

REGISTRATION NO. 333 - _____

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

FORM S-8
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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)

TransAmerican Waste Industries, Inc. Amended and Restated 1990 Stock Incentive Plan
TransAmerican Waste Industries, Inc. 1997 Non-Employee Director Stock Option Plan
(FULL TITLE OF THE PLAN)

Gregory T. Sangalis
Vice President, General Counsel and Secretary
USA Waste Services, Inc.
1001 Fannin Street, Suite 4000
Houston, Texas 77002
(NAME AND ADDRESS OF AGENT FOR SERVICE)

(713) 517-6200
(TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

CALCULATION OF REGISTRATION FEE

TITLE OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
COMMON STOCK, PAR VALUE \$.01 PER SHARE ("COMMON STOCK")	159,250	\$48.8125	\$7,773,390.60	\$2,293.15

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) and (h), based on the average of the high and low sales price of a share of the Company's Common Stock on the New York Stock Exchange on May 4, 1998.

PART II
INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

The following documents filed by USA Waste Services, Inc. (the "Company") with the Securities and Exchange Commission under the Securities Exchange Act of 1934 (File No. 001-12154) are hereby incorporated by reference in this Registration Statement:

(i) the Company's Annual Report on Form 10-K for the year ended December 31, 1997;

(ii) the Company's Current Report on Form 8-K dated March 12, 1998; and

(iii) the description of the Common Stock contained in the Registration Statement on Form 8-A dated July 1, 1993, as amended by Form 8-B dated July 13, 1995.

All documents filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, after the date of this Registration Statement and prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be part hereof from the date of the filing of such documents.

ITEM 4. DESCRIPTION OF SECURITIES.

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

Not applicable.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Under Delaware law, a corporation may include provisions in its certificate of incorporation that will relieve its directors of monetary liability for breaches of their fiduciary duty to the corporation, except under certain circumstances, including a breach of the directors' duty of loyalty, acts or omissions of the director not in good faith or which involve intentional misconduct or a knowing violation of law, the approval of an improper payment of a dividend or an improper purchase by the corporation of stock or any transaction from which the director derived an improper personal benefit. The Company's Restated Certificate of Incorporation provides that the Company's directors are not liable to the Company or its stockholders for monetary damages for breach of their fiduciary duty, subject to the described exceptions specified by Delaware law.

Section 145 of the Delaware General Corporation Law grants to the Company the power to indemnify each officer and director of the Company against liabilities and expenses incurred by reason of the fact that he is or was an officer or director of the Company if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The Bylaws of the Company

provide for indemnification of each officer and director of the Company to the fullest extent permitted by Delaware law.

Section 145 of the Delaware General Corporation Law also empowers the Company to purchase and maintain insurance on behalf of any person who is or was an officer or director of the Company against liability asserted against or incurred by him in any such capacity, whether or not the Company would have the power to indemnify such officer or director against such liability under the provisions of Section 145. The Company has purchased and maintains a directors' and officers' liability policy for such purpose.

The Company has entered into Indemnification Agreements with each of its directors and executive officers. Such Indemnification Agreements provide that such persons (the "Indemnitees") will be indemnified and held harmless from all expenses, including (without limitation) reasonable fees and expenses of counsel, and all liabilities, including (without limitation) the amount of any judgments, fines, penalties, excise taxes and amounts paid in settlement, actually incurred by an Indemnitee with respect to any threatened, pending or completed claim, action (including any action by or in the right of the Company), suit or proceeding (whether formal or informal, or civil, criminal, administrative, legislative, arbitrate or investigative) in respect of which such Indemnitee is, was or at any time becomes, or is threatened to be made, a party, witness, subject or target, by reason of the fact that such Indemnitee is or was a director, officer, agent or fiduciary of the Company or serving at the request of the Company as a director, officer, employee, fiduciary or representative of another enterprise. Such Indemnification Agreements also provide that the Company, if requested to do so by an Indemnitee, will advance to such Indemnitee, prior to final disposition of any proceeding, the expenses actually incurred by the Indemnitee subject to the obligation of the Indemnitee to refund if it is ultimately determined that such Indemnitee was not entitled to indemnification.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not applicable.

ITEM 8. EXHIBITS.

Exhibit No. -----	Exhibit -----
4.1	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(b) of the Company's Quarterly Report, as amended, on Form 10-Q for the period ended September 30, 1997).
4.2	Bylaws of the Company (incorporated by reference to Exhibit 3.2 to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-4 (File No. 33-60103)).
*5.1	Opinion of Liddell, Sapp, Zivley, Hill & LaBoon, L.L.P.
23.1	Consent of Liddell, Sapp, Zivley, Hill & LaBoon, L.L.P. [Contained in Exhibit 5.1].
*23.2	Consent of Coopers & Lybrand L.L.P.
24.1	Power of Attorney [Included on Page II-5].
*99.1	TransAmerican Waste Industries, Inc. Amended and Restated 1990 Stock Incentive Plan
*99.2	TransAmerican Waste Industries, Inc. 1997 Non-Employee Director Stock Option Plan

* Filed herewith

ITEM 9. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on this 6th day of May, 1998.

USA WASTE SERVICES, INC.

By: /s/ JOHN E. DRURY

John E. Drury
Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints John E. Drury, Earl E. DeFrates and Gregory T. Sangalis and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities, to sign, execute and file this Registration Statement under the Securities Act and any and all amendments (including, without limitation, post-effective amendments and any amendment or amendments or additional registration statements filed pursuant to Rule 462 under the Securities Act increasing the amount of securities for which registration is being sought) to this Registration Statement, and to file the same, with all exhibits thereto, and all other documents in statements, notices or other documents necessary or advisable to comply with the applicable state securities laws, and to file the same, together with other documents in connection therewith, with the appropriate state securities authorities, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on May 6, 1998.

Signature -----	Title -----
/S/ JOHN E. DRURY ----- John E. Drury	Chairman of the Board and Chief Executive Officer (Principal executive officer)
/S/ RODNEY R. PROTO ----- Rodney R. Proto	President, Chief Operating Officer and Director
/S/ EARL E. DeFRATES ----- Earl E. DeFrates	Executive Vice President and Chief Financial Officer (Principal financial officer)
/S/ BRUCE E. SNYDER ----- Bruce E. Snyder	Vice President and Chief Accounting Officer (Principal accounting officer)

/S/ RALPH F. COX Director

Ralph F. Cox

/S/ RICHARD J. HECKMANN Director

Richard J. Heckmann

/S/ RICHARD D. KINDER Director

Richard D. Kinder

/S/ LARRY J. MARTIN Director

Larry J. Martin

/S/ WILLIAM E. MOFFETT Director

William E. Moffett

/S/ ALEXANDER W. RANGOS Director

Alexander W. Rangos

/S/ JOHN G. RANGOS, SR. Director

John G. Rangos, Sr.

/S/ KOSTI SHIRVANIAN Director

Kosti Shirvanian

/S/ DAVID SUTHERLAND-YOEST Director

David Sutherland-Yoest

/S/ JEROME B. YORK Director

Jerome B. York

EXHIBIT INDEX

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*5.1	Opinion of Liddell, Sapp, Zivley, Hill & LaBoon, L.L.P.
23.1	Consent of Liddell, Sapp, Zivley, Hill & LaBoon, L.L.P. [Contained in Exhibit 5.1].
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* Filed herewith

May 6, 1998

USA Waste Services, Inc.
1001 Fannin Street, Suite 4000
Houston, Texas 77002

Ladies and Gentlemen:

We have acted as counsel for USA Waste Services, Inc., a Delaware corporation (the "Company"), in connection with the registration, pursuant to a Registration Statement on Form S-8 being filed with the Securities and Exchange Commission (the "Registration Statement") under the Securities Act of 1933, as amended, of the offering and sale of up to 159,250 shares of the Company's common stock, par value \$.01 per share (the "Common Stock"), which may be issued pursuant to the TransAmerican Waste Industries, Inc. Amended and Restated 1990 Stock Incentive Plan and the TransAmerican Waste Industries, Inc. 1997 Non-Employee Director Stock Option Plan (collectively, the "Plans"). Capitalized terms not defined herein shall have the meanings given to them under the Plans.

In our capacity as counsel for the Company, we have examined the corporate documents of the Company, including its Restated Certificate of Incorporation, as amended, its Bylaws, and resolutions adopted by its board of directors and committees thereof. We have also examined the Registration Statement, together with the exhibits thereto, and such other documents which we have deemed necessary for the purposes of expressing the opinion contained herein. We have relied on representations made by and certificates of the officers of the Company and public officials with respect to certain facts material to our opinion. We have made no independent investigation regarding such representations and certificates.

Based upon the foregoing, we are of the opinion that when payment for the shares of Common Stock has been made pursuant to the respective Plans, the Common Stock issued thereupon will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement.

Very truly yours,

/s/ Liddell, Sapp, Zivley, Hill & LaBoon, L.L.P.

Liddell, Sapp, Zivley, Hill & LaBoon, L.L.P.

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this registration statement on Form S-8, relating to the registration of 159,250 shares of common stock, \$.01 par value, of our report dated March 16, 1998, on our audits of the consolidated financial statements of USA Waste Services, Inc.

/s/ Coopers & Lybrand L.L.P.

Coopers & Lybrand L.L.P.

Houston, Texas
May 6, 1998

TRANSAMERICAN WASTE INDUSTRIES, INC.

AMENDED AND RESTATED 1990 STOCK INCENTIVE PLAN

WHEREAS, in December 1989, the Board of Directors of TransAmerican Waste Industries, Inc. (the "Company") adopted the 1990 Stock Incentive Plan (the "Original Plan"); and

WHEREAS, in July 1990, the Board of Directors of the Company approved a first amendment to the Original Plan; and

WHEREAS, in August 1990, the stockholders of the Company approved the Original Plan as amended by the first amendment; and

WHEREAS, at the annual meeting of stockholders held on June 23, 1992, the stockholders of the Company adopted a second amendment to the Original Plan to provide for the automatic granting of nonqualified stock options to each member of the Board of Directors who is not in the regular employ of, or a consultant to, the Company or any of its subsidiaries; and

WHEREAS, at the annual meeting of stockholders held on January 19, 1993, the stockholders of the Company adopted a third amendment to the Original Plan to increase the number of shares of the Company's common stock reserved and available for issuance under the Original Plan from 8,33,333 to 2,500,000 shares;

NOW, THEREFORE, this AMENDED AND RESTATED 1990 STOCK INCENTIVE PLAN is herein described in full below:

SECTION 1. PURPOSE; DEFINITIONS.

1.1 Purpose. The purpose of the Company's Amended and Restated 1990 Stock Incentive Plan (the "Plan") is to enable the Company to offer to key employees, independent agents, consultants and attorneys of the Company and its subsidiaries, long term performance-based stock and/or other equity interests in the Company, thereby enhancing its ability to attract, retain and reward such individuals, and to increase the mutuality of interests between those individuals and the stockholders of the Company. The various types of long-term incentive awards which may be provided under the Plan will enable the Company to respond to changes in compensation practices, tax laws, accounting regulations and the size and diversity of its businesses.

1.2. Definitions. For purposes of the Plan, the following terms shall be defined as set forth herein:

(a) "Agreement" means the agreement specified in Section 14.11 hereof between the Company and the Holder setting forth the terms and conditions of an award under the Plan.

(b) "Award" means a grant of an Option, Stock Appreciation Right, and/or Other Stock-Based Award under this Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Change of Control" means a change of control of the Company pursuant to Section 11 hereof.

(e) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute or statutes thereto. Reference to any specific Code section shall include any successor section.

(f) "Committee" means the Committee of the Board appointed pursuant to Section 2 hereof.

(g) "Common Stock" means the Common Stock of the Company, par value \$.001 per share.

(h) "Company" means TransAmerican Waste Industries, Inc., a corporation organized under the laws of the State of Delaware, and any successor thereto.

(i) "Consultant" means an independent agent, consultant, attorney or other individual who has received an Award who is not an employee or Prospective employee of the Company or any Subsidiary.

(j) "Deferred Stock" means Common Stock to be received, under an award made pursuant to Section 8 hereof, at the end of a specified deferral period.

(k) "Disability" means disability as determined under procedures established by the Committee for purposes of the Plan.

(l) "Eligible Director" means a member of the Board who is not in the regular employ of, or a Consultant to, the Company or any Subsidiary.

(m) "Eligible Director Shares" means the 10,000 shares of Common Stock that may be purchased pursuant to a Non-Qualified Stock Option granted to an Eligible Director as of the date of any annual meeting of stockholders beginning in 1993.

(n) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute or statutes thereto.

(o) "Exchange Act Holder" means such officer or director or 10% beneficial owner of Common Stock subject to Section 16(b) of the Exchange Act.

(p) "Fair Market Value," unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, means, as of any given date: (i) if the Common Stock is listed on a national securities exchange or

quoted on the NASDAQ National Market System, the closing price of the Common Stock on the last preceding day on which the Common Stock was traded, as reported on the composite tape or by NASDAQ/NMS System Statistics, as the case may be; (ii) if the Common Stock is not listed on a national securities exchange or noted on the NASDAQ National Market System, but is traded in the over-the-counter market, the average of the bid and asked prices for the Common Stock on the last preceding day for which such quotations are reported by NASDAQ; and (iii) if the fair market value of the Common Stock cannot be determined pursuant to clause (i) or (ii) hereof, such price as the Board shall determine.

(q) "Formula Price Per Share" means the highest gross price (before brokerage commissions, soliciting dealers' fees and similar charges) paid for any share of Common Stock at any time during the ninety-day period immediately prior to the Change of Control (whether by way of exchange, conversion, distribution, liquidation or otherwise) paid or to be paid for any share of Common Stock in connection with a Change of Control. If the consideration paid or to be paid in any transaction that results in a Change of Control consists, in whole or in part, of consideration other than cash, the Board shall take such action, as in its judgment it deems appropriate, to establish the cash value of such consideration, but such valuation shall not be less than the value, if any, attributed to such consideration by any other party to such transaction that results in a Change of Control.

(r) "Holder" means an eligible employee or prospective employee or Consultant of the Company or a Subsidiary who has received an Award.

(s) "10% Holder" means a Holder who, at the time of grant, owns (or is considered as owning within the meaning of Section 425(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary.

(t) "Incentive Stock Option" means any Stock Option intended to be and designated as an "incentive stock option" within the meaning of Section 422A of the Code.

(u) "Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

(v) "Other Stock-Based Award" means an award under Section 9 hereof that is valued in whole or in part by reference to, or is otherwise based upon, Common Stock.

(w) "Plan" means this Amended and Restated 1990 Stock Incentive Plan, as hereinafter amended from time to time.

(x) "Restricted Stock" means Common Stock received under an award made pursuant to Section 7 hereof that is subject to the restrictions under said Section 7.

(y) "SAR Value" means the excess of the Fair Market Value of one share of Common Stock over the exercise price per share specified in a related Stock Option in the case of a Stock Appreciation Right granted in tandem with a Stock Option and the Stock Appreciation Right price per share in the case of a Stock Appreciation Right awarded on a free standing basis multiplied by the number of shares in respect of which the Stock Appreciation Right shall be exercised, on the date of exercise.

(z) "Stock Appreciation Right" means the right, pursuant to an Award granted under Section 6 hereof, to recover an amount equal to the SAR Value.

(aa) "Stock Option" or "Option" means any Non-Qualified Stock Option or Incentive Stock Option to purchase shares of Stock which is awarded pursuant to the Plan.

(bb) "Subsidiary" means any present or future subsidiary corporation of the Company, as such term is defined in Section 425(f) of the Code.

SECTION 2. ADMINISTRATION.

2.1. Board; Committee. The Plan shall be administered by the Board. The Board may at any time, or from time to time, appoint a Committee. Upon such appointment, the Committee shall have all the powers, privileges and duties of the Board as set forth herein, and shall be substituted for the Board in the administration of the Plan, except for the power to appoint members of the Committee and to terminate, modify or amend the Plan. The Board may from time to time appoint members of any such Committee in substitution for, or in addition to members previously appointed, may fill vacancies in the Committee and may discharge the Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum and all determinations shall be made by a majority of such quorum. Any determination reduced to writing and signed by all of the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. The membership of the Committee shall at all times, commencing at such time the Company becomes subject to the Exchange Act, be constituted so as to not adversely affect the compliance of the Plan with the requirements of Rule 16b-3 under the Exchange Act.

2.2. Powers. Subject to the express provisions of the Plan, the Board shall have full authority to grant Awards to eligible individuals described under Section 4 hereof and to determine the terms and conditions (which need not be identical) of all Awards so granted. For purposes of illustration and not of limitation, the Board shall have the authority (subject to the express provisions of this Plan): (i) to select the eligible individuals to whom Awards may from time to time be granted hereunder; (ii) to determine the number of shares to be covered by each Award; (iii) to determine the terms and conditions of any Award (including, but not limited to, share price, if any, any restrictions or limitations, and any vesting, exchange, surrender, cancellation, acceleration, termination, exercise or forfeiture provisions, or any

specified performance goals or such other factors or criteria which need to be attained for the vesting of an Award; (iv) to determine the terms and conditions under which Awards are to operate on a tandem basis and/or in conjunction with or apart from other Awards granted under this Plan or outside of this Plan; (v) to substitute new Awards of any other type for previously granted Awards of the same or other type, which previously granted Awards are upon less favorable terms, including the substitution of new Stock Options for previously granted Stock Options which previously granted Stock Options have higher option exercise prices and/or contain other less favorable terms; and (vi) the form, terms and provisions of any Agreement.

2.3 Interpretation of Plan. Subject to Section 12 hereof, the Board shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any Award and to otherwise supervise the administration of the Plan. Subject to Section 12 hereof, all decisions made by the Board pursuant to the provisions of the Plan shall be made in the Board's sole discretion and shall be final and binding upon all persons, including the Company, its Subsidiaries and the Holders.

SECTION 3. COMMON STOCK SUBJECT TO PLAN.

3.1. Number of Shares. The total number of shares of Common Stock reserved and available for issuance under the Plan shall be 2,500,000 shares. If and to the extent (i) an Award shall expire, terminate or be cancelled for any reason without having been exercised, or (ii) shares of Common Stock subject to an Award are forfeited, then the shares of Common Stock subject to such expired, terminated or cancelled Award, or the forfeited shares of Common Stock, as the case may be, shall again be available for distribution in connection with the grant of future Awards. The number of shares of Common Stock deemed to be issued under the Plan upon the exercise of an Award in the nature of a stock purchase right shall be reduced by the number of shares of Common Stock surrendered by the Holder in payment of the exercise or purchase price of the Award and withholding taxes thereon.

3.2. Character of Shares. Shares of Common Stock under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares.

3.3. Adjustment Upon Changes in Capitalization, Etc. In the event of any merger, reorganization, consolidation, recapitalization, dividend (other than a dividend or its equivalent which is credited to a Holder or a regular cash dividend), stock split, reverse stock split, or other change in corporate structure affecting the Common Stock, such substitution or adjustment shall be made in the aggregate number of shares reserved for issuance under the Plan, in the number and price, if any, of shares subject to outstanding Awards as may be determined to be appropriate by the Board in order to prevent dilution or enlargement of each Holder's rights, provided that the number of shares subject to any Award shall always be a whole number.

SECTION 4. ELIGIBILITY.

4.1. General. Awards under the Plan may be made to (i) officers and other key employees of the Company or any Subsidiary (including officers and key employees serving as directors of the Company) who are at the time of the grant of an Award regularly employed by the Company or any Subsidiary; (ii) prospective employees of the Company or any Subsidiary; (iii) Consultants of the Company or any Subsidiary; and (iv) Eligible Directors of the Company. The vesting of any Award granted to a prospective employee shall be conditioned upon such person becoming an employee of the Company or a Subsidiary. The term "prospective employee" shall mean any person who holds an outstanding offer of regular employment on specific terms from the Company or a Subsidiary.

4.2. Ineligibility for Awards. The provisions of this Section 4.2 shall be applicable only in the event the Company becomes subject to the provisions of the Exchange Act. No person designated by the Board to serve on the Committee, effective at such future time so that he qualifies as a disinterested person, shall be eligible to receive any Awards during the period from the date such designation is made to the date such designation becomes effective. Notwithstanding Section 4.1 hereof, no member of the Committee, while serving as such, shall be eligible to receive an award under the Plan.

SECTION 5. STOCK OPTIONS.

5.1. Grants. Stock Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Non-Qualified Stock Options. To the extent that any Stock Option (or portion thereof) does not qualify as an Incentive Stock Option, it shall constitute a separate Non-Qualified Stock Option. Unless granted in substitution for another outstanding Award, Options shall be granted for no consideration other than services.

5.2. Exercise Price. The exercise price per share of Common Stock purchasable under a Stock Option shall be determined by the Board at the time of grant but shall be not less than 100% of the Fair Market Value of the Common Stock at the time of grant (110%, in the case of an Incentive Stock Option granted to a 10% Holder).

5.3. Option Term. The term of each Stock Option shall be fixed by the Board, but no Stock Option shall be exercisable more than ten years (five years, in the case of an Incentive Stock Option granted to a 10% Holder) after the date on which the Option is granted.

5.4. Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Board and set forth in the Agreement provided, that subsequent to the grant of a Stock Option, the Board, at any time before termination of such Stock Option, may accelerate the time or times at which such Stock Option may be exercised in whole or in part (without reducing the term of such Stock Option). Except as otherwise

expressly provided in this Plan or in the Agreement, no Stock Option granted to an employee or prospective employee may be exercised at any time unless the Holder thereof is then an employee of the Company or of a Subsidiary.

5.5. Additional Exercise Limitation on Incentive Stock Options. In the case of an Incentive Stock Option, the amount of Common Stock (determined at the time of grant using the Fair Market Value of the Common Stock as of such date) with respect to which Incentive Stock Options are exercisable for the first time by a Holder during any calendar year (under all such plans of the Company and its Subsidiaries) shall not exceed \$100,000. To the extent an Incentive Stock Option is not exercisable in any calendar year because of this limitation, then the portion not exercisable will become exercisable in future years during the term of this Plan and the Agreement, subject to the \$100,000 limitation of each of such future years and the other limitations of this Plan and the Agreement. To the extent an Incentive Stock Option is not exercisable because of this limitation or exercisable in future years, then such portion of the Incentive Stock Option shall be deemed to be a Non-Qualified Option, subject to the terms of this Plan and the Agreement for such Stock Option.

5.6. Manner of Exercise. Subject to whatever installment, exercise and waiting period provisions are applicable in a particular case, Stock Options may be exercised in whole or in part at any time during the term of the Option, by giving written notice of exercise to the Company specifying the number of shares of Common Stock to be purchased. Such notice shall be accompanied by payment in full of the purchase price, which shall be in cash or, unless otherwise provided in the Agreement, in whole shares of Common Stock which are already owned by the Holder of the Stock Option or, unless otherwise provided in the Agreement, partly in cash and partly in such Common Stock. Cash payments shall be made by wire transfer, certified or bank check or personal check, in each case payable to the order of the Company; provided, however, that the Company shall not be required to deliver certificates for shares of Common Stock with respect to which a Stock Option is exercised until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof. Payments in the form of Common Stock (which shall be valued at the Fair Market Value of a share of Common Stock on the date of exercise) shall be made by delivery of stock certificates in negotiable form which are effective to transfer good and valid title thereto to the Company, free of any liens or encumbrances. Subject to the terms of the Agreement, the Board may, in its sole discretion, at the request of the Holder, deliver upon the exercise of a Nonqualified Stock Option a combination of Deferred Stock and Common Stock. Notwithstanding the provisions of Section 8 of the Plan, such Deferred Stock shall be fully vested and not subject to forfeiture. The Company shall effect the transfer of the shares of Common Stock purchased under the Option as soon as practicable, and within a reasonable time thereafter such transfer shall be evidenced on the books of the Company. No Holder or other person exercising an Option shall have any of the rights of a stockholder of the Company with respect to shares of Common Stock subject to an Option granted under the Plan until due exercise and full payment has been made. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such due exercise and full payment.

5.7. Buyout and Settlement Provisions. The Board may at any time offer to buy out for cash or otherwise settle a Stock Option previously granted, based upon such terms and conditions as the Board shall establish and communicate to the Holder at the time that such offer is made, including a settlement by exchange of a different Award under the Plan for the surrender of the Option.

SECTION 6. STOCK APPRECIATION RIGHTS.

6.1. Grants. Stock Appreciation Rights may be granted in tandem with ("Tandem Stock Appreciation Rights") or in conjunction with all or part of any Stock Option granted under the Plan or may be granted on a free-standing basis ("General Stock Appreciation Rights"). In the case of a Non-Qualified Stock Option, a Tandem Stock Appreciation Right may be granted either at or after the time of the grant of such Non-Qualified Stock Option. In the case of an Incentive Stock Option, a Tandem Stock Appreciation Right may be granted only at the time of the grant of such Incentive Stock Option. Unless granted in substitution for another outstanding AWARD, Stock Appreciation Rights shall be granted for no consideration other than services.

6.2. Exercise of Tandem Stock Appreciation Rights. A Tandem Stock Appreciation Right shall terminate and shall no longer be exercisable upon the termination or exercise of the related Stock Option, except that, unless otherwise determined by the Board, a Tandem Stock Appreciation Right granted with respect to less than the full number of shares covered by a related Stock Option shall not be reduced until after the number of shares remaining under the related Stock Option equals the number of shares covered by the Tandem Stock Appreciation Right. Tandem Stock Appreciation Rights shall be exercisable only at such time or times and to the extent that the Stock Options to which they relate shall be exercisable in accordance with the provisions of Section 5 hereof and this Section 6, and may be subject to such additional limitations on exercisability as shall be determined by the Board and set forth in the Agreement.

A Tandem Stock Appreciation Right may be exercised by a Holder by surrendering the applicable portion of the related Stock Option. Upon such exercise and surrender, the Holder shall be entitled to receive such amount in the form of payment determined in the manner prescribed in Section 6.5 below. Stock Options which have been so surrendered, in whole or in part, shall no longer be exercisable to the extent Tandem Stock Appreciation Rights have been exercised.

6.3. Exercise of General Stock Appreciation Rights. General Stock Appreciation Rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Board and set forth in the Agreement.

6.4. Special Limitation for Exchange Act Holders. Notwithstanding anything to the contrary contained herein (including the provisions of Section 11.1 hereof), any Stock Appreciation Right granted to an Exchange Act Holder to be settled wholly or partially in cash (i) shall not be exercisable during the first six

months of the term of such Stock Appreciation Right, except that this special limitation shall not apply in the event of death or Disability of such Holder prior to the expiration of the six-month period, and (ii) shall only be exercisable during the period beginning on the third business day following the date of release for publication of the Company of quarterly or annual summary statements of sales and earnings and ending on the twelfth business day following such date.

6.5. Receipt of SAR Value. Upon the exercise of a Stock Appreciation Right, a Holder shall be entitled to receive up to, but not more than, an amount in cash and/or shares of Common Stock equal to the SAR Value with the Board having the right to determine the form of payment.

6.6. Shares Affected Under the Plan. Upon the exercise of a Tandem Stock Appreciation Right, the Stock Option or part thereof to which such Tandem Stock Appreciation Right is related shall be deemed to have been exercised for the purpose of the limitation set forth in Section 3 hereof on the number of shares of Common Stock to be issued under the Plan, but only to the extent of the number of shares, if any, issued under the Tandem Stock Appreciation Right at the time of exercise based upon the SAR Value.

6.7. Limited Stock Appreciation Rights. The Board may grant "Limited Stock Appreciation Rights" i.e., Stock Appreciation Rights that become exercisable upon the occurrence of one or more of the events which trigger a Change of Control as defined in Section 11.2 hereof, and shall be settled in an amount equal to the Formula Price Per Share, subject to such other terms and conditions as the Board may specify; provided, however, if any Limited Stock Appreciation Right is granted to an Exchange Act Holder such Limited Stock Appreciation Right (i) shall only be exercisable within sixty (60) days after the event triggering the Change of Control; and (ii) may not be exercised during the first six Months after the date of grant of such Limited Stock Appreciation Right (except in the event of death or Disability of such Holder prior to the expiration of the six-month period); and (iii) shall only be exercisable in the event that the date of the Change of Control was outside the control of such Holder; and (iv) shall only be settled in cash in an amount equal to the Formula Price Per Share.

SECTION 7. RESTRICTED STOCK.

7.1. Grants. Shares of Restricted Stock may be granted either alone or in addition to other Awards. The Board shall determine the time or times within which such Awards may be subject to forfeiture (the "Restriction Period") and all other terms and conditions of the Award. Commencing with the time that the Company is subject to the provisions of the Exchange Act, unless granted in substitution for another outstanding Award, Restricted Stock shall be granted for no consideration other than services.

7.2. Certificates. Restricted Stock, when issued, will be represented by a stock certificate or certificates registered in the name of the Holder to whom such Restricted Stock shall have been awarded. During the Restriction Period, certificates representing the Restricted Stock and any securities constituting Retained

Distributions (as hereinafter defined) shall bear a restrictive legend to the effect that ownership of the Restricted Stock (and such Retained Distributions), and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms and conditions provided in the Plan and the Agreement. Such certificates shall be deposited by the Holder with the Company, together with stock powers or other instruments of assignment, each endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Stock and any securities constituting Retained Distributions that shall be forfeited or that shall not become vested in accordance with the Plan and the Agreement.

7.3. Rights of Holder. Restricted Stock shall constitute issued and outstanding shares of Common Stock for all corporate purposes. The Holder will have the right to vote such Restricted Stock, to receive and retain all regular cash dividends and other cash equivalent distributions as the Board may in its sole discretion designate, pay or distribute on such Restricted Stock and to exercise all other rights, powers and privileges of a Holder of Common Stock with respect to such Restricted Stock, with the exceptions that (i) the Holder will not be entitled to delivery of the stock certificate or certificates representing such Restricted Stock until the Restriction Period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled; (ii) the Company will retain custody of the stock certificate or certificates representing the Restricted Stock during the Restriction Period; (iii) other than regular cash dividends and other cash equivalent distributions as the Board may in its sole discretion designate, pay or distribute, the Company will retain custody of all distributions ("Retained Distributions") made or declared with respect to the Restricted Stock (and such Retained Distributions will be subject to the same restrictions, terms and conditions as are applicable to the Restricted Stock) until such time, if ever, as the Restricted Stock with respect to which such Retained Distributions shall have been made, paid or declared shall have become vested and with respect to which the Restriction Period shall have expired; and (iv) a breach by the Holder of any of the restrictions, terms or conditions contained in this Plan or the Agreement or otherwise established by the Board with respect to any Restricted Stock or Retained Distributions will cause a forfeiture of such Restricted Stock and any Retained Distributions with respect thereto.

7.4. Vesting; Forfeiture. Upon the expiration of the Restriction Period with respect to each award of Restricted Stock and the satisfaction of any other applicable restrictions, terms and conditions (i) such Restricted Stock shall become vested in accordance with the terms of the Agreement; and (ii) any Retained Distributions with respect to such Restricted Stock shall become vested to the extent that the Restricted Stock related thereto shall have become vested. Any such Restricted Stock and Retained Distributions that do not vest shall be forfeited to the Company and the Holder shall not thereafter have any rights with respect to such Restricted Stock and Retained Distributions that shall have been so forfeited.

SECTION 8. DEFERRED STOCK.

8.1. Grants. Shares of Deferred Stock may be awarded either alone or in addition to other Awards. The Board shall determine the duration of the period (the

"Deferral Period") during which, and the conditions under which, receipt of the shares will be deferred and all the other terms and conditions of the Award. Unless granted in substitution for an outstanding Award or upon exercise of an Option, Deferred Stock shall be issued for no consideration other than services.

8.2. Certificates. At the expiration of the Deferral Period (or the Additional Deferral Period (as defined in Section 8.5 hereof), where applicable), share certificates shall be delivered to the Holder, or his legal representative, representing the number of the shares equal to the number covered by the Deferred Stock award.

8.3. Dividends. As determined by the Board, amounts equal to any dividends declared during the Deferral Period (or the Additional Deferral Period, where applicable) with respect to the number of shares covered by a Deferred Stock Award may be paid to the Holder currently or deferred and deemed to be reinvested in additional Deferred Stock.

8.4. Vesting; Forfeiture. Upon the expiration of the Deferral Period (or the Additional Deferral Period, where applicable) with respect to each award of Deferred Stock and the satisfaction of any other applicable limitations, terms or conditions, such Deferred Stock shall become vested in accordance with the terms of the Agreement. Any Deferred Stock that does not vest shall be forfeited to the Company and the Holder shall not thereafter have any rights with respect to such Deferred Stock that has been so forfeited.

8.5. Additional Deferral Period. A Holder may request to, and the Board may in its sole discretion at any time, defer the receipt of an Award (or an installment of an Award) for an additional specified period or, until a specified event (the "Additional Deferral Period"). Subject to any exceptions adopted by the Board, such request must generally be made at least one year prior to expiration of the Deferral Period for such Deferred Stock Award (or such installment).

SECTION 9. OTHER STOCK-BASED AWARDS.

9.1 Grant and Exercise. Other Stock-Based Awards may be awarded, subject to limitations under applicable law, that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, shares of Common Stock, as deemed by the Board to be consistent with the purposes of the Plan, including, without limitation, purchase rights, shares of Common Stock awarded which are not subject to any restrictions or conditions, convertible or exchangeable debentures, or other rights convertible into shares of Common Stock and Awards valued by reference to the value of securities of or the performance of specified Subsidiaries. Other Stock-Based Awards may be awarded either alone or in addition to or in tandem with any other Awards or any other plan of the Company.

Except to the extent that an Other Stock-Based Award is granted in substitution for another outstanding Award or is delivered upon exercise of an Option, the amount of consideration to be required to be received by the Company shall be either no consideration (other than services) or, in the case of an Other Stock-Based Award in the nature of a purchase right, an amount equal to or greater than 50% of the Fair

Market Value of the shares to which the Award relates on the date of grant of such Award.

9.2. Dividends. The Holder of an Other Stock-Based Award shall be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents with respect to the number of shares covered by the Award, as determined by the Board. The Board may provide that such amounts (if any) shall be deemed to have been reinvested in additional Common Stock.

9.3. Vesting; Forfeiture. Any Other Stock-Based Award and any Common Stock covered by an Other Stock-Based Award shall vest or be forfeited to the extent so provided in the Agreement.

SECTION 10. ELIGIBLE DIRECTOR SHARES.

10.1. Grants. Commencing at the annual meeting of stockholders held in 1993, Non-Qualified Stock Options to purchase Eligible Director Shares will be granted automatically, without action by the Committee, to each Eligible Director as of the date of any annual meeting of stockholders after which such Eligible Director will continue to serve on the Board. Eligible Directors who begin their tenure during the course of a year shall receive a Non-Qualified Stock Option to purchase Eligible Director Shares at the next succeeding annual meeting of stockholders.

10.2. Exercise Price. The exercise price of a Non-Qualified Stock Option to purchase Eligible Director Shares shall equal the Fair Market Value of the Common Stock at the time such Option is granted.

10.3. Vesting; Option Term. Each Non-Qualified Stock Option to purchase Eligible Director Shares shall vest pro rata over a three-year period from the date of grant and each such Option shall have a five-year term. Any Eligible Director leaving his position as a director of the Company for any reason may exercise his Option during the remainder of the term of the Option but only to the extent the Option was exercisable on the effective date of such director's termination as a director of the Company.

10.4. Manner of Exercise. Subject to whatever installment, exercise and waiting period provisions are applicable in a particular case, Non-Qualified Stock Options to purchase Eligible Director Shares may be exercised in whole or in part at any time during the term of the Option, by giving written notice of exercise to the Company specifying the number of shares of Common Stock to be purchased. Such notice shall be accompanied by payment in full of the purchase price, which shall be in cash or, unless otherwise provided in the Agreement, in whole shares of Common Stock which are already owned by the Holder of the Option or, unless otherwise provided in the Agreement, partly in cash and partly in such Common Stock. Cash payments shall be made by wire transfer, certified or bank check or personal check, in each case payable to the order of the Company; provided, however, that the Company shall not be required to deliver certificates for shares of Common Stock with respect to which an Option is exercised until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof.

Payments in the form of Common Stock (which shall be valued at the Fair Market Value of a share of Common Stock on the date of exercise) shall be made by delivery of stock certificates in negotiable form which are effective to transfer good and valid title thereto to the Company, free of any liens or encumbrances. The Company shall effect the transfer of the shares of Common Stock purchased under the Option as soon as practicable, and within a reasonable time thereafter such transfer shall be evidenced on the books of the Company. No Holder or other person exercising an Option shall have any of the rights of a stockholder of the Company with respect to shares of Common Stock subject to an Option granted under the Plan until due exercise and full payment has been made. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such due exercise and full payment.

SECTION 11. ACCELERATION.

11.1. Acceleration Upon Change of Control. Unless the Agreement provides otherwise or unless the Holder waives the application of this Section 11.1 prior to a Change of Control (as hereinafter defined), in the event of a Change of Control:

(i) Each outstanding Stock Option, Stock Appreciation Right and Limited Stock Appreciation Right granted under the Plan shall immediately become exercisable in full notwithstanding the vesting or exercise provisions contained in the Agreement; and

(ii) All restrictions and deferral limitations related to Awards of Restricted Stock, Deferred Stock and Other Stock-Based Awards, shall be deemed to have expired and all such Awards and any related Retained Distributions shall become vested.

11.2. Change of Control Defined. A "Change of Control" shall be deemed to have occurred upon any of the following events:

(i) The consummation of any of the following transactions: (a) any merger, reverse stock split, recapitalization or other business combination of the Company, with or into another corporation, or an acquisition of securities or assets by the Company, pursuant to which the Company is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property, other than a transaction in which the majority of the holders of Common Stock immediately prior to such transaction will own at least 50% of the total voting power of the then outstanding securities of the surviving corporation immediately after such transaction, or (b) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company, or (e) the liquidation or dissolution of the Company; or

(ii) A transaction in which any person (as such term is defined in Sections 13 (d) (3) and 14 (d) (2) of the Exchange Act), corporation or other entity (other than the Company, or any profit-sharing, employee ownership or

other employee benefit plan sponsored by the Company or any Subsidiary, or any trustee of or fiduciary with respect to any such plan when acting in such capacity, or any group comprised solely of such entities): (a) shall purchase any Common Stock (or securities convertible into Common Stock) for cash, securities or any other consideration pursuant to a tender offer or exchange offer, without the prior consent of the Board, or (b) shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly (in one transaction or a series of transactions), of securities of the Company representing 50% or more of the total voting power of the then outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) in the case of rights to acquire the Company's securities); or

(iii) If, during any period of two consecutive years, individuals who at the beginning of such period constituted the entire Board and any new director whose election by the Board, or nomination for election by the Company's stockholders was approved by a vote of at least two thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election by the stockholders was previously so approved, cease for any reason to constitute a majority thereof.

11.3. General Waiver by Committee. The Board may, after grant of an Award, accelerate the vesting of all or any part of any Stock Option, Deferred Stock, Restricted Stock or any Other Stock-Based Award and/or waive any limitations or restrictions, if any, for all or any part of an Award.

11.4. Acceleration Upon Termination of Employment. In the case of a Holder whose employment with the Company or a Subsidiary is involuntarily terminated for any reason (other than for cause), the Board may accelerate the vesting of all or any part of any Award and/or waive in whole or in part any or all of the remaining deferral limitations or restrictions imposed hereunder or pursuant to the Agreement.

SECTION 12. AMENDMENTS AND TERMINATION.

12.1. Amendments to Plan. The Board may at any time, and from time to time, amend any of the provisions of the Plan, and may at any time suspend or terminate the Plan; provided, however, that no such amendment shall be effective unless and until it has been duly approved by the stockholders of the outstanding shares of Common Stock if (i) it increases the aggregate number of shares of Common Stock which are available pursuant to the Plan, (except as provided in Section 3 hereof); or (ii) the failure to obtain such approval would adversely affect the compliance of the Plan with the requirements of Rule 16b-3 under the Exchange Act commencing at such time the Company becomes subject to the provisions of the Exchange Act, or with the requirements of any other applicable law, rule or regulation.

12.2. Amendments to Individual Awards. The Board may amend the terms of any Award granted under the Plan; provided, however, that subject to Section 3 hereof, no such amendment may be made by the Board which in any material respect impairs the rights of the Holder without the Holder's consent.

SECTION 13. TERM OF PLAN.

13.1. Effective Date. The Plan shall be effective as of July 19, 1990 ("Effective Date").

13.2. Termination Date. No Award shall be granted on or after the tenth anniversary of the Effective Date, but Awards granted prior to such tenth anniversary may extend beyond that date. The Plan shall terminate at such time as no further Awards may be granted and all Awards are no longer outstanding.

SECTION 14. GENERAL PROVISIONS.

14.1. Investment Representations. The Board may require each person acquiring shares of Common Stock pursuant to an Award to represent to and agree with the Company in writing that the Holder is acquiring the shares for investment without a view to distribution thereof.

14.2. Additional Incentive Arrangements. Nothing contained in the Plan shall prevent the Board from adopting such other or additional incentive arrangements as it may deem desirable, including, but not limited to, the granting of stock options and the awarding of stock and cash otherwise than under the Plan; and such arrangements may be either generally applicable or applicable only in specific cases.

14.3 No Right of Employment. Nothing contained in the Plan or in any Award shall be deemed to confer upon any employee of the Company or any Subsidiary any right to continued employment with the Company or any Subsidiary, nor shall it interfere in any way with the right of the Company or any Subsidiary to terminate the employment of any of its employees at any time.

14.4. Withholding Taxes. Not later than the date as of which an amount first becomes includable in the gross income of the Holder for Federal income tax purposes with respect to any Award, the Holder shall pay to the Company, or make arrangements satisfactory to the Board regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. If permitted by the Board, tax withholding or payment obligations may be settled with Common Stock, including Common Stock that is part of the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional upon such payment or arrangements and the Company or the Holder's employer (if not the Company) shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Holder from the Company or any Subsidiary.

14.5. Governing Law. The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware (without regard to choice of law provisions).

14.6. Other Benefit Plans. Any Award shall not be deemed compensation for purposes of computing benefits under any retirement plan of the Company or any Subsidiary and shall not affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation (unless required by specific reference in any such other plan to Awards under this Plan).

14.7. Employee Status. A leave of absence, unless otherwise determined by the Board prior to the commencement thereof, shall not be considered a termination of employment. Any Awards granted to employees shall not be affected by any change of employment, so long as the Holder continues to be an employee of the Company or any subsidiary.

14.8. Non-Transferability. Other than the transfer of a Stock Option, Stock Appreciation Right or other Award by will or by the laws of descent and distribution, no Award may be alienated, sold, assigned, hypothecated, pledged, exchanged, transferred, encumbered or charged, and any attempt to alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of the person entitled to such benefit. Any Option, Stock Appreciation Right, or other Award granted under this Plan is only exercisable during the lifetime of the Holder by the Holder or by his guardian or legal representative.

14.9. Applicable Laws. The obligations of the Company with respect to all Awards under the Plan shall be subject to (i) all applicable laws, rules and regulations and such approvals by any governmental agencies as may be required, including, without limitation, the effectiveness of a registration statement under the Securities Act of 1933, as amended, and (ii) the rules and regulations of any securities exchange on which the Common Stock may be listed or the NASDAQ National Market System if the Common Stock is designated for quotation thereon.

14.10. Conflicts With Applicable Laws. If any of the terms or provisions of the Plan conflict with the requirements of Rule 16b-3 under the Exchange Act commencing at such time that the Company becomes subject to the provisions of the Exchange Act, or with the requirements of any other applicable law, rule or regulation, and/or with respect to Incentive Stock Options, Section 422A of the Code, then such terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of said Rule 16b-3, and/or with respect to Incentive Stock Options, Section 422A of the Code. With respect to Incentive Stock Options, if this Plan does not contain any provision required to be included herein under Section 422A of the Code, such provision shall be deemed to be incorporated herein with the same force and effect as if such provision had been set out at length herein. No term of the Plan relating to Incentive Stock Options or any Agreement providing for Incentive Stock Options shall be interpreted, amended or altered, nor shall any

discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422A of the Code, or, without the consent of the Holder(s) affected, to disqualify any Incentive Stock Option under such Section 422A.

14.11. Written Agreements. Each Award shall be confirmed by, and shall be subject to, the terms of the Agreement executed by the Company and the Holder. The Board may terminate any Award if the Agreement relating thereto is not executed and returned to the Company within 60 days after the Agreement has been delivered to the Holder for his or her execution.

14.12. Consideration For Common Stock. The Board may not grant any Awards under the Plan pursuant to which the Company will be required to issue any shares of Common Stock unless the Company will receive consideration for the shares of Common Stock sufficient under the laws of the State of Delaware so that such shares of Common Stock will be fully paid and non-assessable when issued.

14.13. Common Stock Certificates. Notwithstanding anything to the contrary contained herein, whenever certificates representing shares of Common Stock subject to an Award are required to be delivered pursuant to the terms of the Plan, the Company may in lieu of such delivery requirement comply with the provisions of Section 158 of the Delaware General Corporation Law.

All certificates for shares of Common Stock delivered under the Plan shall be subject to such stop-transfer orders and other restrictions as the Board may deem advisable under the rules, regulations, and other requirements of any stock exchange or over-the-counter market upon which the Common Stock is then listed, any applicable Federal or state securities law, and any applicable corporate law, and the Board may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

14.14. Unfunded Status of Plan. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Holder by the Company, nothing contained herein shall give any such Holder any rights that are greater than those of a general creditor of the Company.

TRANSAMERICAN WASTE INDUSTRIES, INC.

SECRETARY'S CERTIFICATE

The undersigned certifies that he is the secretary of TRANSAMERICAN WASTE INDUSTRIES, INC., a Delaware corporation (the "Company"), and that as Secretary, is authorized to execute and deliver this Certificate in the name and on behalf of the Company. The undersigned further certifies that the following is a true and correct excerpt from the minutes of the meeting of the Board of Directors of the Company, duly called and held on January 25, 1996, and that the action taken did not at that time and does not contravene any provision of the Company's Articles of Incorporation, Bylaws, or any document, instrument, or agreement to which the Company is a party or which is binding on the Company.

Mr. Moore then presented the Board with a clarification of the draft minutes of the November 18, 1995 Compensation Committee meeting. He informed the Board that, in addition to the stock options granted to the employees as reflected in the Committee's draft minutes, the Committee was recommending to the Board that each grant of stock options previously made to current (as of November 18, 1995) employees and directors be amended so as to expire at the expiration of ten years from the date of grant (subject to the earlier expiration of the Option as provided in each Agreement and subject to the terms and conditions contained in each Agreement and in the 1990 Plan) and that the following acceleration provision be added to each option previously granted to current (as of November 18, 1995) employees and directors:

Acceleration. Notwithstanding the vesting schedule stated in this Agreement, and subject to the earlier expiration of the Option as provided in this Agreement and the terms and conditions contained in the 1990 Plan, the Option granted hereunder shall immediately vest and become fully exercisable for a period of two years therefrom upon the happening of either of the following events:

(i) The occurrence of a "Change of Control" as defined in the 1990 Plan, or,

(ii) The occurrence of a "Change in Management", which is defined as the termination of employment, voluntary or otherwise of one-half or more of the "Corporate Officers" of the Company who are serving in such capacity as of November 18, 1995. For purposes of this paragraph, the "Corporate Officers" of the Company are only those individuals serving as President, Secretary and Treasurer of the Company on November 18, 1995.

The Board unanimously approved these changes to the affected stock option agreements, and authorized the officers to take the necessary steps to affect these amendments.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate in the name and on behalf of the Company effective May 13, 1996.

/s/ LANCE C. RUUD

Lance C. Ruud, Secretary

TRANSAMERICAN WASTE INDUSTRIES, INC.

1997 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

1. PURPOSES

The purposes of this 1997 Non-Employee Director Stock Option Plan (the "Plan") are (i) to provide additional incentive for securing and retaining qualified outside directors for the Board of Directors of the Company and (ii) to enhance the future growth of the Company by furthering the Non-Employee Directors' identification with the interests of the Company and its stockholders. It is intended that Options granted under this Plan will be Non-Qualified Stock Options.

2. DEFINITIONS

(a) In this Plan, except where the context otherwise indicates, the following definitions apply:

(1) "Board" means the Board of Directors of the Company.

(2) "Code" means the Internal Revenue Code of 1986, as amended. References herein to any section of the Code shall include any successor section of the Code or its successor.

(3) "Company" means Transamerican Waste Industries, Inc., a Delaware corporation.

(4) "Disability" means the Participant so affected is unable to engage in substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. A determination by a majority of the Board, other than the Participant, as to whether the Participant has incurred a Disability shall be final and conclusive as to all interested parties.

(5) "Designated Beneficiary" means the person designated to be entitled, on the death of a Participant, to any remaining rights arising out of a Stock Option. If no such designation has been made by the Participant, or if the Designated Beneficiary should pre-decease the Participant, any remaining rights arising out of a Stock Option shall inure to the executor or administrator of the Participant's estate or to his heirs at law if no administration is had on the Participant's estate.

(6) "Effective Date" means the date on which the Plan is approved by the Board as set forth below, which approval has been made subject to the approval of the stockholders of the Company as set forth in Section 19.

(7) "Fair Market Value" means, if the Common Stock is not publicly traded at the time a determination of its value is required to be made hereunder, the determination of its Fair Market Value shall be made in good faith by the Board in its sole discretion. Otherwise, Fair Market Value means, as of any specified date, the closing price of the Common Stock on the national securities exchange on which the Common Stock is then listed on that date, or if no prices are reported on that date, on the last preceding date on which such prices of the Common Stock are so reported. If the Common Stock is not then listed on any national securities exchange but is traded over the counter at the time a determination of its Fair Market Value is required to be made hereunder, its Fair Market Value shall be deemed to be equal to the average between the reported high and low sales prices of Common Stock on the most recent date on which Common Stock was publicly traded. In no event shall the "Fair Market Value" be lower than the par value per share of the Common Stock.

(8) "Stock Option Agreement" means the written agreement entered into between the Company and the Non-Employee Director pursuant to which a Stock Option is granted under the Plan.

(9) "Non-Employee Director" means a person who as of the date of the grant of a Stock Option is a member of the Board, is not an officer of the Company or any subsidiary of the Company, and is not an employee of the Company or any of its subsidiaries.

(10) "Non-Qualified Stock Option" means an option which does not meet the requirements of Section 422 of the Code.

(11) "Participant" means a Non-Employee Director who is granted a Stock Option hereunder.

(12) "Securities Act" and "Securities Exchange Act" means the Securities Act of 1933 and the Securities Exchange Act of 1934, respectively, as each such statutes are now in effect or may be hereafter amended.

(13) "Share" means a share of Stock that has been previously (i) authorized but unissued, or (ii) issued and reacquired by the Company.

(14) "Stock" or "Common Stock" means the common stock, \$.001 par value per share, of the Company.

(15) "Stock Option" or "Option" means an option to purchase Shares.

(16) "Terminate" means cease to be a Director of the Company.

(17) "Termination of Directorship" means the cessation by any Participant to be a Director for any reason whatsoever, voluntary or involuntary. A Termination of Directorship shall be deemed to occur on the actual date of such termination (by death, Disability, retirement, resignation, non-election or otherwise).

3. GRANTS OF STOCK OPTIONS AND OPTION PRICE

(a) The Board is authorized, in its discretion, to grant Stock Options hereunder only to individuals who are, at the time of such grant, Non-Employee Directors of the Company. As more fully set forth in Section 5, If the Board so chooses, it may delegate its authority to grant Stock Options and set the terms of such grants to the Compensation Committee or such other Committee of the Board as the Board may designate.

(b) Stock Options shall be granted in accordance with the terms and conditions of the Plan, and with such additional terms and conditions not inconsistent with the Plan as the Board shall determine. Successive grants may be made to the same Non-Employee Director whether or not any Stock Option previously granted to such person remains unexercised.

4. STOCK OPTION TERMS

(a) Written Agreement. Each grant of an Stock Option shall be evidenced by a Stock Option Agreement.

(b) Number of Shares. Each Stock Option shall specify the number of shares of Common Stock to which it pertains.

(c) Exercise Price. The exercise price per share of Common Stock under each Stock Option shall be determined by the Board; provided, however, such purchase price shall not be less than eighty-five percent (85%) of the Fair Market Value per share of such stock on the date the Stock Option is granted.

(d) Term. The Board shall fix the term of each Stock Option which shall be not more than ten (10) years from the date of grant. In the event no term is fixed, such term shall be ten (10) years from the date of grant.

(e) Exercise. The Board shall determine the time or times at which a Stock Option may be exercised in whole or in part. Each Stock Option may specify the required period of continuous service on the Board and/or the performance objectives to be achieved before the Stock Option or portion thereof will become exercisable. Each Stock Option, the exercise, or timing of exercise, of

which is dependent, in whole or in part, on the achievement of performance objectives may (i) specify a minimum level of achievement in respect of the specified performance objectives below which no Stock Options will be exercisable, and (ii) set forth a method for determining the number of Stock Options that will be exercisable if performance is at or above such minimum but short of full achievement of the performance objectives.

5. ADMINISTRATION

(a) The Plan shall be administered by the Board or, if the Board so elects, by a duly appointed committee of the Board (including the Compensation Committee) having such powers as shall be specified by the Board. Any subsequent references herein to the Board shall also mean the committee if such committee has been appointed and, unless the powers of the committee have been specifically limited, the committee shall have all of the powers of the Board granted herein, including, without limitation, the power to revise, modify, amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law. All questions of interpretation of the Plan or of any Stock Options shall be determined by the Board, and such determinations shall be final and binding upon all persons having an interest in the Plan or any Stock Option.

(b) The Board may, in its discretion, delegate duties to an officer or employee or a committee composed of officers or employees of the Company, but it may not delegate its authority to apply and interpret the Plan.

(c) Notwithstanding the foregoing, if under regulations of the Securities Exchange Commission then in effect require, in order to qualify the grant or the exercise of any Stock Option hereunder for an exemption from the provisions of Section 16(b) (including without limitation Rule 16b-3), or if the rules of any national stock exchange or other market on which the Company's Common Stock is then traded require, that the grant or administration of the Plan must be conducted only by a committee comprised of directors that meet certain qualifications, the Board may delegate its powers under this Plan to a committee of the Board only if such committee is composed of directors with such qualifications.

6. TERM

The term of the Plan commences on the Effective Date and will terminate at 11:59 p.m. on the tenth annual anniversary of the Effective Date. On and after such date, no further Stock Options may be granted hereunder; provided, however, the Plan shall remain in effect for the purposes of administration of any Stock Option granted pursuant to its provisions, and no such Stock Option granted during the term of this Plan shall be adversely affected by the termination of the Plan.

7. SHARES RESERVED; OPTIONS GRANTABLE AND EXERCISABLE

(a) Subject to adjustment as provided in Section 8 hereof, a total of 900,000 Shares shall be subject to the Plan. The Shares subject to the Plan shall be and are hereby reserved for issuance pursuant to the Plan. Any of the Shares that are not subject to outstanding Options at the termination of the Plan shall cease to be reserved for the purposes of the Plan. Should any Option expire or be canceled prior to its exercise in full, the Shares theretofore subject to such Option may again be subjected to an Option under the Plan.

(b) As to a Participant, an Option ceases to be exercisable, as to any Share, when the Participant purchases the Share or when the Option lapses.

8. ADJUSTMENTS

(a) The existence of outstanding Stock Options 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 the Company shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of Common Stock outstanding, without receiving compensation therefor in money, services or property, then (a) the number and per share price of shares of Common Stock subject to outstanding Stock Options hereunder shall be appropriately adjusted in such a manner as to entitle a Participant to receive upon exercise of a Stock Option, for the same aggregate cash consideration, the same total number and class of shares as the Participant would have received had he or she exercised his or her Stock Option in full immediately prior to the event requiring the adjustment; and (b) the number and class of shares then reserved for issuance under the Plan shall be adjusted by substituting for the total number of shares of Common Stock then reserved that number and class of shares of Common Stock that would have been received by the owner of an equal number of outstanding shares of Common Stock as the result of the event requiring the adjustment.

(c) After a merger of one or more corporations into the Company or after a consolidation of the Company and one or more corporations in which the Company is the surviving corporation, each holder of an outstanding Stock Option, upon exercise of such Stock Option, shall be entitled to receive (at no additional cost but subject to any required action by stockholders) in lieu of the number of shares of Common Stock with respect to which such Stock Option is exercisable, the number and class of shares of stock (or other securities or consideration) to which such holder would have been entitled 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 the same number of shares of Common Stock which he or she would have otherwise received upon exercise of such Stock Option.

(d) If the Company is merged into or consolidated with another corporation under circumstances where the Company is not the surviving corporation, or if the Company is liquidated, or sells or otherwise disposes of substantially all its assets to another corporation while unexercised Stock Options remain outstanding under the Plan, (i) subject to the provisions of clause (iii) below, after the effective date of such merger, consolidation, liquidation, or sale, as the case may be, each holder of an outstanding Stock Option shall be entitled, upon exercise of such Stock Option, to receive at no additional cost, in lieu of shares of Common Stock, shares of such stock (or other securities or consideration) as the holders of shares of Common Stock received pursuant to the terms of the merger, consolidation, liquidation, or sale; (ii) any limitations set forth in or imposed pursuant to Section 9 hereof shall automatically lapse so that all Stock Options, from and after a thirty (30) day period preceding the effective date of such merger, consolidation, liquidation or sale, as the case may be, shall be exercisable in full; and (iii) all outstanding Stock Options may be canceled by the Board as of the effective date of any such merger, consolidation, liquidation or sale provided that (a) notice of such cancellation shall be given to each holder of a Stock Option, and (b) each holder of a Stock Option shall have the right to exercise such Stock Option in full (without regard to any limitations set forth in or imposed pursuant to Section 9 hereof) during a thirty (30) day period preceding the effective date of such merger, consolidation, liquidation, or sale. In the event any acceleration of vesting provided by clause (ii) or (iii) above, or by virtue of Section 9(i) below, would result in imposition of the excise tax imposed by Section 4999 of the Code, a Participant may elect to waive such acceleration with respect to such number of shares subject to invested Stock Options as the Participant shall designate, and the Participant shall be entitled to designate from among his or her invested Stock Options those Stock Options which shall not be subject to accelerated vesting.

(e) Except as expressly provided herein, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash, property, labor, or services, either upon direct sale, exercise of rights or warrants to subscribe therefor, or conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number, class or price of shares of Common Stock then subject to outstanding Stock Options.

(f) The foregoing provisions are in addition to provisions concerning acceleration of vesting and other events relating to adjustments set forth in Section 9 and any applicable Stock Option Agreement.

9. TERMS AND CONDITIONS OF STOCK OPTIONS

(a) During the Participant's life, the Stock Option is exercisable only by the Participant or by his or her guardian or legal representative.

(b) The Stock Option is not assignable or transferable, except by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order (as defined in the Code), and is not subject, in whole or in part, to attachment, execution or levy of any kind.

(c) Any Stock Option that is currently vested and exercisable shall be exercisable for the full exercisable amount or for any part thereof.

(d) Stock Options shall be exercised by the delivery of written notice to the Company setting forth the number of shares of Common Stock with respect to which the Stock Option is to be exercised. In order to be effective, such written notice shall be accompanied at the time of its delivery to the Company by payment of the exercise price of such shares of Common Stock, which payment shall be made in cash or by check, bank draft, or postal or express money order payable to the order of the Company in an amount (in United States dollars) equal to the exercise price of such shares of Common Stock. Such notice shall be delivered in person to the Secretary of the Company, or shall be sent by registered mail, return receipt requested, to the Secretary of the Company, in which case, delivery shall be deemed made on the date such notice is deposited in the mail. When shares of Common Stock are to be issued or delivered pursuant to the Plan, but only to the extent that the Company determines that tax withholding is required pursuant to applicable law or regulation, the Company shall require the Participant to remit to the Company an amount sufficient to satisfy federal, state, and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares, which payment may be made in the manner set forth above or in the manner permitted by clause (e) below.

(e) At the discretion of the Board, and provided that payment can be effected without causing the Grantee to increase liability under Section 16(b) of the Securities Exchange Act of 1934, payment of the exercise price may be made, in whole or in part, by delivery of shares of Common Stock previously issued to the Participant. Unless otherwise permitted by the Board, payment of the exercise price with shares of Common Stock shall be made only with shares owned by the Participant for at least six (6) months. If payment is made in whole or in part in shares of Common Stock owned by the Participant, then the Participant shall deliver to the Company, in payment of the option price of the shares of Common Stock with respect to which such Stock Option is exercised, (i) certificates registered in the name of such Participant representing a number of shares of Common Stock legally and beneficially owned by such Participant, free of all liens, claims and encumbrances of every kind and having a Fair Market Value as of the date of delivery of such notice that is not greater than the exercise price of the shares of Common Stock with respect to which such Stock Option is to be exercised plus any applicable tax required to be withheld by the Company, such certificates to be accompanied by stock powers duly endorsed in blank by the

record holder of the shares represented by such certificates; and (ii), if the exercise price of the shares of Common Stock with respect to which such Stock Option is to be exercised exceeds the Fair Market Value of such Shares used to pay the exercise price, additional cash or a check, bank draft, or postal or express money order payable to the order of the Company in an amount (in United States dollars) equal to the amount of such excess.

(f) In addition, at the request of the Participant and to the extent permitted by applicable law, the Board in its discretion may selectively approve "cashless exercise" arrangements with a brokerage firm under which such brokerage firm, on behalf of the Participant, shall pay to the Company the exercise price of the Stock Options being exercised, and the Company, pursuant to an irrevocable notice from the Participant, shall deliver the shares being purchased to such firm.

(g) Stock Options granted to any Participant under this Plan shall be subject to the conditions prescribed by the Board in the Stock Option Agreement to the extent not inconsistent with the terms of the Plan.

(h) Subject to Section 9(i) below, a Stock Option shall lapse and expire in the following situations:

(i) If a Termination of Directorship shall occur with respect to any Participant for any reason other than death or Disability, any and all unexercised and vested Stock Options held by such Participant shall expire (A) as of 12:01 a.m. on the date which is three (3) months after the date of such Termination of Directorship or (B) on the expiration date of the term of the Stock Option, whichever date is earlier.

(ii) If a Termination of Directorship shall occur with respect to any Participant by reason of the death or Disability of such Participant, any and all unexercised and vested Stock Options shall expire (A) as of 12:01 a.m. on the date which is one (1) year from the date of Termination of Directorship due to such death or Disability or (B) on the expiration date of the term of the Stock Option, whichever date is earlier. Any such vested and unexercised Stock Option may be exercised by the Designated Beneficiary of a deceased Participant, or the legal guardian of a Disabled Participant, subject to all applicable provisions of the Plan.

(iii) In the event of a Participant's Termination of Directorship for any reason other than not being re-elected at an annual meeting of stockholders, including death or Disability, any portion of a previously granted Option that was not exercisable on the date of such Termination of Directorship shall automatically expire as of 12:01 a.m. on the date of Termination of Directorship, and no further vesting of such Option shall occur. In the event of a Participant's Termination of Directorship occasioned by not being re-elected at an annual meeting of

stockholders, any previously granted Option shall continue to vest until the conclusion of such annual meeting and any portion of such Option that is not then exercisable shall automatically expire at the conclusion of such meeting.

(i) Notwithstanding the provisions of Section 9(h) or any other contrary provisions herein, in the event of a Change in Control (as defined below), any vesting requirements in contemplated hereby or in any Stock Option Agreement shall automatically expire without the requirement of any further action, and the Shares subject to the Stock Options shall be 100% vested on and after such Change in Control date. In the case of a Change of Control the Participants under this Plan shall have the ability to exercise their Stock Options as provided pursuant to the other terms of this Plan and the Stock Option Agreements. A "Change in Control" shall mean a change in control of a nature that would be required to be reported in response to item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act (and any successor Schedule or Regulation), provided that such a Change in Control shall be deemed to have occurred at such time as:

(i) any "person" (as that term is used in Section 13(d) and 14(d)(2) of the Exchange Act and any successor provisions) is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act and any successor rule) of securities representing more than fifty percent (50%) of any class of stock of the Company entitled to elect a majority of the Board of the Company or any successor of the Company;

(ii) during any period of two (2) consecutive years or less, individuals who at the beginning of such period constituted the Board of the Company cease, for any reason, to constitute at least a majority of the Board, unless the election or nomination for election of each new director was approved by a vote of more than one-half (50%) of the directors then still in office who were directors at the beginning of the period (all such directors who were in office at the beginning of such period and all directors elected or nominated for election as described above, being referred to a "Continuing Directors");

(iii) the stockholders of the Company approve any merger or consolidation to which the Company is a party and, as a result of such merger or consolidation, the persons who held any class of stock entitled to elect a majority of the directors of the Company immediately prior to the effective date of the merger or consolidation (excluding, however, any shares held by any party to such merger or consolidation and their affiliates) shall have beneficial ownership of less than fifty percent (50%) of such class of stock of the surviving corporation following the effective date of such merger or consolidation;

(iv) the stockholders of the Company approve any merger or consolidation and, as a result, the Common Stock is changed, converted or exchanged (other than a merger with a wholly-owned subsidiary of the Company), or any liquidation of the Company or any sale or other disposition of fifty percent (50%) or more of the assets or earnings power of the Company; or

(v) the occurrence of a "Change in Management", which is defined as the termination of employment (other than reassignments to other officer positions), voluntary or otherwise, during any period of two (2) consecutive years or less, of one-half or more of the "Corporate Officers" of the Company who were, at the beginning of such period, serving in such capacities, unless the termination of employment or the filling of a vacancy created by such termination was approved by the Continuing Directors. For purposes of this paragraph, the "Corporate Officers" of the Company are only those individuals serving as Chairman of the Board, President, Executive or Senior Vice Presidents, Secretary, and Treasurer of the Company;

provided, however, that no Change in Control shall be deemed to have occurred if, prior to such time as a Change in Control would otherwise be deemed to have occurred, the Board (including a majority of the Continuing Directors) determines otherwise. Notwithstanding any of the foregoing provisions of this Section, a Change in Control shall not be deemed to have occurred solely as the result of a public offering of the Common Stock of the Company or any parent or subsidiary thereof.

10. POWER TO AMEND

The Board may modify, revise, amend or terminate this Plan at any time and from time to time and the terms of any Option granted hereunder; provided, however, (i) the Plan shall not be amended more than once every six (6) months, other than to comport with changes in the Code or other applicable law; (ii) without the approval of the holders of at least a majority of the outstanding shares of the Company's voting stock then outstanding, the Board may not increase the number of Shares subject to this Plan (other than in connection with adjustments pursuant to the terms hereof), permit the granting of Stock Options with exercise or grant prices lower than those specified in Section 4, or change the class of persons eligible to receive Options; (iii) without such stockholder approval as may be affirmatively required by regulations promulgated by the Securities Exchange Commission in order for the grants of the Stock Options or the issuance of the Common Stock upon exercise thereof to qualify for an exemption to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or by the exchange, listing or qualification requirements of any national stock exchange or market (including, without limitation, the NASDAQ National Stock Market) on which the Common Stock is then traded; and (iv) no modification, revision, amendment or termination of this Plan or any Stock Options may adversely affect the rights of a holder under a Stock Option then outstanding, without the consent of such holder.

11. EXERCISE OF OPTIONS; REGISTRATION

The Company shall not be required to sell or issue any shares of Common Stock under any Stock Option if the issuance of such shares shall constitute a violation by the Participant or the Company of any provision of any law, statute, or regulation of any governmental authority whether it be Federal or State. Specifically, in connection with the Securities Act, upon exercise of any Stock Option, unless a registration statement under the Securities Act is in effect with respect to the shares of Common Stock covered by such Stock Option, the Company shall not be required to issue such shares unless the Board has received evidence satisfactory to it to the effect that the holder of such Stock Option is acquiring such shares of Common Stock for investment and not with a view to the distribution thereof, and that such shares of Common Stock may otherwise be issued without registration under the Securities Act or State securities laws. Any determination in this connection by the Board shall be final, binding and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of a Stock Option, or the issuance of shares pursuant thereto, to comply with any law or regulation of any governmental authority.

12. WITHHOLDING

The provisions of this section shall apply only to the extent that the Company determines that tax withholding is required, pursuant to applicable law or regulation, at the time that Shares are to be issued or delivered pursuant to the Plan. If the Company determines that tax withholding is required, the Company shall require the Participant to remit to the Company an amount sufficient to satisfy any applicable federal, state, and local withholding tax requirements prior to the delivery of any certificate or certificates for Shares. The Company shall also have the right to withhold from any fees or other compensation payable by the Company to the Participant an amount sufficient to satisfy any applicable federal, state and local withholding tax requirements.

13. STOCK OPTION AGREEMENT

The Stock Options awarded to a Participant shall be evidenced by a Stock Option Agreement which shall be subject to the terms and provisions of the Plan, and which shall be signed by the Participant and by a duly authorized officer, other than the Participant, in the name of and on behalf of the Company. In the event of any inconsistency or conflict between the terms of the Plan and a Stock Option Agreement, the terms of the Plan shall govern.

14. NO RIGHTS AS STOCKHOLDER

A holder of a Stock Option shall have no rights as a stockholder with respect to any Shares of Common Stock until the issuance of a certificate for such Shares. Except as otherwise provided in Section 8, no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities, or other property) or distributions or other rights for which the record date is prior to the date such certificate is issued.

15. NO ASSIGNMENT OR ALIENATION OF BENEFITS

No right or benefit under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void, except for any transfer pursuant to the Participant's will or under the laws of descent and distribution. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of the person entitled to such right or benefit.

16. GENDER, TENSE AND HEADINGS

Whenever the context so requires, words of the masculine gender used herein shall include the feminine and neuter, and words used in the singular shall include the plural. Section headings as used herein are inserted solely for convenience and reference and constitute no part of the construction of this Plan. The words "hereunder", "herein", "hereof" and similar compounds of the word "here" shall refer to the entire Plan and not to any particular section or provision.

17. NO GUARANTEE OF TAX CONSEQUENCES

The Company makes no commitment or guarantee that any federal, state or local tax treatment will apply or be available to any Non-Employee Director participating or eligible to participate herein.

18. SEVERABILITY

In the event that any provision of this Plan shall be held illegal, invalid or unenforceable, such provision shall be fully severable, but shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if the illegal, invalid, or unenforceable provision had not been included herein.

19. SHAREHOLDER APPROVAL

Grants of Stock Options under this Plan may be made at any time on or after the effective date of this Plan as set forth below; however, any Options granted hereby shall be subject to, and the continuing effectiveness of this Plan shall be subject to, approval of the Plan by the holders of at least a majority of the shares of Stock present or represented, and entitled to vote thereon, at a duly held stockholders' meeting on or before the date that occurs twelve (12) months after the date the Plan is adopted by the Board, and no shares of Common Stock shall be issued under the Plan until such approval has been secured. If the Plan is not so approved within such twelve month period, all Stock Options shall automatically terminate. Notwithstanding the foregoing, however, revisions, modifications, and amendments to, and terminations of, this Plan may be made at any time or from time to time by the Board, subject to the provisions of Section 10 hereof.

20. INTERPRETATIONS

The provisions of the Plan shall be construed, administered, and governed by the laws of the State of Texas without giving effect to principles of conflicts of laws, and, to the extent applicable, the laws of the United States.

21. GOVERNMENT REGULATIONS

The Plan, the granting and exercise of Stock Options thereunder, and the obligation of the Company to sell and deliver Shares under such Stock Options, shall be subject to all applicable laws and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

IN WITNESS WHEREOF, this Plan is executed in multiple counterparts, each of which shall be deemed an original, effective as of February 25, 1997, the "Effective Date" of this Plan.