 1990].
- 10.2 -- 1993 Stock Incentive Plan, as amended and restated.
- 10.3 -- 1996 Stock Option Plan for Non-Employee Directors [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-14115].
- 10.4 -- Envirofil, Inc. 1993 Stock Incentive Plan [Incorporated by reference to Exhibit 10.3 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994].
- 10.5 -- Western Waste Industries Amended and Restated 1983 Stock Option Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
- 10.6 -- Western Waste Industries 1983 Non-Qualified Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
- 10.7 -- Western Waste Industries 1992 Option Plan [Incorporated by reference to Exhibit 99.3 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
- 10.8 -- Sanifill, Inc. 1994 Long-Term Incentive Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-08161].
- 10.9 -- Sanifill, Inc. 1989 Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-08161].
- 10.10 -- 1997 Employee Stock Purchase Plan.
- 10.11 -- 401(k) Restoration Plan.

EXHIBIT NO.*

DESCRIPTION

- | ----- | ----- |
|-------|---|
| 10.12 | -- Amended and Restated Revolving Credit Agreement dated as of August 7, 1997, among the Registrant, Bank of America National Trust and Savings Association, Morgan Guaranty Trust Company of New York and other financial institutions [Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K dated August 26, 1997]. |
| 10.13 | -- Employment Agreement dated as of June 1, 1997 between the Registrant and John E. Drury. |
| 10.14 | -- Amendment dated as of December 1, 1997 to Employment Agreement between the Registrant and John E. Drury. |
| 10.15 | -- Employment Agreement dated as of June 1, 1997 between the Registrant and Rodney R. Proto. |
| 10.16 | -- Amendment dated as of December 1, 1997 to Employment Agreement between the Registrant and Rodney R. Proto. |
| 10.17 | -- Employment Agreement dated as of June 1, 1997 between the Registrant and Earl E. DeFrates. |
| 10.18 | -- Amendment dated as of December 1, 1997 to Employment Agreement between the Registrant and Earl E. DeFrates. |
| 10.19 | -- Employment Agreement dated as of June 1, 1997 between the Registrant and Susan J. Piller. |
| 10.20 | -- Amendment dated as of December 1, 1997 to Employment Agreement between the Registrant and Susan J. Piller. |
| 10.21 | -- Employment Agreement dated as of October 7, 1997 between the Registrant and William A. Rothrock. |
| 10.22 | -- Amendment dated as of December 12, 1997 to Employment Agreement between the Registrant and William A. Rothrock. |
| 10.23 | -- Employment Agreement dated as of June 1, 1997 between the Registrant and Gregory T. Sangalis. |
| 10.24 | -- Amendment dated as of December 1, 1997 to Employment Agreement between the Registrant and Gregory T. Sangalis. |
| 10.25 | -- Employment Agreement dated as of August 26, 1997 between the Registrant and Ronald H. Jones. |
| 10.26 | -- Employment Agreement dated as of June 1, 1997 between the Registrant and Bruce E. Snyder. |
| 10.27 | -- Amendment dated as of December 1, 1997 to Employment Agreement between the Registrant and Bruce E. Snyder. |
| 10.28 | -- Employment Agreement dated as of June 1, 1997 among the Registrant, Canadian Waste Services, Inc. and David Sutherland-Yoest. |
| 10.29 | -- Consulting and Non-compete Agreement dated June 25, 1995, between the Registrant and John G. Rangos, Sr. [Incorporated by reference to Exhibit 10.22 to the Registrant's Quarterly Report on Form 10-Q/A for the period ended June 30, 1995]. |
| 10.30 | -- Employment Agreement dated June 25, 1995, between the Registrant and Alexander W. Rangos [Incorporated by reference to Exhibit 10.22 to the Registrant's Quarterly Report on Form 10-Q/A for the period ended June 30, 1995]. |
| 10.31 | -- Letter Agreement dated November 10, 1997, between the Registrant and Kostj Shirvastian. |

EXHIBIT NO.* -----	DESCRIPTION -----
12.1	-- Computation of Ratio of Earnings to Fixed Charges.
21.1	-- Subsidiaries of the Registrant.
23.1	-- Consent of Coopers & Lybrand L.L.P.
27.1	-- Financial Data Schedule.
27.2	-- Restated Financial Data Schedule.
27.3	-- Restated Financial Data Schedule.
27.4	-- Restated Financial Data Schedule.

* In the case of incorporation by reference to documents filed under the Securities Exchange Act of 1934, the Registrant's file number under that Act is 1-12154.

(b) Reports on Form 8-K:

During the last quarter of the period covered by this report, the Company filed a Current Report on Form 8-K dated November 12, 1997 to report the supplemental financial statements of USA Waste Services, Inc. to reflect its acquisition of United Waste Systems, Inc., which was accounted for as a pooling of interests. The financial statements filed included: (i) The supplemental consolidated balance sheets as of December 31, 1996 and 1995, and the related supplemental consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996; (ii) The supplemental interim condensed consolidated balance sheets as of June 30, 1997 and December 31, 1996, the related supplemental interim condensed consolidated statements of operations for the six months ended June 30, 1997 and 1996, the related supplemental interim condensed consolidated statement of stockholders' equity for the six months ended June 30, 1997, and the related supplemental interim condensed consolidated statements of cash flows for the six months ended June 30, 1997 and 1996.

SIGNATURES

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

USA WASTE SERVICES, INC.

By: /s/ JOHN E. DRURY

John E. Drury,
Chief Executive Officer

Date: March 30, 1998

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

SIGNATURE -----	TITLE -----	DATE -----
/s/ JOHN E. DRURY ----- John E. Drury	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 30, 1998
/s/ RODNEY R. PROTO ----- Rodney R. Proto	President, Chief Operating Officer and Director	March 30, 1998
/s/ EARL E. DEFRADES ----- Earl E. DeFrates	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 30, 1998
/s/ BRUCE E. SNYDER ----- Bruce E. Snyder	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 30, 1998
/s/ RALPH F. COX ----- Ralph F. Cox	Director	March 30, 1998
/s/ RICHARD J. HECKMANN ----- Richard J. Heckmann	Director	March 30, 1998
/s/ RICHARD D. KINDER ----- Richard D. Kinder	Director	March 30, 1998
/s/ LARRY J. MARTIN ----- Larry J. Martin	Director	March 30, 1998
/s/ WILLIAM E. MOFFETT ----- William E. Moffett	Director	March 30, 1998
/s/ ALEXANDER W. RANGOS ----- Alexander W. Rangos	Director	March 30, 1998
/s/ JOHN G. RANGOS, SR. ----- John G. Rangos, Sr.	Director	March 30, 1998
/s/ KOSTI SHIRVANIAN ----- Kosti Shirvanian	Director	March 30, 1998
/s/ DAVID SUTHERLAND-YOEST ----- David Sutherland-Yoest	Director	March 30, 1998
/s/ JEROME B. YORK ----- Jerome B. York	Director	March 30, 1998

INDEX TO EXHIBITS

EXHIBIT NO.* -----	DESCRIPTION -----
2.1	-- Amended and Restated Agreement and Plan of Merger, dated as of November 28, 1994, by and among the Registrant, Chambers Acquisition Corporation and Chambers Development Company, Inc. [Incorporated by reference to Appendix A in the Registrant's Registration Statement on Form S-4, File No. 33-59259].
2.2	-- Agreement and Plan of Merger, dated as of December 18, 1995, by and among the Registrant, Riviera Acquisition Corporation and Western Waste Industries [Incorporated by reference to Appendix A in the Registrant's Registration Statement on Form S-4, File No. 333-02181].
2.3	-- Agreement and Plan of Merger, dated as of June 22, 1996, by and among the Registrant, Quatro Acquisition Corp. and Sanifill, Inc. [Incorporated by reference to Annex A in the Registrant's Registration Statement on Form S-4, File No. 333-08161].
2.4	-- Amendment No. 1, dated as of July 18, 1996, to Agreement and Plan of Merger by and among the Registrant, Quatro Acquisition Corp. and Sanifill, Inc. [Incorporated by reference to Annex A in the Registrant's Registration Statement on Form S-4, File No. 333-08161].
2.5	-- Agreement and Plan of Merger, dated as of April 13, 1997, by and among the Registrant, Riviera Acquisition Corporation and United Waste Systems, Inc. [Incorporated by reference to Appendix A in the Registrant's Registration Statement on Form S-4, File No. 333-31979].
2.6	-- Agreement and Plan of Merger, dated March 10, 1998, by and among the Registrant, Dome Merger Subsidiary, Inc. and Waste Management, Inc. [Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K dated March 10, 1998].
3.1	-- Restated Certificate of Incorporation, as amended [Incorporated by reference to Exhibit 3(b) of the Registrant's Quarterly Report, as amended, on Form 10-Q for the three months ended September 30, 1997].
3.2	-- Bylaws [Incorporated by reference to Exhibit 3.2 to the Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-4, File No. 33-60103].
4.1	-- Specimen Stock Certificate [Incorporated by reference to Exhibit 4.3 of the Registrant's Registration Statement on Form S-3, File No. 33-76224].
4.2	-- Supplemental Indenture, dated as of September 3, 1996, among the Registrant, Sanifill, Inc., and Texas Commerce Bank National Association relating to Sanifill, Inc.'s 5% Convertible Subordinated Debentures Due March 1, 2006 [Incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K dated September 3, 1996].
4.3	-- Indenture for Subordinated Debt Securities dated February 3, 1997, among the Registrant and Texas Commerce Bank National Association, as trustee [Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated February 7, 1997].
4.4	-- Supplemental Indenture, dated as of August 26, 1997, among the Registrant, United Waste Systems, Inc. and Bankers Trust Company relating to United Waste Systems, Inc.'s 4 1/2% Convertible Subordinated Notes due June 1, 2001 [Incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K dated August 26, 1997].

EXHIBIT NO.* -----	DESCRIPTION -----
4.5	-- Indenture for Senior Debt Securities dated September 10, 1997, among the Registrant and Texas Commerce Bank National Association, as trustee [Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated September 10, 1997].
10.1	-- 1990 Stock Option Plan [Incorporated by reference to Exhibit 10.1 of the Registrant's Annual report on Form 10-K for the year ended December 31, 1990].
10.2	-- 1993 Stock Incentive Plan, as amended and restated.
10.3	-- 1996 Stock Option Plan for Non-Employee Directors [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-14115].
10.4	-- Envirofil, Inc. 1993 Stock Incentive Plan [Incorporated by reference to Exhibit 10.3 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994].
10.5	-- Western Waste Industries Amended and Restated 1983 Stock Option Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
10.6	-- Western Waste Industries 1983 Non-Qualified Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
10.7	-- Western Waste Industries 1992 Option Plan [Incorporated by reference to Exhibit 99.3 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
10.8	-- Sanifill, Inc. 1994 Long-Term Incentive Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-08161].
10.9	-- Sanifill, Inc. 1989 Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-08161].
10.10	-- 1997 Employee Stock Purchase Plan.
10.11	-- 401(k) Restoration Plan.
10.12	-- Amended and Restated Revolving Credit Agreement dated as of August 7, 1997, among the Registrant, Bank of America National Trust and Savings Association, Morgan Guaranty Trust Company of New York and other financial institutions [Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K dated August 26, 1997].
10.13	-- Employment Agreement dated as of June 1, 1997 between the Registrant and John E. Drury.
10.14	-- Amendment dated as of December 1, 1997 to Employment Agreement between the Registrant and John E. Drury.
10.15	-- Employment Agreement dated as of June 1, 1997 between the Registrant and Rodney R. Proto.
10.16	-- Amendment dated as of December 1, 1997 to Employment Agreement between the Registrant and Rodney R. Proto.
10.17	-- Employment Agreement dated as of June 1, 1997 between the Registrant and Earl E. DeFrates.
10.18	-- Amendment dated as of December 1, 1997 to Employment Agreement between the Registrant and Earl E. DeFrates.

EXHIBIT NO.* -----	DESCRIPTION -----
10.19	-- Employment Agreement dated as of June 1, 1997 between the Registrant and Susan J. Piller.
10.20	-- Amendment dated as of December 1, 1997 to Employment Agreement between the Registrant and Susan J. Piller.
10.21	-- Employment Agreement dated as of October 7, 1997 between the Registrant and William A. Rothrock.
10.22	-- Amendment dated as of December 12, 1997 to Employment Agreement between the Registrant and William A. Rothrock.
10.23	-- Employment Agreement dated as of June 1, 1997 between the Registrant and Gregory T. Sangalis.
10.24	-- Amendment dated as of December 1, 1997 to Employment Agreement between the Registrant and Gregory T. Sangalis.
10.25	-- Employment Agreement dated as of August 26, 1997 between the Registrant and Ronald H. Jones.
10.26	-- Employment Agreement dated as of June 1, 1997 between the Registrant and Bruce E. Snyder.
10.27	-- Amendment dated as of December 1, 1997 to Employment Agreement between the Registrant and Bruce E. Snyder.
10.28	-- Employment Agreement dated as of June 1, 1997 among the Registrant, Canadian Waste Services, Inc. and David Sutherland-Yoest.
10.29	-- Consulting and Non-compete Agreement dated June 25, 1995, between the Registrant and John G. Rangos, Sr. [Incorporated by reference to Exhibit 10.22 to the Registrant's Quarterly Report on Form 10-Q/A for the period ended June 30, 1995].
10.30	-- Employment Agreement dated June 25, 1995, between the Registrant and Alexander W. Rangos [Incorporated by reference to Exhibit 10.22 to the Registrant's Quarterly Report on Form 10-Q/A for the period ended June 30, 1995].
10.31	-- Letter Agreement dated November 10, 1997, between the Registrant and Kostj Shirvanian.
12.1	-- Computation of Ratio of Earnings to Fixed Charges.
21.1	-- Subsidiaries of the Registrant.
23.1	-- Consent of Coopers & Lybrand L.L.P.
27.1	-- Financial Data Schedule.
27.2	-- Restated Financial Data Schedule.
27.3	-- Restated Financial Data Schedule.
27.4	-- Restated Financial Data Schedule.

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* In the case of incorporation by reference to documents filed under the Securities Exchange Act of 1934, the Registrant's file number under that Act is 1-12154.

USA WASTE SERVICES, INC.
1993 STOCK INCENTIVE PLAN
(AS AMENDED AND RESTATED)

APRIL 8, 1997

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USA WASTE SERVICES, INC.

1993 STOCK INCENTIVE PLAN

ARTICLE I. GENERAL

Section 1.1. Purpose. The purposes of this Stock Incentive Plan (the "Plan") are to: (1) closely associate the interests of the employees and consultants of USA Waste Services, Inc. and its Subsidiaries and Affiliates (collectively referred to as the "Company") with the shareholders to generate an increased incentive to contribute to the Company's future success and prosperity, thus enhancing the value of the Company for the benefit of its stockholders; (2) provide employees and consultants with a proprietary ownership interest in the Company commensurate with Company performance, as reflected in increased shareholder value; (3) maintain competitive compensation levels thereby attracting and retaining highly competent and talented employees and consultants; and (4) provide an incentive to employees and consultants for continuous employment with or services to the Company.

Section 1.2. Administration.

(a) The Plan shall be administered by a committee of non-employee directors appointed by the Board of Directors of USA Waste Services, Inc. (the "Committee"), as constituted from time to time.

(b) The Committee shall have the authority, in its sole discretion and from time to time to:

(i) designate the employees and consultants or classes of employees of and consultants to the Company eligible to participate in the Plan;

(ii) grant awards ("Awards") provided in the Plan in such form and amount as the Committee shall determine;

(iii) impose such limitations, restrictions, and conditions, not inconsistent with this Plan, upon any such Award as the Committee shall deem appropriate; and

(iv) interpret the Plan and any agreement, instrument, or other document executed in connection with the Plan; adopt, amend, and rescind rules and regulations relating to the Plan; and make all other determinations and take all other action necessary or advisable for the implementation and administration of the Plan.

(c) Decisions and determinations of the Committee on all matters relating to the Plan shall be in its sole discretion and shall be final, conclusive, and binding upon all persons, including the Company, any participant, any stockholder of USA Waste Services, Inc., and any employee or consultant. A majority of the members of the Committee may determine its actions and fix the time and place of its meetings. No member of the Committee shall be liable for any action taken or decision made in good faith relating to the Plan or any Award thereunder.

Section 1.3. Eligibility for Participation. Participants in the Plan ("Participants") shall be selected by the Committee from the employees of and consultants to the Company who are responsible for or contribute to the management, growth, success and, profitability of the Company. In making this selection and in determining the form and amount of Awards, the Committee shall consider any factors deemed relevant, including the individual's functions, responsibilities, value of services to the Company, and past and potential contributions to the Company's profitability and growth.

Section 1.4. Types of Awards Under Plan. Awards under the Plan may be in the form of any one or more of the following:

- (i) Stock Options, as described in Article II;
- (ii) Incentive Stock Options, as described in Article III;
- (iii) Reload Options, as described in Article IV;
- (iv) Alternate Appreciation Rights, as described in

Article V;

- (v) Limited Rights, as described in Article VI;
- (vi) Alternate Stock Awards, as described in Article VII;

and/or

- (vii) Stock Bonus Awards, as described in Article VIII.

Awards under the Plan shall be evidenced by an Award Agreement between the Company and the recipient of the Award, in form and substance satisfactory to the Committee, and not inconsistent with this Plan.

Section 1.5. Aggregate Limitation on Awards.

(a) Shares of stock which may be issued under the Plan shall be authorized and unissued or treasury shares of Common Stock \$.01 par value, of USA Waste Services, Inc. ("Common Stock"). Subject to the further provisions of this Section 1.5 and Section 9.10, the maximum number of shares of Common Stock which may be issued under the Plan shall be 6,500,000.

(b) For purposes of calculating the maximum number of shares of Common Stock that may be issued under the Plan:

(i) all the shares issued (including the shares, if any, withheld for tax withholding requirements) shall be counted when cash is used as full payment for shares issued upon exercise of a Stock Option, Incentive Stock Option, or Reload Option;

(ii) only the shares issued (including the shares, if any, withheld for tax withholding requirements) as a result of an exercise of Alternate Appreciation Rights shall be counted; and

(iii) only the net shares issued (including the shares, if any, withheld for tax withholding requirements) shall be counted when shares of Common Stock or another Award under the Plan are used or withheld as full or partial payment for shares issued upon exercise of a Stock Option, Incentive Stock Option, or Reload Option;

provided, however, in all events the maximum number of shares of Common Stock that may be issued pursuant to Incentive Stock Options is 6,500,000.

(c) In addition to shares of Common Stock actually issued pursuant to the exercise of Stock Options, Incentive Stock Options, Reload Options, or Alternate Appreciation Rights, there shall be deemed to have been issued a number of shares equal to the number of shares of Common Stock in respect of which Limited Rights (as described in Article VI) shall have been exercised.

(d) Shares tendered by a Participant or withheld as payment for shares issued upon exercise of a Stock Option, Incentive Stock Option, or Reload Option shall be available for issuance under the Plan. Any shares of Common Stock subject to a Stock Option, Incentive Stock Option, or Reload Option that for any reason is terminated unexercised or expires shall again be available for issuance under the Plan, but shares subject to a Stock Option, Incentive Stock Option, or Reload Option that are not issued as a result of the exercise of Limited Rights shall not again be available for issuance under the Plan.

(e) The maximum number of shares of Common Stock with respect to which any Participant may receive Awards in any calendar year is 1,500,000.

Section 1.6. Effective Date and Term of Plan.

(a) The Plan became effective on the date it was approved by the holders of a majority of the shares of Common Stock present in person or by proxy and entitled to vote at the 1993 Annual Meeting of shareholders of USA Waste Services, Inc.

(b) No Awards shall be made under the Plan after the tenth anniversary of the effective date of this Plan; provided, however, that the Plan and all Awards made under the Plan prior to such date shall remain in effect until such Awards have been satisfied or terminated in accordance with the Plan and the terms of such Awards.

ARTICLE II. STOCK OPTIONS

Section 2.1. Award of Stock Options. The Committee may from time to time, and subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, grant to any Participant in the Plan one or more options to purchase the number of shares of Common Stock ("Stock Options") allotted by the Committee. The date a Stock Option is granted shall mean the date selected by the Committee as of which the Committee allots a specific number of shares to a Participant pursuant to the Plan.

Section 2.2. Stock Option Agreements. The grant of a Stock Option shall be evidenced by a written Award Agreement, executed by the Company and the holder of the Stock Option (the "Optionee"), stating the number of shares of Common Stock subject to the Stock Option evidenced thereby, and in such form as the Committee may from time to time determine.

Section 2.3. Stock Option Price. The Option Price per share of Common Stock deliverable upon the exercise of a Stock Option shall be an amount selected by the Committee and shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Stock Option is granted.

Section 2.4. Term and Exercise. A Stock Option shall not be exercisable prior to six months from the date of its grant unless a shorter period is provided by the Committee or by another Section of this Plan, and may be exercised during the period established by the Committee, but not after ten years from the date of grant thereof (the "Option Term"). No Stock Option shall be exercisable after the expiration of its Option Term.

Section 2.5. Manner of Payment. Each Award Agreement providing for Stock Options shall set forth the procedure governing the exercise of the Stock Option granted thereunder, and shall provide that, upon such exercise in respect of any shares of Common Stock subject thereto, the Optionee shall pay to the Company, in full, the Option Price for such shares with cash, which may be pursuant to a "cashless-broker" exercise pursuant to procedures established by the Committee from time to time, or with previously owned Common Stock, or at the discretion of the Committee, in whole or in part with, the surrender of another Award under the Plan, the withholding of shares of Common Stock issuable upon exercise of such Stock Option, other property, or any combination thereof (each based on the Fair Market Value of such Common Stock, Award or other property on the date the Stock Option is exercised as determined by the Committee).

Section 2.6. Delivery of Shares. As soon as practicable after receipt of payment, the Committee shall deliver to the Optionee a certificate or certificates for such shares of Common Stock. The Optionee shall become a shareholder of the Company with respect to Common Stock represented by share certificates so issued and as such shall be fully entitled to receive dividends, to vote and to exercise all other rights of a shareholder.

Section 2.7. Death, Retirement and Termination of Employment of Optionee. Unless otherwise provided in an Award Agreement or otherwise agreed to by the Committee:

(a) Upon the death of the Optionee, any rights to the extent exercisable by the Optionee on the date of termination of employment or consulting, as the case may be, may be exercised by the Optionee's estate, or by a person who acquires the right to exercise such Stock Option by bequest or inheritance or by reason of the death of the Optionee, provided that such exercise occurs within both the remaining effective term of the Stock Option and one year after the Optionee's death. The provisions of this Section shall apply notwithstanding the fact that the Optionee's employment may have terminated prior to death.

(b) Upon termination of the Optionee's employment by reason of retirement or permanent disability (as each is determined by the Committee), the Optionee may, within 36 months from the date of termination, exercise any Stock Options to the extent such Stock Options are exercisable on the date of such termination of employment.

(c) Except as provided in Subsections (a) and (b) of this Section 2.7, or except as otherwise determined by the Committee, all Stock Options shall terminate three months after the date of the termination of the Optionee's employment or consulting, as the case may be, and shall be exercisable during such period only to the extent exercisable on the date of termination of employment or consulting.

Section 2.8. Tax Election. Recipients of Stock Options who are directors or executive officers of the Company or who own more than 10% of the Common Stock of the Company ("Section 16(a) Option Holders") at the time of exercise of a Stock Option may elect, in lieu of paying to the Company an amount required to be withheld under applicable tax laws in connection with the exercise of a Stock Option in whole or in part, to have the Company withhold shares of Common Stock having a fair market value equal to the amount required to be withheld. Such election may not be made prior to six months following the grant of the Stock Option, except in the event of a Section 16(a) Option Holders's death or disability. The election may be made at the time the Stock Option is exercised by notifying the Company of the election, specifying the amount of such withholding and the date on which the number of shares to be withheld is to be determined ("Tax Date"), which shall be either (i) the date the Stock Option is exercised or (ii) a date six months after the Stock Option was granted, if later. The number of shares of Common Stock to be withheld to satisfy the tax obligation shall be the amount

of such tax liability divided by the fair market value of the Common Stock on the Tax Date (or if not a business day, on the next closest business day). If the Tax Date is not the exercise date, the Company may issue the full number of shares of Common Stock to which the Section 16(a) Option Holders is entitled, and such option holder shall be obligated to tender to the Company on the Tax Date a number of such shares necessary to satisfy the withholding obligation. Certificates representing such shares of Common Stock shall bear a legend describing such Section 16(a) Option Holders obligation hereunder.

Section 2.9. Effect of Exercise. The exercise of any Stock Option shall cancel that number of related Alternate Appreciation Rights and/or Limited Rights, if any, that is equal to the number of shares of Common Stock purchased pursuant to said option unless otherwise agreed by the Committee in an Award Agreement or otherwise.

ARTICLE III. INCENTIVE STOCK OPTIONS

Section 3.1. Award of Incentive Stock Options. The Committee may, from time to time and subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, grant to any employee of USA Waste Services, Inc. or a Subsidiary one or more "incentive stock options" (intended to qualify as such under the provisions of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") ("Incentive Stock Options") to purchase the number of shares of Common Stock allotted by the Committee. The date an Incentive Stock Option is granted shall mean the date selected by the Committee as of which the Committee allots a specific number of shares to a participant pursuant to the Plan.

Section 3.2. Incentive Stock Option Agreements. The grant of an Incentive Stock Option shall be evidenced by a written Award Agreement, executed by the Company and the holder of an Incentive Stock Option (the "Optionee"), stating the number of shares of Common Stock subject to the Incentive Stock Option evidenced thereby, and in such form as the Committee may from time to time determine.

Section 3.3. Incentive Stock Option Price. The Option Price per share of Common Stock deliverable upon the exercise of an Incentive Stock Option shall be at least 100% of the Fair Market Value of a share of Common Stock on the date the Incentive Stock Option is granted; provided, however, the Option Price per share of Common Stock deliverable upon the exercise of an Incentive Stock Option granted to any owner of 10% or more of the total combined voting power of all classes of stock of the Company and its subsidiaries shall be at least 110% of the fair market value of a share of Common Stock on the date the Incentive Stock Option is granted.

Section 3.4. Term and Exercise. Each Incentive Stock Option shall not be exercisable prior to six months from the date of its grant unless a shorter period is provided by the Committee or another Section of this Plan, and may be exercised during the period established by the Committee, but not after ten years from the date of grant

thereof (the "Option Term"). No Incentive Stock Option shall be exercisable after the expiration of its Option Term.

Section 3.5. Maximum Amount of Incentive Stock Option Grant. To the extent that the aggregate Fair Market Value (determined at the time the respective Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options granted are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of USA Waste Services, Inc. and its parent and subsidiary corporations exceeds \$100,000, such Incentive Stock Options shall be treated as Options which do not constitute Incentive Stock Options.

Section 3.6. Death of Optionee. Unless otherwise provided in an Award Agreement:

(a) Upon the death of the Optionee, any Incentive Stock Option exercisable by the Optionee on the date of termination of employment may be exercised by the Optionee's estate or by a person who acquires the right to exercise such Incentive Stock Option by bequest or inheritance or by reason of the death of the Optionee, provided that such exercise occurs within both the remaining option term of the Incentive Stock Option and one year after the Optionee's death.

(b) The provisions of this Section shall apply notwithstanding the fact that the Optionee's employment may have terminated prior to death.

Section 3.7. Retirement or Disability. Unless otherwise provided in an Award Agreement, upon the termination of the Optionee's employment by reason of permanent disability or retirement (as each is determined by the Committee), the Optionee may, within 36 months from the date of such termination of employment, exercise any Incentive Stock Options to the extent such Incentive Stock Options were exercisable at the date of such termination of employment. Notwithstanding the foregoing, the tax treatment available pursuant to Section 422 of the Code upon the exercise of an Incentive Stock Option will not be available to an Optionee who exercises any Incentive Stock Options more than (i) 12 months after the date of termination of employment due to permanent disability or (ii) three months after the date of termination of employment due to retirement.

Section 3.8. Termination for Other Reasons. Except as provided in Sections 3.6 and 3.7 or except as otherwise determined by the Committee, all Incentive Stock Options shall terminate three months after the date of the termination of the Optionee's employment and shall be exercisable during such period only to the extent exercisable on the date of termination of employment.

Section 3.9. Applicability of Stock Options Sections. Sections 2.5, Manner of Payment; 2.6, Delivery of Shares; 2.8, Tax Elections and 2.9, Effect of Exercise,

applicable to Stock Options, shall apply equally to Incentive Stock Options. Such Sections are incorporated by reference in this Article III as though fully set forth herein.

ARTICLE IV. RELOAD OPTIONS

Section 4.1. Authorization of Reload Options. Concurrently with or subsequent to the award of Stock Options to any Participant in the Plan, the Committee may authorize reload options ("Reload Options") to purchase shares of Common Stock. The number of Reload Options shall equal (i) the number of shares of Common Stock used to pay the exercise price of the underlying Stock Options or Incentive Stock Options and (ii) to the extent authorized by the Committee, the number of shares of Common Stock withheld by the Company in payment of the exercise price underlying the Stock Option or Incentive Stock Option or used to satisfy any tax withholding requirement incident to the exercise of the underlying Stock Options or Incentive Stock Options. The grant of a Reload Option will become effective upon the exercise of underlying Stock Options, Incentive Stock Options, or Reload Options through the use of shares of Common Stock held by the Optionee or the withholding of shares by the Company in payment of the exercise price of the underlying Stock Option or Incentive Stock Option held by the Optionee. Notwithstanding the fact that the underlying option may be an Incentive Stock Option, a Reload Option is not intended to qualify as an "incentive stock option" under Section 422 of the Code.

Section 4.2. Reload Option Amendment. Each Award Agreement shall state whether the Committee has authorized Reload Options with respect to the Stock Options and/or Incentive Stock Options covered by such Award Agreement. Upon the exercise of an underlying Stock Option, Incentive Stock Option, or other Reload Option, the Reload Option will be evidenced by an amendment to the underlying Award Agreement in such form as the Committee shall approve.

Section 4.3. Reload Option Price. The Option Price per share of Common Stock deliverable upon the exercise of a Reload Option shall be the Fair Market Value of a share of Common Stock on the date the grant of the Reload Option becomes effective.

Section 4.4. Term and Exercise. Each Reload Option is fully exercisable six months from the effective date of grant. The term of each Reload Option shall be equal to the remaining option term of the underlying Stock Option and/or Incentive Stock Option.

Section 4.5. Termination of Employment. Unless otherwise determined by the Committee in an Award Agreement or otherwise, no additional Reload Options shall be granted to Optionees when Stock Options, Incentive Stock Options, and/or Reload Options are exercised pursuant to the terms of this Plan following termination of the Optionee's employment.

Section 4.6. Applicability of Stock Options Sections. Sections 2.5, Manner of Payment; 2.6 Delivery of Shares; 2.7, Death, Retirement and Termination of Employment of Optionee; 2.8, Tax Elections; and 2.9, Effect of Exercise, applicable to Stock Options, shall apply equally to Reload Options. Such Sections are incorporated by reference in this Article IV as though fully set forth herein.

ARTICLE V. ALTERNATE APPRECIATION RIGHTS

Section 5.1. Award of Alternate Appreciation Rights. Concurrently with or subsequent to the award of any Stock Option, Incentive Stock Option, or Reload Option to purchase one or more shares of Common Stock, the Committee may, subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, award to the Optionee with respect to each share of Common Stock covered by an Option, a related alternate appreciation right permitting the Optionee to be paid the appreciation on the Option in lieu of exercising the Option ("Alternate Appreciation Right").

Section 5.2. Alternate Appreciation Rights Agreement. Alternate Appreciation Rights shall be evidenced by written Award Agreements in such form as the Committee may from time to time determine.

Section 5.3. Exercise. An Optionee who has been granted Alternate Appreciation Rights may, from time to time, in lieu of the exercise of an equal number of Options, elect to exercise one or more Alternate Appreciation Rights and thereby become entitled to receive from the Company payment in Common Stock of the number of shares determined pursuant to Section 5.4 and 5.5. Alternate Appreciation Rights shall be exercisable only to the same extent and subject to the same conditions as the Options related thereto are exercisable, as provided in this Plan. The Committee may, in its discretion, prescribe additional conditions to the exercise of any Alternate Appreciation Rights.

Section 5.4. Amount of Payment. The amount of payment to which an Optionee shall be entitled upon the exercise of each Alternate Appreciation Right shall be equal to 100% of the amount, if any, by which the Fair Market Value of a share of Common Stock on the exercise date exceeds the Option Price per share on the Option related to such Alternate Appreciation Right. A Section 16(a) Option Holder may elect to withhold shares of Common Stock issued under this Section to pay taxes as described in Section 2.8.

Section 5.5. Form of Payment. The number of shares to be paid shall be determined by dividing the amount of payment determined pursuant to Section 5.4 by the Fair Market Value of a share of Common Stock on the exercise date of such Alternate Appreciation Rights. As soon as practicable after exercise, the Company shall deliver to the Optionee a certificate or certificates for such shares of Common Stock.

Section 5.6. Effect of Exercise. Unless otherwise provided in an Award Agreement or agreed to by the Committee, the exercise of any Alternate Appreciation Rights shall cancel an equal number of Stock Options, Incentive Stock Options, Reload Options, and Limited Rights, if any, related to said Alternate Appreciation Rights.

Section 5.7. Termination of Employment, Retirement, Death or Disability. Unless otherwise provided in an Award Agreement or agreed to by the Committee:

(a) Upon termination of the Optionee's employment (including employment as a director of the Company after an Optionee terminates employment as an employee of the Company) by reason of permanent disability or retirement (as each is determined by the Committee) or consulting, the Optionee may, within six months from the date of such termination, exercise any Alternate Appreciation Rights to the extent such Alternate Appreciation Rights are exercisable during such six-month period.

(b) Except as provided in Section 5.7(a), all Alternate Appreciation Rights shall terminate three months after the date of the termination of the Optionee's employment, consulting or upon the death of the Optionee.

ARTICLE VI. LIMITED RIGHTS

Section 6.1. Award of Limited Rights. Concurrently with or subsequent to the award of any Stock Option, Incentive Stock Option, Reload Option, or Alternate Appreciation Right, the Committee may, subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, award to the Optionee with respect to each share of Common Stock covered by an Option, a related limited right permitting the Optionee, during a specified limited time period, to be paid the appreciation on the Option in lieu of exercising the Option ("Limited Right").

Section 6.2. Limited Rights Agreement. Limited Rights granted under the Plan shall be evidenced by written Award Agreements in such form as the Committee may from time to time determine.

Section 6.3. Exercise Period. Limited Rights are exercisable in full for a period of seven months following the date of a Change in Control of USA Waste Services, Inc. (the "Exercise Period"); provided, however, that Limited Rights may not be exercised under any circumstances until the expiration of the six-month period following the date of grant.

Section 6.4. Amount of Payment. The amount of payment to which an Optionee shall be entitled upon the exercise of each Limited Right shall be equal to 100% of the amount, if any, which is equal to the difference between the Option Price per share of Common Stock covered by the related Option and the Market Price of a share of such Common Stock. "Market Price" is defined to be the greater of (i) the highest price per share of the Company's Common Stock paid in connection with any Change in Control and (ii) the highest price per share of the Company's Common Stock reflected in the consolidated trading tables of The Wall Street Journal (presently the New York Stock Exchange - Composite Transactions) during the 60-day period prior to the Change in Control.

Section 6.5. Form of Payment. Payment of the amount to which an Optionee is entitled upon the exercise of Limited Rights, as determined pursuant to Section 6.4, shall be made solely in cash.

Section 6.6. Effect of Exercise. If Limited Rights are exercised, the Stock Options, Incentive Stock Options, Reload Options, and Alternate Appreciation Rights, if any, related to such Limited Rights shall cease to be exercisable to the extent of the number of shares with respect to which the Limited Rights were exercised. Upon the exercise or termination of the Stock Options, Incentive Stock Options, Reload Options, and Alternate Appreciation Rights, if any, related to such Limited Rights, the Limited Rights granted with respect thereto terminate to the extent of the number of shares as to which the related options and Alternate Appreciation Rights were exercised or terminated.

Section 6.7. Retirement or Disability. Upon termination of the Optionee's employment (including employment as a director of the Company after an Optionee terminates employment as an employee of the Company) by reason of permanent disability or retirement (as each is determined by the Committee) or consulting, the Optionee may, within six months from the date of such termination, exercise any Limited Right to the extent such Limited Right is exercisable during such six-month period.

Section 6.8. Death of Optionee or Termination for Other Reasons. Except as provided in Sections 6.7 and 6.9, or except as otherwise determined by the Committee, all Limited Rights granted under the Plan shall terminate upon the termination of the Optionee's employment, consulting or upon the death of the Optionee.

Section 6.9. Termination Related to a Change in Control. The requirement that an Optionee be terminated by reason of retirement or permanent disability or be employed by the Company at the time of exercise pursuant to Sections 6.7 and 6.8, respectively, is waived during the Exercise Period as to an Optionee who (i) was employed by the Company at the time of the Change in Control and (ii) is subsequently terminated by the Company other than for just cause or who voluntarily terminates if such termination was the result of a good faith determination by the Optionee that as a result of the Change in Control he is unable to effectively discharge his present duties or the duties of the position which he occupied just prior to the Change in Control. As used herein "just cause" shall mean willful misconduct or dishonesty or conviction of or failure to contest prosecution for a felony, or excessive absenteeism unrelated to illness.

ARTICLE VII. SUBSTITUTION AWARDS

Section 7.1. Awards may be granted under the Plan from time to time in substitution for stock options held by individuals employed by corporations who become employees of the Company as a result of a merger or consolidation of the employing corporation with the Company, or the acquisition by the Company of the assets of the employing corporation, or the acquisition by the Company of stock of the employing corporation with the result that such employing corporation becomes a Subsidiary or an Affiliate.

ARTICLE VIII. BONUS STOCK AWARDS

Section 8.1. Award of Bonus Stock. The Committee may from time to time, and subject to the provisions of this Plan and such other terms and conditions as the Committee may prescribe, grant to any Participant in the Plan shares of Common Stock ("Stock Bonus").

Section 8.2. Stock Bonus Agreements. The grant of a Stock Bonus shall be evidenced by a written Award Agreement, executed by the Company and the recipient of a Stock Bonus, in such form as the Committee may from time to time determine,

providing for the terms of such grant, including any vesting schedule, restrictions on the transfer of such Common Stock or other matters.

ARTICLE IX. MISCELLANEOUS

Section 9.1. General Restriction. Each Award under the Plan shall be subject to the requirement that, if at any time the Committee shall determine that (i) the listing, registration, or qualification of the shares of Common Stock subject to or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body, or (iii) an agreement by the grantee of an Award with respect to the disposition of shares of Common Stock, is necessary or desirable as a condition of, or in connection with, the granting of such Award or the issue or purchase of shares of Common Stock thereunder, such Award may not be consummated in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Committee.

Section 9.2. Non-Assignability. Except as provided below, no Award under the Plan shall be assignable or transferable by the recipient thereof, except by will or by the laws of descent and distribution, and during the life of the recipient, such Award shall be exercisable only by such person or by such person's guardian or legal representative.

Notwithstanding the foregoing, as provided by the Committee in an Award Agreement, Awards (other than Incentive Stock Options) may be transferred (in whole or in part in a form approved by the Company) by a Participant to (i) the spouse, children or grandchildren of the Participant ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of the Immediate Family Members and, if applicable, the Participant, or (iii) a partnership in which such Immediate Family Members and, if applicable, the Participant are the only partners. Following any such transfer, the Award shall continue to be subject to the same terms and conditions as were applicable to the Award immediately prior to the transfer. A transferee of an Award may not transfer the Award except to an Immediate Family Member or the Participant.

Section 9.3. Withholding Taxes. Whenever the Company proposes or is required to issue or transfer shares of Common Stock under the Plan, the Company shall have the right to require the grantee to remit to the Company an amount sufficient to satisfy any federal, state and/or local withholding tax requirements prior to the delivery of any certificates for such shares. Alternatively, the Company may issue or transfer such shares of the Company net of the number of shares sufficient to satisfy the withholding tax requirements. For withholding tax purposes, the shares of Common Stock shall be valued on the date the withholding obligation is incurred.

Section 9.4. Right to Terminate Employment. Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any Participant the right to continue in the employment of, or consulting to, the Company or effect any right which the Company may have to terminate the employment or consulting relationship of such Participant.

Section 9.5. Non-Uniform Determination. The Committee's determinations under the Plan (including without limitation determinations of the persons to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the agreements evidencing same) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated.

Section 9.6. Rights as a Shareholder. The recipient of any Award under the Plan shall have no right as a shareholder with respect thereto unless and until certificates for shares of Common Stock are issued to him.

Section 9.7. Definitions. In this Plan the following definitions shall apply:

(a) "Subsidiary" means any corporation of which, at the time more than 50% of the shares entitled to vote generally in an election of directors are owned directly or indirectly by the USA Waste Services, Inc. or any subsidiary thereof.

(b) "Affiliate" means any person or entity which directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with USA Waste Services, Inc.

(c) "Fair Market Value" as of any date and in respect or any share of Common Stock means the lowest reported trading price on such date or on the next business day, if such date is not a business day, of a share of Common Stock reflected in the consolidated trading tables of The Wall Street Journal (presently the New York Stock Exchange - Composite Transactions) or any other publication selected by the Committee, provided that, if shares of Common Stock shall not have been quoted on the New York Stock Exchange for more than 10 days immediately preceding such date or if deemed appropriate by the Committee for any other reason, the fair market value of shares of Common Stock shall be as determined by the Committee in such other manner as it may deem appropriate. In no event shall the Fair Market Value of any share of Common Stock be less than its par value.

(d) "Option" means Stock Option, Incentive Stock Option, or Reload Option.

(e) "Option Price" means the purchase price per share of the Common Stock deliverable upon the exercise of a Stock Option, Incentive Stock Option, or Reload Option.

(f) "Change in Control" means the occurrence, at any time during the specified term of an Option granted under the Plan, of any of the following events:

(i) The Company is merged or consolidated or reorganized into or with another corporation or other legal person (an "Acquiror") and as a result of such merger, consolidation or reorganization less than 75% of the outstanding voting securities or other capital interests of the surviving, resulting or acquiring corporation or other legal person are owned in the aggregate by the stockholders of the Company, directly or indirectly, immediately prior to such merger, consolidation or reorganization, other than the Acquiror or any corporation or other legal person controlling, controlled by or under common control with the Acquiror;

(ii) The Company sells all or substantially all of its business and/or assets to an Acquiror, of which less than 75% of the outstanding voting securities or other capital interests are owned in the aggregate by the stockholders of the Company, directly or indirectly, immediately prior to such sale, other than any corporation or other legal person controlling, controlled by or under common control with the Acquiror;

(iii) There is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), disclosing that any person or group (as the terms "person" and "group" are used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act and the rules and regulations promulgated thereunder) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of 20% or more of the issued and outstanding shares of voting securities of the Company; or

(iv) During any period of two consecutive years, individuals who at the beginning of any such period constitute the directors of the Company cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's stockholders, of each new director of the Company was approved by a vote of at least two-thirds of such directors of the Company then still in office who were directors of the Company at the beginning of any such period.

Section 9.8. Leaves of Absence. The Committee shall be entitled to make such rules, regulations, and determinations as it deems appropriate under the Plan in respect of any leave of absence taken by the recipient of any Award. Without limiting the generality of the foregoing, the Committee shall be entitled to determine (i) whether or not any such leave of absence shall constitute a termination of employment within the meaning of the Plan and (ii) the impact, if any, of any such leave of absence on Awards under the Plan theretofore made to any recipient who takes such leave of absence.

Section 9.9. Newly Eligible Employees. The Committee shall be entitled to make such rules, regulations, determinations and awards as it deems appropriate in respect of any employee who becomes eligible to participate in the Plan or any portion thereof after the commencement of an award or incentive period.

Section 9.10. Adjustments. In any event of any change in the outstanding Common Stock by reason of a stock dividend or distributions, recapitalization, merger, consolidation, split-up, combination, exchange of shares or the like, the Committee may appropriately adjust the number of shares of Common Stock that may be issued under the Plan, the number of shares of Common Stock subject to Options theretofore granted under the Plan, and any and all other matters deemed appropriate by the Committee.

Section 9.11. Changes in the Company's Capital Structure.

(a) The existence of outstanding Options, Alternative Appreciation Rights, or Limited Rights shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) If, while there are outstanding Options, USA Waste Services, Inc. shall effect a subdivision or consolidation of shares or other increase or reduction of the number of shares of the Common

Stock outstanding without receiving compensation therefor in money, services or property, then (i) in the event of an increase in the number of such shares outstanding, the number of shares of Common Stock then subject to Options hereunder shall be proportionately increased; and (ii) in the event of a decrease in the number of such shares

outstanding the number of shares then available for Option hereunder shall be proportionately decreased.

(c) After a merger of one or more corporations into USA Waste Services, Inc., or after a consolidation of USA Waste Services, Inc. and one or more corporations in which USA Waste Services, Inc. shall be the surviving corporation, each holder of an outstanding Option shall, at no additional cost, be entitled upon exercise of such Option to receive (subject to any required action by stockholders) in lieu of the number of shares as to which such Option shall then be so exercisable, the number and class of stock or other securities to which such holder would have been entitled to receive pursuant to the terms of the agreement of merger or consolidation if, immediately prior to such merger or consolidation, such holder had been the holder of record of a number of shares of USA Waste Services, Inc. equal to the number of shares as to which such Option had been exercisable.

(d) If USA Waste Services, Inc. is merged into or consolidated with another corporation or other entity under circumstances where USA Waste Services, Inc. is not the surviving corporation, or if USA Waste Services, Inc. sells or otherwise disposes of substantially all of its assets to another corporation or other entity while unexercised Options remain outstanding, then the Committee may direct that any of the following shall occur:

(i) If the successor entity is willing to assume the obligation to deliver shares of stock or securities after the effective date of the merger, consolidation or sale of assets, as the case may be, each holder of an outstanding Option shall be entitled to receive, upon the exercise of such Option and payment of the Option Price, in lieu of shares of Common Stock, such shares of stock or other securities as the holder of such Option would have been entitled to receive had such Option been exercised immediately prior to the consummation of such merger, consolidation or sale, and any related Alternate Appreciation Right and Limited Right associated with such Option shall apply as nearly as practicable to the shares of stock or other securities purchasable upon exercise of the Option following such merger, consolidation or sale of assets.

(ii) The Committee may waive any limitations set forth in or imposed pursuant to this Plan or any Award Agreement with respect to such Option and any related Alternate Appreciation Right or Limited Option such that such Option and related Alternate Appreciation Right and Limited Right shall become exercisable prior to the record or effective date of such merger, consolidation or sale of assets.

(iii) The Committee may cancel all outstanding Options and Alternate Appreciation Rights (but not Limited Rights) as of the effective

date of any such merger, consolidation, or sale of assets provided that prior notice of such cancellation shall be given to each holder of an Option at least 30 days prior to the effective date of such merger, consolidation, or sale of assets, and each holder of an Option shall have the right to exercise such Option and any related Alternate Appreciation Right in full during a period of not less than 30 days prior to the effective date of such merger, consolidation, or sale of assets. No action taken by the Committee under this subsection shall have the effect of terminating, and nothing in this subsection shall permit the Committee to terminate, any Limited Right held by an Optionee.

(c) Except as herein provided, the issuance by USA Waste Services, Inc. of Common Stock or any other shares of capital stock or services convertible into shares of capital stock, for cash property, labor done or other consideration, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock then subject to outstanding Options.

Section 9.12. Change in Control. Any Award granted under the Plan prior to the date of a Change in Control shall be immediately exercisable in full on such date, without regard to any times of exercise established under its Award Agreement; provided, however, in no event shall Stock Options or Incentive Stock Options be exercisable after the tenth anniversary of their respective grant dates.

Section 9.13. Amendment of the Plan.

(a) The Committees may without further action by the shareholders and without receiving further consideration from the Participants, amend this Plan or condition or modify Awards under this Plan in response to changes in securities or other laws or rules, regulations or regulatory interpretations thereof applicable to this Plan or to comply with stock exchange rules or requirements.

(b) The Committee may at any time and from time to time terminate or modify or amend the Plan in any respect, except that without shareholder approval the Committee may not (i) increase the maximum number of shares of Common Stock which may be issued under the Plan (other than increases pursuant to Section 9.10), (ii) extend the period during which any Award may be granted or exercised, or (iii) extend the term of the Plan. The termination or any modification or amendment of the Plan, except as provided in subsection (a), shall not, without the consent of a Participant, affect his or her rights under an Award previously granted to him or her.

USA WASTE SERVICES, INC.
1997 EMPLOYEE STOCK PURCHASE PLAN

USA Waste Services, Inc. hereby establishes the USA Waste Services, Inc. 1997 Employee Stock Purchase Plan (the "Plan"), the terms of which are as set forth below.

1. Definitions.

As used in the Plan the following terms shall have the meanings set forth below:

- (a) "Board" means the Board of Directors of the Company.
- (b) "Code" means the Internal Revenue Code of 1986, as amended.
- (c) "Committee" means the committee appointed by the Board to administer the Plan as described in Section 4 below.
- (d) "Common Stock" means the common stock, \$0.01 par value, of the Company.
- (e) "Company" means USA Waste Services, Inc., a Delaware corporation, or any successor.
- (f) "Continuous Employment" means the absence of any interruption or termination of service as an Eligible Employee with the Company and/or its Participating Subsidiaries. Continuous Employment shall not be considered interrupted in the case of an authorized leave of absence, provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute.
- (g) "Eligible Compensation" means, with respect to each Participant for each pay period, the regular base earnings paid to the Participant by the Company or one or more Participating Subsidiaries during the Offering Period, plus any elective salary deferral contributions made therefrom pursuant to Code Section 125 or Section 401(k).
- (h) "Eligible Employee" means an employee of the Company or one of its Participating Subsidiary who is customarily employed for at least 20 hours per week and more than five months in a calendar year.

(i) "Enrollment Date" means the first day of each Offering Period.

(j) "Exercise Date" means the last day of each Offering Period.

(k) "Exercise Price" means the price per share of the shares of Common Stock offered in a given Offering Period determined as provided in Section 10 below.

(l) "Fair Market Value" means, with respect to a share of Common Stock as of any Enrollment Date or Exercise Date, the closing price of such Common Stock on the New York Stock Exchange on such date, as reported in The Wall Street Journal. In the event that such a closing price is not available for an Enrollment Date or an Exercise Date, the Fair Market Value of a share of Common Stock on such date shall be the closing price of a share of the Common Stock on the New York Stock Exchange on the last business day prior to such date or such other amount as may be determined by the Committee by any fair and reasonable means.

(m) "Offering Period" means each six-month period commencing on January 1 and terminating on the following June 30 or commencing on July 1 and terminating on the following December 31; provided, however, the initial Offering Period shall commence on the later of (i) April 1, 1997 or (ii) the effective date of the S-8 Registration Statement covering the shares of Common Stock issuable under the Plan and end on the first June 30 or December 31 to occur thereafter.

(n) "Participant" means an Eligible Employee who has elected to participate in the Plan by filing an enrollment agreement with the Company as provided in Section 7 below.

(o) "Participating Subsidiary" means any Subsidiary not excluded from participation in the Plan by the Committee, in its sole discretion.

(p) "Subsidiary" means any corporation, domestic or foreign, of which the Company owns, directly or indirectly, not less than 50% of the total combined voting power of all classes of stock or other equity interests and that otherwise qualifies as a "subsidiary corporation" within the meaning of Section 424(f) of the Code or any successor thereto.

2. Purpose of the Plan.

The purpose of the Plan is to provide an incentive for present and future employees of the Company and its Participating Subsidiaries to acquire a proprietary interest (or increase an existing proprietary interest) in the Company through the purchase

of Common Stock. It is the intention of the Company that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code. Accordingly, the provisions of the Plan shall be administered, interpreted and construed in a manner consistent with the requirements of that section of the Code.

3. Shares Reserved for the Plan.

There shall be reserved for issuance and purchase by Participants under the Plan an aggregate of 1,000,000 shares of Common Stock, subject to adjustment as provided in Section 15 below. Shares of Common Stock subject to the Plan may be newly issued shares or treasury shares. If and to the extent that any option to purchase shares of Common Stock shall not be exercised for any reason or if such right to purchase shares shall terminate as provided herein, the shares that have not been so purchased hereunder shall again become available for the purposes of the Plan unless the Plan shall have been terminated.

4. Administration of the Plan.

(a) The Plan shall be administered by a Committee appointed by, and which shall serve at the pleasure of, the Board. The Committee shall have authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to correct any defect or rectify any omission in this Plan or to reconcile any inconsistency in this Plan or any Option, and to make all other determinations necessary or advisable for the administration of the Plan, all of which actions and determinations shall be final, conclusive and binding on all persons. The act or determination of a majority of the members of the Committee shall be deemed to be the act or determination of the Committee.

(b) The Committee may request advice or assistance or employ such other persons as it in its discretion deems necessary or appropriate for the proper administration of the Plan, including, but not limited to employing a brokerage firm, bank or other financial institution to assist in the purchase of shares, delivery of reports or other administrative aspects of the Plan.

5. Eligibility to Participate in the Plan.

Subject to limitations imposed by Section 423(b) of the Code, any Eligible Employee who is employed by the Company or a Participating Subsidiary on an Enrollment Date shall be eligible to participate in the Plan for the Offering Period beginning on that Enrollment Date.

6. Offering Periods.

The Plan shall consist of consecutive Offering Periods until the Plan is terminated.

7. Election to Participate in the Plan.

(a) Each Eligible Employee may elect to participate in the Plan by completing an enrollment agreement in the form provided by the Company and filing such enrollment agreement with the Company prior to the applicable Enrollment Date, unless another time for filing the enrollment form is set by the Committee for all Eligible Employees with respect to a given Offering Period.

(b) Payroll deductions for a Participant shall commence on the first payroll date following the Enrollment Date and shall end on the last payroll date in the Offering Period to which such authorization is applicable, unless sooner terminated by the Participant as provided in Section 12.

(c) Unless a Participant elects otherwise prior to the Enrollment Date of the immediately succeeding Offering Period, an Eligible Employee who is participating in an Offering Period as of the Exercise Date of such Offering Period shall be deemed (i) to have elected to participate in the immediately succeeding Offering Period and (ii) to have authorized the same payroll deduction for such immediately succeeding Offering Period as was in effect for such Participant immediately prior to the succeeding Offering Period.

8. Payroll Deductions.

(a) All Participant contributions to the Plan shall be made only by payroll deductions. At the time a Participant files the enrollment agreement with respect to an Offering Period, the Participant shall authorize payroll deductions to be made on each payroll date during the Offering Period in an amount of from 1% to 10% of the Eligible Compensation which the Participant receives on each payroll date during such Offering Period. The amount of such payroll deductions shall be a whole percentage (i.e., 1%, 2%, 3%, etc.) of the Participant's Eligible Compensation.

(b) All payroll deductions made for a Participant shall be deposited in the Company's general corporate account and shall be credited to the Participant's account under the Plan. No interest shall accrue or be credited with respect to the payroll deductions of a Participant under the Plan. A Participant may not make any additional payments into such account. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

(c) Except as provided in Section 12, a Participant may not change his contribution election during an Offering Period.

(d) Notwithstanding the foregoing, no Participant may make payroll deductions during any year in excess of \$21,250.

9. Grant of Options.

(a) On the Enrollment Date of each Offering Period, subject to the limitations set forth in Sections 3 and 9(b) hereof, each Eligible Employee shall be granted an option to purchase on the Exercise Date for such Offering Period (at the Exercise Price determined as provided in Section 10 below) up to a number of shares of the Company's Common Stock determined by dividing such Eligible Employee's payroll deductions accumulated during the Offering Period ending on such Exercise Date by 85% of the fair market value of a share of the Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower.

(b) Notwithstanding any provision of the Plan to the contrary, no Eligible Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Eligible Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary of the Company, or (ii) which permits such Eligible Employee's rights to purchase stock under all employee stock purchase plans of the Company and its Subsidiaries to accrue at a rate which exceeds \$25,000 of fair market value of such stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

10. Exercise Price.

The Exercise Price of each of the shares offered in a given Offering Period shall be the lower of: (i) 85% of the Fair Market Value of a share of the Common Stock on the Enrollment Date, or (ii) 85% of the Fair Market Value of a share of the Common Stock on the applicable Exercise Date.

11. Exercise of Options.

Unless a Participant withdraws from the Plan as provided in Section 12, the Participant's option for the purchase of shares will be exercised automatically on each Exercise Date, and the maximum number of full shares subject to the option will be purchased for the Participant at the applicable Exercise Price with the accumulated payroll deductions in the Participant's account. Any amount remaining in the Participant's account after an Exercise Date shall be refunded to the Participant.

12. Withdrawal; Termination of Employment.

(a) A Participant may withdraw all but not less than all of the payroll deductions credited to the Participant's account under the Plan at any time by giving written notice to the Company. All of the Participant's payroll deductions credited to the Participant's account will be paid to him promptly after receipt of the Participant's notice of withdrawal, the Participant's participation in the Plan will be automatically terminated, and no further payroll deductions for the purchase of shares will be made. Payroll deductions will not resume on behalf of a Participant who has withdrawn from the Plan unless written notice is delivered to the Company within the enrollment period preceding the commencement of a new Offering Period directing the Company to resume payroll deductions.

(b) Upon termination of the Participant's Continuous Employment prior to the Exercise Date of the Offering Period for any reason, including retirement or death, the payroll deductions credited to the Participant's account will be returned to the Participant or, in the case of death, to the Participant's estate, and the Participant's options to purchase shares under the Plan will be automatically terminated.

(c) In the event a Participant ceases to be an Eligible Employee during an Offering Period, the Participant will be deemed to have elected to withdraw from the Plan, the payroll deductions credited to the Participant's account will be returned to the Participant, and the Participant's options to purchase shares under the Plan will be terminated.

(d) A Participant's withdrawal from an Offering Period will not affect the Participant's eligibility to participate in a succeeding Offering Period.

13. Transferability.

Options to purchase Common Stock granted under the Plan are not transferable by a Participant and are exercisable only by the Participant.

14. Reports.

Individual accounts will be maintained for each Participant in the Plan. Statements of account will be given to participating Employees semi-annually promptly following each Exercise Date, which statements will set forth the amounts of payroll deductions, the per share purchase price, the number of shares purchased and the remaining cash balance, if any.

15. Adjustments Upon Changes in Capitalization.

(a) If the outstanding shares of Common Stock are increased or decreased, or are changed into or are exchanged for a different number or kind of shares,

as a result of one or more reorganizations, restructurings, recapitalizations, reclassifications, stock splits, reverse stock splits, stock dividends or the like, upon authorization of the Committee, appropriate adjustments shall be made in the number and/or kind of shares, and the per share option price thereof, which may be issued in the aggregate and to any Participant upon exercise of options granted under the Plan.

(b) In the event of the proposed dissolution or liquidation of the Company, each Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Committee determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the Participant shall have the right to exercise the option as to all of the optioned stock, including shares as to which the option would not otherwise be exercisable. If the Committee makes an option fully exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Committee shall notify the Participant that the option shall be fully exercisable for a stated period, which shall not be less than 10 days from the date of such notice, and the option will terminate upon the expiration of such period.

(c) In all cases, the Committee shall have full discretion to exercise any of the powers and authority provided under this Section 15, and the Committee's actions hereunder shall be final and binding on all Participants. No fractional shares of stock shall be issued under the Plan pursuant to any adjustment authorized under the provisions of this Section 15.

16. Amendment of the Plan.

The Board may at any time, or from time to time, amend the Plan in any respect; provided, however, that the Plan may not be amended in any way that will cause rights issued under the Plan to fail to meet the requirements for employee stock purchase plans as defined in Section 423 of the Code or any successor thereto, including, without limitation, shareholder approval if required.

17. Termination of the Plan.

The Plan and all rights of Eligible Employees hereunder shall terminate:

(a) on the Exercise Date that Participants become entitled to purchase a number of shares greater than the number of reserved shares remaining available for purchase under the Plan; or

(b) at any time, at the discretion of the Board.

In the event that the Plan terminates under circumstances described in Section 17(a) above, reserved shares remaining as of the termination date shall be sold to Participants on a pro rata basis.

18. Notices.

All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

19. Shareholder Approval.

The Plan shall be subject to approval by the shareholders of the Company within twelve months after the date the Plan is adopted by the Board of Directors. If such shareholder approval is not obtained prior to the first Exercise Date, the Plan shall be null and void and all Participants shall be deemed to have withdrawn on such Exercise Date pursuant to Section 12.

20. Conditions Upon Issuance of Shares.

(a) The Plan, the grant and exercise of options to purchase shares of Common Stock under the Plan, and the Company's obligation to sell and deliver shares upon the exercise of options to purchase shares shall be subject to all applicable federal, state and foreign laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may, in the opinion of counsel for the Company, be required.

(b) The Company may make such provisions as it deems appropriate for withholding by the Company pursuant to all applicable tax laws of such amounts as the Company determines it is required to withhold in connection with the purchase or sale by a Participant of any Common Stock acquired pursuant to the Plan. The Company may require a Participant to satisfy any relevant tax requirements before authorizing any issuance of Common Stock to such Participant.

USA WASTE SERVICES, INC.

401(k) RESTORATION PLAN

Effective February 1, 1998

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USA WASTE SERVICES, INC.

401(k) RESTORATION PLAN

ARTICLE I--PURPOSE AND BACKGROUND

The purpose of this 401(k) Restoration Plan (hereinafter referred to as the "Plan") is to provide current tax planning opportunities as well as supplemental funds for the retirement or death of employees of the USA Waste Services, Inc. It is intended that the Plan will aid in retaining and attracting employees of exceptional ability by providing them with these benefits. This Plan shall be effective as of February 1, 1998 ("Effective Date").

ARTICLE II--DEFINITIONS

For the purposes of this Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise:

2.1 Account

"Account" means the Account as maintained by the Employer in accordance with Article IV for any deferral of Compensation pursuant to this Plan. A Participant's Account shall be used solely as a device for the determination and measurement of the amounts to be paid to the Participant pursuant to the Plan. Separate subaccounts shall be maintained to properly reflect the Participant's balance and earnings thereon. A Participant's Account shall not constitute or be treated as a trust fund of any kind.

2.2 Beneficiary

"Beneficiary" means the person, persons or entity entitled under Article VI to receive any Plan benefits payable after a Participant's death.

2.3 Board

"Board" means the Board of Directors of the Company.

2.4 Committee

"Committee" means the 401(k) Restoration Plan Committee appointed to administer the Plan pursuant to Article VII.

2.5 Company

"Company" means USA Waste Services, Inc., or any successor to the business thereof.

2.6 Compensation

"Compensation" means the salary and bonuses payable to a Participant during the calendar year and considered to be "wages" for purposes of federal income tax withholding, before reduction for amounts deferred under this Plan, salary reduction contributions under IRC Section 401(k), or any other deferral arrangements. Compensation does not include expense reimbursements, any form of noncash Compensation or benefits, group life insurance premiums, or any other payments or benefits other than normal Compensation.

2.7 Deferral Commitment

"Deferral Commitment" means an election to defer Compensation made by a Participant pursuant to Article III and for which a separate Participation Agreement has been submitted by the Participant to the Committee.

2.8 Deferral Period

"Deferral Period" means the period over which a Participant has elected to defer a portion of his Compensation. Each calendar year shall be a separate Deferral Period, provided that the Deferral Period may be modified pursuant to Section 3.4.

2.9 Determination Date

"Determination Date" means the last day of each calendar month.

2.10 Earnings Index

"Earnings Index" means a portfolio or fund selected by the Board to be used as an index in calculating Rate of Return.

2.11 Elective Deferred Compensation

"Elective Deferred Compensation" means the amount of Compensation that a Participant elects to defer pursuant to a Deferral Commitment.

2.12 Employer

"Employer" means the Company or any successor to the business thereof, and any affiliated or subsidiary corporations designated by the Board.

2.13 Financial Hardship

"Financial Hardship" means severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute an unforeseeable emergency will depend upon the facts of each case, but in any case, payment may not be made to the extent that such hardship is or may be relieved:

(a) Through reimbursement or compensation by insurance or otherwise,

(b) By liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or

(c) By cessation of deferrals under the Plan.

2.14 Participant

"Participant" means any individual who is participating or has participated in this Plan as provided in Article III.

2.15 Participation Agreement

"Participation Agreement" means the agreement submitted by a Participant to the Committee prior to the beginning of the Deferral Period, with respect to a Deferral Commitment made for such Deferral Period.

2.16 Plan Benefit

"Plan Benefit" means the benefit payable to a Participant as calculated in Article V.

2.17 Rate of Return

"Rate of Return" means the amount credited to a Participant's Account under Section 4.5 to be determined by the Committee based upon the net performance of the Earnings Indices selected by the Participant.

ARTICLE III--PARTICIPATION AND DEFERRAL COMMITMENTS

3.1 Eligibility and Participation

(a) Eligibility. Eligibility to participate in the Plan shall be limited to Corporate Officers, Regional Vice Presidents, Assistant Regional Vice Presidents, or any other Committee-designated employee.

(b) Participation. Any eligible employee who elects to defer Compensation under this Plan or who has an Account balance under this Plan shall be a Participant in this Plan. An employee, eligible to defer, may elect to participate in the Plan with respect to any Deferral Period by submitting a Participation Agreement to the Committee by December 31 of the calendar year immediately preceding the Deferral Period.

(c) Part-Year Participation. In the event that an employee first becomes eligible to defer Compensation during a calendar year, a Participation Agreement must be submitted to the Committee no later than thirty (30) days following notification to the employee of eligibility to defer, and such Participation Agreement shall be effective only with regard to Compensation earned or payable following the submission of the Participation Agreement to the Committee.

3.2 Form of Deferral

A Participant may elect Deferral Commitments in the Participation Agreement as follows:

(a) Salary Deferral Commitment. A salary Deferral Commitment shall be related to the salary Compensation payable by Employer to a Participant during the Deferral Period.

(b) Bonus Deferral Commitment. A bonus Deferral Commitment shall be related to the bonus Compensation payable to the Participant during the Deferral Period.

3.3 Limitations on Deferral Commitments

The following limitations shall apply to Deferral Commitments:

(a) Minimum. The minimum deferral amount for either a salary or bonus Deferral Commitment is one percent (1%).

(b) Maximum. The maximum deferral amount shall be fifteen percent (15%) of salary and fifteen percent (15%) of bonus (in whole percentages).

(c) Changes in Minimum or Maximum. The Committee may change the minimum or maximum deferral amounts from time to time by giving written notice to all Participants. No such change may affect a Deferral Commitment made prior to the Committee's action.

3.4 Modification of Deferral Commitment

A Deferral Commitment shall be irrevocable except that the Committee may permit a Participant to waive the remainder of the Deferral Commitment upon a finding that the Participant has suffered a Financial Hardship. Participants who waive their Deferral Commitment will be unable to resume deferrals for one (1) year following the year in which the waiver occurred.

ARTICLE IV--DEFERRED COMPENSATION ACCOUNTS

4.1 Accounts

For record keeping purposes only, an Account shall be maintained for each Participant. Separate subaccounts shall be maintained to the extent necessary to properly reflect the Participant's election of Earnings Indices and total vested Account balance.

4.2 Elective Deferred Compensation

A Participant's Elective Deferred Compensation shall be credited to the Participant's Account on the day of the month the corresponding nondeferred portion of the Compensation becomes or would have become payable. Any withholding of taxes or other amounts with respect to deferred Compensation which is required by state, federal or local law shall be withheld from the Participant's nondeferred Compensation to the maximum extent possible with any excess being withheld from the Participant's Account.

4.3 Allocation of Elective Deferred Compensation

A Participant shall allocate the Account among the Earning Indices selected by the Committee. Initial allocation shall be made in the Deferral Account Allocation/Reallocation. If a Participant has not made an allocation election, the Participant Account shall be allocated to a money market or equivalent Earnings Index. A change in allocation among Earning Indices will be made on the first day of each month, provided the Participant gave notice at least fifteen (15) days before the month of the change to the Committee.

4.4 Employer Discretionary Contributions

Employer may make discretionary contributions to the Participant's Account. Discretionary contributions shall be credited at such times and in such amounts as the Committee in its sole discretion shall determine. The amount of the discretionary contributions shall be evident in a special Participation Agreement approved by the Committee.

4.5 Rate of Return

The Accounts shall be credited monthly with the Rate of Return specified in Section 2.17.

4.6 Determination of Accounts

Each Participant's Account as of each Determination Date shall consist of the balance of the Participant's Account as of the immediately preceding Determination Date, plus the Participant's Elective Deferred Compensation credited, and the applicable Rate of Return, minus the amount of any distributions made since the immediately preceding Determination Date.

4.7 Vesting of Accounts

Each Participant shall be vested in the amounts credited to such Participant's Account and earnings thereon as follows:

(a) Amounts Deferred. A Participant shall be one hundred percent (100%) vested at all times in the amount of Compensation elected to be deferred under this Plan and Rate of Return thereon.

(b) Employer Discretionary Contributions. Employer discretionary contributions and Rate of Return thereon shall be vested as set forth in the special Participation Agreement.

4.8 Statement of Accounts

The Committee shall submit to each Participant, within one hundred twenty (120) days after the close of each calendar year, or at such other time as determined by the Committee, a statement setting forth the balance to the credit of the Account maintained for a Participant.

ARTICLE V--PLAN BENEFITS

5.1 Distributions Prior to Termination of Employment

A Participant's Account may be distributed to the Participant prior to termination of employment as follows:

(a) Early Withdrawals. A Participant may elect in a Participation Agreement to withdraw all or any portion of the amount deferred (and earning thereon) by that Participation Agreement as of a date specified in the election. Such date shall not be sooner than five (5) years after the date the Deferral Period commences. Such election shall be made at the time the Deferral Commitment is made.

(b) Hardship Withdrawals. Upon a finding that a Participant has suffered a Financial Hardship, the Committee may, in its sole discretion, make distributions from the Participant's Account. The amount of such a withdrawal shall be limited to the amount reasonably necessary to meet the Participant's needs resulting from the Financial Hardship. If payment is made due to Financial Hardship under this Plan, the Participant's deferrals under this Plan shall cease. Any resumption of the Participant's deferrals under the Plan after such twelve (12) month period shall be made only at the election of the Participant in accordance with Article III herein.

(c) Form of Payment and Time. Any distribution pursuant to Section 5.1(a) or 5.1(b) shall be payable in a lump sum. The distribution shall be paid in the case of a partial withdrawal, as provided in the Participation Agreement, and in case of a Financial Hardship, within thirty (30) days after the Committee approves the Financial Hardship.

5.2 Distributions Following Termination of Employment

Upon a Participant's termination of employment with Employer as a result of severance, disability, death, or change in control, the Employer shall pay the Participant or, in the case of death, the Participant's Beneficiary, benefits equal to the vested balance in the Participant's Account.

5.3 Form of Benefit Payment Following Termination of Employment

Benefits shall be paid in a lump sum payment within sixty (60) days after termination of employment.

5.4 Commencement of Deferral Payment

Benefits that are payable upon termination of employment shall commence as soon as practical after termination but in no case more than sixty (60) days after termination.

5.5 Death Benefit

Upon the death of a Participant, the Employer shall pay to the Participant's Beneficiary an amount equal to the remaining unpaid balance of the Participant's Account in a lump sum.

5.6 Accelerated Distribution

Notwithstanding any other provision of the Plan, at any time a Participant shall be entitled to receive, upon written request to the Committee, a lump sum distribution equal to ninety percent (90%) of the vested Account balance as of the Determination Date immediately preceding the date on which the Committee receives the written request. The remaining balance shall be forfeited by the Participant. The amount payable under this section shall be paid in a lump sum within thirty (30) days following the receipt of the notice by the Committee from the Participant. Such Participant shall not be eligible to participate for a period of one (1) year from the date of distribution.

5.7 Withholding for Taxes

To the extent required by the law in effect at the time payments are made, the Employer shall withhold from the payments made hereunder any taxes required to be withheld by the federal or any state or local government, including any amounts which the Employer determines is reasonably necessary to pay any generation-skipping transfer tax which is or may become due. A beneficiary, however, may elect not to have withholding of federal income tax pursuant to Section 3405 of the Internal Revenue Code, or any successor provision thereto.

5.8 Valuation and Settlement

The amount of a lump sum payment and the initial amount of installments shall be based on the value of the Participant's Account on the Determination Date immediately preceding the payment or commencement of installment payments.

5.9 Payment to Guardian

The Committee may direct payment to the duly appointed guardian, conservator, or other similar legal representative of a Participant or Beneficiary to whom payment is due. In the absence of such a legal representative, the Committee may, in its sole and absolute discretion, make payment to a person having the care and custody of a minor, incompetent or person incapable of handling the disposition of property upon proof satisfactory to the Committee of incompetency, minority, or incapacity. Such distribution shall completely discharge the Committee from all liability with respect to such benefit.

ARTICLE VI--BENEFICIARY DESIGNATION

6.1 Beneficiary Designation

Each Participant shall have the right, at any time, to designate any person or persons as his Beneficiary or Beneficiaries (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of his death prior to complete distribution to Participant of the benefits due under the Plan. Each Beneficiary designation shall be in a written form prescribed by the Committee, and will be effective only when filed with the Committee during the Participant's lifetime.

6.2 Amendments

Any Beneficiary designation may be changed by a Participant without the consent of any designated Beneficiary by the filing of a new Beneficiary designation with the Committee. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed. If a Participant's Compensation is community property, any Beneficiary Designation shall be valid or effective only as permitted under applicable law.

6.3 No Participant Beneficiary Designation

In the absence of an effective Beneficiary Designation, or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then Participant's designated Beneficiary shall be deemed to be the person or persons surviving him in the first of the following classes in which there is a survivor, share and share alike:

(a) The surviving spouse;

(b) The Participant's children, except that if any of the children predecease the Participant but leave issue surviving, then such issue shall take by right of representation the share their parent would have taken if living;

(c) The Participant's estate.

6.4 Effect of Payment

The payment to the deemed Beneficiary shall completely discharge Employer's obligations under this Plan.

ARTICLE VII--ADMINISTRATION

7.1 Committee; Duties

This Plan shall be administered by the Committee. The Committee shall consist of the Company's Chief Financial Officer, Corporate Secretary, and the Director of Human Resources, or such other individuals as designated by the Board of Directors of the Company. The Committee shall have the authority to interpret and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration. A majority vote of the Committee members shall control any decision. Members of the Committee may be Participants under this Plan.

7.2 Agents

The Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

7.3 Binding Effect of Decisions

The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan.

7.4 Indemnity of Committee

The Company shall indemnify and hold harmless the members of the Committee against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to this Plan on account of such person's service on the Committee, except in the case of gross negligence or willful misconduct.

ARTICLE VIII--CLAIMS PROCEDURE

8.1 Claim

Any person claiming a benefit, requesting an interpretation or ruling under the Plan, or requesting information under the Plan shall present the request in writing to the Committee which shall respond in writing within thirty (30) days.

8.2 Denial of Claim

If the claim or request is denied, the written notice of denial shall state:

(a) The reason for denial, with specific reference to the Plan provisions on which the denial is based.

(b) A description of any additional material or information required and an explanation of why it is necessary.

(c) An explanation of the Plan's claim review procedure.

8.3 Review of Claim

Any person whose claim or request is denied or who has not received a response within thirty (30) days may request review by notice given in writing to the Committee. The claim or request shall be reviewed by the Committee who may, but shall not be required to, grant the claimant a hearing. On review, the claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

8.4 Final Decision

The decision on review shall normally be made within sixty (60) days. If an extension of time is required for a hearing or other special circumstances, the claimant shall be notified and the time limit shall be one hundred twenty (120) days. The decision shall be in writing and shall state the reason and the relevant plan provisions. All decisions on review shall be final and bind all parties concerned.

ARTICLE IX--AMENDMENT AND TERMINATION OF PLAN

9.1 Amendment

The Board may at any time amend the Plan by written instrument, notice of which is given to all Participants and to any Beneficiaries to whom a benefit is due, subject to the following:

(a) Preservation of Account Balance. No amendment shall reduce the amount accrued in any Account to the date such notice of the amendment is given.

(b) Changes in Earnings Rate. No amendment shall reduce the Rate of Return to be credited after the date of the amendment to the amount already accrued in any Account and any Deferred Compensation credited to the Account under Deferral Commitments already in effect on that date.

9.2 Employer's Right to Terminate

The Board may at any time partially or completely terminate the Plan if, in its judgment, the tax, accounting or other effects of the continuance of the Plan, or potential payments thereunder would not be in the best interests of Employer.

(a) Partial Termination. The Board may partially terminate the Plan by instructing the Board not to accept any additional Deferral Commitments. If such a partial termination occurs, the Plan shall continue to operate and be effective with regard to Deferral Commitments entered into prior to the effective date of such partial termination.

(b) Complete Termination. The Board may completely terminate the Plan by instructing the Committee not to accept any additional Deferral Commitments, and by terminating all ongoing Deferral Commitments. If such a complete termination occurs, the Plan shall cease to operate and Employer shall pay out each Account. Payment shall be made in substantially equal annual installments over the following period, based on the Account balance:

ACCOUNT BALANCE	PAYOUT PERIOD
Less than \$100,000	Lump Sum
\$100,000 but less than \$500,000	3 Years
More than \$500,000	5 Years

Payments shall commence within sixty (60) days after the Board terminates the Plan and earnings shall continue to be credited on the unpaid Account balance.

ARTICLE X--MISCELLANEOUS

10.1 Unfunded Plan

This plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly-compensated employees" within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA.

10.2 Unsecured General Creditor

Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of Employer or any other party for payment of benefits under this Plan. Any life insurance policies, annuity contracts or other property purchased by Employer in connection with this Plan shall remain its general, unpledged and unrestricted assets. Employer's obligation under the Plan shall be an unfunded and unsecured promise to pay money in the future.

10.3 Trust Fund

At its discretion, the Employer may establish one (1) or more trusts, with such trustees as the Board may approve, for the purpose of providing for the payment of benefits owed under the Plan. Although such a trust shall be irrevocable, its assets shall be held for payment of all the Company's general creditors in the event of insolvency or bankruptcy. To the extent any benefits provided under the Plan are paid from any such trust, Employer shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of Employer.

10.4 Nonassignability

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

10.5 Not a Contract of Employment

This Plan shall not constitute a contract of employment between Employer and the Participant. Nothing in this Plan shall give a Participant the right to be retained in the service of Employer or to interfere with the right of Employer to discipline or discharge a Participant at any time.

10.6 Protective Provisions

A Participant will cooperate with Employer by furnishing any and all information requested by Employer in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as Employer may deem necessary and taking such other action as may be requested by Employer.

10.7 Governing Law

The provisions of this Plan shall be construed and interpreted according to the laws of the State of Texas, except as preempted by federal law.

10.8 Validity

In case any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

10.9 Notice

Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed as given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Committee shall be directed to the Company's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in Employer's records.

10.10 Successors

The provisions of this Plan shall bind and inure to the benefit of Employer and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of Employer, and successors of any such corporation or other business entity.

EMPLOYMENT AGREEMENT

USA WASTE SERVICES, INC. (the "Company"), and JOHN E. DRURY (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of June 1, 1997, as follows:

1. EMPLOYMENT.

The Company shall employ Executive, and Executive shall be employed by the Company upon the terms and subject to the conditions set forth in this Agreement.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement be for continuously renewing five (5) year terms (the "Employment Term"), without any further action by either the Company or Executive, unless Executive's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

- (a) Executive shall serve as Chief Executive Officer. In such capacity, Executive shall perform such duties, and have such power, authority and functions as may be assigned to Executive from time to time by the Board of Directors of the Company.
- (b) Executive shall faithfully serve the Company, and/or its affiliated corporations, devote Executive's full working time, attention and energies to the business of the Company, and/or its affiliated corporations, and perform the duties under this Agreement to the best of Executive's abilities. Executive may make and manage his personal investments, provided such investments in other activities do not violate, in any material respect, the provisions of Section 8 of this Agreement.
- (c) Executive shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

- (a) **BASE SALARY.** During the Employment Term, the Company shall pay Executive a base salary at the annual rate of six hundred thousand (\$600,000) dollars per year or such higher rate as may be determined from time to time by the Company ("Base Salary"). Such Base Salary shall be paid in accordance with the Company's standard payroll practice for principal executive officer. The phrases "principal executive officer" or "senior executive" 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.

- (b) OTHER COMPENSATION. Executive 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.
- (c) EXPENSE REIMBURSEMENT. The Company shall promptly reimburse Executive for the ordinary and necessary business expenses incurred by Executive in the performance of the duties hereunder in accordance with the Company's customary practices applicable to principal executive officers, provided that such expenses are incurred and accounted for in accordance with the Company's policy.
- (d) BENEFIT PLANS. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other fringe benefit plan, generally made available by the Company to principal executive officers.
- (e) EMPLOYEE'S EXPENSES. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) 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 any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated under the following circumstances:

- (a) DEATH. Executive's employment hereunder shall terminate upon Executive's death.
- (b) TOTAL DISABILITY. The Company may terminate Executive's employment hereunder upon Executive becoming "Totally Disabled". For purposes of this Agreement, Executive shall be "Totally Disabled" if Executive is physically or mentally

incapacitated so as to render Executive incapable of performing Executive's usual and customary duties under this Agreement. Executive's receipt of disability benefits under the Company's long-term disability plan or receipt of Social Security disability benefits shall be deemed conclusive evidence of Total Disability for purpose of this Agreement; provided, however, that in the absence of Executive's receipt of such long-term disability benefits or Social Security benefits, the Company's Board of Directors may, in its reasonable discretion (but based upon appropriate medical evidence), determine that Executive is Totally Disabled.

(c) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Executive's employment hereunder for "Cause" at any time after providing written notice to Executive.

- (i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company's Board of Directors, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.
- (ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.
- (iii) Any determination of Cause under this Agreement shall be made by resolution of the Company's Board of Directors adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting called and held for that purpose and at which Executive is given an opportunity to be heard.

- (d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or for good reason as described in Section 7 of this Agreement.
- (e) TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate Executive's employment hereunder without Cause at any time after providing written notice to Executive. Unless the provisions of Section 7 apply, a change in Executive's position as Chief Executive Officer, or a reduction in his annual base pay shall be deemed a termination without cause and Executive shall have sixty (60) days from notice of said change to notify Company of his intent to terminate his employment and receive the compensation described in Section 6(e) below.

6. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT.

In the event that Executive's employment hereunder is terminated, Executive shall be entitled to the following compensation and benefits upon such termination:

- (a) TERMINATION BY REASON OF DEATH. In the event that Executive's employment is terminated by reason of Executive's death, the Company shall pay the following amounts to Executive's beneficiary or estate:
 - (i) Any accrued but unpaid Base Salary for services rendered to the date of death, any accrued but unpaid expenses required to be reimbursed under this Agreement; a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded senior executives and paid at the same time as senior executives are paid; and any vacation accrued to the date of death.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof, as determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) An amount equal to the Base Salary (at the rate in effect as of the date of Executive's death) which would have been payable to Executive if Executive had continued in employment until the end of the current Employment Term (i.e., five [5] years). Said payments will be paid to Executive's estate or beneficiary at the same time and in the same manner as such compensation would have been paid if Executive had remained in active employment for the five (5) year term.
 - (iv) As of the date of termination by reason of Executive's death, stock options awarded to Executive shall be fully vested and Executive's estate or beneficiary shall have up to one (1) year from the date of death to exercise all such options.

- (b) TERMINATION BY REASON OF TOTAL DISABILITY. In the event that Executive's employment is terminated by reason of Executive's Total Disability as determined in accordance with Section 5(b), the Company shall pay the following amounts to Executive:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination. Executive shall also be eligible for a pro-rata bonus or incentive compensation payment to the extent such awards are made to senior executives for the year in which Executive is terminated.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) An amount equal to the Base Salary (at the rate in effect as of the date of Executive's Total Disability) which would have been payable to Executive if Executive had continued in active employment until the end of the current Employment Term (five [5] years from the date of termination by reason of total disability). Payment shall be made at the same time and in the same manner as such compensation would have been paid if Executive had remained in active employment until the end of such period.
 - (iv) As of the date of termination by reason of Executive's total disability, Executive shall be fully vested in all stock option awards and Executive shall have up to one (1) year from the date of termination by reason of total disability to exercise all such options.
- (c) TERMINATION FOR CAUSE. In the event that Executive's employment is terminated by the Company for Cause pursuant to Section 5(c), the Company shall pay the following amounts to Executive:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (d) VOLUNTARY TERMINATION BY EXECUTIVE. In the event that Executive terminates employment pursuant to Section 5(d), and other than for a resignation tendered pursuant

to Section 7 of this Agreement, or other than for a resignation tendered following a change of Executive's position or base pay, as described in Section 5(e) above, the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Executive's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or Cause, the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An annual amount equal to 75 percent (75%) of the average of Executive's "Total Annual Direct Compensation" for the two highest of the three most recent calendar years prior to Executive's termination. Such annual amount shall be paid during the five (5) year period beginning on the date of Executive's termination and shall be paid at the same time and in the same manner as Base Salary would have been paid if Executive had remained in active employment until the end of such period. For purposes of this Agreement, the term "Total Annual Direct Compensation" means the total of the Base Salary and other cash compensation payable to Executive attributable to a calendar year (A) including any cash compensation which would have been payable for such year but for Executive's election to defer payment of such compensation and (B) excluding any amounts recognized as compensation as a result of Executive's exercise of a stock option or receipt of a stock award.
- (iv) The Company completely at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, and also including deferred

compensation, disability, automobile, stock option and other benefit plans, in which Executive was entitled to participate at any time during the twelve-month period prior to the date of termination, until the earliest to occur of (A) five years after the date of termination; (B) Executive's death (provided that benefits payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company is prohibited, the Company will arrange to provide Executive with benefits substantially similar to those which Executive would have been entitled to receive under such plan, program, or arrangement, for such period.

(v) Except to the extent prohibited by law, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans in which Executive was a participant as of the date of termination. Executive shall also be eligible for a bonus or incentive compensation payment, at the same time, on the same basis, and to the same extent payments are made to senior executives, pro-rated for the fiscal year in which the Executive is terminated.

(vi) As of the effective date of Executive's termination from active employment, Executive shall be 100% vested in all stock option awards. Executive shall have five (5) years to exercise all options, unless by virtue of the particular stock option award, the option grant expires on an earlier date.

(f) NO OTHER BENEFITS OR COMPENSATION. Except as may be provided under this Agreement, under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's termination or resignation of employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation.

(g) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Executive has

(i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in

any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or

- (ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Executive's employment hereunder or during any of the twelve calendar months preceding or following the termination of Executive's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company; the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against Executive.

7. RESIGNATION BY EXECUTIVE FOR GOOD REASON AND COMPENSATION PAYABLE FOLLOWING CHANGE IN CONTROL.

- (a) RESIGNATION FOR GOOD REASON FOLLOWING CHANGE IN CONTROL. In the event a "Change in Control" occurs, Executive will be paid the compensation described in this Section 7 if (1) Executive resigns by giving notice to the Secretary of the Company that he intends to elect to exercise his rights under this Section 7 ("Notice of Intention"), or (2) is terminated from employment with the Company at any time prior to the six (6) month anniversary of the date of the Change in Control following the occurrence of any of the following events:
 - (i) without Executive's express written consent, the assignment to Executive of any duties inconsistent with Executive's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Executive's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Executive from, or any failure to re-elect Executive to, any of such positions, except in connection with the termination of Executive's employment as a result of death, or by the Company for Disability or Cause, or by Executive other than for the reasons described in this Section 7(a);
 - (ii) a reduction by the Company in Executive's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;

- (iii) the failure of the Company substantially to maintain and to continue Executive's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than those plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Executive's benefits under any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately before a Change in Control, unless such reduction or termination is required by law;
- (iv) the failure of the Company to pay Executive with an appropriate adjustment to compensation, such as a lump sum relocation bonus, salary adjustment and/or housing allowance so that Executive can purchase comparable primary housing if required to relocate (it being the intention of this Section 7[a][iv] to keep the Executive "whole" if required to relocate). In this regard, comparable housing shall be determined by comparing factors such as location (taking into account, by way of example, items such as the value of the surrounding neighborhood, reputation of the public school district, if applicable, security and proximity to Executive's place of work), quality of construction, design, age, size of the housing and the ratio of the monthly payments including principle, interest, taxes and insurance, to the Executive's take-home-pay, to housing most recently owned by Executive prior to, or as of the effective date of the change of control;
- (v) the failure by the Company to pay Executive any portion of Executive's current compensation, or any portion of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or
- (vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Executive terminates employment pursuant to Section 7(a), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof, shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

- (iii) An amount equal to \$1.00 less than three (3) times Executive's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall be paid to Executive in a single lump sum cash payment within five (5) business days after the effective date of Executive's resignation.
- (iv) Executive will be 100% vested in all benefits, awards, and grants (including stock option grants) accrued but unpaid as of the date of termination under any non-qualified pension plan, supplemental and/or incentive compensation or bonus plans, in which Executive was a participant as of the date of termination. The Executive will have until the expiration date shown on the Stock Option Award in which to exercise all options which have vested pursuant to the terms of this Section 7(b)(iv). Executive shall also be eligible for a bonus or incentive compensation payment (the "bonus payment"), payable at 100% of the maximum bonus available to Executive, pro-rated as of the effective date of the termination. The bonus payment shall be payable within five (5) days after the effective date of Employee's termination. Except as may be provided under this Section 7 or under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's resignation from employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such resignation or termination.

- (c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Executive (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then the Company shall pay the Executive as promptly as practicable following such determination an additional amount (the "Gross-up Payment") calculated as described below to reimburse the Executive on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code. The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Executive after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Executive would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Executive's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Executive and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm

from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax matters and such law firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Executive and the Company.

(d) CHANGE IN CONTROL. For purposes of this Agreement, "Change in Control" means the occurrence of any of the following events:

- (i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or
- (ii) As a 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 any successor to the Company.

8. RESTRICTIVE COVENANTS

(a) COMPETITIVE ACTIVITY. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and during the period that payments are made to Executive pursuant to Section 6 of this Agreement, Executive will not engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Executive further agrees that for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or for a period of two (2) years following the date of termination, whichever is later, Executive will not, directly or indirectly, within 75 miles of any operating location of any affiliate of the Company, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company or any of its affiliated companies, without the Company's specific written consent to do so.

- (b) NON-SOLICITATION. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or two (2) years after the date of termination of the Executive's employment, whichever date is later, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive 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; (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; or (v) individually or through any person, firm, association or corporation with which he is now, or may hereafter become associated, cause, solicit, entice or induce any present or future employee of the Company, or any corporation affiliated with the Company, to leave the employ of the Company, or such other corporation, to accept employment with, or compensation from the Employee, or any such person, firm, association or corporation without prior written consent of the Company.
- (c) NON-DISPARAGEMENT. Executive covenants and agrees that Executive 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.
- (d) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive 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 customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive 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.

9. ENFORCEMENT OF COVENANTS.

- (a) TERMINATION OF EMPLOYMENT AND FORFEITURE OF COMPENSATION. Executive agrees that any breach by Executive of any of the covenants set forth in Section 8 hereof during Executive's employment by the Company, shall be grounds for immediate dismissal of Executive and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Executive as liquidated damages, which shall be in addition to and not exclusive of any and all other rights and remedies the Company may have against Executive.
- (b) RIGHT TO INJUNCTION. Executive acknowledges that a breach of the covenants set forth in Section 8 hereof will cause irreparable damage to the Company with respect to which the Company's remedy at law for damages will be inadequate. Therefore, in the event of breach of anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums expended and costs, including reasonable attorney's fees, incurred by the Company to enforce the covenants set forth in this section.
- (c) SEPARABILITY OF COVENANTS. The covenants contained in Section 8 hereof constitute a series of separate covenants, one for each applicable State in the United States and the District of Columbia, and one for each applicable foreign country. If in any judicial proceeding, a court shall hold that any of the covenants set forth in Section 8 exceed the time, geographic, or occupational limitations permitted by applicable laws, Executive and the Company agree that such provisions shall and are hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced in such proceeding.

Executive and the Company further agree that the covenants in Section 8 shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Executive against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants of Section 8.

10. EMPLOYEE CONDUCT.

- (a) The Executive 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, with 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 Executive further agrees to indemnify and save harmless the Company for 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 Executive or the Company. The provisions of this Section 8 shall survive the dissolution or termination of Executive's employment under this Agreement.
- (b) Executive 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 Executive 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 of Executive of his employment duties for the Company.
- (c) Executive 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; provides that if Executive 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 Executive nor the undertakings attempted by the Company with respect thereto shall qualify the unconditional disclosure obligation of Executive, set forth above.

11. DISPUTES AND PAYMENT OF ATTORNEY'S 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 Executive (and Executive 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 Executive) Executive's costs and reasonable attorney's fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred by Executive in connection with any such dispute or any litigation, (a) provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to any dispute or litigation arising under Sections 5c or 8 of this Agreement, or (b) regardless of whether Executive 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, Executive did not initiate frivolously such litigation. Under no circumstances shall Executive be obligated to pay or reimburse the Company for any attorneys' fees, costs or expenses incurred by the Company. The provisions of this Section 10 shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

12. WITHHOLDING OF TAXES.

The Company may withhold from any compensation and benefits payable under this Agreement all applicable federal, state, local, or other taxes.

13. NON-DISCLOSURE OF AGREEMENT TERMS.

Executive agrees that Executive will not disclose the terms of this Agreement to any third party other than Executive's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority. The Company agrees with Executive that, except to the extent required by law, it will not make or publish, without the express written consent of Executive, any written or oral statement concerning the terms of Executive's employment relationship with the Company and will not, if Executive is terminated for any reason or severs his employment with the Company, make or publish any written or oral statement concerning Executive, including, without limitation, his work-related performance or the reasons or basis for Executive's termination or otherwise severing Executive's employment relationship with the Company.

14. SOURCE OF PAYMENTS.

All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. Executive shall have no right, title or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. To

the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

15. ASSIGNMENT.

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement shall not be assignable by Executive, and shall be assignable by the Company only to any financially solvent corporation or other entity resulting from the reorganization, merger or consolidation of the Company with any other corporation or entity or any corporation or entity to or with which the Company's business or substantially all of its business or assets may be sold, exchanged or transferred, and it must be so assigned by the Company to, and accepted as binding upon it by, such other corporation or entity in connection with any such reorganization, merger, consolidation, sale, exchange or transfer (the provisions of this sentence also being applicable to any successive such transaction).

16. ENTIRE AGREEMENT; AMENDMENT.

This Agreement shall supersede any and all existing oral or written agreements, representations, or warranties between Executive and the Company or any of its subsidiaries or affiliated entities relating to the terms of Executive's employment by the Company. It may not be amended except by a written agreement signed by both parties.

17. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to agreements made and to be performed in that State, without regard to its conflict of laws provisions.

18. REQUIREMENT OF TIMELY PAYMENTS.

If any amounts which are required, or determined to be paid or payable, or reimbursed or reimbursable, to Executive under this Agreement (or 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 (3) percentage points 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, reimbursed or reimbursable to Executive, 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.

19. NOTICES.

Any notice, consent, request or other communication made or given in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by registered or certified mail, return receipt requested, or by facsimile or by hand delivery, to those listed below at their following respective addresses or at such other address as each may specify by notice to the others:

To the Company: USA Waste Services, Inc.
1001 Fannin, Suite 4000
Houston, Texas 77002
Attention: Corporate Secretary

To Executive: At the address for Executive set forth below

20. MISCELLANEOUS.

- (a) WAIVER. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.
- (b) SEPARABILITY. Subject to Section 9 hereof, if any term or provision of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.
- (c) HEADINGS. Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.
- (d) RULES OF CONSTRUCTION. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.
- (e) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

USA WASTE SERVICES, INC.

By: /s/ Greg Sangalis

Title: Vice President / General Counsel /Secretary

Date: June 1, 1997

EXECUTIVE

/s/ John E. Drury

Date: June 1, 1997

Address: 1001 Fannin, Suite 4000

Houston, TX 77002

AMENDMENT TO EMPLOYMENT AGREEMENT

Section 7(a) ("Resignation for Good Reason Following Change of Control") of the Employment Agreement executed between USA Waste Services, Inc. (the "Company"), and JOHN E. DRURY ("Executive") is hereby amended to as follows:

Subsection 7(a)(iv) contained in the current Employment Agreement will be replaced with the following new subsection:

(iv) THE CHANGE OF EXECUTIVE'S PRINCIPAL PLACE OF EMPLOYMENT TO A LOCATION MORE THAN FIFTY (50) MILES FROM SUCH PRINCIPAL PLACE OF EMPLOYMENT, EXCEPT FOR REQUIRED TRAVEL ON THE COMPANY'S BUSINESS TO AN EXTENT SUBSTANTIALLY CONSISTENT WITH EXECUTIVE'S BUSINESS TRAVEL OBLIGATIONS IMMEDIATELY BEFORE A CHANGE IN CONTROL;

All remaining terms of the Employment Agreement shall continue in full force and effect.

AGREED:

/s/ JOHN E. DRURY Date: December 1, 1997

JOHN E. DRURY

USA WASTE SERVICES, INC.

By: Greg Sangalis Date: December 1, 1997

Its: Vice President / Secretary

EMPLOYMENT AGREEMENT

USA WASTE SERVICES, INC. (the "Company"), and RODNEY R. PROTO (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of June 1, 1997, as follows:

1. EMPLOYMENT.

The Company shall employ Executive, and Executive shall be employed by the Company upon the terms and subject to the conditions set forth in this Agreement.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall be for continuously renewing five (5) year terms (the "Employment Term"), without any further action required by either the Company or Executive, unless Executive's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

- (a) Executive shall serve as President and Chief Operating Officer, and report to the Chief Executive Officer. In such capacity, Executive shall perform such duties as may be assigned to Executive from time to time by the Board of Directors of the Company or the Chief Executive Officer of the Company.
- (b) Executive shall faithfully serve the Company, and/or its affiliated corporations, devote Executive's full working time, attention and energies to the business of the Company, and/or its affiliated corporations, and perform the duties under this Agreement to the best of Executive's abilities. Executive may make and manage his personal investments, provided such investments in other activities do not violate, in any material respect, the provisions of Section 8 of this Agreement.
- (c) Executive shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

- (a) **BASE SALARY.** During the Employment Term, the Company shall pay Executive a base salary at the annual rate of four hundred thousand (\$400,000) dollars per year, or such higher rate as may be determined from time to time by the Company ("Base Salary"). Such Base Salary shall be paid in accordance with the Company's standard payroll practice for principal executive officers. The phrase "principal executive officer" as

used in this Agreement, shall mean the chief executive office 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.

- (b) OTHER COMPENSATION. Executive 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.
- (c) EXPENSE REIMBURSEMENT. The Company shall promptly reimburse Executive for the ordinary and necessary business expenses incurred by Executive in the performance of the duties hereunder in accordance with the Company's customary practices applicable to senior executives, provided that such expenses are incurred and accounted for in accordance with the Company's policy.
- (d) BENEFIT PLANS. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other fringe benefit plan, generally made available by the Company to senior executives.
- (e) EMPLOYEE'S EXPENSES. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) 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 any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated under the following circumstances:

- (a) DEATH. Executive's employment hereunder shall terminate upon Executive's death.
- (b) TOTAL DISABILITY. The Company may terminate Executive's employment hereunder upon Executive becoming "Totally Disabled". For purposes of this Agreement,

Executive shall be "Totally Disabled" if Executive is physically or mentally incapacitated so as to render Executive incapable of performing Executive's usual and customary duties under this Agreement. Executive's receipt of disability benefits under the Company's long-term disability plan or receipt of Social Security disability benefits shall be deemed conclusive evidence of Total Disability for purpose of this Agreement; provided, however, that in the absence of Executive's receipt of such long-term disability benefits or Social Security benefits, the Company's Board of Directors may, in its reasonable discretion (but based upon appropriate medical evidence), determine that Executive is Totally Disabled.

- (c) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Executive's employment hereunder for "Cause" at any time after providing written notice to Executive.
- (i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company's Board of Directors, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.
- (ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.
- (iii) Any determination of Cause under this Agreement shall be made by resolution of the Company's Board of Directors adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting called and held for that purpose and at which Executive is given an opportunity to be heard.
- (d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or for good reason as described in Section 7 of this Agreement.

- (e) TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate Executive's employment hereunder without Cause at any time after providing written notice to Executive. A change in (i) Executive's position as Chief Operating Officer, (ii) Executive's reporting relationship to the Chief Executive Officer, and/or (iii) a reduction in Executive's base pay, shall be deemed a termination without cause. Unless the provisions of Section 7 apply, Executive shall have sixty (60) days from notice of said change to notify the Company of his intent to terminate his employment and receive the compensation described in Section 6(e) below.

6. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT.

In the event that Executive's employment hereunder is terminated, Executive shall be entitled to the following compensation and benefits upon such termination:

- (e) TERMINATION BY REASON OF DEATH. In the event that Executive's employment is terminated by reason of Executive's death, the Company shall pay the following amounts to Executive's beneficiary or estate:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of death, any accrued but unpaid expenses required to be reimbursed under this Agreement; a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded similarly situated executives and paid at the same time as similarly situated executives are paid; and any vacation accrued to the date of death.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof, as determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) The Base Salary (at the rate in effect as of the date of Executive's death) which would have been payable to Executive if Executive had continued in employment until the end of the current Employment Term (five [5] years). Said payments will be paid to Executive's estate or beneficiary at the same time and in the same manner as such compensation would have been paid if Executive had remained in active employment for the five (5) year term.
 - (iv) As of the date of termination by reason of Executive's death, stock options awarded to Executive shall be fully vested and Executive's estate or beneficiary shall have up to one (1) year from the date of death to exercise all such options.
- (b) TERMINATION BY REASON OF TOTAL DISABILITY. In the event that Executive's employment is terminated by reason of Executive's Total Disability as determined in accordance with Section 5(b), the Company shall pay the following amounts to Executive:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of

termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination. Executive shall also be eligible for a pro-rata bonus or incentive compensation payment to the extent such awards are made to similarly situated executives for the year in which Executive is terminated.

- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) The Base Salary (at the rate in effect as of the date of Executive's Total Disability) which would have been payable to Executive if Executive had continued in active employment until the end of the current Employment Term. Payment shall be made at the same time and in the same manner as such compensation would have been paid if Executive had remained in active employment until the end of such period.
- (iv) As of the date of termination by reason of Executive's total disability, Executive shall be fully vested in all stock option awards and Executive shall have up to one (1) year from the date of termination by reason of total disability to exercise all such options.

(c) **TERMINATION FOR CAUSE.** In the event that Executive's employment is terminated by the Company for Cause pursuant to Section 5(c), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(d) **VOLUNTARY TERMINATION BY EXECUTIVE.** In the event that Executive terminates employment pursuant to Section 5(d), and other than for a resignation tendered pursuant to Section 7 of this Agreement, or other than for a resignation tendered following a change in Executive's position, reporting relationship to the Chief Executive Officer or a reduction in his base pay as described in Section 5(e) of this Agreement, the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.

- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Executive's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or Cause, the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An annual amount equal to 75 percent (75%) of the average of Executive's "Total Annual Direct Compensation" for the two highest of the three most recent calendar years prior to Executive's termination. Such annual amount shall be paid during the five (5) year period beginning on the date of Executive's termination and shall be paid at the same time and in the same manner as Base Salary would have been paid if Executive had remained in active employment until the end of such period. For purposes of this Agreement, the term "Total Annual Direct Compensation" means the total of the Base Salary and other cash compensation payable to Executive attributable to a calendar year (A) including any cash compensation which would have been payable for such year but for Executive's election to defer payment of such compensation and (B) excluding any amounts recognized as compensation as a result of Executive's exercise of a stock option or receipt of a stock award.
- (iv) The Company completely at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, and also including deferred compensation, disability, automobile, stock options and other benefit plans in which Executive was entitled to participate at any time during the twelve-month period prior to the date of termination, until the earliest to occur of (A) five years after the date of termination; (B) Executive's death (provided that benefits payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company is prohibited, the Company will arrange to provide Executive with benefits substantially similar to those which Executive would have been entitled to receive under such plan, program, or arrangement, for such period.

- (v) Except to the extent prohibited by law, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans in which Executive was a participant as of the date of termination. Executive shall also be eligible for a bonus or incentive compensation payment, at the same time, on the same basis, and to the extent payments are made to similarly situated executives, pro-rated for the year in which the Executive is terminated.
 - (vi) As of the effective date of Executive's termination from active employment, Executive shall be 100% vested in all stock option awards. Executive shall have five (5) years to exercise all options, unless by virtue of the particular stock option award, the option grant expires on an earlier date.
- (f) NO OTHER BENEFITS OR COMPENSATION. Except as may be provided under this Agreement, under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's termination or resignation of employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation.
- (g) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Executive has
- (i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or
 - (ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Executive's employment hereunder or during any of the twelve calendar months preceding or following the termination of Executive's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against Executive.

7. RESIGNATION BY EXECUTIVE FOR GOOD REASON AND COMPENSATION PAYABLE FOLLOWING CHANGE IN CONTROL.

- (a) RESIGNATION FOR GOOD REASON FOLLOWING CHANGE IN CONTROL. In the event a "Change in Control" occurs, Executive will be paid the compensation described in this Section 7 if Executive resigns or is terminated from employment with the Company at any time prior to the six (6) month anniversary of the date of the Change in Control following the occurrence of any of the following events:
- (i) without Executive's express written consent, the assignment to Executive of any duties inconsistent with Executive's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Executive's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Executive from, or any failure to re-elect Executive to, any of such positions, except in connection with the termination of Executive's employment as a result of death, or by the Company for Disability or Cause, or by Executive other than for the reasons described in this Section 7(a);
 - (ii) a reduction by the Company in Executive's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;
 - (iii) the failure of the Company substantially to maintain and to continue Executive's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than those plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Executive's benefits under any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately before a Change in Control, unless such reduction or termination is required by law;
 - (iv) the failure of the Company to pay Executive with an appropriate adjustment to compensation, such as a lump sum relocation bonus, salary adjustment and/or housing allowance so that Executive can purchase comparable primary housing if required to relocate (it being the intention of this Section 7[a][iv] to keep the Executive "whole" if required to relocate). In this regard, comparable housing shall be determined by comparing factors such as location (taking into account, by way of example, items such as the value of the surrounding neighborhood,

reputation of the public school district, if applicable, security and proximity to Executive's place of work), quality of construction, design, age, size of the housing and the ratio of the monthly payments including principle, interest, taxes and insurance, to the Executive's take-home-pay, to housing most recently owned by Executive prior to, or as of the effective date of the change of control;

- (v) the failure by the Company to pay Executive any portion of Executive's current compensation, or any portion of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or
- (vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Executive terminates employment pursuant to Section 7(a), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof, shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An amount equal to \$1.00 less than three (3) times Executive's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall be paid to Executive in a single lump sum cash payment within five (5) business days after the effective date of Executive's resignation.
- (iv) Executive will be 100% vested in all benefits, awards, and grants (including stock option grants) accrued but unpaid as of the date of termination under any non-qualified pension plan, supplemental and/or incentive compensation or bonus plans, in which Executive was a participant as of the date of termination. The Executive will have until the expiration date shown on the stock option award in which to exercise all options which have vested pursuant to this Section 7(b)(iv). Executive shall also be eligible for a bonus or incentive compensation payment (the "bonus payment"), payable at 100% of the maximum bonus available to Executive, pro-rated as of the effective date of the termination. The bonus payment shall be payable within five (5) days after the effective date of Employee's termination.

Except as may be provided under this Section 7 or under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's resignation from employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such resignation or termination.

- (c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Executive (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then the Company shall pay the Executive as promptly as practicable following such determination an additional amount (the "Gross-up Payment") calculated as described below to reimburse the Executive on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code. The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Executive after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Executive would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Executive's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Executive and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax matters and such law firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Executive and the Company.

- (d) CHANGE IN CONTROL. For purposes of this Agreement, "Change in Control" means the occurrence of any of the following events:
- (i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or
 - (ii) As a 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 any successor to the Company.

8. RESTRICTIVE COVENANTS

- (a) **COMPETITIVE ACTIVITY.** Executive covenants and agrees that at all times during Executive's period of employment with the Company, and during the period that payments are made to Executive pursuant to Section 6 of this Agreement, Executive will not engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Executive further agrees that for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or for a period of two (2) years following the date of termination, whichever is later, Executive will not, directly or indirectly, within 75 miles of any operating location of any affiliate of the Company, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company or any of its affiliated companies, without the Company's specific written consent to do so.
- (b) **NON-SOLICITATION.** Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or two (2) years after the date of termination of the Executive's employment, whichever date is later, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive 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; (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; or (v) individually or through any person, firm, association or corporation with which he is now, or may hereafter become associated, cause, solicit, entice or induce any present or future

employee of the Company, or any corporation affiliated with the Company, to leave the employ of the Company, or such other corporation, to accept employment with, or compensation from the Employee, or any such person, firm, association or corporation without prior written consent of the Company.

- (c) NON-DISPARAGEMENT. Executive covenants and agrees that Executive 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.
- (d) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive 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 customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive 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.

9. ENFORCEMENT OF COVENANTS.

- (a) TERMINATION OF EMPLOYMENT AND FORFEITURE OF COMPENSATION. Executive agrees that any breach by Executive of any of the covenants set forth in Section 8 hereof during Executive's employment by the Company, shall be grounds for immediate dismissal of Executive and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Executive as liquidated damages, which shall be in addition to and not exclusive of any and all other rights and remedies the Company may have against Executive.
- (b) RIGHT TO INJUNCTION. Executive acknowledges that a breach of the covenants set forth in Section 8 hereof will cause irreparable damage to the Company with respect to which the Company's remedy at law for damages will be inadequate. Therefore, in the event of breach of anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or

equity; (i) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums expended and costs, including reasonable attorney's fees, incurred by the Company to enforce the covenants set forth in this section.

- (c) SEPARABILITY OF COVENANTS. The covenants contained in Section 8 hereof constitute a series of separate covenants, one for each applicable State in the United States and the District of Columbia, and one for each applicable foreign country. If in any judicial proceeding, a court shall hold that any of the covenants set forth in Section 8 exceed the time, geographic, or occupational limitations permitted by applicable laws, Executive and the Company agree that such provisions shall and are hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced in such proceeding. Executive and the Company further agree that the covenants in Section 8 shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Executive against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants of Section 8.

10. EMPLOYEE CONDUCT.

- (a) The Executive 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, with 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 Executive further agrees to indemnify and save harmless the Company for 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 Executive or the Company. The provisions of this Section 8 shall survive the dissolution or termination of Executive's employment under this Agreement.
- (b) Executive 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 Executive 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 of Executive of his employment duties for the Company.

- (c) Executive 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; provides that if Executive 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 Executive nor the undertakings attempted by the Company with respect thereto shall qualify the unconditional disclosure obligation of Executive, set forth above.

11. DISPUTES AND PAYMENT OF ATTORNEY'S 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 Executive (and Executive 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 Executive) Executive's costs and reasonable attorney's fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred by Executive in connection with any such dispute or any litigation, (a) provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to any dispute or litigation arising under Sections 5c or 8 of this Agreement, or (b) regardless of whether Executive 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, Executive did not initiate frivolously such litigation. Under no circumstances shall Executive be obligated to pay or reimburse the Company for any attorneys' fees, costs or expenses incurred by the Company. The provisions of this Section 10 shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

12. WITHHOLDING OF TAXES.

The Company may withhold from any compensation and benefits payable under this Agreement all applicable federal, state, local, or other taxes.

13. NON-DISCLOSURE OF AGREEMENT TERMS.

Executive agrees that Executive will not disclose the terms of this Agreement to any third party other than Executive's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority. The Company agrees with Executive that, except to the extent required by law, it will not make or publish, without the express written consent of Executive, any written or oral statement concerning the terms of Executive's employment relationship with the Company and will not, if Executive is terminated for any reason or severs his employment with the Company, make or publish any written or oral statement concerning Executive, including, without limitation, his work-related performance or the reasons or basis for Executive's termination or otherwise severing Executive's employment relationship with the Company.

14. SOURCE OF PAYMENTS.

All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. Executive shall have no right, title or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

15. ASSIGNMENT.

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement shall not be assignable by Executive, and shall be assignable by the Company only to any financially solvent corporation or other entity resulting from the reorganization, merger or consolidation of the Company with any other corporation or entity or any corporation or entity to or with which the Company's business or substantially all of its business or assets may be sold, exchanged or transferred, and it must be so assigned by the Company to, and accepted as binding upon it by, such other corporation or entity in connection with any such reorganization, merger, consolidation, sale, exchange or transfer (the provisions of this sentence also being applicable to any successive such transaction).

16. ENTIRE AGREEMENT; AMENDMENT.

This Agreement shall supersede any and all existing oral or written agreements, representations, or warranties between Executive and the Company or any of its subsidiaries or affiliated entities relating to the terms of Executive's employment by the Company. It may not be amended except by a written agreement signed by both parties.

17. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to agreements made in that State, without regard to its conflict of laws provisions.

18. REQUIREMENT OF TIMELY PAYMENTS.

If any amounts which are required, or determined to be paid or payable, or reimbursed or reimbursable, to Executive under this Agreement (or 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 (3) percentage points 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, reimbursed or reimbursable to Executive, 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.

19. NOTICES.

Any notice, consent, request or other communication made or given in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by registered or certified mail, return receipt requested, or by facsimile or by hand delivery, to those listed below at their following respective addresses or at such other address as each may specify by notice to the others:

To the Company: USA Waste Services, Inc.
1001 Fannin, Suite 4000
Houston, Texas 77002
Attention: Corporate Secretary

To Executive: At the address for Executive set forth below.

20. MISCELLANEOUS.

- (a) WAIVER. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.
- (b) SEPARABILITY. Subject to Section 9 hereof, if any term or provision of this Agreement

is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.

- (c) HEADINGS. Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.
- (d) RULES OF CONSTRUCTION. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.
- (e) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

USA WASTE SERVICES, INC.

By: /s/ Greg Sangalis

Title: V.P. / General Counsel / Secretary

Date: June 1, 1997

EXECUTIVE

/s/ Rodney R. Proto

Date: June 1, 1997

Address: 1001 Fannin, Suite 4000

Houston, TX 77002

AMENDMENT TO EMPLOYMENT AGREEMENT

Section 7(a) ("Resignation for Good Reason Following Change of Control") of the Employment Agreement executed between USA Waste Services, Inc. (the "Company"), and RODNEY R. PROTO ("Executive") is hereby amended to as follows:

Subsection 7(a)(iv) contained in the current Employment Agreement will be replaced with the following new subsection:

(iv) THE CHANGE OF EXECUTIVE'S PRINCIPAL PLACE OF EMPLOYMENT TO A LOCATION MORE THAN FIFTY (50) MILES FROM SUCH PRINCIPAL PLACE OF EMPLOYMENT, EXCEPT FOR REQUIRED TRAVEL ON THE COMPANY'S BUSINESS TO AN EXTENT SUBSTANTIALLY CONSISTENT WITH EXECUTIVE'S BUSINESS TRAVEL OBLIGATIONS IMMEDIATELY BEFORE A CHANGE IN CONTROL;

All remaining terms of the Employment Agreement shall continue in full force and effect.

AGREED:

/s/ RODNEY R. PROTO

RODNEY R. PROTO

Date: December 1, 1997

USA WASTE SERVICES, INC.

By: Greg Sangalis

Date: December 1, 1997

Its: Vice President / Secretary

EMPLOYMENT AGREEMENT

USA WASTE SERVICES, INC. (the "Company"), and EARL E. DeFRATES (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of June 1, 1997, as follows:

1. EMPLOYMENT.

The Company shall employ Executive, and Executive shall be employed by the Company upon the terms and subject to the conditions set forth in this Agreement.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall be for continuously renewing five (5) year terms (the "Employment Term"), without any further action required by either the Company or Executive, unless Executive's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

- (a) Executive shall serve as Executive Vice President and Chief Financial Officer, and report to the Chief Executive Officer. In such capacity, Executive shall perform such duties as may be assigned to Executive from time to time by the Board of Directors of the Company or the Chief Executive Officer of the Company.
- (b) Executive shall faithfully serve the Company, and/or its affiliated corporations, devote Executive's full working time, attention and energies to the business of the Company, and/or its affiliated corporations, and perform the duties under this Agreement to the best of Executive's abilities. Executive may make and manage his personal investments, provided such investments in other activities do not violate, in any material respect, the provisions of Section 8 of this Agreement.
- (c) Executive shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

- (a) BASE SALARY. During the Employment Term, the Company shall pay Executive a base salary at the annual rate of two hundred seventy-five thousand (\$275,000) dollars per year, or such higher rate as may be determined from time to time by the Company ("Base Salary"). Such Base Salary shall be paid in accordance with the Company's standard payroll practice for principal executive officers. 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.

- (b) OTHER COMPENSATION. Executive 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.
- (c) EXPENSE REIMBURSEMENT. The Company shall promptly reimburse Executive for the ordinary and necessary business expenses incurred by Executive in the performance of the duties hereunder in accordance with the Company's customary practices applicable to senior executives, provided that such expenses are incurred and accounted for in accordance with the Company's policy.
- (d) BENEFIT PLANS. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other fringe benefit plan, generally made available by the Company to senior executives.
- (e) EMPLOYEE'S EXPENSES. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) 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 any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated under the following circumstances:

- (a) DEATH. Executive's employment hereunder shall terminate upon Executive's death.
- (b) TOTAL DISABILITY. The Company may terminate Executive's employment hereunder upon Executive becoming "Totally Disabled". For purposes of this Agreement,

Executive shall be "Totally Disabled" if Executive is physically or mentally incapacitated so as to render Executive incapable of performing Executive's usual and customary duties under this Agreement. Executive's receipt of disability benefits under the Company's long-term disability plan or receipt of Social Security disability benefits shall be deemed conclusive evidence of Total Disability for purpose of this Agreement; provided, however, that in the absence of Executive's receipt of such long-term disability benefits or Social Security benefits, the Company's Board of Directors may, in its reasonable discretion (but based upon appropriate medical evidence), determine that Executive is Totally Disabled.

(c) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Executive's employment hereunder for "Cause" at any time after providing written notice to Executive.

(i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company's Board of Directors, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.

(ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.

(iii) Any determination of Cause under this Agreement shall be made by resolution of the Company's Board of Directors adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting called and held for that purpose and at which Executive is given an opportunity to be heard.

(d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or for good reason as described in Section 7 of this Agreement.

- (e) TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate Executive's employment hereunder without Cause at any time after providing written notice to Executive. A change in (i) Executive's position as Chief Financial Officer, (ii) Executive's reporting relationship to the Chief Executive Officer, and/or (iii) a reduction in Executive's base pay, shall be deemed a termination without cause. Unless the provisions of Section 7 apply, Executive shall have sixty (60) days from notice of said change to notify the Company of his intent to terminate his employment and receive the compensation described in Section 6(e) below.

6. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT.

In the event that Executive's employment hereunder is terminated, Executive shall be entitled to the following compensation and benefits upon such termination:

- (a) TERMINATION BY REASON OF DEATH. In the event that Executive's employment is terminated by reason of Executive's death, the Company shall pay the following amounts to Executive's beneficiary or estate:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of death, any accrued but unpaid expenses required to be reimbursed under this Agreement; a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded similarly situated executives and paid at the same time as similarly situated executives are paid; and any vacation accrued to the date of death.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof, as determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) The Base Salary (at the rate in effect as of the date of Executive's death) which would have been payable to Executive if Executive had continued in employment until the end of the current Employment Term (five [5] years). Said payments will be paid to Executive's estate or beneficiary at the same time and in the same manner as such compensation would have been paid if Executive had remained in active employment for the five (5) year term.
 - (iv) As of the date of termination by reason of Executive's death, stock options awarded to Executive shall be fully vested and Executive's estate or beneficiary shall have up to one (1) year from the date of death to exercise all such options.
- (b) TERMINATION BY REASON OF TOTAL DISABILITY. In the event that Executive's employment is terminated by reason of Executive's Total Disability as determined in accordance with Section 5(b), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination. Executive shall also be eligible for a pro-rata bonus or incentive compensation payment to the extent such awards are made to similarly situated executives for the year in which Executive is terminated.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) The Base Salary (at the rate in effect as of the date of Executive's Total Disability) which would have been payable to Executive if Executive had continued in active employment until the end of the current Employment Term. Payment shall be made at the same time and in the same manner as such compensation would have been paid if Executive had remained in active employment until the end of such period.
 - (iv) As of the date of termination by reason of Executive's total disability, Executive shall be fully vested in all stock option awards and Executive shall have up to one (1) year from the date of termination by reason of total disability to exercise all such options.
- (c) TERMINATION FOR CAUSE. In the event that Executive's employment is terminated by the Company for Cause pursuant to Section 5(c), the Company shall pay the following amounts to Executive:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (d) VOLUNTARY TERMINATION BY EXECUTIVE. In the event that Executive terminates employment pursuant to Section 5(d), and other than for a resignation tendered pursuant to Section 7 of this Agreement, or other than for a resignation tendered following a change in Executive's position, reporting relationship to the Chief Executive Officer or a reduction in his base pay as described in Section 5(e) of this Agreement, the Company shall pay the following amounts to Executive:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.

- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Executive's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or Cause, the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An annual amount equal to 75 percent (75%) of the average of Executive's "Total Annual Direct Compensation" for the two highest of the three most recent calendar years prior to Executive's termination. Such annual amount shall be paid during the five (5) year period beginning on the date of Executive's termination and shall be paid at the same time and in the same manner as Base Salary would have been paid if Executive had remained in active employment until the end of such period. For purposes of this Agreement, the term "Total Annual Direct Compensation" means the total of the Base Salary and other cash compensation payable to Executive attributable to a calendar year (A) including any cash compensation which would have been payable for such year but for Executive's election to defer payment of such compensation and (B) excluding any amounts recognized as compensation as a result of Executive's exercise of a stock option or receipt of a stock award.
- (iv) The Company completely at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, and also including deferred compensation, disability, automobile, stock options and other benefit plans in which Executive was entitled to participate at any time during the twelve-month period prior to the date of termination, until the earliest to occur of (A) five years after the date of termination; (B) Executive's death (provided that benefits payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company is prohibited, the Company will arrange to provide

Executive with benefits substantially similar to those which Executive would have been entitled to receive under such plan, program, or arrangement, for such period.

- (v) Except to the extent prohibited by law, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans in which Executive was a participant as of the date of termination. Executive shall also be eligible for a bonus or incentive compensation payment, at the same time, on the same basis, and to the extent payments are made to similarly situated executives, pro-rated for the year in which the Executive is terminated.
 - (vi) As of the effective date of Executive's termination from active employment, Executive shall be 100% vested in all stock option awards. Executive shall have five (5) years to exercise all options, unless by virtue of the particular stock option award, the option grant expires on an earlier date.
- (f) NO OTHER BENEFITS OR COMPENSATION. Except as may be provided under this Agreement, under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's termination or resignation of employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation.
- (g) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Executive has
- (i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or
 - (ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Executive's employment hereunder or during any of the twelve calendar months preceding or following the termination of Executive's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company,

or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against Executive.

7. RESIGNATION BY EXECUTIVE FOR GOOD REASON AND COMPENSATION PAYABLE FOLLOWING CHANGE IN CONTROL.

- (a) RESIGNATION FOR GOOD REASON FOLLOWING CHANGE IN CONTROL. In the event a "Change in Control" occurs, Executive will be paid the compensation described in this Section 7 if Executive resigns or is terminated from employment with the Company at any time prior to the six (6) month anniversary of the date of the Change in Control following the occurrence of any of the following events:
- (i) without Executive's express written consent, the assignment to Executive of any duties inconsistent with Executive's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Executive's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Executive from, or any failure to re-elect Executive to, any of such positions, except in connection with the termination of Executive's employment as a result of death, or by the Company for Disability or Cause, or by Executive other than for the reasons described in this Section 7(a);
 - (ii) a reduction by the Company in Executive's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;
 - (iii) the failure of the Company substantially to maintain and to continue Executive's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than those plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Executive's benefits under any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately before a Change in Control, unless such reduction or termination is required by law;
 - (iv) the failure of the Company to pay Executive with an appropriate adjustment to compensation, such as a lump sum relocation bonus, salary adjustment and/or housing allowance so that Executive can purchase comparable primary housing if required to relocate (it being the intention of this Section 7[a][iv] to keep the

Executive "whole" if required to relocate). In this regard, comparable housing shall be determined by comparing factors such as location (taking into account, by way of example, items such as the value of the surrounding neighborhood, reputation of the public school district, if applicable, security and proximity to Executive's place of work), quality of construction, design, age, size of the housing and the ratio of the monthly payments including principle, interest, taxes and insurance, to the Executive's take-home-pay, to housing most recently owned by Executive prior to, or as of the effective date of the change of control;

- (v) the failure by the Company to pay Executive any portion of Executive's current compensation, or any portion of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or
- (vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Executive terminates employment pursuant to Section 7(a), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof, shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An amount equal to \$1.00 less than three (3) times Executive's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall be paid to Executive in a single lump sum cash payment within five (5) business days after the effective date of Executive's resignation.
- (iv) Executive will be 100% vested in all benefits, awards, and grants (including stock option grants) accrued but unpaid as of the date of termination under any non-qualified pension plan, supplemental and/or incentive compensation or bonus plans, in which Executive was a participant as of the date of termination. The Executive will have until the expiration date shown on the stock option award in which to exercise all options which have vested pursuant to this Section 7(b)(iv). Executive shall also be eligible for a bonus or incentive compensation payment (the "bonus payment"), payable at 100% of the maximum bonus available to Executive, pro-rated as of the effective date of the termination.

The bonus payment shall be payable within five (5) days after the effective date of Employee's termination.

Except as may be provided under this Section 7 or under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's resignation from employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such resignation or termination.

- (c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Executive (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then the Company shall pay the Executive as promptly as practicable following such determination an additional amount (the "Gross-up Payment") calculated as described below to reimburse the Executive on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code. The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Executive after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Executive would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Executive's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Executive and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax matters and such law firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Executive and the Company.

- (d) CHANGE IN CONTROL. For purposes of this Agreement, "Change in Control" means the occurrence of any of the following events:
- (i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or

indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or

- (ii) As a 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 any successor to the Company.

8. RESTRICTIVE COVENANTS

- (a) **COMPETITIVE ACTIVITY.** Executive covenants and agrees that at all times during Executive's period of employment with the Company, and during the period that payments are made to Executive pursuant to Section 6 of this Agreement, Executive will not engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Executive further agrees that for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or for a period of two (2) years following the date of termination, whichever is later, Executive will not, directly or indirectly, within 75 miles of any operating location of any affiliate of the Company, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company or any of its affiliated companies, without the Company's specific written consent to do so.
- (b) **NON-SOLICITATION.** Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or two (2) years after the date of termination of the Executive's employment, whichever date is later, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive 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; (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; or (v) individually or through any person, firm, association or corporation with which he is now, or may hereafter become associated, cause, solicit, entice or induce any present or future employee of the Company, or any corporation affiliated with the Company, to leave the employ of the Company, or such other corporation, to accept employment with, or compensation from the Employee, or any such person, firm, association or corporation without prior written consent of the Company.

- (c) NON-DISPARAGEMENT. Executive covenants and agrees that Executive 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.
- (d) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive 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 customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive 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.

9. ENFORCEMENT OF COVENANTS.

- (a) TERMINATION OF EMPLOYMENT AND FORFEITURE OF COMPENSATION. Executive agrees that any breach by Executive of any of the covenants set forth in Section 8 hereof during Executive's employment by the Company, shall be grounds for immediate dismissal of Executive and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Executive as liquidated damages, which shall be in addition to and not exclusive of any and all other rights and remedies the Company may have against Executive.
- (b) RIGHT TO INJUNCTION. Executive acknowledges that a breach of the covenants set forth in Section 8 hereof will cause irreparable damage to the Company with respect to which

the Company's remedy at law for damages will be inadequate. Therefore, in the event of breach of anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums expended and costs, including reasonable attorney's fees, incurred by the Company to enforce the covenants set forth in this section.

- (c) SEPARABILITY OF COVENANTS. The covenants contained in Section 8 hereof constitute a series of separate covenants, one for each applicable State in the United States and the District of Columbia, and one for each applicable foreign country. If in any judicial proceeding, a court shall hold that any of the covenants set forth in Section 8 exceed the time, geographic, or occupational limitations permitted by applicable laws, Executive and the Company agree that such provisions shall and are hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced in such proceeding. Executive and the Company further agree that the covenants in Section 8 shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Executive against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants of Section 8.

10. EMPLOYEE CONDUCT.

- (a) The Executive 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, with 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 Executive further agrees to indemnify and save harmless the Company for 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 Executive or the Company. The provisions of this Section 8 shall survive the dissolution or termination of Executive's employment under this Agreement.
- (b) Executive 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 Executive 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 of Executive of his employment duties for the Company.

- (c) Executive 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; provides that if Executive 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 Executive nor the undertakings attempted by the Company with respect thereto shall qualify the unconditional disclosure obligation of Executive, set forth above.

11. DISPUTES AND PAYMENT OF ATTORNEY'S 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 Executive (and Executive 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 Executive) Executive's costs and reasonable attorney's fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred by Executive in connection with any such dispute or any litigation, (a) provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to any dispute or litigation arising under Sections 5c or 8 of this Agreement, or (b) regardless of whether Executive 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, Executive did not initiate frivolously such litigation. Under no circumstances shall Executive be obligated to pay or reimburse the Company for any attorneys' fees, costs or expenses incurred by the Company. The provisions of this Section 10 shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

12. WITHHOLDING OF TAXES.

The Company may withhold from any compensation and benefits payable under this Agreement all applicable federal, state, local, or other taxes.

13. NON-DISCLOSURE OF AGREEMENT TERMS.

Executive agrees that Executive will not disclose the terms of this Agreement to any third party other than Executive's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority. The Company agrees with Executive that, except to the extent required by law, it will not make or publish, without the express written consent of Executive, any written or oral statement concerning the terms of Executive's employment relationship with the Company and will not, if Executive is terminated for any reason or severs his employment with the Company, make or publish any written or oral statement concerning Executive, including, without limitation, his work-related performance or the reasons or basis for Executive's termination or otherwise severing Executive's employment relationship with the Company.

14. SOURCE OF PAYMENTS.

All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. Executive shall have no right, title or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

15. ASSIGNMENT.

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement shall not be assignable by Executive, and shall be assignable by the Company only to any financially solvent corporation or other entity resulting from the reorganization, merger or consolidation of the Company with any other corporation or entity or any corporation or entity to or with which the Company's business or substantially all of its business or assets may be sold, exchanged or transferred, and it must be so assigned by the Company to, and accepted as binding upon it by, such other corporation or entity in connection with any such reorganization, merger, consolidation, sale, exchange or transfer (the provisions of this sentence also being applicable to any successive such transaction).

16. ENTIRE AGREEMENT; AMENDMENT.

This Agreement shall supersede any and all existing oral or written agreements, representations, or warranties between Executive and the Company or any of its subsidiaries or affiliated entities relating to the terms of Executive's employment by the Company. It may not be amended except by a written agreement signed by both parties.

17. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to agreements made in that State, without regard to its conflict of laws provisions.

18. REQUIREMENT OF TIMELY PAYMENTS.

If any amounts which are required, or determined to be paid or payable, or reimbursed or reimbursable, to Executive under this Agreement (or 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 (3) percentage points 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, reimbursed or reimbursable to Executive, 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.

19. NOTICES.

Any notice, consent, request or other communication made or given in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by registered or certified mail, return receipt requested, or by facsimile or by hand delivery, to those listed below at their following respective addresses or at such other address as each may specify by notice to the others:

To the Company: USA Waste Services, Inc.
1001 Fannin, Suite 4000
Houston, Texas 77002
Attention: Corporate Secretary

To Executive: At the address for Executive set forth below.

20. MISCELLANEOUS.

- (a) WAIVER. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.
- (b) SEPARABILITY. Subject to Section 9 hereof, if any term or provision of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.
- (b) HEADINGS. Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.
- (d) RULES OF CONSTRUCTION. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.
- (e) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

USA WASTE SERVICES, INC.

By: /s/ John E. Drury

 Title: Chairman / CEO

 Date: June 1, 1997

EXECUTIVE

/s/ Earl E. DeFrates

 Date: June 1, 1997

 Address: 1001 Fannin, Suite 4000

 Houston, TX 77002

AMENDMENT TO EMPLOYMENT AGREEMENT

Section 7(a) ("Resignation for Good Reason Following Change of Control") of the Employment Agreement executed between USA Waste Services, Inc. (the "Company"), and EARL E. De FRATES ("Executive") is hereby amended to as follows:

Subsection 7(a)(iv) contained in the current Employment Agreement will be replaced with the following new subsection:

(iv) THE CHANGE OF EXECUTIVE'S PRINCIPAL PLACE OF EMPLOYMENT TO A LOCATION MORE THAN FIFTY (50) MILES FROM SUCH PRINCIPAL PLACE OF EMPLOYMENT, EXCEPT FOR REQUIRED TRAVEL ON THE COMPANY'S BUSINESS TO AN EXTENT SUBSTANTIALLY CONSISTENT WITH EXECUTIVE'S BUSINESS TRAVEL OBLIGATIONS IMMEDIATELY BEFORE A CHANGE IN CONTROL;

All remaining terms of the Employment Agreement shall continue in full force and effect.

AGREED:

/s/ EARL E. DEFRATES

Date: December 1, 1997

EARL E. DeFRATES

USA WASTE SERVICES, INC.

By: /s/ GREG SANGALIS

Date: December 1, 1997

Its: Vice President / Secretary

EMPLOYMENT AGREEMENT

USA WASTE SERVICES, INC. (the "Company"), and SUSAN J. PILLER (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of June 1, 1997, as follows:

1. EMPLOYMENT.

The Company shall employ Executive, and Executive shall be employed by the Company upon the terms and subject to the conditions set forth in this Agreement.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall begin as of January 1, 1996, and shall be for continuously renewing three (3) year terms, unless Executive's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

- (a) Executive shall serve as Senior Vice President, Employee Relations, and report to the Chief Executive Officer. In such capacity, Executive shall perform such duties as may be assigned to Executive from time to time by the Board of Directors of the Company or the Chief Executive Officer of the Company.
- (b) Executive shall faithfully serve the Company, and/or its affiliated corporations, devote Executive's full working time, attention and energies to the business of the Company, and/or its affiliated corporations, and perform the duties under this Agreement to the best of Executive's abilities. Executive may make and manage his personal investments, provided such investments in other activities do not violate, in any material respect, the provisions of Section 8 of this Agreement.
- (c) Executive shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

- (a) **BASE SALARY.** During the Employment Term, the Company shall pay Executive a base salary at the annual rate of two hundred fifty thousand (\$250,000) dollars per year, or such higher rate as may be determined from time to time by the Company ("Base Salary"). Such Base Salary shall be paid in accordance with the Company's standard payroll practice for executives.

- (b) EXPENSE REIMBURSEMENT. The Company shall promptly reimburse Executive for the ordinary and necessary business expenses incurred by Executive in the performance of the duties hereunder in accordance with the Company's customary practices applicable to executives, provided that such expenses are incurred and accounted for in accordance with the Company's policy.
- (c) BENEFIT PLANS. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other fringe benefit plan, generally made available by the Company to executives working pursuant to this form of Agreement (hereinafter referred to as "similarly situated executives."
- (d) EMPLOYEE'S EXPENSES. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) 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 any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated under the following circumstances:

- (a) DEATH. Executive's employment hereunder shall terminate upon Executive's death.
- (b) TOTAL DISABILITY. The Company may terminate Executive's employment hereunder upon Executive becoming "Totally Disabled". For purposes of this Agreement, Executive shall be "Totally Disabled" if Executive is physically or mentally incapacitated so as to render Executive incapable of performing Executive's usual and customary duties under this Agreement. Executive's receipt of disability benefits under the Company's long-term disability plan or receipt of Social Security disability benefits shall be deemed conclusive evidence of Total Disability for purpose of this Agreement; provided, however, that in the absence of Executive's receipt of such long-term disability benefits or Social Security benefits, the Company's Board of Directors may, in its reasonable discretion (but based upon appropriate medical evidence), determine that Executive is Totally Disabled.

(c) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Executive's employment hereunder for "Cause" at any time after providing written notice to Executive.

- (i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company's Board of Directors, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.
- (ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.
- (iii) Any determination of Cause under this Agreement shall be made by resolution of the Company's Board of Directors adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting called and held for that purpose and at which Executive is given an opportunity to be heard.

(d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or for good reason as described in Section 7 of this Agreement.

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate Executive's employment hereunder without Cause at any time after providing written notice to Executive.

6. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT.

In the event that Executive's employment hereunder is terminated, Executive shall be entitled to the following compensation and benefits upon such termination:

(a) TERMINATION BY REASON OF DEATH. In the event that Executive's employment is terminated by reason of Executive's death, the Company shall pay the following amounts to Executive's beneficiary or estate:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of death, any accrued but unpaid expenses required to be reimbursed under this Agreement; a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded to similarly situated executives and paid at the same time as similarly situated executives are paid; and any vacation accrued to the date of death.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof as determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An amount equal to the Base Salary (at the rate in effect as of the date of Executive's death) which would have been payable to Executive if Executive had continued in employment until the end of the current Employment Term (three [3] years). Such amount shall be paid in a single lump sum cash payment within thirty (30) days after Executive's death.
- (iv) As of the date of termination by reason of Executive's death, stock options awarded to Executive shall be fully vested. Executive's estate or beneficiary shall have up to one (1) year from the date of death to exercise all such options.

- (b) TERMINATION BY REASON OF TOTAL DISABILITY. In the event that Executive's employment is terminated by reason of Executive's Total Disability as determined in accordance with Section 5(b), the Company shall pay the following amounts to Executive:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination. Executive shall also be eligible for a bonus or incentive compensation payment to the extent such awards are made to similarly situated executives, pro-rated for the year in which Executive is terminated and paid at the same time as similarly situated executives are paid.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) The Base Salary (at the rate in effect as of the date of Executive's Total Disability) which would have been payable to Executive if Executive had continued in active employment until the end of the current Employment Term (three [3] years). Payment shall be made at the same time and in the same manner as such compensation would have been paid if Executive had remained in active employment until the end of such period.
 - (iv) As of the date of termination by reason of Executive's total disability, Executive shall be fully vested in all stock option awards. Executive shall have up to one (1)

year from the date of termination by reason of total disability to exercise all such options.

- (c) TERMINATION FOR CAUSE. In the event that Executive's employment is terminated by the Company for Cause pursuant to Section 5(c), the Company shall pay the following amounts to Executive:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (d) VOLUNTARY TERMINATION BY EXECUTIVE. In the event that Executive terminates employment pursuant to Section 5(d), and other than for a resignation tendered pursuant to Section 7 of this Agreement, the Company shall pay the following amounts to Executive:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (e) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Executive's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or Cause, the Company shall pay the following amounts to Executive:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) An annual amount equal to 75 percent (75%) of the average of Executive's "Total Annual Direct Compensation" for the two highest of the three most recent calendar years prior to Executive's termination. Such annual amount shall be paid during the three (3) year period beginning on the date of Executive's termination and shall be paid at the same time and in the same manner as Base Salary would have been paid if Executive had remained in active employment until the end of such period. For

purposes of this Agreement, the term "Total Annual Direct Compensation" means the total of the Base Salary and other cash compensation payable to Executive attributable to a calendar year (A) including any cash compensation which would have been payable for such year but for Executive's election to defer payment of such compensation and (B) excluding any amounts recognized as compensation as a result of Executive's exercise of a stock option or receipt of a stock award.

- (iv) The Company completely at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, in which Executive was entitled to participate at any time during the twelve-month period prior to the date of termination, until the earliest to occur of (A) three (3) years after the date of termination; (B) Executive's death (provided that benefits payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company is prohibited, the Company will arrange to provide Executive with benefits substantially similar to those which Executive would have been entitled to receive under such plan, program, or arrangement, for such period.
- (v) Except to the extent prohibited by law, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans, and stock option plans in which Executive was a participant as of the date of termination. Executive shall have one (1) year from the date of termination to exercise stock options. Executive shall also be eligible for a bonus or incentive compensation payment, to the extent payments are made to similarly situated executives, pro-rated for the year in which the Executive is terminated, paid at the same time as similarly situated executives are paid.
- (f) NO OTHER BENEFITS OR COMPENSATION. Except as may be provided under this Agreement, under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's termination or resignation of employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation.
- (g) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Executive has
 - (i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company),

partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or

- (ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Executive's employment hereunder or during any of the twelve calendar months preceding or following the termination of Executive's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against Executive.

7. RESIGNATION BY EXECUTIVE FOR GOOD REASON AND COMPENSATION PAYABLE FOLLOWING CHANGE IN CONTROL.

- (a) RESIGNATION FOR GOOD REASON FOLLOWING CHANGE IN CONTROL. In the event a "Change in Control" occurs, Executive will be paid the compensation described in this Section 7 if Executive resigns or is terminated (both a "resignation" and "termination" being referred to as "termination" for the purposes of this Section 7) from employment with the Company at any time prior to the six (6) month anniversary of the date of the Change in Control following the occurrence of any of the following events:
 - (i) without Executive's express written consent, the assignment to Executive of any duties inconsistent with Executive's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Executive's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Executive from, or any failure to re-elect Executive to, any of such positions, except in connection with the termination of Executive's employment as a result of death, or by the Company for Disability or Cause, or by Executive other than for the reasons described in this Section 7(a);
 - (ii) a reduction by the Company in Executive's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;
 - (iii) the failure of the Company substantially to maintain and to continue Executive's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than those

plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Executive's benefits under any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately before a Change in Control, unless such reduction or termination is required by law;

- (iv) the failure of the Company to provide Executive with an appropriate adjustment to compensation such as a lump sum relocation bonus, salary adjustment and/or housing allowance so that Executive can purchase comparable primary housing if required to relocate (it being the intention of this Section 7[a][iv] to keep the Executive "whole" if required to relocate). In this regard, comparable housing shall be determined by comparing factors such as location (taking into account, by way of example, items such as the value of the surrounding neighborhood, reputation of the public school district, if applicable, security and proximity to Executive's place of work), quality of construction, design, age, size of the housing and the ratio of the monthly payments including principle, interest, taxes and insurance to the Executive's take home pay, to housing most recently owned by Executive prior to, or as of the effective date of the change of control;
- (v) the failure by the Company to pay Executive any portion of Executive's current compensation, or any portion of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or
- (vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Executive terminates employment pursuant to Section 7(a), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4c hereof, shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An amount equal to \$1.00 less than three (3) times Executive's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall be paid to Executive in a single lump sum cash payment within five (5) business days after the effective date of Executive's termination.

(iv) Executive will be 100% vested in all benefits, awards, and grants (including stock options) accrued but unpaid as of the date of termination under any non-qualified pension plan, supplemental and/or incentive compensation or bonus plans, in which Executive was a participant as of the date of termination. Executive shall also be eligible for a bonus or incentive compensation payment (the "bonus payment"), payable at 100% of the maximum bonus available to Executive, pro-rated as of the effective date of the termination. The bonus payment shall be payable within five (5) days after the effective date of Employee's termination. Employee shall have until the expiration date shown on the stock option award in which to exercise the options which have vested pursuant to this section.

Except as may be provided under this Section 7 or under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's resignation from employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such resignation or termination.

(c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Executive (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then the Company shall pay the Executive as promptly as practicable following such determination an additional amount (the "Gross-up Payment") calculated as described below to reimburse the Executive on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code. The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Executive after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Executive would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Executive's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Executive and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax matters and such law firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Executive and the Company.

(d) CHANGE IN CONTROL. For purposes of this Agreement, "Change in Control" means the occurrence of any of the following events:

(i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the

Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or

- (ii) As a 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 any successor to the Company.

8. RESTRICTIVE COVENANTS.

- (a) **COMPETITIVE ACTIVITY.** Executive covenants and agrees that at all times during Executive's period of employment with the Company, and during the period that payments are made to Executive pursuant to Section 6 of this Agreement, Executive will not engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Executive further agrees that for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or for a period of two (2) years following the date of termination, whichever is later, Executive will not, directly or indirectly, within 75 miles of any operating location of any affiliate of the Company, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company or any of its affiliated companies, without the Company's specific written consent to do so.
- (b) **NON-SOLICITATION.** Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or two (2) years after the date of termination of the Executive's employment, whichever date is later, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive 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.

- (c) NON-DISPARAGEMENT. Executive covenants and agrees that Executive 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.
- (d) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive 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 customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive 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.

9. ENFORCEMENT OF COVENANTS.

- (a) TERMINATION OF EMPLOYMENT AND FORFEITURE OF COMPENSATION. Executive agrees that any breach by Executive of any of the covenants set forth in Section 8 hereof during Executive's employment by the Company, shall be grounds for immediate dismissal of Executive and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Executive as liquidated damages, which shall be in addition to and not exclusive of any and all other rights and remedies the Company may have against Executive.
- (b) RIGHT TO INJUNCTION. Executive acknowledges that a breach of the covenants set forth in Section 8 hereof will cause irreparable damage to the Company with respect to which the Company's remedy at law for damages will be inadequate. Therefore, in the event of breach of anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums expended and costs, including reasonable attorney's fees, incurred by the Company to enforce the covenants set forth in this section.
- (c) SEPARABILITY OF COVENANTS. The covenants contained in Section 8 hereof constitute a series of separate covenants, one for each applicable State in the United States and the District of

Columbia, and one for each applicable foreign country. If in any judicial proceeding, a court shall hold that any of the covenants set forth in Section 8 exceed the time, geographic, or occupational limitations permitted by applicable laws, Executive and the Company agree that such provisions shall and are hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced in such proceeding. Executive and the Company further agree that the covenants in Section 8 shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Executive against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants of Section 8.

10. DISPUTES AND PAYMENT OF ATTORNEY'S 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 Executive (and Executive 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 Executive) Executive's costs and reasonable attorney's fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred by Executive in connection with any such dispute or any litigation, (a) provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to any dispute or litigation arising under Sections 5c or 8 of this Agreement, or (b) regardless of whether Executive 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, Executive did not initiate frivolously such litigation. Under no circumstances shall Executive be obligated to pay or reimburse the Company for any attorneys' fees, costs or expenses incurred by the Company. The provisions of this Section 10 shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

11. WITHHOLDING OF TAXES.

The Company may withhold from any compensation and benefits payable under this Agreement all applicable federal, state, local, or other taxes.

12. NON-DISCLOSURE OF AGREEMENT TERMS.

Executive agrees that Executive will not disclose the terms of this Agreement to any third party other than Executive's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority.

13. SOURCE OF PAYMENTS.

All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. Executive shall have no right, title or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

14. ASSIGNMENT.

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement shall not be assignable by Executive, and shall be assignable by the Company only to any financially solvent corporation or other entity resulting from the reorganization, merger or consolidation of the Company with any other corporation or entity or any corporation or entity to or with which the Company's business or substantially all of its business or assets may be sold, exchanged or transferred, and it must be so assigned by the Company to, and accepted as binding upon it by, such other corporation or entity in connection with any such reorganization, merger, consolidation, sale, exchange or transfer (the provisions of this sentence also being applicable to any successive such transaction).

15. ENTIRE AGREEMENT; AMENDMENT.

This Agreement shall supersede any and all existing oral or written agreements, representations, or warranties between Executive and the Company or any of its subsidiaries or affiliated entities relating to the terms of Executive's employment by the Company. It may not be amended except by a written agreement signed by both parties.

16. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to agreements made and to be performed in that State, without regard to its conflict of laws provisions.

17. NOTICES.

Any notice, consent, request or other communication made or given in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by registered or certified mail, return receipt requested, or by facsimile or by hand delivery, to those listed below at their following respective addresses or at such other address as each may specify by notice to the others:

To the Company:

USA Waste Services, Inc.
1001 Fannin, Suite 4000
Houston, Texas 77002
Attention: Corporate Secretary

To Executive:

At the address for Executive set forth below.

18. MISCELLANEOUS.

- (a) WAIVER. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.
- (b) SEPARABILITY. Subject to Section 9 hereof, if any term or provision of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.
- (c) HEADINGS. Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.
- (d) RULES OF CONSTRUCTION. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.
- (e) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

USA WASTE SERVICES, INC.

By: /s/ John E. Drury

Title: Chairman / CEO

Date: June 1, 1997

EXECUTIVE

/s/ Susan J. Piller

Address: 1001 Fannin, Suite 4000

Houston, TX 77002

Date: June 1, 1997

AMENDMENT TO EMPLOYMENT AGREEMENT

Section 7(a) ("Resignation for Good Reason Following Change of Control") of the Employment Agreement executed between USA Waste Services, Inc. (the "Company"), and SUSAN J. PILLER ("Executive") is hereby amended to as follows:

Subsection 7(a)(iv) contained in the current Employment Agreement will be replaced with the following new subsection:

(iv) THE CHANGE OF EXECUTIVE'S PRINCIPAL PLACE OF EMPLOYMENT TO A LOCATION MORE THAN FIFTY (50) MILES FROM SUCH PRINCIPAL PLACE OF EMPLOYMENT, EXCEPT FOR REQUIRED TRAVEL ON THE COMPANY'S BUSINESS TO AN EXTENT SUBSTANTIALLY CONSISTENT WITH EXECUTIVE'S BUSINESS TRAVEL OBLIGATIONS IMMEDIATELY BEFORE A CHANGE IN CONTROL;

All remaining terms of the Employment Agreement shall continue in full force and effect.

AGREED:

/s/ SUSAN J. PILLER

Date: December 1, 1997

SUSAN J. PILLER

USA WASTE SERVICES, INC.

By: /s/ Greg Sangalis

Date: December 1, 1997

Its: Vice President / Secretary

EMPLOYMENT AGREEMENT

USA WASTE SERVICES, INC. (the "Company"), and WILLIAM A. ROTHROCK (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of October 7, 1997, as follows:

1. EMPLOYMENT.

The Company shall employ Executive, and Executive shall be employed by the Company upon the terms and subject to the conditions set forth in this Agreement.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall begin as of January 1, 1997, and shall be for continuously renewing three (3) year terms, unless Executive's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

- (a) Executive shall serve as Senior Vice President, Business Development, and report to the President/Chief Operating Officer. In such capacity, Executive shall perform such duties as may be assigned to Executive from time to time by the Board of Directors of the Company, or the Chief Executive Officer of the Company, or Chief Operating Officer of the Company.
- (b) Executive shall faithfully serve the Company, and/or its affiliated corporations, devote Executive's full working time, attention and energies to the business of the Company, and/or its affiliated corporations, and perform the duties under this Agreement to the best of Executive's abilities. Executive may make and manage his personal investments, provided such investments in other activities do not violate, in any material respect, the provisions of Section 8 of this Agreement.
- (c) Executive shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

- (a) BASE SALARY. During the Employment Term, the Company shall pay Executive a base salary at the annual rate of two hundred thousand (\$200,000.00) dollars per year, or such higher rate as may be determined from time to time by the Company ("Base Salary"). Such Base Salary shall be paid in accordance with the Company's standard payroll practice for executives.

- (b) EXPENSE REIMBURSEMENT. The Company shall promptly reimburse Executive for the ordinary and necessary business expenses incurred by Executive in the performance of the duties hereunder in accordance with the Company's customary practices applicable to executives, provided that such expenses are incurred and accounted for in accordance with the Company's policy.
- (c) BENEFIT PLANS. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other fringe benefit plan, generally made available by the Company to executives working pursuant to this form of Agreement (hereinafter referred to as "similarly situated executives."
- (d) EMPLOYEE'S EXPENSES. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) 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 any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated under the following circumstances:

- (a) DEATH. Executive's employment hereunder shall terminate upon Executive's death.
- (b) TOTAL DISABILITY. The Company may terminate Executive's employment hereunder upon Executive becoming "Totally Disabled". For purposes of this Agreement, Executive shall be "Totally Disabled" if Executive is physically or mentally incapacitated so as to render Executive incapable of performing Executive's usual and customary duties under this Agreement. Executive's receipt of disability benefits under the Company's long-term disability plan or receipt of Social Security disability benefits shall be deemed conclusive evidence of Total Disability for purpose of this Agreement; provided, however, that in the absence of Executive's receipt of such long-term disability benefits or Social Security benefits, the Company's Board of Directors may, in its reasonable discretion (but based upon appropriate medical evidence), determine that Executive is Totally Disabled.
- (c) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Executive's employment hereunder for "Cause" at any time after providing written notice to Executive.

- (i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company's Board of Directors, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.
- (ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.
- (iii) Any determination of Cause under this Agreement shall be made by resolution of the Company's Board of Directors adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting called and held for that purpose and at which Executive is given an opportunity to be heard.
- (d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or for good reason as described in Section 7 of this Agreement.
- (e) TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate Executive's employment hereunder without Cause at any time after providing written notice to Executive.

6. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT.

In the event that Executive's employment hereunder is terminated, Executive shall be entitled to the following compensation and benefits upon such termination:

- (a) TERMINATION BY REASON OF DEATH. In the event that Executive's employment is terminated by reason of Executive's death, the Company shall pay the following amounts to Executive's beneficiary or estate:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of death, any accrued but unpaid expenses required to be reimbursed under this Agreement; a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded to similarly situated executives

and paid at the same time as similarly situated executives are paid; and any vacation accrued to the date of death.

- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof as determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An amount equal to the Base Salary (at the rate in effect as of the date of Executive's death) which would have been payable to Executive if Executive had continued in employment until the end of the current Employment Term (three [3] years). Such amount shall be paid in a single lump sum cash payment within thirty (30) days after Executive's death.
- (iv) As of the date of termination by reason of Executive's death, stock options awarded to Executive shall be fully vested. Executive's estate or beneficiary shall have up to one (1) year from the date of death to exercise all such options.

(b) **TERMINATION BY REASON OF TOTAL DISABILITY.** In the event that Executive's employment is terminated by reason of Executive's Total Disability as determined in accordance with Section 5(b), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination. Executive shall also be eligible for a pro-rata bonus or incentive compensation payment to the extent such awards are made to similarly situated executives for the year in which Executive is terminated and paid at the same time as similarly situated executives are paid.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) The Base Salary (at the rate in effect as of the date of Executive's Total Disability) which would have been payable to Executive if Executive had continued in active employment until the end of the current Employment Term (three [3] years). Payment shall be made at the same time and in the same manner as such compensation would have been paid if Executive had remained in active employment until the end of such period.
- (iv) As of the date of termination by reason of Executive's total disability, Executive shall be fully vested in all stock option awards. Executive shall have up to one (1) year from the date of termination by reason of total disability to exercise all such options.

(c) **TERMINATION FOR CAUSE.** In the event that Executive's employment is terminated by the Company for Cause pursuant to Section 5(c), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(d) VOLUNTARY TERMINATION BY EXECUTIVE. In the event that Executive terminates employment pursuant to Section 5(d), and other than for a resignation tendered pursuant to Section 7 of this Agreement, the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Executive's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or Cause, the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An annual amount equal to 75 percent (75%) of the average of Executive's "Total Annual Direct Compensation" for the two highest of the three most recent calendar years prior to Executive's termination. Such annual amount shall be paid during the three (3) year period beginning on the date of Executive's termination and shall be paid at the same time and in the same manner as Base Salary would have been paid if Executive had remained in active employment until the end of such period. For purposes of this Agreement, the term "Total Annual Direct Compensation" means the total of the Base Salary and other cash compensation payable to Executive attributable to a calendar year (A) including any cash compensation which would have been payable for such year but for Executive's election to defer payment of such compensation and (B) excluding any amounts recognized as compensation as a result of Executive's exercise of a stock option or receipt of a stock award.

- (iv) The Company completely at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, in which Executive was entitled to participate at any time during the twelve-month period prior to the date of termination, until the earliest to occur of (A) three (3) years after the date of termination; (B) Executive's death (provided that benefits payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company is prohibited, the Company will arrange to provide Executive with benefits substantially similar to those which Executive would have been entitled to receive under such plan, program, or arrangement, for such period.
- (v) Except to the extent prohibited by law, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans, and stock option plans in which Executive was a participant as of the date of termination. Executive shall have one (1) year from the date of termination to exercise stock options. Executive shall also be eligible for a bonus or incentive compensation payment, to the extent payments are made to similarly situated executives, pro-rated for the year in which the Executive is terminated, paid at the same time as similarly situated executives are paid.
- (f) NO OTHER BENEFITS OR COMPENSATION. Except as may be provided under this Agreement, under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's termination or resignation of employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation.
- (g) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Executive has
 - (i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or
 - (ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Executive's employment hereunder or during any of the

twelve calendar months preceding or following the termination of Executive's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against Executive.

7. RESIGNATION BY EXECUTIVE FOR GOOD REASON AND COMPENSATION PAYABLE FOLLOWING CHANGE IN CONTROL.

- (a) RESIGNATION FOR GOOD REASON FOLLOWING CHANGE IN CONTROL. In the event a "Change in Control" occurs, Executive will be paid the compensation described in this Section 7 if Executive resigns or is terminated (both a "resignation" and "termination" being referred to as "termination" for the purposes of this Section 7) from employment with the Company at any time prior to the six (6) month anniversary of the date of the Change in Control following the occurrence of any of the following events:
- (i) without Executive's express written consent, the assignment to Executive of any duties inconsistent with Executive's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Executive's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Executive from, or any failure to re-elect Executive to, any of such positions, except in connection with the termination of Executive's employment as a result of death, or by the Company for Disability or Cause, or by Executive other than for the reasons described in this Section 7(a);
 - (ii) a reduction by the Company in Executive's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;
 - (iii) the failure of the Company substantially to maintain and to continue Executive's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than those plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Executive's benefits under any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately before a Change in Control, unless such reduction or termination is required by law;
 - (iv) the failure of the Company to provide Executive with an appropriate adjustment to compensation such as a lump sum relocation bonus, salary adjustment and/or housing allowance so that Executive can purchase comparable primary housing if required to

relocate (it being the intention of this Section 7[a][iv] to keep the Executive "whole" if required to relocate). In this regard, comparable housing shall be determined by comparing factors such as location (taking into account, by way of example, items such as the value of the surrounding neighborhood, reputation of the public school district, if applicable, security and proximity to Executive's place of work), quality of construction, design, age, size of the housing and the ratio of the monthly payments including principle, interest, taxes and insurance to the Executive's take home pay, to housing most recently owned by Executive prior to, or as of the effective date of the change of control;

- (v) the failure by the Company to pay Executive any portion of Executive's current compensation, or any portion of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or
- (vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Executive terminates employment pursuant to Section 7(a), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4c hereof, shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An amount equal to \$1.00 less than three (3) times Executive's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall be paid to Executive in a single lump sum cash payment within five (5) business days after the effective date of Executive's termination.
- (iv) Executive will be 100% vested in all benefits, awards, and grants (including stock options) accrued but unpaid as of the date of termination under any non-qualified pension plan, supplemental and/or incentive compensation or bonus plans, in which Executive was a participant as of the date of termination. Executive shall also be eligible for a bonus or incentive compensation payment (the "bonus payment"), payable at 100% of the maximum bonus available to Executive, pro-rated as of the effective date of the termination. The bonus payment shall be payable within five (5) days after the effective date of Employee's termination. Employee shall have until the expiration date shown on the stock option award in which to exercise the options which have vested pursuant to this section.

Except as may be provided under this Section 7 or under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's resignation from employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such resignation or termination.

- (c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Executive (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then the Company shall pay the Executive as promptly as practicable following such determination an additional amount (the "Gross-up Payment") calculated as described below to reimburse the Executive on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code. The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Executive after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Executive would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Executive's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Executive and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax matters and such law firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Executive and the Company.

- (d) CHANGE IN CONTROL. For purposes of this Agreement, "Change in Control" means the occurrence of any of the following events:
- (i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or
 - (ii) As a 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 any successor to the Company.

8. RESTRICTIVE COVENANTS

- (a) COMPETITIVE ACTIVITY. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and during the period that payments are made to Executive pursuant to Section 6 of this Agreement, Executive will not engage in, assist, or have any active interest or involvement (whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Executive further agrees that for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or for a period of two (2) years following the date of termination, whichever is later, Executive will not, directly or indirectly, within 75 miles of any operating location of any affiliate of the Company, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company or any of its affiliated companies, without the Company's specific written consent to do so.
- (b) NON-SOLICITATION. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or two (2) years after the date of termination of the Executive's employment, whichever date is later, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive 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.
- (c) NON-DISPARAGEMENT. Executive covenants and agrees that Executive 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.

- (d) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive 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 customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive 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.

9. ENFORCEMENT OF COVENANTS.

- (a) TERMINATION OF EMPLOYMENT AND FORFEITURE OF COMPENSATION. Executive agrees that any breach by Executive of any of the covenants set forth in Section 8 hereof during Executive's employment by the Company, shall be grounds for immediate dismissal of Executive and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Executive as liquidated damages, which shall be in addition to and not exclusive of any and all other rights and remedies the Company may have against Executive.
- (b) RIGHT TO INJUNCTION. Executive acknowledges that a breach of the covenants set forth in Section 8 hereof will cause irreparable damage to the Company with respect to which the Company's remedy at law for damages will be inadequate. Therefore, in the event of breach of anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums expended and costs, including reasonable attorney's fees, incurred by the Company to enforce the covenants set forth in this section.
- (c) SEPARABILITY OF COVENANTS. The covenants contained in Section 8 hereof constitute a series of separate covenants, one for each applicable State in the United States and the District of Columbia, and one for each applicable foreign country. If in any judicial proceeding, a court shall hold that any of the covenants set forth in Section 8 exceed the time, geographic, or occupational limitations permitted by applicable laws, Executive and the Company agree that such provisions shall and are hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable

covenant or covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced in such proceeding. Executive and the Company further agree that the covenants in Section 8 shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Executive against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants of Section 8.

10. DISPUTES AND PAYMENT OF ATTORNEY'S 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 Executive (and Executive 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 Executive) Executive's costs and reasonable attorney's fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred by Executive in connection with any such dispute or any litigation, (a) provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to any dispute or litigation arising under Sections 5c or 8 of this Agreement, or (b) regardless of whether Executive 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, Executive did not initiate frivolously such litigation. Under no circumstances shall Executive be obligated to pay or reimburse the Company for any attorneys' fees, costs or expenses incurred by the Company. The provisions of this Section 10 shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

11. WITHHOLDING OF TAXES.

The Company may withhold from any compensation and benefits payable under this Agreement all applicable federal, state, local, or other taxes.

12. NON-DISCLOSURE OF AGREEMENT TERMS.

Executive agrees that Executive will not disclose the terms of this Agreement to any third party other than Executive's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority.

13. SOURCE OF PAYMENTS.

All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. Executive shall have no right, title or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires

a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

14. ASSIGNMENT.

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement shall not be assignable by Executive, and shall be assignable by the Company only to any financially solvent corporation or other entity resulting from the reorganization, merger or consolidation of the Company with any other corporation or entity or any corporation or entity to or with which the Company's business or substantially all of its business or assets may be sold, exchanged or transferred, and it must be so assigned by the Company to, and accepted as binding upon it by, such other corporation or entity in connection with any such reorganization, merger, consolidation, sale, exchange or transfer (the provisions of this sentence also being applicable to any successive such transaction).

15. ENTIRE AGREEMENT; AMENDMENT.

This Agreement shall supersede any and all existing oral or written agreements, representations, or warranties between Executive and the Company or any of its subsidiaries or affiliated entities relating to the terms of Executive's employment by the Company. It may not be amended except by a written agreement signed by both parties.

16. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to agreements made and to be performed in that State, without regard to its conflict of laws provisions.

17. NOTICES.

Any notice, consent, request or other communication made or given in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by registered or certified mail, return receipt requested, or by facsimile or by hand delivery, to those listed below at their following respective addresses or at such other address as each may specify by notice to the others:

To the Company:
USA Waste Services, Inc.
1001 Fannin, Suite 4000
Houston, Texas 77002
Attention: Corporate Secretary

To Executive: At the address for Executive set forth below

18. MISCELLANEOUS.

- (a) WAIVER. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.
- (b) SEPARABILITY. Subject to Section 9 hereof, if any term or provision of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.
- (c) HEADINGS. Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.
- (d) RULES OF CONSTRUCTION. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.
- (e) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

USA WASTE SERVICES, INC.

By: /s/ Rodney R. Proto Date: October 7, 1997

Title: President / COO

EXECUTIVE

/s/ William A. Rothrock Date: October 7, 1997

Address: 1001 Fannin, Suite 4000

 Houston, TX 77002

The Company agrees to indemnify the Executive for any actions taken by Executive as an official of the Company and in the course and scope of his employment. Indemnification will include the cost of attorneys retained on behalf of the Executive and the reimbursement or payment of any settlement or judgment entered in connection with any threatened, pending or actual litigation. The duty to indemnify will not apply to any action taken by Executive which actions are outside of his authority. Further, the Executive and/or his attorney agrees to keep the Company advised of any and all developments which arise during the course of threatened, pending or actual litigation.

This Agreement is and shall be a part of the Employment Agreement entered into between the Company and Bill Rothrock (attached).

AGREED:

/s/ William A. Rothrock

Date: October 7, 1997

William A. Rothrock

/s/ Rodney R. Proto

Date: October 7, 1997

USA Waste Services, Inc.

AMENDMENT TO EMPLOYMENT AGREEMENT

Section 7(a) ("Resignation for Good Reason Following Change of Control") of the Employment Agreement executed between USA Waste Services, Inc. (the "Company"), and WILLIAM A. ROTHROCK("Executive") is hereby amended to as follows:

Subsection 7(a)(iv) contained in the current Employment Agreement will be replaced with the following new subsection:

(iv) THE CHANGE OF EXECUTIVE'S PRINCIPAL PLACE OF EMPLOYMENT TO A LOCATION MORE THAN FIFTY (50) MILES FROM SUCH PRINCIPAL PLACE OF EMPLOYMENT, EXCEPT FOR REQUIRED TRAVEL ON THE COMPANY'S BUSINESS TO AN EXTENT SUBSTANTIALLY CONSISTENT WITH EXECUTIVE'S BUSINESS TRAVEL OBLIGATIONS IMMEDIATELY BEFORE A CHANGE IN CONTROL;

All remaining terms of the Employment Agreement shall continue in full force and effect.

AGREED:

/s/ WILLIAM A ROTHROCK

Date: December 12, 1997

WILLIAM A. ROTHROCK

USA WASTE SERVICES, INC.

By: Greg Sangalis

Date: December 12, 1997

Its: Vice President / Secretary

EMPLOYMENT AGREEMENT

USA WASTE SERVICES, INC. (the "Company"), and GREGORY T. SANGALIS (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of June 1, 1997, as follows:

1. EMPLOYMENT.

The Company shall employ Executive, and Executive shall be employed by the Company upon the terms and subject to the conditions set forth in this Agreement.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall begin as of January 1, 1997, and shall be for continuously renewing three (3) year terms, unless Executive's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

- (a) Executive shall serve as Vice President, General Counsel/Corporate Secretary, and report to the Chief Executive Officer. In such capacity, Executive shall perform such duties as may be assigned to Executive from time to time by the Board of Directors of the Company or the Chief Executive Officer of the Company.
- (b) Executive shall faithfully serve the Company, and/or its affiliated corporations, devote Executive's full working time, attention and energies to the business of the Company, and/or its affiliated corporations, and perform the duties under this Agreement to the best of Executive's abilities. Executive may make and manage his personal investments, provided such investments in other activities do not violate, in any material respect, the provisions of Section 8 of this Agreement.
- (c) Executive shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

- (a) **BASE SALARY.** During the Employment Term, the Company shall pay Executive a base salary at the annual rate of two hundred twenty-five thousand (\$225,000) dollars per year, or such higher rate as may be determined from time to time by the Company ("Base Salary"). Such Base Salary shall be paid in accordance with the Company's standard payroll practice for executives.

- (b) EXPENSE REIMBURSEMENT. The Company shall promptly reimburse Executive for the ordinary and necessary business expenses incurred by Executive in the performance of the duties hereunder in accordance with the Company's customary practices applicable to executives, provided that such expenses are incurred and accounted for in accordance with the Company's policy.
- (c) BENEFIT PLANS. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other fringe benefit plan, generally made available by the Company to executives working pursuant to this form of Agreement (hereinafter referred to as "similarly situated executives."
- (d) EMPLOYEE'S EXPENSES. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) 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 any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated under the following circumstances:

- (a) DEATH. Executive's employment hereunder shall terminate upon Executive's death.
- (b) TOTAL DISABILITY. The Company may terminate Executive's employment hereunder upon Executive becoming "Totally Disabled". For purposes of this Agreement, Executive shall be "Totally Disabled" if Executive is physically or mentally incapacitated so as to render Executive incapable of performing Executive's usual and customary duties under this Agreement. Executive's receipt of disability benefits under the Company's long-term disability plan or receipt of Social Security disability benefits shall be deemed conclusive evidence of Total Disability for purpose of this Agreement; provided, however, that in the absence of Executive's receipt of such long-term disability benefits or Social Security benefits, the Company's Board of Directors may, in its reasonable discretion (but based upon appropriate medical evidence), determine that Executive is Totally Disabled.
- (c) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Executive's employment hereunder for "Cause" at any time after providing written notice to Executive.

- (i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company's Board of Directors, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.
- (ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.
- (iii) Any determination of Cause under this Agreement shall be made by resolution of the Company's Board of Directors adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting called and held for that purpose and at which Executive is given an opportunity to be heard.
- (d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or for good reason as described in Section 7 of this Agreement.
- (e) TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate Executive's employment hereunder without Cause at any time after providing written notice to Executive.

6. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT.

In the event that Executive's employment hereunder is terminated, Executive shall be entitled to the following compensation and benefits upon such termination:

- (a) TERMINATION BY REASON OF DEATH. In the event that Executive's employment is terminated by reason of Executive's death, the Company shall pay the following amounts to Executive's beneficiary or estate:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of death, any accrued but unpaid expenses required to be reimbursed under this Agreement; a pro-rata "bonus" or incentive compensation payment to the extent payments are

awarded to similarly situated executives and paid at the same time as similarly situated executives are paid; and any vacation accrued to the date of death.

- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof as determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An amount equal to the Base Salary (at the rate in effect as of the date of Executive's death) which would have been payable to Executive if Executive had continued in employment until the end of the current Employment Term (three [3] years). Such amount shall be paid in a single lump sum cash payment within thirty (30) days after Executive's death.
- (iv) As of the date of termination by reason of Executive's death, stock options awarded to Executive shall be fully vested. Executive's estate or beneficiary shall have up to one (1) year from the date of death to exercise all such options.

(b) TERMINATION BY REASON OF TOTAL DISABILITY. In the event that Executive's employment is terminated by reason of Executive's Total Disability as determined in accordance with Section 5(b), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination. Executive shall also be eligible for a bonus or incentive compensation payment to the extent such awards are made to similarly situated executives, pro-rated for the year in which Executive is terminated and paid at the same time as similarly situated executives are paid.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) The Base Salary (at the rate in effect as of the date of Executive's Total Disability) which would have been payable to Executive if Executive had continued in active employment until the end of the current Employment Term (three [3] years). Payment shall be made at the same time and in the same manner as such compensation would have been paid if Executive had remained in active employment until the end of such period.
- (iv) As of the date of termination by reason of Executive's total disability, Executive shall be fully vested in all stock option awards. Executive shall have up to one (1) year from the date of termination by reason of total disability to exercise all such options.

- (c) TERMINATION FOR CAUSE. In the event that Executive's employment is terminated by the Company for Cause pursuant to Section 5(c), the Company shall pay the following amounts to Executive:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (d) VOLUNTARY TERMINATION BY EXECUTIVE. In the event that Executive terminates employment pursuant to Section 5(d), and other than for a resignation tendered pursuant to Section 7 of this Agreement, the Company shall pay the following amounts to Executive:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (e) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Executive's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or Cause, the Company shall pay the following amounts to Executive:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) An annual amount equal to 75 percent (75%) of the average of Executive's "Total Annual Direct Compensation" for the two highest of the three most recent calendar years prior to Executive's termination. Such annual amount shall be paid during the three (3) year period beginning on the date of Executive's termination and shall be paid at the same time and in the same manner as Base Salary would have been paid if Executive had remained in active employment until the end of such period. For purposes of this Agreement, the term "Total Annual Direct Compensation" means the total of the Base Salary and other cash compensation payable to Executive attributable to a calendar year (A) including any cash compensation which would have been payable for such year but for Executive's election to defer

payment of such compensation and (B) excluding any amounts recognized as compensation as a result of Executive's exercise of a stock option or receipt of a stock award.

- (iv) The Company completely at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, in which Executive was entitled to participate at any time during the twelve-month period prior to the date of termination, until the earliest to occur of (A) three (3) years after the date of termination; (B) Executive's death (provided that benefits payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company is prohibited, the Company will arrange to provide Executive with benefits substantially similar to those which Executive would have been entitled to receive under such plan, program, or arrangement, for such period.
- (v) Except to the extent prohibited by law, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans, and stock option plans in which Executive was a participant as of the date of termination. Executive shall have one (1) year from the date of termination to exercise stock options. Executive shall also be eligible for a bonus or incentive compensation payment, to the extent payments are made to similarly situated executives, pro-rated for the year in which the Executive is terminated, paid at the same time as similarly situated executives are paid.
- (f) NO OTHER BENEFITS OR COMPENSATION. Except as may be provided under this Agreement, under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's termination or resignation of employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation.
- (g) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Executive has
- (i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or

- (ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Executive's employment hereunder or during any of the twelve calendar months preceding or following the termination of Executive's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against Executive.

7. RESIGNATION BY EXECUTIVE FOR GOOD REASON AND COMPENSATION PAYABLE FOLLOWING CHANGE IN CONTROL.

- (a) RESIGNATION FOR GOOD REASON FOLLOWING CHANGE IN CONTROL. In the event a "Change in Control" occurs, Executive will be paid the compensation described in this Section 7 if Executive resigns or is terminated (both a "resignation" and "termination" being referred to as "termination" for the purposes of this Section 7) from employment with the Company at any time prior to the six (6) month anniversary of the date of the Change in Control following the occurrence of any of the following events:
 - (i) without Executive's express written consent, the assignment to Executive of any duties inconsistent with Executive's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Executive's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Executive from, or any failure to re-elect Executive to, any of such positions, except in connection with the termination of Executive's employment as a result of death, or by the Company for Disability or Cause, or by Executive other than for the reasons described in this Section 7(a);
 - (ii) a reduction by the Company in Executive's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;
 - (iii) the failure of the Company substantially to maintain and to continue Executive's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than those plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Executive's benefits under any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately before a Change in Control, unless such reduction or termination is required by law;

- (iv) the failure of the Company to provide Executive with an appropriate adjustment to compensation such as a lump sum relocation bonus, salary adjustment and/or housing allowance so that Executive can purchase comparable primary housing if required to relocate (it being the intention of this Section 7[a][iv] to keep the Executive "whole" if required to relocate). In this regard, comparable housing shall be determined by comparing factors such as location (taking into account, by way of example, items such as the value of the surrounding neighborhood, reputation of the public school district, if applicable, security and proximity to Executive's place of work), quality of construction, design, age, size of the housing and the ratio of the monthly payments including principle, interest, taxes and insurance to the Executive's take home pay, to housing most recently owned by Executive prior to, or as of the effective date of the change of control;
- (v) the failure by the Company to pay Executive any portion of Executive's current compensation, or any portion of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or
- (vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Executive terminates employment pursuant to Section 7(a), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4c hereof, shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An amount equal to \$1.00 less than three (3) times Executive's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall be paid to Executive in a single lump sum cash payment within five (5) business days after the effective date of Executive's termination.
- (iv) Executive will be 100% vested in all benefits, awards, and grants (including stock options) accrued but unpaid as of the date of termination under any non-qualified pension plan, supplemental and/or incentive compensation or bonus plans, in which Executive was a participant as of the date of termination. Executive shall also be eligible for a bonus or incentive compensation payment (the "bonus payment"), payable at 100% of the maximum bonus available to Executive, pro-rated as of the effective date of the termination. The bonus payment shall be payable within five (5) days after the effective date of Employee's termination. Employee shall have

until the expiration date shown on the stock option award in which to exercise the options which have vested pursuant to this section.

Except as may be provided under this Section 7 or under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's resignation from employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such resignation or termination.

- (c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Executive (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then the Company shall pay the Executive as promptly as practicable following such determination an additional amount (the "Gross-up Payment") calculated as described below to reimburse the Executive on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code. The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Executive after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Executive would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Executive's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Executive and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax matters and such law firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Executive and the Company.

- (d) CHANGE IN CONTROL. For purposes of this Agreement, "Change in Control" means the occurrence of any of the following events:
- (i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or
 - (ii) As a 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 any successor to the Company.

8. RESTRICTIVE COVENANTS

- (a) **COMPETITIVE ACTIVITY.** Executive covenants and agrees that at all times during Executive's period of employment with the Company, and during the period that payments are made to Executive pursuant to Section 6 of this Agreement, Executive will not engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Executive further agrees that for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or for a period of two (2) years following the date of termination, whichever is later, Executive will not, directly or indirectly, within 75 miles of any operating location of any affiliate of the Company, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company or any of its affiliated companies, without the Company's specific written consent to do so.
- (b) **NON-SOLICITATION.** Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or two (2) years after the date of termination of the Executive's employment, whichever date is later, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive 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.
- (c) **NON-DISPARAGEMENT.** Executive covenants and agrees that Executive 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.

- (d) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive 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 customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive 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.

9. ENFORCEMENT OF COVENANTS.

- (a) TERMINATION OF EMPLOYMENT AND FORFEITURE OF COMPENSATION. Executive agrees that any breach by Executive of any of the covenants set forth in Section 8 hereof during Executive's employment by the Company, shall be grounds for immediate dismissal of Executive and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Executive as liquidated damages, which shall be in addition to and not exclusive of any and all other rights and remedies the Company may have against Executive.
- (b) RIGHT TO INJUNCTION. Executive acknowledges that a breach of the covenants set forth in Section 8 hereof will cause irreparable damage to the Company with respect to which the Company's remedy at law for damages will be inadequate. Therefore, in the event of breach of anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums expended and costs, including reasonable attorney's fees, incurred by the Company to enforce the covenants set forth in this section.
- (c) SEPARABILITY OF COVENANTS. The covenants contained in Section 8 hereof constitute a series of separate covenants, one for each applicable State in the United States and the District of Columbia, and one for each applicable foreign country. If in any judicial proceeding, a court shall hold that any of the covenants set forth in Section 8 exceed the time, geographic, or occupational limitations permitted by applicable laws, Executive and the Company agree that such provisions shall and are hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this

Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced in such proceeding. Executive and the Company further agree that the covenants in Section 8 shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Executive against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants of Section 8.

10. DISPUTES AND PAYMENT OF ATTORNEY'S 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 Executive (and Executive 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 Executive) Executive's costs and reasonable attorney's fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred by Executive in connection with any such dispute or any litigation, (a) provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to any dispute or litigation arising under Sections 5c or 8 of this Agreement, or (b) regardless of whether Executive 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, Executive did not initiate frivolously such litigation. Under no circumstances shall Executive be obligated to pay or reimburse the Company for any attorneys' fees, costs or expenses incurred by the Company. The provisions of this Section 10 shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

11. WITHHOLDING OF TAXES.

The Company may withhold from any compensation and benefits payable under this Agreement all applicable federal, state, local, or other taxes.

12. NON-DISCLOSURE OF AGREEMENT TERMS.

Executive agrees that Executive will not disclose the terms of this Agreement to any third party other than Executive's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority.

13. SOURCE OF PAYMENTS.

All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. Executive shall have no right, title or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. To the extent that

any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

14. ASSIGNMENT.

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement shall not be assignable by Executive, and shall be assignable by the Company only to any financially solvent corporation or other entity resulting from the reorganization, merger or consolidation of the Company with any other corporation or entity or any corporation or entity to or with which the Company's business or substantially all of its business or assets may be sold, exchanged or transferred, and it must be so assigned by the Company to, and accepted as binding upon it by, such other corporation or entity in connection with any such reorganization, merger, consolidation, sale, exchange or transfer (the provisions of this sentence also being applicable to any successive such transaction).

15. ENTIRE AGREEMENT; AMENDMENT.

This Agreement shall supersede any and all existing oral or written agreements, representations, or warranties between Executive and the Company or any of its subsidiaries or affiliated entities relating to the terms of Executive's employment by the Company. It may not be amended except by a written agreement signed by both parties.

16. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to agreements made and to be performed in that State, without regard to its conflict of laws provisions.

17. NOTICES.

Any notice, consent, request or other communication made or given in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by registered or certified mail, return receipt requested, or by facsimile or by hand delivery, to those listed below at their following respective addresses or at such other address as each may specify by notice to the others:

To the Company: USA Waste Services, Inc.
 1001 Fannin, Suite 4000
 Houston, Texas 77002
 Attention: Corporate Secretary

To Executive: At the address for Executive set forth below.

18. MISCELLANEOUS.

- (a) WAIVER. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.
- (b) SEPARABILITY. Subject to Section 9 hereof, if any term or provision of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.
- (c) HEADINGS. Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.
- (d) RULES OF CONSTRUCTION. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.
- (e) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

USA WASTE SERVICES, INC.

By: /s/ John E. Drury

 Title: Chairman / CEO

 Date: June 1, 1997

EXECUTIVE

/s/ Gregory T. Sangalis

 Address: 1001 Fannin, Suite 4000

 Houston, TX 77002

 Date: June 1, 1997

AMENDMENT TO EMPLOYMENT AGREEMENT

Section 7(a) ("Resignation for Good Reason Following Change of Control") of the Employment Agreement executed between USA Waste Services, Inc. (the "Company"), and GREGORY T. SANGALIS("Executive") is hereby amended to as follows:

Subsection 7(a)(iv) contained in the current Employment Agreement will be replaced with the following new subsection:

(iv) THE CHANGE OF EXECUTIVE'S PRINCIPAL PLACE OF EMPLOYMENT TO A LOCATION MORE THAN FIFTY (50) MILES FROM SUCH PRINCIPAL PLACE OF EMPLOYMENT, EXCEPT FOR REQUIRED TRAVEL ON THE COMPANY'S BUSINESS TO AN EXTENT SUBSTANTIALLY CONSISTENT WITH EXECUTIVE'S BUSINESS TRAVEL OBLIGATIONS IMMEDIATELY BEFORE A CHANGE IN CONTROL;

All remaining terms of the Employment Agreement shall continue in full force and effect.

AGREED:

/s/ Gregory T. Sangalis

December 1, 1997

GREGORY T. SANGALIS

Date

USA WASTE SERVICES, INC.

By: /s/ Susan J. Piller

December 1, 1997

Its: Sr. Vice President

Date

EMPLOYMENT AGREEMENT

USA WASTE SERVICES, INC. (the "Company") and RONALD H. JONES (the "Employee") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of August 26, 1997, as follows:

1. EMPLOYMENT.

The Company shall employ Employee, and Employee shall be employed by the Company upon the terms and subject to the conditions set forth in this Agreement.

2. TERM OF EMPLOYMENT.

The period of Employee's employment under this Agreement shall begin as of June 1, 1997, and shall continue for a period of three (3) years thereafter (the "Initial Term") and shall be automatically renewed for successive one (1) year periods thereafter, unless Employee's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

- (a) Employee shall serve as Vice President, Treasurer. In such capacity, Employee shall perform such duties as may be assigned to Employee from time to time by the Company.
- (b) Employee shall faithfully serve the Company and/or its affiliated corporations, devote Employee's full working time, attention and energies to the business of the Company and/or its affiliated corporations, and perform the duties under this Agreement to the best of Employee's abilities.
- (c) Employee shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company, except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

- (a) BASE SALARY. During the Employment Term, the Company shall pay Employee a base salary at the annual rate of one hundred forty-five thousand (\$145,000) dollars per year, or such higher rate as may be determined from time to time by the Company ("Base Salary"). Such Base Salary shall be paid in accordance with the Company's standard payroll practice for employees.

- (b) EXPENSE REIMBURSEMENT. The Company shall promptly reimburse Employee for the ordinary and necessary business expenses incurred by Employee in the performance of Employee's duties hereunder in accordance with the Company's customary practices applicable to employees, provided that such expenses are incurred and accounted for in accordance with the Company's policy.
- (c) BENEFIT PLANS. Employee shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other benefit plan or arrangement generally made available by the Company to employees of similar status and responsibilities (hereinafter referred to as "similarly situated employees").

5. TERMINATION OF EMPLOYMENT.

Employee's employment hereunder may be terminated under the following circumstances:

- (a) DEATH. Employee's employment hereunder shall terminate upon Employee's death.
- (b) TOTAL DISABILITY. The Company may terminate Employee's employment hereunder upon Employee's becoming "Totally Disabled". For purposes of this Agreement, Employee shall be "Totally Disabled" if Employee is physically or mentally incapacitated so as to render Employee incapable of performing Employee's usual and customary duties under this Agreement. Employee's receipt of disability benefits under the Company's long-term disability plan, or receipt of Social Security disability benefits, shall be deemed conclusive evidence of Total Disability for purpose of this Agreement; provided, however, that in the absence of Employee's receipt of such long-term disability benefits or Social Security benefits, the Company may, in its reasonable discretion (but based upon appropriate medical evidence), determine that Employee is Totally Disabled.
- (c) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Employee's employment hereunder for "Cause" at any time after providing written notice to Employee.
- (i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances;

(D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.

- (ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.
- (iii) Any determination of Cause under this Agreement shall be made by the Company after giving Employee a reasonable opportunity to be heard.

- (d) VOLUNTARY TERMINATION BY EMPLOYEE. Employee may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company.
- (e) TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate Employee's employment hereunder without Cause at any time after providing written notice to Employee.

6. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT.

In the event that Employee's employment hereunder is terminated, Employee shall be entitled to the following compensation and benefits upon such termination:

- (a) TERMINATION BY REASON OF DEATH. In the event that Employee's employment is terminated by reason of Employee's death, the Company shall pay the following amounts to Employee's beneficiary or estate:
 - (i) Any accrued but unpaid Base Salary for services rendered to the date of death, any accrued but unpaid expenses required to be reimbursed under this Agreement, and any vacation accrued to the date of death.
 - (ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof as determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) An amount equal to the Base Salary (at the rate in effect as of the date of Employee's death) which would have been payable to Employee if Employee had continued in employment until the end of the 12-month period beginning on the date of Employee's death. Such amount shall be paid in a single lump sum cash payment within thirty (30) days after Employee's death.

- (iv) As of the date of termination by reason of Employee's death, stock options awarded to Employee shall be fully vested. Employee's estate or beneficiary shall have up to one (1) year from date of termination/death to exercise all such options.

(b) TERMINATION BY REASON OF TOTAL DISABILITY. In the event that Employee's employment is terminated by reason of Employee's Total Disability as determined in accordance with Section 5(b), the Company shall pay the following amounts to Employee:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An amount equal to
 - (A) the Base Salary (at the rate in effect as of the date of Employee's Total Disability) which would have been payable to Employee if Employee had continued in active employment until the end of the 12-month period beginning on the date of Employee's termination; reduced by
 - (B) the maximum annual amount of the long term disability benefits payable to Employee under the Company's long-term disability plan as determined prior to the reduction of such benefits under the terms of the plan for other disability income.

Payment shall be made at the same time and in the same manner as such compensation would have been paid if Employee had remained in active employment until the end of such period.

- (iv) As of the date of Employee's termination by reason of Employee's total disability, Employee shall be fully vested in all stock option awards. Employee shall have up to one (1) year from date of termination due to total disability to exercise all such options.

(c) TERMINATION FOR CAUSE OR VOLUNTARY TERMINATION BY EMPLOYEE. In the event that Employee's employment is terminated by the Company for Cause pursuant to Section 5(c), or Employee terminates employment pursuant to Section 5(d), the Company shall pay the following amounts to Employee:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (d) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Employee's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or Cause, the Company shall pay the following amounts to Employee:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) The Base Salary (at the rate in effect as of the date of Employee's termination) which would have been payable to Employee if Employee had continued in active employment until the later of: (A) the period ending on the last day of the Initial Term; or (B) the end of the 12-month period beginning on the date of Employee's termination. Payment shall be made at the same time and in the same manner as such compensation would have been paid if Employee had remained in active employment until the end of such period. The Employee shall also be eligible for a bonus or incentive compensation payment, to the extent bonuses are paid to similarly situated employees, pro-rated for the year in which the Employee is terminated, and paid at the same time as similarly situated employees are paid.
 - (iv) The Company, completely at its expense, will continue for Employee and Employee's spouse and dependents, group health plans, programs or arrangements, in which Employee was entitled to participate at any time during the twelve-month period prior to the date of termination, until the earlier of : (A) last day of period during which Employee receives payment in accordance with clause (iii) above; (B) Employee's death (provided that benefits payable to Employee's beneficiaries shall not terminate upon Employee's death); or (C) with respect to any particular plan, program or arrangement, the date Employee becomes covered by a comparable benefit provided by a subsequent employer.

(v) As of the date of Employee's termination, Employee shall be fully vested in all stock option awards. Employee shall have one (1) year from the date of termination to exercise all such options.

(e) NO OTHER BENEFITS OR COMPENSATION. Except as may be provided under this Agreement, under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Employee at the time of Employee's termination or resignation of employment, Employee shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation.

(f) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Employee has

(i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or

(ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Employee's employment hereunder or during any of the twelve calendar months preceding or following the termination of Employee's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against Employee.

7. RESTRICTIVE COVENANTS

(a) COMPETITIVE ACTIVITY. Employee covenants and agrees that at all times during Employee's period of employment with the Company, and while Employee is receiving payments pursuant to Section 6 of this Agreement, Employee will not, directly or indirectly, engage

in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Furthermore, for a period of one (1) year after the date of termination of Employee's employment, whether such termination is voluntary or involuntary, by wrongful discharge, or otherwise, or one (1) year following the cessation of payments made pursuant to Section 6 of this Agreement, whichever date is later, Employee will not directly or indirectly, within 75 miles of the principal place of business of the Company, the principal place of business of any corporation or other entity owned, controlled by (or otherwise affiliated with) the Company by which Employee may also be employed or served by Employee, or any other geographic location in which Employee has specifically represented the interests of the Company or such other affiliated entity, during the twelve (12) months prior to the termination of Employee's employment, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Notwithstanding the above, it is understood that the Employee's background and skills are in the treasury area, and that after the expiration of six (6) months from the date of termination, the Employee shall not be restricted from associating or affiliating himself with other financial institutions or companies, so long as such association or affiliation is strictly of a treasury related manner or position.

- (b) NON-SOLICITATION. Employee covenants and agrees that at all times during Employee's period of employment with the Company, and for a period of one (1) year after the date of termination of Employee's employment, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, or the date of the cessation of payments made to the Employee pursuant to Section 6 of this Agreement, whichever date is later. Employee 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.

- (c) NON-DISPARAGEMENT. Employee covenants and agrees that Employee 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.
- (d) PROTECTED INFORMATION. Employee recognizes and acknowledges that Employee 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"). Employee therefore covenants and agrees that Employee 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.

8. ENFORCEMENT OF COVENANTS.

- (a) TERMINATION OF EMPLOYMENT AND FORFEITURE OF COMPENSATION. Employee agrees that any breach by Employee of any of the covenants set forth in Section 7 hereof during Employee's employment by the Company, shall be grounds for immediate dismissal of Employee and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Employee as liquidated damages, which shall be in addition to and not exclusive of any and all other rights and remedies the Company may have against Employee.
- (b) RIGHT TO INJUNCTION. Employee acknowledges that a breach of the covenants set forth in Section 7 hereof will cause irreparable damage to the Company with respect to which the Company's remedy at law for damages will be inadequate. Therefore, in the event of breach of anticipatory breach of the covenants set forth in this section by Employee, Employee and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach and Employee hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums expended and costs, including reasonable attorney's fees, incurred by the Company to enforce the covenants set forth in this section.

(c) SEPARABILITY OF COVENANTS. The covenants contained in Section 7 hereof constitute a series of separate covenants, one for each applicable State in the United States and the District of Columbia, and one for each applicable foreign country. If in any judicial proceeding, a court shall hold that any of the covenants set forth in Section 7 exceed the time, geographic, or occupational limitations permitted by applicable laws, Employee and the Company agree that such provisions shall and are hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced in such proceeding. Employee and the Company further agree that the covenants in Section 7 shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Employee against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants of Section 7.

9. WITHHOLDING OF TAXES.

The Company may withhold from any compensation and benefits payable under this Agreement all applicable federal, state, local, or other taxes.

10. NON-DISCLOSURE OF AGREEMENT TERMS.

Employee agrees that Employee will not disclose the terms of this Agreement to any third party other than Employee's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority.

11. SOURCE OF PAYMENTS.

All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. Employee shall have no right, title or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

12. ASSIGNMENT.

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement shall not be assignable by Employee.

13. ENTIRE AGREEMENT; AMENDMENT.

This Agreement shall supersede any and all existing oral or written agreements, representations, or warranties between Employee and the Company or any of its subsidiaries or affiliated entities relating to the terms of Employee's employment by the Company. It may not be amended except by a written agreement signed by both parties.

14. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to agreements made and to be performed in that State, without regard to its conflict of laws provisions.

15. NOTICES.

Any notice, consent, request or other communication made or given in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by registered or certified mail, return receipt requested, or by facsimile or by hand delivery, to those listed below at their following respective addresses or at such other address as each may specify by notice to the others:

To the Company: USA Waste Services, Inc.
1001 Fannin, Suite 4000
Houston, Texas 77002
Attention: Corporate Secretary

To Employee: At the address for Employee set forth below.

16. MISCELLANEOUS.

- (a) WAIVER. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.
- (b) SEPARABILITY. Subject to Section 8 hereof, if any term or provision of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.
- (c) HEADINGS. Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.
- (d) RULES OF CONSTRUCTION. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.

(e) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

USA WASTE SERVICES, INC.

By: /s/ Earl E. DeFrates

Title: Executive Vice President / CFO

Date: August 26, 1997

EMPLOYEE

/s/ Ronald H. Jones

Date: August 26, 1997

Address: 1001 Fannin, Suite 4000

Houston, TX 77002

EMPLOYMENT AGREEMENT

USA WASTE SERVICES, INC. (the "Company") and BRUCE E. SNYDER (the "Employee") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of June 1, 1997, as follows:

1. EMPLOYMENT.

The Company shall employ Employee, and Employee shall be employed by the Company upon the terms and subject to the conditions set forth in this Agreement.

2. TERM OF EMPLOYMENT.

The period of Employee's employment under this Agreement shall begin as of May 1, 1997, and shall continue for a period of three (3) years thereafter (the "Initial Term") and shall be automatically renewed for successive one (1) year periods thereafter, unless Employee's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

- (a) Employee shall serve as Vice President and Chief Accounting Officer. In such capacity, Employee shall perform such duties as may be assigned to Employee from time to time by the Company.
- (b) Employee shall faithfully serve the Company and/or its affiliated corporations, devote Employee's full working time, attention and energies to the business of the Company and/or its affiliated corporations, and perform the duties under this Agreement to the best of Employee's abilities.
- (c) Employee shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company, except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

- (a) **BASE SALARY.** During the Employment Term, the Company shall pay Employee a base salary at the annual rate of one hundred sixty thousand (\$160,000) dollars per year or such higher rate as may be determined from time to time by the Company ("Base Salary"). Such Base Salary shall be paid in accordance with the Company's standard payroll practice for employees.
- (b) **EXPENSE REIMBURSEMENT.** The Company shall promptly reimburse Employee for the ordinary and necessary business expenses incurred by Employee in the performance of Employee's duties hereunder in accordance with the Company's customary practices applicable

to employees, provided that such expenses are incurred and accounted for in accordance with the Company's policy.

- (c) **BENEFIT PLANS.** Employee shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other benefit plan or arrangement generally made available by the Company to employees of similar status and responsibilities (hereinafter referred to as "similarly situated employees").
- (d) **EMPLOYEE'S EXPENSES.** All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) 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 any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Employee's employment hereunder may be terminated under the following circumstances:

- (a) **DEATH.** Employee's employment hereunder shall terminate upon Employee's death.
- (b) **TOTAL DISABILITY.** The Company may terminate Employee's employment hereunder upon Employee's becoming "Totally Disabled". For purposes of this Agreement, Employee shall be "Totally Disabled" if Employee is physically or mentally incapacitated so as to render Employee incapable of performing Employee's usual and customary duties under this Agreement. Employee's receipt of disability benefits under the Company's long-term disability plan, or receipt of Social Security disability benefits, shall be deemed conclusive evidence of Total Disability for purpose of this Agreement; provided, however, that in the absence of Employee's receipt of such long-term disability benefits or Social Security benefits, the Company may, in its reasonable discretion (but based upon appropriate medical evidence), determine that Employee is Totally Disabled.
- (c) **TERMINATION BY THE COMPANY FOR CAUSE.** The Company may terminate Employee's employment hereunder for "Cause" at any time after providing written notice to Employee.
- (i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company, fraud, dishonesty, or moral

turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.

- (ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.
- (iii) Any determination of Cause under this Agreement shall be made by the Company after giving Employee a reasonable opportunity to be heard.

- (d) VOLUNTARY TERMINATION BY EMPLOYEE. Employee may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or pursuant to Section 7 of this Agreement.
- (e) TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate Employee's employment hereunder without Cause at any time after providing written notice to Employee.

6. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT.

In the event that Employee's employment hereunder is terminated, Employee shall be entitled to the following compensation and benefits upon such termination:

- (a) TERMINATION BY REASON OF DEATH. In the event that Employee's employment is terminated by reason of Employee's death, the Company shall pay the following amounts to Employee's beneficiary or estate:
 - (i) Any accrued but unpaid Base Salary for services rendered to the date of death, any accrued but unpaid expenses required to be reimbursed under this Agreement, and any vacation accrued to the date of death.
 - (ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof as determined and paid in accordance with the terms of such plans, policies and arrangements.

- (iii) An amount equal to the Base Salary (at the rate in effect as of the date of Employee's death) which would have been payable to Employee if Employee had continued in employment until the end of the 12-month period beginning on the date of Employee's death. Such amount shall be paid in a single lump sum cash payment within thirty (30) days after Employee's death.
- (iv) As of the date of termination by reason of Employee's death, stock options awarded to Employee shall be fully vested. Employee's estate or beneficiary shall have up to one (1) year from date of termination by reason of death to exercise all such options.

(b) TERMINATION BY REASON OF TOTAL DISABILITY. In the event that Employee's employment is terminated by reason of Employee's Total Disability as determined in accordance with Section 5(b), the Company shall pay the following amounts to Employee:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An amount equal to
 - (A) the Base Salary (at the rate in effect as of the date of Employee's Total Disability) which would have been payable to Employee if Employee had continued in active employment until the end of the 12-month period beginning on the date of Employee's termination; reduced by
 - (B) the maximum annual amount of the long term disability benefits payable to Employee under the Company's long-term disability plan as determined prior to the reduction of such benefits under the terms of the plan for other disability income.

Payment shall be made at the same time and in the same manner as such compensation would have been paid if Employee had remained in active employment until the end of such period.

- (iv) As of the date of Employee's termination by reason of Employee's total disability, Employee shall be fully vested in all stock option awards. Employee shall have up to one (1) year from date of termination by reason of total disability to exercise all such options.

- (c) TERMINATION FOR CAUSE OR VOLUNTARY TERMINATION BY EMPLOYEE. In the event that Employee's employment is terminated by the Company for Cause pursuant to Section 5(c), or Employee terminates employment pursuant to Section 5(d), the Company shall pay the following amounts to Employee:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (d) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Employee's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or Cause, the Company shall pay the following amounts to Employee:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) The Base Salary (at the rate in effect as of the date of Employee's termination) which would have been payable to Employee if Employee had continued in active employment until the later of: (A) the period ending on the last day of the Initial Term; or (B) the end of the 12-month period beginning on the date of Employee's termination. Payment shall be made at the same time and in the same manner as such compensation would have been paid if Employee had remained in active employment until the end of such period. The Employee shall also be eligible for a bonus or incentive compensation payment, to the extent bonuses are paid to similarly situated employees, pro-rated for the year in which the Employee is terminated, and paid at the same time as similarly situated employees are paid.
 - (iv) The Company, completely at its expense, will continue for Employee and Employee's spouse and dependents, group health plans, programs or arrangements, in which Employee was entitled to participate at any time during the twelve-month period prior to the date of termination, until the earlier of : (A) last day of period during which Employee receives payment in accordance with clause (iii) above; (B) Employee's death (provided that benefits payable to Employee's beneficiaries shall not terminate upon Employee's death); or (C) with respect to any particular plan, program or arrangement,

the date Employee becomes covered by a comparable benefit provided by a subsequent employer.

(v) As of the date of Employee's termination, Employee shall be fully vested in all stock option awards. Employee shall have one (1) year from the date of termination to exercise all such options.

(e) NO OTHER BENEFITS OR COMPENSATION. Except as may be provided under this Agreement, under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Employee at the time of Employee's termination or resignation of employment, Employee shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation.

(f) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Employee has

(i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or

(ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Employee's employment hereunder or during any of the twelve calendar months preceding or following the termination of Employee's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against Employee.

7. RESIGNATION BY EMPLOYEE FOR GOOD REASON AND COMPENSATION PAYABLE FOLLOWING CHANGE IN CONTROL.

- (a) RESIGNATION FOR GOOD REASON FOLLOWING CHANGE IN CONTROL. In the event a "Change in Control" occurs, Employee will be paid the compensation described in this Section 7 if Employee resigns or is terminated (both a "resignation" and "termination" being referred to as "termination" for the purposes of this Section 7) from employment with the Company at any time prior to the six (6) month anniversary of the date of the Change in Control following the occurrence of any of the following events:
- (i) without Employee's express written consent, the assignment to Employee of any duties inconsistent with Employee's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Employee's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Employee from, or any failure to re-elect Employee to, any of such positions, except in connection with the termination of Employee's employment as a result of death, or by the Company for Disability or Cause, or by Employee other than for the reasons described in this Section 7(a);
 - (ii) a reduction by the Company in Employee's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;
 - (iii) the failure of the Company substantially to maintain and to continue Employee's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than those plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Employee's benefits under any of such plans or deprive Employee of any material fringe benefit enjoyed by Employee immediately before a Change in Control, unless such reduction or termination is required by law;
 - (iv) the failure of the Company to provide Employee with an appropriate adjustment to compensation such as a lump sum relocation bonus, salary adjustment and/or housing allowance so that Employee can purchase comparable primary housing if required to relocate (it being the intention of this Section 7[a][iv] to keep the Employee "whole" if required to relocate). In this regard, comparable housing shall be determined by comparing factors such as location (taking into account, by way of example, items such as the value of the surrounding neighborhood, reputation of the public school district, if applicable, security and proximity to Employee's place of work), quality of construction, design, age, size of the housing and the ratio of the monthly payments including principle, interest, taxes and insurance to the

Employee's take home pay, to housing most recently owned by Employee prior to, or as of the effective date of the change of control;

- (v) the failure by the Company to pay Employee any portion of Employee's current compensation, or any portion of Employee's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or
- (vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Employee terminates employment pursuant to Section 7(a), the Company shall pay the following amounts to Employee:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4c hereof, shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An amount equal to \$1.00 less than three (3) times Employee's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall be paid to Employee in a single lump sum cash payment within five (5) business days after the effective date of Employee's termination.
- (iv) Employee will be 100% vested in all benefits, awards, and grants (including stock options) accrued but unpaid as of the date of termination under any non-qualified pension plan, supplemental and/or incentive compensation or bonus plans, in which Employee was a participant as of the date of termination. Employee shall also be eligible for a bonus or incentive compensation payment (the "bonus payment"), payable at 100% of the maximum bonus available to Employee, pro-rated as of the effective date of the termination. The bonus payment shall be payable within five (5) days after the effective date of Employee's termination.

Except as may be provided under this Section 7 or under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Employee at the time of Employee's resignation from employment, Employee shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such resignation or termination.

- (c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Employee (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then the Company shall pay the Employee as promptly as practicable following such determination an additional amount (the "Gross-up Payment") calculated as described below to reimburse the Employee on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code. The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Employee after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Employee would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Employee's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Employee and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax matters and such law firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Employee and the Company.

- (d) CHANGE IN CONTROL. For purposes of this Agreement, "Change in Control" means the occurrence of any of the following events:

- (i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or
- (ii) As a 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 any successor to the Company.

8. RESTRICTIVE COVENANTS

- (a) COMPETITIVE ACTIVITY. Employee covenants and agrees that at all times during Employee's period of employment with the Company, and while Employee is receiving payments pursuant to Section 6 of this Agreement, Employee will not, directly or indirectly, engage in, assist, or have any active interest or involvement (whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Furthermore, for a period of one (1) year after the date of termination of Employee's employment, whether such termination is voluntary or involuntary, by wrongful discharge, or otherwise, or one (1) year following the cessation of payments made pursuant to Section 6 of this Agreement, whichever date is later, Employee will not directly or indirectly, within 75 miles of the principal place of business of the Company, the principal place of business of any corporation or other entity owned, controlled by (or otherwise affiliated with) the Company by which Employee may also be employed or served by Employee, or any other geographic location in which Employee has specifically represented the interests of the Company or such other affiliated entity, during the twelve (12) months prior to the termination of Employee's employment, engage in, assist, or have any active interest or involvement (whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so.
- (b) NON-SOLICITATION. Employee covenants and agrees that at all times during Employee's period of employment with the Company, and for a period of one (1) year after the date of termination of Employee's employment, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, or the date of the cessation of payments made to the Employee pursuant to Section 6 of this Agreement, whichever date is later, Employee 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.

- (c) NON-DISPARAGEMENT. Employee covenants and agrees that Employee 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.
- (d) PROTECTED INFORMATION. Employee recognizes and acknowledges that Employee 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"). Employee therefore covenants and agrees that Employee 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.

9. ENFORCEMENT OF COVENANTS.

- (a) TERMINATION OF EMPLOYMENT AND FORFEITURE OF COMPENSATION. Employee agrees that any breach by Employee of any of the covenants set forth in Section 8 hereof during Employee's employment by the Company, shall be grounds for immediate dismissal of Employee and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Employee as liquidated damages, which shall be in addition to and not exclusive of any and all other rights and remedies the Company may have against Employee.
- (b) RIGHT TO INJUNCTION. Employee acknowledges that a breach of the covenants set forth in Section 8 hereof will cause irreparable damage to the Company with respect to which the Company's remedy at law for damages will be inadequate. Therefore, in the event of breach of anticipatory breach of the covenants set forth in this section by Employee, Employee and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach and Employee hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable

sums expended and costs, including reasonable attorney's fees, incurred by the Company to enforce the covenants set forth in this section.

- (c) SEPARABILITY OF COVENANTS. The covenants contained in Section 8 hereof constitute a series of separate covenants, one for each applicable State in the United States and the District of Columbia, and one for each applicable foreign country. If in any judicial proceeding, a court shall hold that any of the covenants set forth in Section 8 exceed the time, geographic, or occupational limitations permitted by applicable laws, Employee and the Company agree that such provisions shall and are hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced in such proceeding. Employee and the Company further agree that the covenants in Section 8 shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Employee against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants of Section 8.

10. WITHHOLDING OF TAXES.

The Company may withhold from any compensation and benefits payable under this Agreement all applicable federal, state, local, or other taxes.

11. NON-DISCLOSURE OF AGREEMENT TERMS.

Employee agrees that Employee will not disclose the terms of this Agreement to any third party other than Employee's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority.

12. SOURCE OF PAYMENTS.

All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. Employee shall have no right, title or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

13. ASSIGNMENT.

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement shall not be assignable by Employee.

14. ENTIRE AGREEMENT; AMENDMENT.

This Agreement shall supersede any and all existing oral or written agreements, representations, or warranties between Employee and the Company or any of its subsidiaries or affiliated entities relating to the terms of Employee's employment by the Company. It may not be amended except by a written agreement signed by both parties.

15. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, applicable to agreements made and to be performed in that State, without regard to its conflict of laws provisions.

16. NOTICES.

Any notice, consent, request or other communication made or given in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by registered or certified mail, return receipt requested, or by facsimile or by hand delivery, to those listed below at their following respective addresses or at such other address as each may specify by notice to the others:

To the Company:

USA Waste Services, Inc.
1001 Fannin, Suite 4000
Houston, Texas 77002
Attention: Corporate Secretary

To Employee:

At the address for Employee set forth below

16. MISCELLANEOUS.

- (a) WAIVER. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.
- (b) SEPARABILITY. Subject to Section 8 hereof, if any term or provision of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.
- (c) HEADINGS. Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.
- (d) RULES OF CONSTRUCTION. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.
- (e) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

USA WASTE SERVICES, INC.

By: /s/ GREGORY T. SANGALIS

 Name: Gregory T. Sangalis

 Title: Vice President and Secretary

Date: June 1, 1997

EMPLOYEE
 /s/ BRUCE E. SNYDER

 Address: 1001 Fannin, Suite 4000

 Houston, Texas 77002

Date: June 1, 1997

AMENDMENT TO EMPLOYMENT AGREEMENT

Section 7(a) ("Resignation for Good Reason Following Change of Control") of the Employment Agreement executed between USA Waste Services, Inc. (the "Company"), and Bruce E. Snyder ("Executive") is hereby amended to as follows:

Subsection 7(a)(iv) contained in the current Employment Agreement will be replaced with the following new subsection:

(iv) THE CHANGE OF EXECUTIVE'S PRINCIPAL PLACE OF EMPLOYMENT TO A LOCATION MORE THAN FIFTY (50) MILES FROM SUCH PRINCIPAL PLACE OF EMPLOYMENT, EXCEPT FOR REQUIRED TRAVEL ON THE COMPANY'S BUSINESS TO AN EXTENT SUBSTANTIALLY CONSISTENT WITH EXECUTIVE'S BUSINESS TRAVEL OBLIGATIONS IMMEDIATELY BEFORE A CHANGE IN CONTROL;

All remaining terms of the Employment Agreement shall continue in full force and effect.

AGREED:

/s/ BRUCE E. SNYDER 12/1/97

BRUCE E. SNYDER Date

USA WASTE SERVICES, INC.

By: /s/ SUSAN J. PILLAR 12/1/97

Date
Its: Vice President

EMPLOYMENT AGREEMENT

USA WASTE SERVICES, INC. and CANADIAN WASTE SERVICES, INC. (the "Company"), and DAVID SUTHERLAND-YOEST (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of June 1, 1997, as follows:

1. EMPLOYMENT.

The Company shall employ Executive, and Executive shall be employed by the Company upon the terms and subject to the conditions set forth in this Agreement.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall be for continuously renewing five (5) year terms, without any further action required by either the Company or Executive, unless Executive's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

- (a) Executive shall serve as President, Canadian Waste Services, Inc. and Regional Vice President for the Company. In such capacity, Executive shall perform such duties as may be assigned to Executive from time to time by the Board of Directors of the Company, the Chief Executive Officer, or the Chief Operating Officer of the Company.
- (b) Executive shall faithfully serve the Company, and/or its affiliated corporations, devote Executive's full working time, attention and energies to the business of the Company, and/or its affiliated corporations, and perform the duties under this Agreement to the best of Executive's abilities. Executive may make and manage his personal investments, provided such investments in other activities do not violate, in any material respect, the provisions of Section 8 of this Agreement.
- (c) Executive shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

- (a) BASE SALARY. During the Employment Term, the Company shall pay Executive a base salary at the annual rate of three hundred thirty thousand (\$330,000) dollars per year (or the equivalent in Canadian dollars), or such higher rate as may be determined from time to time by the Company ("Base Salary"). Such Base Salary shall be paid in accordance with the Company's standard payroll practice for similarly situated senior executives. The

phrase "senior executives" as used in this Agreement, shall include the Regional Vice Presidents of the Company.

- (b) OTHER COMPENSATION. Executive 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 senior executives, or Regional Vice Presidents generally.
- (c) EXPENSE REIMBURSEMENT. The Company shall promptly reimburse Executive for the ordinary and necessary business expenses incurred by Executive in the performance of the duties hereunder in accordance with the Company's customary practices applicable to senior executives, provided that such expenses are incurred and accounted for in accordance with the Company's policy.
- (d) BENEFIT PLANS. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other fringe benefit plan, generally made available by the Company to senior executives.
- (e) EMPLOYEE'S EXPENSES. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) 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 any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated under the following circumstances:

- (a) DEATH. Executive's employment hereunder shall terminate upon Executive's death.
- (b) TOTAL DISABILITY. The Company may terminate Executive's employment hereunder upon Executive becoming "Totally Disabled". For purposes of this Agreement, Executive shall be "Totally Disabled" if Executive is physically or mentally incapacitated so as to render Executive incapable of performing Executive's usual and customary duties under this

Agreement. Executive's receipt of disability benefits under the Company's long-term disability plan or receipt of other disability benefits, such as Social Security or an equivalent benefit, shall be deemed conclusive evidence of Total Disability for purpose of this Agreement; provided, however, that in the absence of Executive's receipt of such long-term disability benefits or government disability benefits, the Company's Board of Directors may, in its reasonable discretion (but based upon appropriate medical evidence), determine that Executive is Totally Disabled.

- (c) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Executive's employment hereunder for "Cause" at any time after providing written notice to Executive.
- (i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company's Board of Directors, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.
- (ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.
- (d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or for good reason as described in Section 7 of this Agreement.
- (e) TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate Executive's employment hereunder without Cause at any time after providing written notice to Executive.

6. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT.

In the event that Executive's employment hereunder is terminated, Executive shall be entitled to the following compensation and benefits upon such termination:

- (a) TERMINATION BY REASON OF DEATH. In the event that Executive's employment is terminated by reason of Executive's death, the Company shall pay the following amounts to Executive's beneficiary or estate:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of death, any accrued but unpaid expenses required to be reimbursed under this Agreement; a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded similarly situated executives and paid at the same time as similarly situated executives are paid; and any vacation accrued to the date of death.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof, as determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) An amount equal to the Base Salary (at the rate in effect as of the date of Executive's death) which would have been payable to Executive if Executive had continued in employment until the end of the current Employment Term (five [5] years). Such amount shall be paid to Executive's estate or beneficiary at the same time, and in the same manner as such compensation would have been paid if Executive had remained in active employment until the end of such period.
 - (iv) As of the date of termination by reason of Executive's death, stock options awarded to Executive shall be fully vested and Executive's estate or beneficiary shall have up to one (1) year from the date of death to exercise all such options.
- (b) TERMINATION BY REASON OF TOTAL DISABILITY. In the event that Executive's employment is terminated by reason of Executive's Total Disability as determined in accordance with Section 5(b), the Company shall pay the following amounts to Executive:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination. Executive shall also be eligible for a pro-rata bonus or incentive compensation payment to the extent such awards are made to similarly situated executives for the year in which Executive is terminated.
 - (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) The Base Salary (at the rate in effect as of the date of Executive's Total Disability) which would have been payable to Executive if Executive had continued in active employment until the end of the current Employment Term. Payment shall be made at the same time and in the same manner as such compensation would have

been paid if Executive had remained in active employment until the end of such period.

- (iv) As of the date of termination by reason of Executive's total disability, Executive shall be fully vested in all stock option awards and Executive shall have up to one (1) year from the date of termination by reason of total disability to exercise all such options.

(c) **TERMINATION FOR CAUSE.** In the event that Executive's employment is terminated by the Company for Cause pursuant to Section 5(c), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(d) **VOLUNTARY TERMINATION BY EXECUTIVE.** In the event that Executive terminates employment pursuant to Section 5(d), and other than for a resignation tendered pursuant to Section 7 of this Agreement, the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(e) **TERMINATION BY THE COMPANY WITHOUT CAUSE.** In the event that Executive's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or Cause, the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

- (iii) An annual amount equal to 75 percent (75%) of the average of Executive's "Total Annual Direct Compensation" for the two highest of the three most recent calendar years prior to Executive's termination. Such annual amount shall be paid during the five (5) year period beginning on the date of Executive's termination and shall be paid at the same time and in the same manner as the Base Salary would have been paid if Executive had remained in active employment until the end of such period. For purposes of this Agreement, the term "Total Annual Direct Compensation" means the total of the Base Salary and other cash compensation payable to Executive attributable to a calendar year (A) including any cash compensation which would have been payable for such year but for Executive's election to defer payment of such compensation and (B) excluding any amounts recognized as compensation as a result of Executive's exercise of a stock option or receipt of a stock award.
- (iv) The Company completely at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, in which Executive was entitled to participate at any time during the twelve-month period prior to the date of termination, until the earliest to occur of (A) five years after the date of termination; (B) Executive's death (provided that benefits payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company is prohibited, the Company will arrange to provide Executive with benefits substantially similar to those which Executive would have been entitled to receive under such plan, program, or arrangement, for such period.
- (v) Except to the extent prohibited by law, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans in which Executive was a participant as of the date of termination. Executive shall also be eligible for a bonus or incentive compensation payment, to the extent payments are made to similarly situated executives, pro-rated for the year in which the Executive is terminated. As of the effective date of Executive's termination, all stock options issued to Executive shall vest, and Executive shall have five (5) years from the date of termination to exercise all such newly vested stock options. All options which have already vested as of the date of termination shall be exercised according to the established vesting schedule.
- (f) NO OTHER BENEFITS OR COMPENSATION. Except as may be provided under this Agreement, under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's termination or resignation of employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation.

(g) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Executive has

- (i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or
- (ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Executive's employment hereunder or during any of the twelve calendar months preceding or following the termination of Executive's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against Executive.

7. RESIGNATION BY EXECUTIVE FOR GOOD REASON AND COMPENSATION PAYABLE FOLLOWING CHANGE IN CONTROL.

(a) RESIGNATION FOR GOOD REASON FOLLOWING CHANGE IN CONTROL. In the event a "Change in Control" occurs, Executive will be paid the compensation described in this Section 7 if Executive resigns or is terminated from employment with the Company at any time prior to the six (6) month anniversary of the date of the Change in Control following the occurrence of any of the following events:

- (i) without Executive's express written consent, the assignment to Executive of any duties inconsistent with Executive's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Executive's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Executive from, or any failure to re-elect Executive to, any of such positions, except in connection with the termination of Executive's employment as a result of death, or by the Company for Disability or Cause, or by Executive other than for the reasons described in this Section 7(a);

- (ii) a reduction by the Company in Executive's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;
- (iii) the failure of the Company substantially to maintain and to continue Executive's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than those plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Executive's benefits under any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately before a Change in Control, unless such reduction or termination is required by law;
- (iv) the failure of the Company to provide Executive with an appropriate adjustment to compensation, such as a lump sum relocation bonus, salary adjustment and/or housing allowance so that Executive can purchase comparable primary housing if required to relocate (it being the intention of this Section 7[a][iv] to keep the Executive "whole" if required to relocate). In this regard, comparable housing shall be determined by comparing factors such as location (taking into account, by way of example, items such as the value of the surrounding neighborhood, reputation of the public school district, if applicable, security and proximity to Executive's place of work), quality of construction, design, age, size of the housing and the ratio of the monthly payments including principle, interest, taxes and insurance, to the Executive's take-home-pay, to housing most recently owned by Executive prior to, or as of the effective date of the change of control;
- (v) the failure by the Company to pay Executive any portion of Executive's current compensation, or any portion of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or
- (vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Executive terminates employment pursuant to Section 7(a), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof, shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

- (iii) An amount equal to \$1.00 less than three (3) times Executive's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall be paid to Executive in a single lump sum cash payment within five (5) business days after the effective date of Executive's resignation.
- (iv) Executive will be 100% vested in all benefits, awards, and grants (including stock option grants) accrued but unpaid as of the date of termination under any non-qualified pension plan, supplemental and/or incentive compensation or bonus plans, in which Executive was a participant as of the date of termination. Executive will have until the expiration date shown on the stock option award in which to exercise all options which have vested pursuant to this Section 7(b)(iv). Executive shall also be eligible for a bonus or incentive compensation payment (the "bonus payment"), payable at 100% of the maximum bonus available to Executive, pro-rated as of the effective date of the termination. The bonus payment shall be payable within five (5) days after the effective date of Employee's termination.

Except as may be provided under this Section 7 or under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's resignation from employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such resignation or termination.

- (c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Executive (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code") (if applicable), then the Company shall pay the Executive as promptly as practicable following such determination an additional amount (the "Gross-up Payment") calculated as described below to reimburse the Executive on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code. The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Executive after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Executive would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Executive's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Executive and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax matters and such law

firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Executive and the Company.

- (d) CHANGE IN CONTROL. For purposes of this Agreement, "Change in Control" means the occurrence of any of the following events:
- (i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or
 - (ii) As a 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 any successor to the Company.

8. RESTRICTIVE COVENANTS

- (a) COMPETITIVE ACTIVITY. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and during the period that payments are made to Executive pursuant to Section 6 of this Agreement, Executive will not engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Executive further agrees that for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or for a period of two (2) years following the date of termination, whichever date is later, Executive will not, directly or indirectly, within 75 miles of any operating location of any affiliate of the Company over which Executive has had any overall responsibilities for the performance of said operating location as Regional Vice President, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company or any of its affiliated companies, without the Company's specific written consent to do so.
- (b) NON-SOLICITATION. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or two (2)

years after the date of termination of the Executive's employment, whichever date is later, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive 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; (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; or (v) individually or through any person, firm, association or corporation with which he is now, or may hereafter become associated, cause, solicit, entice or induce any present or future employee of the Company, or any corporation affiliated with the Company, to leave the employ of the Company, or such other corporation, to accept employment with, or compensation from the Employee, or any such person, firm, association or corporation without prior written consent of the Company.

(c) NON-DISPARAGEMENT. Executive covenants and agrees that Executive 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.

(d) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive 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 customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive 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.

9. ENFORCEMENT OF COVENANTS.

- (a) TERMINATION OF EMPLOYMENT AND FORFEITURE OF COMPENSATION. Executive agrees that any breach by Executive of any of the covenants set forth in Section 8 hereof during Executive's employment by the Company, shall be grounds for immediate dismissal of Executive and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Executive as liquidated damages, which shall be in addition to and not exclusive of any and all other rights and remedies the Company may have against Executive.
- (b) RIGHT TO INJUNCTION. Executive acknowledges that a breach of the covenants set forth in Section 8 hereof will cause irreparable damage to the Company with respect to which the Company's remedy at law for damages will be inadequate. Therefore, in the event of breach of anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums expended and costs, including reasonable attorney's fees, incurred by the Company to enforce the covenants set forth in this section.
- (c) SEPARABILITY OF COVENANTS. The covenants contained in Section 8 hereof constitute a series of separate covenants, one for each applicable State in the United States and the District of Columbia, and one for each province in Canada. If in any judicial proceeding, a court shall hold that any of the covenants set forth in Section 8 exceed the time, geographic, or occupational limitations permitted by applicable laws, Executive and the Company agree that such provisions shall and are hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced in such proceeding. Executive and the Company further agree that the covenants in Section 8 shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Executive against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants of Section 8.

10. EMPLOYEE CONDUCT.

- (a) The Executive 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, with 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 Executive further agrees to indemnify and save harmless the Company for 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 Executive or the Company. The provisions of this Section 8 shall survive the dissolution or termination of Executive's employment under this Agreement.

- (b) Executive 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 Executive 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 of Executive of his employment duties for the Company.
- (c) Executive 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; provides that if Executive 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 Executive nor the undertakings attempted by the Company with respect thereto shall qualify the unconditional disclosure obligation of Executive, set forth above.

11. DISPUTES AND PAYMENT OF ATTORNEY'S 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 Executive (and Executive 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 Executive) Executive's costs and reasonable attorney's fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred by Executive in connection with any such dispute or any litigation, (a) provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to any dispute or litigation arising under Sections 5c or 8 of this Agreement, or (b) regardless of whether Executive 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, Executive did not initiate frivolously such litigation. Under no circumstances shall Executive be obligated to pay or reimburse the Company for any attorneys'

fees, costs or expenses incurred by the Company. The provisions of this Section 10 shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

12. WITHHOLDING OF TAXES.

The Company may withhold from any compensation and benefits payable under this Agreement all applicable taxes.

13. NON-DISCLOSURE OF AGREEMENT TERMS.

Executive agrees that Executive will not disclose the terms of this Agreement to any third party other than Executive's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority. The Company agrees with Executive that, except to the extent required by law, it will not make or publish, without the express written consent of Executive, any written or oral statement concerning the terms of Executive's employment relationship with the Company and will not, if Executive is terminated for any reason or severs his employment with the Company, make or publish any written or oral statement concerning Executive, including, without limitation, his work-related performance or the reasons or basis for Executive's termination or otherwise severing Executive's employment relationship with the Company.

14. SOURCE OF PAYMENTS.

All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. Executive shall have no right, title or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

15. ASSIGNMENT.

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement shall not be assignable by Executive, and shall be assignable by the Company only to any financially solvent corporation or other entity resulting from the reorganization, merger or consolidation of the Company with any other corporation or entity or any corporation or entity to or with which the Company's business or substantially all of its business or assets may be sold, exchanged or transferred, and it must be so assigned by the Company to, and accepted as binding upon it by, such other corporation or entity in connection with any such reorganization, merger, consolidation, sale, exchange or transfer (the provisions of this sentence also being applicable to any successive such transaction).

16. ENTIRE AGREEMENT; AMENDMENT.

This Agreement shall supersede any and all existing oral or written agreements, representations, or warranties between Executive and the Company or any of its subsidiaries or affiliated entities relating to the terms of Executive's employment by the Company. It may not be amended except by a written agreement signed by both parties.

17. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

18. NO PUBLICATION.

The Company agrees with Executive 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 Executive goes on part-time status for any reason, or severs his employment with the Company, make or publish any written or oral statement concerning Executive including, without limitation, his work-related performance or the reasons or basis for Executive going on part-time status, or otherwise severing his employment relationship with the Company.

19. NOTICES.

Any notice, consent, request or other communication made or given in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by registered or certified mail, return receipt requested, or by facsimile or by hand delivery, to those listed below at their following respective addresses or at such other address as each may specify by notice to the others:

To the Company: USA Waste Services, Inc.
1001 Fannin, Suite 4000
Houston, Texas 77002
Attention: Corporate Secretary

To Executive: At the address for Executive set forth below.

20. MISCELLANEOUS.

- (a) WAIVER. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

- (b) SEPARABILITY. Subject to Section 9 hereof, if any term or provision of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.
- (c) HEADINGS. Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.
- (d) RULES OF CONSTRUCTION. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.
- (e) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

USA WASTE SERVICES, INC.
CANADIAN WASTE SERVICES, INC.

By: /s/ Greg Sangalis

Title: Vice President / Secretary

Date: June 1, 1997

EXECUTIVE

/s/ David Sutherland-Yoest

Date: June 1, 1997

Address: 1001 Fannin, Suite 4000

Houston, TX 77002

[USA WASTE LETTERHEAD]

November 10, 1997

Mr. Kostj Shirvanian
23 Corporate Plaza #427
Newport Beach, CA 92660

Dear Kostj:

This letter is written to follow up on our previous conversations regarding your resignation as an employee in connection with the change of control provision of your Employment Agreement (as hereinafter defined). In an effort to bring these discussions to a resolution, I offer the following terms. These terms are fair to USA Waste Services, Inc. ("USA Waste") and properly recognize the contributions you have made to this organization over the past several years.

Termination of Employment and Employment Agreement:

- You will resign as an employee effective as of the close of business on November 11, 1997 (the "Termination Date").
- Your employment agreement dated as of December 18, 1995 as amended as of June 30, 1997 (the "Employment Agreement") and all rights thereunder including, without limitation, any rights to salary, bonuses, stock options, secretarial assistance, office space, etc. will be terminated as of the Termination Date.

Cash:

- \$200,000 upon signing

Non-Competition Agreement:

- Term commencing on Termination Date through 12/31/2002.
- No involvement with any USA Waste competitors in the solid waste business during the term

Stock:

- Stock grants as of Termination Date of 230,000 unregistered shares of USA Waste.

Mr. Kostı Shirvanian
November 10, 1997
Page Two

Stock Options:

- Stock option grant of 290,625 shares of USA Waste at closing price on Termination Date.
- Savey Tufenkian will receive a stock option grant of 100,000 shares of USA Waste at the closing price as of May 7, 1998.

Miscellaneous:

- Automobile - BMW currently being used by you will be titled to you.
- The receivable owed to Western Waste Industries relating to the Stagg Inventory will be forgiven.

Kosti, I believe this is the proposal to which you agreed. We need to finalize this before our announcement of earnings tonight. Accordingly, if you agree to these terms, please sign the enclosed copy of this letter and return it to me via facsimile (713/512-6323).

Very truly yours,

/s/ JOHN E. DRURY

John E. Drury
Chairman and Chief Executive Officer

Agreed and Accepted by Kostı Shirvanian

/s/ KOSTI SHIRVANIAN

Kosti Shirvanian

November 11, 1997.

EXHIBIT 12.1

USA WASTE SERVICES, INC.
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 (IN THOUSANDS, EXCEPT RATIOS)

	Years Ended December 31,		
	1997(1)	1996(2)	1995(3)
Income before taxes and extraordinary item	\$463,267	\$138,737	\$141,089
Fixed charges deducted from income:			
Interest expense	104,261	60,497	69,613
Implicit interest in rents	11,790	7,345	6,252
	116,051	67,842	75,865
Earnings available for fixed charges	\$579,318	\$206,579	\$216,954
Interest expense	\$104,261	\$ 60,497	\$ 69,613
Capitalized interest	25,198	21,189	13,808
Implicit interest in rents	11,790	7,345	6,252
Total fixed charges	\$141,249	\$ 89,031	\$ 89,673
Ratio of earnings to fixed charges	4.1 x	2.3 x	2.4 x

(1) Income before taxes and extraordinary item for the year ended December 31, 1997, includes merger costs and unusual items of \$109,411,000, and \$24,720,000, respectively. Excluding the effect of these nonrecurring charges, the ratio of earnings to fixed charges would have been 5.1x for the year then ended.

(2) Income before taxes and extraordinary item for the year ended December 31, 1996, includes merger costs and unusual items of \$126,626,000 and \$63,800,000, respectively. Excluding the effect of these nonrecurring charges, the ratio of earnings to fixed charges would have been 4.5x for the year then ended.

(3) Income before taxes and extraordinary item for the year ended December 31, 1995, includes merger costs and unusual items of \$26,539,000 and \$15,727,000, respectively. Excluding the effect of these nonrecurring charges, the ratio of earnings to fixed charges would have been 3.2x for the year then ended.

SUBSIDIARIES OF REGISTRANT
(3/18/98)

709292 Alberta Ltd. (AB)
730810 Alberta Ltd. (AB)
740922 Alberta Ltd. (AB)
762570 Alberta Ltd. (AB)
A-1 Compaction, Inc. (NY)
 dba United Waste Systems of West Michigan
A-1 Transfer, Incorporated (CO)
Adam J. Deitrich & Sons Disposal & Coal Hauling, Inc. (PA)
Alamo Waste, Inc. (TX)
Alliance Sanitary Landfill, Inc. (PA)
Allied Waste of Wyoming, Inc. (WY)
American Rubbish, Inc. (CA)
 dba USA Waste of California
American Sheds, Inc. (CA)
Anchorage Refuse, Inc. (AK)
Anderson-Cottonwood Disposal Service, Inc. (CA)
Angus Services, Inc. (FL)
 dba City Environmental Services of North Florida
Arden Landfill, Inc. (PA)
Art-Jo Co. (NJ)
Automated Recycling Technologies, Inc. (NJ)
Azusa Land Reclamation Company, Inc. (CA)
B & E Cartage, Inc. (WV)
Baker's Rural Sanitation, Inc. (CO)
Barry Waste Services and Recycling Co., Inc. (MA)
Big Valley Transport, Inc. (WV)
BioSolids Refuse Management (JV) (CA)
Blackstone Valley Disposal Service, Inc. (MA)
Bolton Road Landfill, Inc. (DE)
Boone Waste Industries, Inc. (FL)
Bosarge & Edmonds Contractors, Inc. (MS)
 dba Robo
Brazoria County Recycling Center, Inc. (TX)
 dba BCRC
 dba Brazoria County Recycling Center
 dba USA Brazoria County Landfill
 dba WRS Transfer Station
Brem-Air Disposal, Inc. (WA)
 dba Brem-Air Disposal

Brevard County Landfill Co., L.L.C. (DE)
 Burbidge Trash Service, Inc. (CO)
 Burnsville Sanitary Landfill, Inc. (MN)
 C&L Disposal Company, Inc. (CA)
 Caire's CKC Enterprises, Inc. (CA)
 Cal Sanitation Services, Inc. (CA)
 dba A-1 Sanitation
 California Asbestos Monofill, Inc. (CA)
 dba CAM
 California Waste Recycling Systems, Inc. (CA)
 California Waste Systems, Inc. (CA)
 Cal-Sierra Disposal, Inc. (CA)
 Cal-Sierra Transfer, Inc. (CA)
 Campbell Wells Norm Corporation (LA)
 CANADIAN WASTE SERVICES HOLDINGS INC. (ON)
 Canadian Waste Services, Inc. (ON)
 dba Canadian Disposal Services
 dba Cougar Waste Management
 dba Philip Enterprises
 dba Quebec Waste Services
 dba St. Nicephore Landfill
 dba Canadian Waste Services of:

Alberta
 Barrie
 Brantford
 Calgary
 Camrose
 Dawson Creek
 Drayton Valley
 Edmonton
 Ft. McMurray
 Grande Prairie
 Halton
 Hamilton
 Hamilton MRF
 Hull
 Kingston
 Lachute Hauling
 Lachute Landfill
 Lakeland
 Napanee
 Niagara Falls
 Ottawa-Commercial
 Ottawa-MRF

Peace River
 Regina
 Region du Nord
 Richmond
 Ryley Landfill
 Saskatoon
 Sault Ste. Marie
 South West Ontario
 South West Ottawa
 Strathcona Transfer/MRF
 St. Catherine
 St. John
 Sudbury
 Vancouver
 West Carleton Landfill
 Winnipeg

635952 Ontario Inc. (ON)
 126403 Ontario Inc. (ON)
 126404 Ontario Inc. (ON)
 3368084 Canada Inc. (CDN)
 Services Sanitaires Robert Richer Ltee (CDN)
 Arthur Richer & Fils Inc. (PQ)
 Bestan Inc. (PQ)
 Intersan Inc. (CDN)
 Location Sanico Ltee (CDN)
 Dechex Ltee (CDN)
 Centre de Tri Transit (1) Inc. (CDN)
 Transit Sorting Center (1) Inc. (CDN)

Cardinal Ridge Development, Inc. (OH)
 Carmel Marina Corporation (CA)
 CDC Services, Inc. (DE)
 CDF Consolidated Corporation (IL)
 dba Rolling Kleen Disposal
 dba Southern Illinois Transfer Station
 Cedar Ridge Landfill, Inc. (DE)
 Central Disposal Systems, Inc. (IA)
 Central Missouri Landfill, Inc. (MO)
 Chadwick Road Landfill, Inc. (GA)
 dba Chadwick Road Landfill
 Chambers Development Company, Inc. (DE)
 dba Monroeville Landfill
 dba North Huntington Hauling
 Chambers Development of Ohio, Inc. (OH)
 Chambers Enterprises, Inc. (PA)
 Chambers International, Inc. (DE)
 Chambers Development Europe B.V. (FOR)
 Chambers Europe B.V. (FOR)

Chambers Medical Technologies of South Carolina, Inc. (SC)
 dba MedTec
 dba Medical Technologies
 Chambers of Delaware, Inc. (DE)
 Chambers of Massachusetts, Inc. (MA)
 Chambers of New Jersey, Inc. (NJ)
 Chambers Services, Inc. (NY)
 Chambers Waste Systems of California, Inc. (CA)
 Chambers Waste Systems of New York, Inc. (NY)
 Charleston Landfill, Inc. (WV)
 Cheshire Sanitation, Inc. (NH)
 dba Harris Trucking
 dba Tri-State Rubbish
 Chiquitta Canyon Landfill, Inc. (CA)
 City Environmental Services, Inc. of Alabama (AL)
 dba City Environmental Services of Dothan
 dba City Environmental Services of Huntsville
 dba USA Waste Services of Alabama
 City Environmental Services, Inc. of Arecibo (MI)
 City Environmental Services, Inc. of Metro Chicago (MI)
 City Environmental Services, Inc. of Mid-Michigan (MI)
 dba CES-Saginaw
 dba CES-West Branch
 dba City Express
 City Environmental Services, Inc. of Northern Michigan (MI)
 dba City Express
 City Environmental Services, Inc. of Romulus (MI)
 dba City Express
 dba Seagate Recycling (Ohio)
 dba Seagate Sanitation Service, (Ohio)
 City Environmental Services, Inc. of Waters (MI)
 City Environmental Services, Inc. S.E. (MI)
 City Environmental Services Landfill, Inc. of Florida (FL)
 City Environmental Services Landfill, Inc. of Hastings (MI)
 dba City Environmental Services of West Michigan
 dba City Express
 dba Hastings Sanitary Service
 dba Lubbers Resource Systems
 City Environmental Services, Landfill, Inc. of Lapeer (MI)
 dba Pioneer Rock Landfill
 City Environmental Services Landfill, Inc. of Panama City (MI)
 City Environmental Services Landfill, Inc. of Saginaw (MI)
 dba Saginaw Valley Landfill

City Management Corporation (MI)
dba Adam Refuse
dba Brent Run
dba CES - Montrose
dba City Disposal Systems
dba City Environmental
dba City Environmental Contracting
dba City Environmental
dba City Environmental Services East
dba City Environmental Services of Montrose
dba City Environmental Services of Joliet
dba City Equipment Company
dba City Express
dba City Liquid Treatment and Processing
dba City Municipal Services
dba City Recycling Center
dba City Sand & Landfill
dba City Waste Systems
dba D & J Refuse Company
dba G & G Disposal
dba Gary's Disposal
dba J.L. Smith Refuse Service
dba M & M Contracting of Michigan
dba M & M Holding Company
dba Metro Waste Systems
dba Michigan City Management Corporation
dba Moore's Disposal
dba People's Garbage
dba People's Garbage Disposal
dba People's Garbage Disposal of Midland/Gladwin
dba Pollard Disposal
dba Premier Steel
dba Raska Disposal
dba Seymour Road Demolition
dba Seymour Road Landfill
dba Soave-Volpe Hauling
dba Trashbusters Transfer Station, Ltd.
dba United Machinery Movers and Erectors
dba Universal Waste & Transit
dba Whitefeather Development Company

Clayton Ward Company, Inc. (CA)
Cleansoils Fairless Hills, Inc. (MN)
Clearview Environmental Landfill, Inc. (MS)
Cleburne Landfill Company Corp. (AL)
Cleburne Landfill Corporation (MI)

Coast Waste Management, Inc. (CA)
Cocopah Landfill, Inc. (CA)
Colorado Waste Services, Inc. (CO)
Columbia County Drop off Box, Inc. (OR)
Colusa Solid Waste & Recycling, Inc. (CA)
Commercial Disposal Co., Inc. (MA)
Commercial Sanitation Service, Inc. (KY)
Conejo Enterprises (CA)
Connecticut Valley Sanitary Waste Disposal, Inc. (MA)
Conservation Services, Inc. (CO)
Consolidated Waste Systems, Incorporated (TX)
Copper Mountain Landfill, Inc. (AZ)
Corning Disposal Service, Inc. (CA)
Coshocton Landfill, Inc. (OH)
Cougar Landfill, Inc. (TX)
Countryside Landfill, Inc. (IL)
County- Wide Disposal, Inc. (CA)
Creston Sanitation, Inc. (IA)
Custom Disposal Services, Inc. (AZ)
Cuyahoga Landfill, Inc. (DE)
D & D Container Services Company (UT)
Dafter Sanitary Landfill, Inc. (MI)
Dakota Landfill, Inc. (ND)
Dakota Resource Recovery, Inc. (MN)
 dba United Waste Transfer
Darrel D. Dickey, Inc. (TX)
Dauphin Meadows Landfill, Inc. (PA)
Deep Valley Landfill, Inc. (DE)
Deer Track Park Landfill, Inc. (DE)
 dba Advance Service Corp.
Delaware Recyclable Products, Inc. (DE)
Desert Waste Systems, Inc. (CA)
Dickinson Landfill, Inc. (DE)
Dietrich Sanitary Service, Inc. (ND)
 dba Bison Waste
 dba Fraedrich Garbage Service
 dba Mandan Garbage Service
 dba Missouri River Sanitation
Disposal Service, Inc. (WV)
Dome Merger Subsidiary, Inc. (DE)
Don's Disposal, Inc. (NE)

Duluth Waste Marketing, Inc. (MN)
Eager Beaver Sanitary Service, Inc. (OR)
Earthcorp, Inc. (IN)
Earthmovers Landfill, Inc. (IN)
El Coqui Waste Disposal, Inc. (PR)
 EC Waste, Inc. (PR)
Elk River Landfill, Inc. (MN)
Englewood Disposal Company, Inc. (FL)
Envirofil of Illinois, Inc. (DE)
Envirofil, Inc. (DE)
Environmental Alternative Concepts, Inc. (DE)
Environmental Control, Inc. (NM)
Environmental Management Systems, Inc. (MI)
 dba Sumpter II Corp.
Equipment Credit Corporation (DE)
ERC Landfill, Inc. (OH)
Estes Park Investments, Inc. (CO)
Evergreen Landfill, Inc. (CA)
Ever Ready Drop Box (CA)
Farmer's Landfill, Inc. (MO)
Feather River Disposal, Inc. (CA)
FFF, Inc. (MN)
Front Range Landfill, Inc. (DE)
 dba Best Trash
 dba City Disposal
 dba ERD Landfill
 dba Franklin Street Transfer
Frontier Environmental, Inc. (FL)
G & F Waste Disposal, Inc. (UT)
G. I. Industries, Inc. (UT)
GA Landfills, Inc. (DE)
Gainesville Waste, Inc. (FL)
Gallia Landfill, Inc. (OH)
Garnet of Maryland, Inc. (MD)
Glenn County Disposal Services, Inc. (CA)
Glen's Sanitary Landfill, Inc. (MI)
Graham Road Landfill, Inc. (WA)
Grand Blanc Landfill, Inc. (MI)
Grand Central Sanitary Landfill, Inc. (PA)
Grand Central Sanitation, Inc. (PA)
Guyan Transfer & Sanitation Service, Inc. (WV)

H.B.J.J., Incorporated (CA)
H&I Sand & Clay Enterprises, Inc. (FL)
Harper Employment Services, Inc. (MI)
Harwood Landfill, Inc. (MD)
HCS Sanitation, Inc. (ND)
Hillsboro Landfill, Inc. (OR)
Hollister Disposal, Inc. (CA)
Holyoke Sanitary Landfill, Inc. (MA)
IN Landfills, Inc. (DE)
Independent Services, Inc. (CA)
J Bar J Land, Inc. (NE)
Jahner Sanitation, Inc. (ND)
Jay County Landfill, Inc. (IN)
John Smith Landfill, Inc. (CA)
Johnson Canyon Road Disposal Site, Inc. (CA)
Jolon Road Landfill Corporation (CA)
Jones Sanitation, Inc. (KY)
 dba River City Refuse
Junker Sanitation Services, Inc. (MN)
 dba United Waste Systems of Minnesota
K and W Landfill, Inc. (MI)
Kekaha Landfill, Inc. (DE)
Kelly Run Sanitation, Inc. (PA)
 dba KRS United Waste Systems
Ken's Pickup Service, Inc. (MI)
 dba United Waste Systems of Northern
King George Landfill, Inc. (VA)
Klamath Disposal, Inc. (OR)
Klamath Re-Ci, Inc. (OR)
Knutson Material Recovery Facility, Inc. (MN)
Knutson Services, Inc. (MN)
 dba Knutson Klean Sweep
LG - Garnet of Maryland JV (DC)
 dba DC Uline Transfer

L & K Debris Box Service (CA)
 dba L & K Disposal
Laidlaw Waste Systems (Valley View), Inc. (KY)
Land Reclamation Company, Inc. (DE)
 dba Kestrel Hawk Park Landfill

Landfill Hauling Systems, Inc. (NM)
 dba Landfill Hauling Systems
Landfill Systems, Inc. (NM)
 dba Landfill Systems
Lassen Waste Lines, Inc. (CA)
Lassen Waste Systems, Inc. (CA)
Laurel Highlands Landfill, Inc. (PA)
Laurel Ridge Landfill, Inc. (KY)
LCS Services, Inc. (WV)
 dba LCS Landfill
 dba North Mountain Landfill
Lee County Landfill, Inc. (DE)
 dba Lee County Regional Recycling
 and Disposal Facility
Leroy Brown Landfill, Inc. (IL)
Lewis Road Disposal Site, Inc. (CA)
Liberty Landfill, Inc. (IN)
Liquid Waste Management, Inc. (CA)
Local Sanitation of Rowan County, Inc. (DE)
Lodi Sanitary City Disposal Co., Inc. (CA)
Loma Linda Disposal Company, Inc. (CA)
Longview Development, Inc. (DE)
Longview Group, Inc. (DE)
Longview of Buchanan County, Inc. (MO)
Longview of Grady County, Inc. (OK)
Longview of Iowa, Inc. (IA)
Longview of Kansas City, Inc. (MO)
Longview of Livingston County, Inc. (MO)
Longview of Mercer County I, Inc. (NJ)
Longview of Mercer County II, Inc. (NJ)
Longview of Mercer County, Inc. (NJ)
Longview of Mid-Missouri, Inc. (MO)
Longview of Missouri, Inc. (MO)
Longview of New Jersey, Inc. (NJ)
Longview of North Central Iowa, Inc. (IA)
Longview of Ocean County I, Inc. (NJ)
Longview of Ocean County II, Inc. (NJ)
Longview of Ocean County, Inc. (NJ)
Longview of Oklahoma City, Inc. (OK)
Longview of Oklahoma, Inc. (OK)
Longview of Pennsylvania, Inc. (PA)
Longview of Pettis County, Inc. (MO)

Longview of Southern Oklahoma, Inc. (OK)
Longview of St. Joseph, Inc. (MO)
Longview of Western Oklahoma, Inc. (OK)
M & S Investments (CO)
Madison Lane Properties, Inc. (CA)
Maplewood Landfill, Inc. (VA)
McDaniel Landfill, Inc. (ND)
Meadowfill Landfill, Inc. (WV)
MGM Disposal, Inc. (TX)
Michigan Environs, Inc. (MI)
 dba United Waste Systems of Menominee
Mid-Valley Portable Storage, Inc. (CA)
Mid-South Landfill, Inc. (MS)
Midwest Disposal, Inc. (NE)
Midwest Sanitation Services, Inc. (ND)
M-L Commercial Garbage Service, Inc. (WV)
Modern Sanitation, Inc. (TX)
Modesto Garbage Co., Inc. (CA)
 dba Cal State Rental & Sales
 dba Modesto Disposal Services
Mohave Disposal, Inc. (WA)
Morris County Transfer Station, Inc. (NJ)
Mountainview Landfill, Inc. (MD)
Mulberry Sanitation Co., Inc. (AR)
Municipal Refuse Service, Inc. (IA)
Neal Road Landfill Corporation (CA)
Nevada City Garbage Service, Inc. (CA)
Nevada County Transfer, Inc. (CA)
North Hennepin Recycling and Transfer Corporation (MN)
North Valley Disposal Service, Inc. (CA)
Northeast Waste Control, Inc. (GA)
Northern A-1 Sanitation Services, Inc. (MI)
Northern Michigan Waste Marketing, Inc. (MI)
Northwestern Landfill, Inc. (DE)
Nu-Way Live Oak Landfill, Inc. (DE)
Oak Grove Landfill, Inc. (DE)
Oakridge Landfill, Inc. (SC)
Oakwood Landfill, Inc. (SC)
Okeechobee Landfill, Inc. (FL)
Olympic View Sanitary Landfill, Inc. (WA)

Omega One Waste, Inc. (AZ)
Orange County Landfill, Inc. (FL)
P & T Container Service Co., Inc. (MA)
P & T Financial Services, Inc. (MA)
Pacific Garbage Service, Inc. (OR)
Paducah Waste Marketing, Inc. (KY)
Pak'M Roll-off Services, Inc. (CO)
Paradise Solid Waste Systems (CA)
Peninsula Sanitation, Inc. (MI)
Pen-Rob, Inc. (AZ)
Penuelas Valley Landfill, Inc. (PR)
Peterson Demolition, Inc. (MN)
Phoenix Resources, Inc. (PA)
Pine Bluff Landfill, Inc. (GA)
Pine Grove Landfill, Inc. (OH)
Pine Tree Acres, Inc. (MI)
 dba S & V Disposal
Portable Site Services, Inc. (CA)
PRTR, Inc. (MA)
Public Sanitary Service, Inc. (OR)
Quail Hollow Landfill, Inc. (DE)
R & B Landfill, Inc. (GA)
R.M. Cash & Sons, Inc. (GA)
Rail-It Corporation (IL)
R.A.M. Environmental of Arkansas, Inc. and Affiliates (AR)
Razorback Disposal, Inc. (AR)
RCI Clinton, Inc. (MA)
RCI Hudson, Inc. (MA)
 dba United Waste Systems of Hudso
Recycle & Recover, Inc. (GA)
Re-Cy-Co, Inc. (MN)
 dba United Waste Transfer
Red Bluff Disposal, Inc. (CA)
Redwood Landfill, Inc. (CA)
Reliable Landfill, Inc. (DE)
Remote Landfill Services, Inc. (TN)
Remote Landfill, Inc. (DE)
Residuals Processing, Inc. (CA)
Resource Control Composting, Inc. (MA)
Resource Control, Inc. (MA)
Rhinelander Disposal Service, Inc. (WI)
 dba United Waste Systems of Northern Michigan

Richland County Landfill, Inc. (SC)
 Riverbend Landfill Co., Inc. (OR)
 Rolling Meadows Landfill, Inc. (DE)
 Roska Route, Inc. (MI)
 Ross County Landfill, Inc. (OH)
 Rozel Corporation (MT)
 RPN, Inc. (ND)
 RTS Landfill, Inc. (DE)
 dba Del Mar Virginia District
 dba Plant Atkinson Transfer Station
 dba South Side Sanitation
 dba Starr Transfer Station
 Rural Dispos-All Service, Inc. (CA)
 S & J Landfill, Limited Partnership (TX)
 S & L Total Waste Systems, Inc. (NV)
 Sacramento Valley Environmental Waste Company (CA)
 Salinas Disposal Service, Inc. (CA)
 Saline County Landfill, Inc. (IL)
 San-Co Disposal Service, Inc. (CA)
 Sanco, Inc. (NM)
 Sanifill Canada, Inc. (CDN)
 Sanifill De Mexico (US), Inc. (DE)
 Sanifill de Mexico, S.A. de C.V. (MX)
 AceVerde S.A. de C.V. (MX)
 AceVerde Servicios, S.A. de C.V. (MX)
 Sanifill Falcon Disposal Service, Inc. (CA)
 Sanifill Forest Products, Inc. (CA)
 Sanifill of Florida, Inc. (FL)
 Sanifill of San Juan, Inc. (PR)
 El Coqui de San Juan (JV Partnership) (PR)
 Sanifill of Tennessee Hauling, Inc. (DE)
 Sanifill of Tennessee, Inc. (DE)
 Sanifill Power Corporation (DE)
 Sanifill, Inc. (DE)
 dba Frontier Recycling
 dba Orange Soil Cement
 dba Orange Transportation
 dba Orange Trucking
 dba Orange Waste Landfill

dba Orange Waste Transfer Station
dba Pine Ridge Landfill
Santa Clara Valley Refuse Removal (CA)
Schroeder Disposal, Inc. (WI)
SF, Inc. (DE)
Shade Landfill, Inc. (DE)
Sierra Estrella Landfill, Inc. (AZ)
Smyrna Landfill, Inc. (GA)
SNS Recycling, Inc. (MI)
Southern Alleghenies Landfill, Inc. (PA)
dba Altoona Transfer Station
dba American Recycling
Southern Plains Landfill, Inc. (OK)
Southern Services of Tennessee, LLC (TN)
Southern Services of Tennessee, L.P. (TN)
Southern Waste Services, Inc. (KY)
Spruce Ridge, Inc. (MN)
Standard Methods, Inc. (MA)
Stockton Scavengers Association (CA)
Suburban Sanitation Company (KY)
dba Cardinal Sanitation
dba Cardinal Sanitation Services
Sunset Sanitation Service (CA)
Taylor Land Resources, Inc. (MD)
The H. Sienknecht Co. (TN)
Tonitown Landfill, Inc. (AR)
Trash Hunters, Inc. (MS)
Trash Hunters of Tunica, Inc. (MS)
Tri-County Land Corp. (KY)
Tri-County Sanitary Landfill, Inc. (KY)
Twin City Sanitation, Inc. (MN)
U.S. Services Corporation (PA)
United Landfill, Inc. (WV)
United Waste Hauling of Utah, Inc. (UT)
United Waste Landfill of Utah, Inc. (UT)
United Waste Systems (Israel), Inc. (DE)
United Waste Systems Leasing, Inc. (MI)

United Waste Systems New Mexico, Inc. (NM)
 dba Environmental Waste Equipment Company
 dba Landfill Systems
 dba Landfill Hauling Systems
 dba R&B Rubbish Removal
 dba Seay Brothers Rolloff
 dba Tijeras Disposal
 dba United Waste Systems
United Waste Systems of California, Inc. (CA)
United Waste Systems of Central Wisconsin, Inc. (WI)
 dba DSI of Shawano County
 dba Parkway Container Services
United Waste Systems of Corbin, Inc. (KY)
United Waste Systems of Gardner, Inc. (MA)
United Waste Systems of Iowa, Inc. (IA)
 dba Waste Systems Corp.
United Waste Systems of Kentucky, Inc. (KY)
 dba B&M Sanitation Service
 dba Borders Sanitation
 dba Poff Brothers Sanitation
United Waste Systems of Maine, Inc. (DE)
United Waste Systems of Massachusetts, Inc. (MA)
United Waste Systems of Michigan, Inc. (MI)
United Waste Systems of Minneapolis, Inc. (MN)
United Waste Systems of Minnesota, Inc. (MN)
 dba Bellaire Sanitation
 dba Gallagher's Service
 dba J.J. Young Rubbish
 dba Lake Sanitation
 dba Mike's Disposal and Recycling Service
 dba UWS
 dba UWT
United Waste Systems of Mississippi, Inc. (MS)
United Waste Systems of Northern Arizona, Inc. (AZ)
United Waste Systems of Onaway, Inc. (MI)
United Waste Systems of the Eastern UP, Inc. (MI)
United Waste Systems of Trinity County, Inc. (CA)
United Waste Systems of Virginia, Inc. (VA)
United Waste Systems of West Virginia, Inc. (WV)
United Waste Systems, Inc. (DE)
 dba Jacobs Environmental
 dba United Waste Systems of Marquette
 dba UWS
 dba UWS of California

dba UWS of Colorado
dba UWS of Minnesota
United Waste Systems, Inc. (Arizona) (AZ)
dba Triple G Sanitation
United Waste Systems, Inc. (MN) (MN)
dba Mike's Disposal & Recycling Service
United Waste Transfer, Inc. (MN)
Universal Assurance Corporation (VT)
Universal Transit Property Company (FL)
USA Newco of Arkansas, Inc. (DE)
USA South Hills Landfill, Inc. (PA)
USA Valley Facility, Inc. (DE)
USA Waste Arizona Landfills, Inc. (DE)
USA Waste of Fairless Hills, Inc. (DE)
dba USA Fairless Works
dba Thermal Absorption
USA Waste Geneva Landfill, Inc. (OH)
dba USA Waste of Ashtabula
USA Waste Hauling of Philadelphia, Inc. (DE)
USA Waste Industrial Service, Inc. (DE)
USA Waste Landfill Operations and Transfer, Inc. (TX)
USA Waste - Management Resources, L.L.C. (NY)
USA Waste of Alaska, Inc. (DE)
USA Waste of Arizona, Inc. (AZ)
dba Lone Butte Transfer Facility
dba Lone Cactus Landfill
dba Prescott Hauling
dba Seventh Avenue Landfill
dba Terra Quest Transfer Station
USA Waste of Arkansas, Inc. (DE)
dba Arkansas Recyclable Waste
dba Harrison Hauling
dba Springdale Hauling
USA Waste of California, Inc. (DE)
USA Waste of Colorado, Inc. (DE)
USA Waste of Connecticut, Inc. (DE)
USA Waste of DC, Inc. (DC)
USA Waste of Delaware, Inc. (DE)
USA Waste of Florida, Inc. (FL)
USA Waste of Georgia, Inc. (GA)
dba Atlanta Hauling
dba Bolton Road Landfill
dba Cedartown Hauling

USA Waste of Illinois, Inc. (IL)
USA Waste of Indiana, Inc. (IN)
 dba Acme Waste Systems
 dba Milby Disposal
USA Waste of Iowa, Inc. (IA)
USA Waste of Kansas, Inc. (DE)
 dba USA/Kansas Hauling
USA Waste of Kentucky, Inc. (KY)
USA Waste of Louisiana, Inc. (DE)
USA Waste of Maryland, Inc. (MD)
 dba Lowery's Trash Removal & Services
USA Waste of Massachusetts, Inc. (MA)
USA Waste of Michigan, Inc. (MI)
USA Waste of Minnesota, Inc. (MN)
 dba Kato Sanitation/Northwest Valley
 dba Meeker County Transfer Station
 dba West Side Hauling
USA Waste of Mississippi, Inc. (MS)
USA Waste of New Jersey, Inc. (NJ)
 dba Atlantic City Hauling
 dba Bergen County Transfer Station
 dba Burlington County Landfill
USA Waste of New York City, Inc. (DE)
 dba North Hempstead Transfer
USA Waste of New York, Inc. (NY)
USA Waste of Ohio, Inc. (OH)
 dba Johnson Disposal
 dba Johnson Disposal Transfer & Recycling Facility
 dba Mound Transfer Station
 dba Northern Ohio Waste Systems
 dba Sanitary Commercial Services
USA Waste of Oklahoma, Inc. (OK)
 dba Moore Transfer Station
 dba Norman Transfer Station
 dba Pinecrest Landfill
USA Waste of Oregon, Inc. (OR)
 dba Metropolitan Disposal & Recycling
USA Waste of Pennsylvania, Inc. (PA)
 dba Kittinning Transfer Station
 dba LeHigh Hauling
 dba Mainline Sanitation
 dba Tri-Valley Recycling
 dba Tri-Valley Waste Systems
 dba USA Waste of Harrisburg
USA Waste of Rhode Island, Inc. (DE)

USA Waste of San Antonio, Inc. (TX)
 dba Mission Disposal

USA Waste of San Antonio Landfills, Inc. (DE)

USA Waste of South Carolina, Inc. (SC)

USA Waste of Tennessee, Inc. (TN)
 dba Nashville Hauling
 dba Nashville Transfer

USA Waste of Texas Landfills, Inc. (DE)
 dba A-F Landfill (aka Martini Landfill)
 dba B & D Landfill
 dba Bio-Site #1
 dba Crawford Road Landfill
 dba East Belt Landfill
 dba Fairbanks Allweather
 dba Fairbanks Development
 dba Greenbelt Landfill
 dba Greenshadow Development
 dba Hardy Landfill
 dba Hawthorne Park Landfill
 dba Houston Area Landfill
 dba Houston Greenshadow
 dba Indian Paintbrush Landfill
 dba Ralston Road Landfill
 dba South Belt Landfill
 dba Taub Road Landfill
 dba Texas Landfill District Office
 dba USA Waste of Baytown
 dba West Belt Landfill

USA Waste of Texas, Inc. (TX)
 dba ECD Waste
 dba USA Waste Services of Ft. Worth

USA Waste of Virginia Landfills, Inc. (DE)
 dba Bethel Landfill
 dba Bushrod Disposal Service
 dba James City County Transfer
 dba Qualla Road Landfill

USA Waste of Virginia, Inc. (VA)

USA Waste of Washington, Inc. (DE)
 dba Graham Road Recycling & Disposal

USA Waste of Webster Parish Landfill, Inc. (DE)

USA Waste of West Virginia, Inc. (WV)

USA Waste of Wisconsin, Inc. (WI)
 El Coqui Landfill Company, Inc. (PR)
 dba Waukesha Disposal
 dba Waukesha Transfer Station

USA Waste of Wyoming, Inc. (WY)
USA Waste Recycling of New Jersey, Inc. (NJ)
 dba Safety Recycling
USA Waste Services - Hickory Hills, Inc. (DE)
USA Waste Services North Carolina Landfills, Inc. (DE)
 dba Anson Road Landfill
 dba Coble Road Landfill
USA Waste Services of Alabama, Inc. (AL)
USA Waste Services of Eastern PA, Inc. (PA)
 dba Wilkes-Barre Area, PA
USA Waste Services of Florida, Inc. (FL)
USA Waste Services of Houston, Inc. (TX)
USA Waste Services of Nevada, Inc. (NV)
USA Waste Services of NYC, Inc. (DE)
USA Waste Services of Western Illinois, Inc. (IL)
USA Waste Transfer of Philadelphia, Inc. (PA)
UWS Acquisition, Inc. (MA)
UWS Barre, Inc. (MA)
UWS of Rhode Island, Inc. (RI)
 dba Truk-Away of R.I.
UWS Transport, Inc. (DE)
 dba Container Service
 dba Waste Control
 dba Wasteco
V. Canelas Co., Inc. (MA)
V.M. Crow & Sons, Inc. (TX)
 dba Ft. Worth Landfill
Valley Sanitation, Inc. (NE)
Vern's Refuse Service (ND)
Vinland Enterprises, Inc. (PA)
 dba Vinland Landfill
Vinton County Landfill, Inc. (DE)
 dba Vinton County Sanitary Facility
Warren Waste Transfer, Inc. (MI)
Wasco Landfill, Inc. (DE)
Waste Control Systems, Inc. (MN)

Waste Recovery Corporation (OH)
Waste Resource Technologies, Inc. (CA)
Wastech, Inc. (NV)
Water Investment, Inc. (DE)
Wayne County Landfill Inc. (DE)
West Michigan Disposal, Inc. (MI)
 dba United Waste Systems of Northern Michigan
West Virginia Waste Services, Inc. (WV)
Western Land Acquisition, Inc. (RI)
Western U.P. Landfill, Inc. (MI)
Western Waste Industries of Arizona (AZ)
Western Waste Industries, Inc. (CA)
 dba Conroe Industrial Transportation
 dba Conroe Landfill #7
 dba Conroe Landfill Administration
 dba Fresno Transfer Station
 dba Inland Empire
 dba Redondo Beach Recycling
 dba Sunnydale Transfer Station
 dba Western Beaumont Landfill
 dba Western Longmont Landfill
 dba WW/Chino Transfer Station
 dba WW/Conroe Processing Plant
 dba WW/El Sobrante Landfill
 dba WW/Nassau Landfill
 dba WW/Southern California Processing
Western Waste Louisiana Merger Corp. (DE)
Western Waste Newco (Arkansas), Inc. (DE)
White Lake Landfill, Inc. (MI)
Williams Landfill, Inc. (KY)
Yell County Landfill, Inc. (AR)
Zenith/Kremer Material Recovery, Inc. (MN)
 dba Suburban Recycling Service
Zenith/Kremer Waste Systems, Inc. (MN)
 dba Cecil Shykes Sanitary Service
 dba Home Town Garbage Service
 dba Kremer Disposal
 dba Kremer Recycling
 dba Suburban Sanitation Service
 dba Zenith Recycling

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of USA Waste Services, Inc. on Form S-3 (File Nos. 333-00097, 333-08573, 333-32471, and 333-33889), on Form S-4 (File Nos. 333-31979 and 333-32805), and on Form S-8 (File Nos. 33-43619, 33-72436, 33-84988, 33-84990, 33-59807, 33-61621, 33-61625, 33-61627, 333-02181, 333-08161, 333-14115, 333-14613, and 333-34819), of our report dated March 16, 1998, on our audits of the consolidated financial statements of USA Waste Services, Inc. as of December 31, 1997 and 1996, and for the years ended December 31, 1997, 1996, and 1995, which report is included in this Annual Report on Form 10-K.

Coopers & Lybrand L.L.P.

Houston, Texas
March 30, 1998

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF USA WASTE SERVICES, INC. FOR THE YEAR ENDED DECEMBER 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

12-MOS	
	DEC-31-1997
	JAN-01-1997
	DEC-31-1997
	51,241,000
	0
	477,270,000
	(34,923,000)
	0
	655,386,000
	4,844,017,000
	(889,009,000)
	6,622,845,000
568,650,000	2,724,443,000
	0
	0
	2,178,000
	2,626,798,000
6,622,845,000	
	2,613,768,000
	2,613,768,000
	1,345,769,000
	2,068,087,000
	(21,847,000)
	0
	104,261,000
	463,267,000
	189,944,000
273,323,000	0
	(6,293,000)
	0
	267,030,000
	1.28
	1.23

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF USA WASTE SERVICES, INC. FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

9-MOS	DEC-31-1997	6-MOS	DEC-31-1997	3-MOS	DEC-31-1997
	JAN-01-1997		JAN-01-1997		JAN-01-1997
	SEP-30-1997		JUN-30-1997		MAR-31-1997
	63,240,000		69,760,000		99,392,000
	0		0		0
	460,366,000		416,354,000		341,165,000
	(24,729,000)		(19,823,000)		(18,104,000)
	0		0		0
	706,653,000		645,276,000		552,492,000
	4,482,417,000		4,154,547,000		3,388,716,000
	886,549,000		(798,878,000)		(723,472,000)
	6,044,619,000		5,559,109,000		4,591,544,000
545,759,000	482,009,000		403,495,000		
	2,440,879,000		2,270,852,000		1,696,216,000
	0		0		0
	0		0		0
	2,160,000		2,086,000		2,004,000
6,044,619,000	2,498,195,000		2,334,144,000		2,116,694,000
	5,559,109,000		4,591,544,000		
	1,878,460,000		1,116,709,000		460,484,000
1,878,460,000	1,116,709,000		460,484,000		
	970,373,000		581,465,000		241,318,000
	1,531,111,000		843,715,000		353,169,000
	(14,213,000)		(7,689,000)		(3,646,000)
	0		0		0
	71,040,000		41,272,000		16,098,000
	291,817,000		243,159,000		96,916,000
	121,364,000		97,901,000		38,954,000
170,453,000	145,258,000		57,962,000		
	0		0		0
	(6,293,000)		0		0
	0		0		0
	164,160,000		145,258,000		57,962,000
	.80		.73		.30
	.78		.69		.29

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF USA WASTE SERVICES, INC. FOR THE YEAR ENDED DECEMBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

12-MOS	9-MOS	6-MOS	3-MOS
DEC-31-1996	DEC-31-1996	DEC-31-1996	DEC-31-1996
JAN-01-1996	JAN-01-1996	JAN-01-1996	JAN-01-1996
DEC-31-1996	SEP-30-1996	JUN-30-1996	MAR-31-1996
26,079,000	46,838,000	96,936,000	35,776,000
0	0	0	0
282,504,000	272,328,000	233,496,000	195,160,000
(17,502,000)	(10,992,000)	(10,548,000)	(10,415,000)
0	0	0	0
427,502,000	423,325,000	428,095,000	311,983,000
2,865,525,000	2,646,643,000	2,503,680,000	2,326,811,000
(667,294,000)	(638,586,000)	(587,242,000)	(540,820,000)
3,631,547,000	3,325,155,000	3,071,473,000	2,721,131,000
395,660,000	384,214,000	278,712,000	260,994,000
1,470,282,000	1,272,880,000	1,207,356,000	990,254,000
0	0	0	0
0	0	0	0
1,816,000	1,784,000	1,742,000	1,490,000
1,472,174,000	1,365,176,000	1,326,783,000	1,257,813,000
3,631,547,000	3,325,155,000	3,071,473,000	2,721,131,000
1,649,131,000	1,204,906,000	762,105,000	352,105,000
881,401,000	649,829,000	418,320,000	197,642,000
1,462,972,000	1,125,277,000	655,178,000	285,225,000
(6,376,000)	(2,903,000)	(512,000)	(1,339,000)
0	0	0	0
60,497,000	45,080,000	29,663,000	14,635,000
138,737,000	42,335,000	81,036,000	55,529,000
70,398,000	31,355,000	42,585,000	22,099,000
68,339,000	10,980,000	38,457,000	33,430,000
0	0	0	0
0	0	0	0
0	0	0	0
68,339,000	10,980,000	38,457,000	33,430,000
.39	.06	.23	.20
.37	.06	.22	.19

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF USA WASTE SERVICES, INC. FOR THE YEAR ENDED DECEMBER 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

12-MOS	
	DEC-31-1995
	JAN-01-1995
	DEC-31-1995
	27,780,000
	0
	184,748,000
	(9,979,000)
	0
	285,579,000
	2,108,292,000
	(499,715,000)
	2,455,102,000
259,445,000	
	848,506,000
	0
	0
	1,429,000
	1,148,456,000
2,455,102,000	
	1,216,082,000
1,216,082,000	
	672,117,000
	1,016,953,000
	(4,891,000)
	0
	69,613,000
	141,089,000
	60,313,000
80,776,000	
	0
	0
	0
	80,776,000
	.56
	.54