

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

DATE OF REPORT (date of earliest event reported): August 26, 1997

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

COMMISSION FILE NUMBER 1-12154

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

73-1309529  
(I.R.S. Employer  
Identification No.)

1001 FANNIN, SUITE 4000  
HOUSTON, TEXAS  
(Address of principal executive offices)

77002  
(Zip Code)

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

## ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

Pursuant to the Agreement and Plan of Merger, dated as of April 13, 1997, as amended August 26, 1997 (the "Merger Agreement"), by and among USA Waste Services, Inc. ("USA Waste"), Riviera Acquisition Corporation, a wholly owned subsidiary of USA Waste ("Acquisition"), and United Waste Systems, Inc. ("United"), the merger of Acquisition with and into United became effective on August 26, 1997, whereupon United became a wholly owned subsidiary of USA Waste (the "Merger"). United's common stock, par value \$0.001 per share ("United Common Stock"), is no longer transferable, and certificates evidencing shares of United Common Stock represent only the right to receive, without interest, shares of USA Waste Common Stock, par value \$0.01 per share ("USA Waste Common Stock"), in accordance with the provisions of the Merger Agreement. The holders of shares of United Common Stock ("United Stockholders") are entitled to receive 1.075 (the "Exchange Ratio") shares of USA Waste Common Stock for each share of United Common Stock held, or an aggregate of approximately 52 million shares of USA Waste Common Stock. The Stockholders of USA Waste (the "USA Waste Stockholders") and the United Stockholders approved the Merger on August 26, 1997. The Exchange Ratio was determined through negotiations between the managements of USA Waste and United and was approved by their respective boards of directors. Cash will be paid in lieu of fractional shares of USA Waste Common Stock on the basis of \$41.10 per share. Pursuant to the Merger Agreement, no interest will be paid or accrued on the consideration paid in the Merger. The Merger was accounted for as a pooling of interests. In addition, in connection with the Merger, USA Waste assumed approximately \$325 million in United debt. United owns and operates nonhazardous waste disposal, treatment, collection, transfer and recycling businesses and complimentary operations throughout the United States. As of June 30, 1997, United operated 39 disposal and treatment facilities, 78 transfer stations and 80 collection operations.

Also in connection with the Merger, USA Waste also announced the addition of two new members to its Board of Directors, Richard D. Kinder, Chairman and CEO of Kinder Morgan Energy Partners, L.P. and former President and COO of Enron Corporation, and Jerome B. York, Vice Chairman of Tracinda Corporation and former Senior Vice President and CFO of IBM Corporation.

## ITEM 5. OTHER PARTIES

On August 7, 1997, USA Waste replaced its existing line of credit facility with a \$2.0 billion senior revolving credit facility (the "Credit Facility") with a consortium of banks including Bank of America Illinois and Morgan Guaranty Trust Company. The Credit Facility is for a term of five years and will also be available for standby letters of credit of up to \$650 million. Loans under the Credit Facility bear interest at either a base rate or a rate based on the Eurodollar rate plus a spread not to exceed 0.575% per annum, which spread is initially set at 0.2375% per annum. The Credit facility requires a facility fee, initially set at 0.1125% per annum, not to exceed 0.30% per annum on the entire available credit facility. No principal reductions are required during the entire term of the agreement. USA Waste plans to use the funds available under the Credit Facility to refinance existing bank loans and Letters of credit, to fund additional acquisitions and to provide working capital for the Company's business.

On August 26, 1997, USA Waste executed a Supplemental Indenture (the "Supplemental Indenture") by and among USA Waste, United and Bankers Trust Company with respect to United's 4 1/2% Convertible Subordinated Notes due June 1, 2001 (the "Convertible Debentures"). The Supplemental Indenture amended the original indenture, dated June 5, 1996 (the "Indenture"), by providing that the Convertible Debentures would be convertible into shares of USA Waste Common Stock.

## ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

## (a) FINANCIAL STATEMENTS OF THE BUSINESS ACQUIRED

The following financial statements and notes thereto of United Waste Systems, Inc. are included herein:

- o United Waste Systems, Inc. Condensed Consolidated Balance Sheets (unaudited) as of June 30, 1997 and December 31, 1996.
- o United Waste Systems, Inc. Condensed Consolidated Statements of Operations (unaudited) for the three and six months ended June 30, 1997 and 1996.
- o United Waste Systems, Inc. Condensed Consolidated Statement of Stockholders' Equity (unaudited) for the six months ended June 30, 1997.
- o United Waste Systems, Inc. Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 1997 and 1996.
- o United Waste Systems, Inc. Notes to Condensed Consolidated Financial Statements (unaudited).
- o Report of Independent Auditors.
- o United Waste Systems, Inc. Consolidated Balance Sheets as of December 31, 1996 and 1995.
- o United Waste Systems, Inc. Consolidated Statements of Operations for the three years in the period ended December 31, 1996.
- o United Waste Systems, Inc. Consolidated Statements of Stockholders' Equity for the three years in the period ended December 31, 1996.

- o United Waste Systems, Inc. Consolidated Statements of Cash Flows for the three years in the period ended December 31, 1996.
- o United Waste Systems, Inc. Notes to Consolidated Financial Statements.

UNITED WASTE SYSTEMS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	June 30 1997	December 31 1996
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 25,823,244	\$ 2,567,854
Accounts receivable, net of allowance for doubtful accounts of \$4,898,000 in 1997 and \$3,076,000 in 1996	68,824,043	54,963,664
Prepaid expenses and other current assets	29,170,740	29,989,310
	-----	-----
Total current assets	123,818,027	87,520,828
Property and equipment, net of accumulated depreciation of \$136,429,000 in 1997 and \$94,407,000 in 1996	438,171,464	387,980,224
Intangible assets, net	338,309,380	286,851,677
Other assets	40,968,086	38,688,965
	-----	-----
	\$ 941,266,957	\$ 801,041,694
	=====	=====
Current liabilities:		
Current portion of long-term debt and nonrecourse bonds	\$ 6,561,743	\$ 5,064,413
Accounts payable	25,448,174	23,923,298
Deferred revenue	13,958,658	12,189,998
Due to seller	5,087,733	4,258,016
Short-term accrued landfill costs	4,745,575	4,648,923
Current portion of capital lease obligations	476,676	846,528
Accrued expenses	24,997,006	15,572,292
Other current liabilities	13,892,939	9,196,178
	-----	-----
Total current liabilities	95,168,504	75,699,646
Long-term debt, less current portion	265,252,535	302,704,119
Obligations under capital leases, less current portion	141,197	373,296

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

UNITED WASTE SYSTEMS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS - CON'T  
(UNAUDITED)

	June 30 1997	December 31 1996
	-----	-----
Nonrecourse sewage facility revenue bonds, less current portion	8,500,000	8,900,000
Accrued landfill costs	48,259,951	44,878,800
Other long-term liabilities	14,525,536	13,137,811
Deferred income taxes	39,326,427	36,634,609
Commitments and contingencies		
Stockholders' equity: Common stock, \$.001 par value, 75,000,000 in 1997 and 1996 shares authorized; 44,569,287 in 1997 and 39,089,553 in 1996 shares issued and outstanding	44,569	39,090
Additional paid-in capital	374,084,722	248,973,700
Retained earnings	95,963,516	69,700,623
	-----	-----
Total stockholders' equity	470,092,807	318,713,413
	-----	-----
	\$941,266,957	\$801,041,694
	=====	=====

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

UNITED WASTE SYSTEMS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (UNAUDITED)

	Six Months Ended June 30		Three Months Ended June 30	
	1997	1996	1997	1996
Revenues	\$ 216,619,407	\$ 151,838,019	\$ 121,039,879	\$ 82,257,521
Cost of operations	136,199,914	96,479,784	74,337,620	51,025,442
Selling, general and administrative expense	33,295,326	24,778,093	18,093,586	13,368,408
Income from operations	47,124,167	30,580,142	28,608,673	17,863,671
Interest expense	7,898,849	7,206,432	3,758,322	3,797,745
Other expense (income), net	(1,584,695)	1,767,682	(922,961)	1,906,916
Income before provision for income taxes	40,810,013	21,606,028	25,773,312	12,159,010
Provision for income taxes	16,961,046	8,739,293	10,759,207	5,069,859
Net income	\$ 23,848,967	\$ 12,866,735	\$ 15,014,105	\$ 7,089,151

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

UNITED WASTE SYSTEMS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - CON'T  
 (UNAUDITED)

	Six Months Ended June 30		Three Months Ended June 30	
	1997	1996	1997	1996
Primary earnings per common share and common equivalent share	\$ .54 =====	\$ .33 =====	\$ .33 =====	\$ .18 =====
Fully diluted earnings per common share and common equivalent share	\$ .53 =====		\$ .32 =====	

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

UNITED WASTE SYSTEMS, INC.  
 CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
 (UNAUDITED)

	Common Stock		Additional Retained Capital	Earnings
	Number of Shares	Paid-in Amount		
Balance, December 31, 1996	39,089,553	\$39,090	\$248,973,700	\$69,700,623
Pooling-of-interests	1,752,549	1,752	388,314	527,359
Exercise of common stock warrants and options	164,150	164	3,995,630	
Issuance of common stock	3,563,035	3,563	122,461,987	
Pro forma tax adjustment				319,803
Subchapter S distributions of pooled entities				(168,145)
Reclassification of Subchapter S accumulated earnings to paid-in capital			(1,734,909)	1,734,909

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



UNITED WASTE SYSTEMS, INC.  
 CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY - CON'T  
 (UNAUDITED)

	Common Stock			
	Number of Shares	Paid-in Amount	Additional Retained Capital	Earnings
Net income				23,848,967
Balance, June 30, 1997	44,569,287	\$44,569	\$374,084,722	\$95,963,516
	=====	=====	=====	=====

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

UNITED WASTE SYSTEMS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)

	Six Months Ended June 30	
	1997	1996
Cash flows from operating activities:		
Net income	\$ 23,848,967	\$ 12,866,735
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,380,878	17,744,758
Deferred income taxes	5,134,491	2,077,749
Gain on sale of assets	(647,564)	(126,445)
Pro forma tax adjustment	319,803	(133,034)
Changes in operating assets and liabilities:		
Accounts receivable	(8,660,503)	(3,891,052)
Other assets	2,401,049	(1,039,894)
Accounts payable	1,076,250	(141,944)
Accrued landfill costs	(1,566,614)	4,811
Other liabilities	5,228,200	7,999,962
Net cash provided by operating activities	50,514,957	35,361,646
Cash flows from investing activities:		
Purchases of property and equipment	(26,263,896)	(21,204,295)
Proceeds from sale of assets	1,372,028	120,941
Restricted investments, net (held to maturity)	907,196	1,501,540
Payments of contingent purchase price	(1,548,291)	(2,009,671)
Payments of capitalized project costs	(1,797,498)	(655,519)
Purchases of other companies, net of cash acquired	(73,943,865)	(63,354,449)
Net cash used in investing activities	(101,274,326)	(85,601,453)
Cash flows from financing activities:		
Due to sellers	(231,836)	(5,201,439)
Proceeds from debt	17,300,000	182,772,812

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

UNITED WASTE SYSTEMS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - CON'T  
 (UNAUDITED)

	Six Months Ended June 30	
	1997	1996
Repayments of debt	(65,222,174)	(79,053,858)
Repayments of capital lease obligations	(601,951)	(1,550,971)
Payments of financing costs		(4,737,000)
Proceeds from exercise of common stock warrants and options	3,995,794	15,302,757
Net proceeds from issuance of common stock	118,943,071	
Subchapter S distributions of pooled entities	(168,145)	(1,704,621)
Net cash from financing activities	74,014,759	105,827,680
Increase in cash and cash equivalents	23,255,390	55,587,873
Cash and cash equivalents at beginning of period	2,567,854	6,721,849
Cash and cash equivalents at end of period	\$ 25,823,244	\$ 62,309,722
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest, net of amounts capitalized	\$ 7,439,086	\$ 6,031,573
Net cash (received) paid during the period for income taxes	\$ (1,345,230)	\$ 3,259,570

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

UNITED WASTE SYSTEMS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - CON'T  
 (UNAUDITED)

	Six Months Ended June 30	
	1997	1996
Supplemental schedule of noncash investing and financing activities:		
The Company acquired the net assets and assumed certain liabilities of other companies as follows:		
Fair value of net assets acquired:		
Property and equipment	\$ 26,270,128	\$ 30,318,792
Other assets, net of cash acquired	65,634,145	50,378,809
Less liabilities assumed	(10,249,845)	(12,902,755)
Less amounts due to seller	(3,561,553)	(3,170,578)
Less amounts paid in common stock	(3,522,479)	1,144,983)
Less deposits and capitalized project costs paid in prior periods	(626,531)	(124,836)
	-----	-----
Net cash paid	\$ 73,943,865	\$ 63,354,449
	=====	=====

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

UNITED WASTE SYSTEMS, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 1997 and 1996

NOTE 1 - BASIS OF PRESENTATION

The Condensed Consolidated Financial Statements of United Waste Systems, Inc. and its subsidiaries (the "Company") included herein are unaudited and, in the opinion of management, such financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to a fair statement of the results of the interim periods presented. Interim financial statements do not require all disclosures normally presented in year-end financial statements, and, accordingly, certain disclosures have been omitted. The Condensed Consolidated Financial Statements included herein should be read in conjunction with the Company's Consolidated Financial Statements and related Notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

The Company's Condensed Consolidated Statements of Operations and Statement of Cash Flows for 1996 have been restated to include the accounts of certain acquisitions completed in 1996, that were accounted for as pooling-of-interests. See Note 2.

The Company entered into an Agreement and Plan of Merger (the "Merger Agreement"), dated as of April 13, 1997 with USA Waste Services, Inc. ("USA Waste") a Delaware corporation, and Riviera Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of USA Waste ("Sub"). Subject to the terms and conditions of the Merger Agreement, the Sub will merge with and into the Company (the "Merger"), and each share of common stock of the Company will be converted into 1.075 shares of common stock of USA Waste. The Merger is conditioned upon, among other things, approval by shareholders of the Company and USA Waste, and expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per Share ("SFAS 128"), which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating earnings per share, basic earnings per share will exclude the dilutive effect of the Company's stock options and warrants. Implementation of SFAS 128 is expected to result in basic earnings per share for the six months ended June 30, 1997 and 1996 of \$.57 and \$.35, respectively, and diluted earnings per share for such periods of \$.53 and \$.33, respectively, and basic earnings per share for the three months ended June 30, 1997 and 1996 of \$.35 and \$.19, respectively, and diluted earnings per share for such periods of \$.32 and \$.18, respectively.

In October 1996, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position No. 96-1 ("SOP 96-1"), Environmental Remediation Liabilities. SOP 96-1 provides authoritative guidance on the recognition, measurement, display and disclosure of environmental remediation liabilities. SOP 96-1 also contains a discussion of major federal legislation relating to environmental remediation and pollution prevention and control. The adoption of SOP 96-1 did not have a material effect on the Company's financial position and results of operations.

## NOTE 2 - ACQUISITIONS

The table below provides a summary description of completed acquisitions (not including acquisitions described below that were accounted for as pooling-of-interests) during the six months ended June 30, 1997:

Type of Operation -----	Number Acquired -----
Landfill	2(1)
Collection companies	37(2)
Transfer stations	7(3)

(1) The landfills are located in Illinois and Nebraska.

(2) The collection companies (including 26 tuck-in acquisitions) are located in Arizona, California, Illinois, Iowa, Kentucky, Maine, Massachusetts, Minnesota, New Mexico, North Dakota, Pennsylvania, Rhode Island, Vermont, and Wisconsin.

(3) The transfer stations are located in California, Kentucky, Minnesota and Wisconsin.

The above acquisitions have been accounted for as purchases and, accordingly, the results of their operations have been included in the Company's Condensed Consolidated Financial Statements from their respective acquisition dates.

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company for the six months ended June 30, 1997 and 1996 as though (i) the acquisitions summarized above (excluding certain thereof that were not material individually or in the aggregate) which were consummated in the six months ended June 30, 1997, were made on January 1, 1997, in the case of the results for the six months ended June 30, 1997, and (ii) each acquisition which was consummated during the period of January 1, 1996 to June 30, 1997 as described above and in Note 3 to the Notes to Consolidated Financial Statements included in the Company's 1996 Annual Report on Form 10-K (excluding certain thereof that were not material individually or in the aggregate), was made on January 1, 1996, in the case of the results for the six months ended June 30, 1996.

	Six Months Ended June 30	
	1997 -----	1996 -----
Revenues	\$ 226,188,143	\$ 184,393,110
Net income	23,992,604	14,152,411
Primary earnings per common share and common equivalent share	.54	.36
Fully diluted earnings per common share and common equivalent share	.53	.36

The unaudited pro forma results are based upon certain assumptions and estimates which are subject to change. These results are not necessarily indicative of the actual results of operations that might have occurred, nor are they necessarily indicative of expected results in the future.

During April, May and June 1997, the Company issued 1,368,077 shares of its common stock for the acquisition of six solid waste management companies. These transactions were accounted for as pooling-of-interests; however these acquisitions were not material to the Company's consolidated operations and financial position and, therefore, the first quarter of 1997 and the 1996 Condensed Consolidated Financial Statements have not been restated.

During February and March 1997, the Company issued 384,472 shares of its Common Stock for the acquisitions of five solid waste management companies. These transactions were accounted for as pooling-of-interests; however, these acquisitions were not material to the Company's consolidated operations and financial position and, therefore, the 1996 Condensed Consolidated Financial Statements have not been restated.

On June 28, 1996, the Company issued 730,765 shares of its Common Stock for all of the outstanding shares of common stock of Salinas Disposal Service, Inc., Rural Dispos-All Service, Inc. and Madison Lane Properties, Inc. (the "Salinas Companies"), a group of affiliated companies that comprise an integrated solid waste management company. This transaction has been accounted for as a pooling-of-interests and, accordingly, the Condensed Consolidated Financial Statements have been restated for the three months ended March 31, 1996 to include the accounts of the Salinas Companies.

During September 1996, the Company issued 579,857 shares of its Common Stock for the acquisition of three solid waste management companies (the "Pooled Companies"). These transactions were accounted for as pooling-of-interests and, accordingly, the Condensed Consolidated Financial Statements have been restated for the three and six months ended June 30, 1996 to include the accounts of the Pooled Companies.

During December 1996, the Company issued 178,701 shares of its Common Stock for the acquisition of two solid waste management companies. These transactions were accounted for as pooling-of-interests; however, these acquisitions were not material to the Company's consolidated operations and financial position and, therefore, the 1996 Condensed Consolidated Financial Statements have not been restated.

#### NOTE 3 - CONTINGENCIES

While the Company carries a wide range of insurance coverage for the protection of the Company's assets and operations, the Company does not carry insurance coverage for environmental liability, except as described in the following sentence. The Company's insurance coverage for environmental liability is limited to (i) contractor pollution liability insurance that relates to certain environmental services provided by the Company and (ii) certain other pollution liability insurance which is the equivalent to self-insurance because under the terms thereof the Company is required to fully reimburse the

insurance company for any paid claims. In the event uninsured losses occur, the Company's net income and financial position could be materially adversely affected.

On May 26, 1995, the Company sued Robert Foley and Matthew Parzych in the United States District Court for the District of Connecticut, Case No. 3:95-CV-985. The defendants sold stock in certain Massachusetts corporations to the Company under an agreement dated April 1, 1992 (the "1992 agreement"). In the suit the Company seeks approximately \$1,115,000 in cash and securities from an escrow account and additional amounts from defendants by reason of indemnity provisions contained in the 1992 agreement and confirmed in an agreement dated January 28, 1994 (the "1994 agreement"). The defendants have counterclaimed against the Company and its chief executive officer, seeking to invalidate the 1994 agreement primarily for alleged lack of consideration and economic duress, and to receive alleged damages and costs. The counterclaims for damages are primarily for alleged misrepresentations by the Company in connection with the 1992 agreement, and were asserted by defendants notwithstanding provisions in the 1994 agreement which generally released the Company from all claims. The Company moved to summarily dismiss the counterclaims. On March 31, 1997, the Court granted the Company's motion in part and denied it in part. The Company intends vigorously to pursue its claims in this action and to defend against the remaining counterclaims. In the opinion of management, this claim should not materially affect the financial position or operating results of the Company.

In June 1996, Dale Lynch, Dennis Lynch and D.L. Lynch sued the Company, its chief executive officer and a subsidiary of the Company in the Circuit Court of Whitley County, Kentucky (Index No. 96 CI 00355). The subsidiary purchased the Tri-County landfill from the plaintiffs in 1991. The suit primarily seeks compensatory and punitive damages for alleged breach of contract and for allegedly fraudulent representations in connection with this purchase. The Company has filed a counterclaim for breach of warranties and fraud. The Company has also sought indemnification for breach of warranties. In January 1997, the plaintiffs filed an amended complaint, which seeks relief similar to that of their original complaint. The Company filed a Motion to Dismiss seven of the eight counts in the complaint, including the fraud count. The Company has served discovery requests and deposition notices on plaintiffs and intends to vigorously defend against plaintiffs' claims and prosecute its counterclaim. In the opinion of management, this suit should not materially affect the financial position or operating results of the Company.

In July 1996 the Company filed suit against H.A.M. Sanitary Landfill, Inc. and its shareholders. The suit is now pending in the Circuit Court for Monroe County, West Virginia, Civil Action No. 96-C-51. The Company, among other things, seeks to recover \$1.8 million in advances which the Company made in connection with an agreement, since terminated, to purchase the H.A.M. Sanitary Landfill in West Virginia from the defendants, and to recover certain machinery and equipment with an aggregate replacement value of approximately \$150,000. The defendants in September 1996 filed a counterclaim against the Company and a subsidiary which seeks compensatory and punitive damages for claims of alleged breach of contract, breach of fiduciary duty under an alleged joint venture, unjust enrichment and fraud. The Company will vigorously prosecute its claim and defend against the counterclaim. In the opinion of management, the counterclaim should not materially affect the financial position or operating results of the Company.

On April 17, 1997, a purported class action on behalf of the public shareholders of the Company entitled Schipper v. United Waste et al., Civil Action No. 15664-NC, was filed in the Court of Chancery of the State of Delaware against the Company and each of the members



of the Company's Board of Directors asserting, among other things, that defendants breached their fiduciary duties to stockholders of the Company in negotiating the Merger Agreement and in engaging in certain related alleged acts and omissions. The complaint seeks, among other things, injunctive and other equitable relief against consummation of the Merger, and damages and costs in an unspecified amount. The Company believes the claim is without merit.

On June 25, 1997, Richard and Martin Zielinski (the "Claimants") filed a demand for arbitration against Connecticut Valley Sanitary Waste Disposal, Inc. ("CVSWD"), a subsidiary of United Waste. The Claimants seek approximately \$8,600,000, plus treble damages, based on CVSWD's alleged breaches of obligations under a lease and Massachusetts law in relation to the operation of CVSWD's Chicopee, Massachusetts landfill. CVSWD disagrees with Claimants' contentions and intends to vigorously defend against this claim. CVSWD will be filing a counter-demand for arbitration, based on the Claimants' breaches of the lease and Massachusetts law. It is too early to predict the outcome of the arbitration.

The Company accrues the costs for closure and post-closure monitoring over the life of its owned landfills and will pay out these costs over the next thirty years. Major components of these costs include closure cap construction, leachate treatment and groundwater monitoring. The Company accrues these costs utilizing engineering estimates based on current governmental regulations regarding closure requirements. The Company estimates that the aggregate liability for the closure, post-closure and remediation costs of its landfills owned at June 30, 1997 will be approximately \$71.8 million. At June 30, 1997, the Company has approximately \$53.0 million of these costs accrued and, therefore, has accrued approximately 73.8% of its estimated total costs to date.

The Company monitors the availability of airspace at each of its landfills and the need to obtain permit modifications for approvals for expansion in order to continue operating these landfills. In order to develop and operate a landfill, a composting facility or transfer station, or other solid waste management facility, the Company typically must go through several governmental review processes and obtain one or more permits and often zoning or other land use approvals. Once obtained, operating permits generally must be periodically renewed and are subject to modification and revocation by the issuing agency. There can be no assurance that the Company will succeed in obtaining these permits, permit modifications or approvals.

## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
United Waste Systems, Inc.

We have audited the accompanying consolidated balance sheets of United Waste Systems, Inc. as of December 31, 1996 and 1995 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the management of United Waste Systems, Inc. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 1994 financial statements of the Carmel Marina Companies, wholly-owned subsidiaries, which statements reflect total revenues constituting 15% in 1994 of the related consolidated totals. Those statements were audited by other auditors, whose report has been furnished to us and our opinion, insofar as it relates to data included for the Carmel Marina Companies, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and, for 1994, the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Waste Systems, Inc. at December 31, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

MetroPark, New Jersey  
February 21, 1997,  
except for Note 13, as  
to which the date is  
March 25, 1997

UNITED WASTE SYSTEMS, INC.  
CONSOLIDATED BALANCE SHEETS

ASSETS	December 31	
	1996	1995
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 2,567,854	\$ 6,721,849
Accounts receivable, net of allowance for doubtful accounts of \$3,076,000 in 1996 and \$2,249,000 in 1995	54,963,664	38,522,126
Prepaid expenses and other current assets	29,989,310	14,198,544
	-----	-----
Total current assets	87,520,828	59,442,519
Property and equipment, net of accumulated depreciation of \$94,407,414 in 1996 and \$58,866,599 in 1995	387,980,224	289,378,346
Intangible assets, net	286,851,677	171,739,197
Other assets	38,688,965	20,008,399
	-----	-----
	\$801,041,694	\$540,568,461
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and nonrecourse bonds	\$ 5,064,413	\$ 5,644,096
Accounts payable	23,923,298	18,031,701
Deferred revenue	12,189,998	8,291,415
Due to seller	4,258,016	6,465,720
Short-term accrued landfill costs	4,648,923	6,524,024
Current portion of capital lease obligations	846,528	1,383,576
Accrued expenses	15,572,292	11,143,769
Other current liabilities	9,196,178	5,933,633
	-----	-----
Total current liabilities	75,699,646	63,417,934
Long-term debt, less current portion	302,704,119	156,193,971
Obligations under capital leases, less current portion	373,296	4,687,554
Nonrecourse sewage facility revenue bonds, less current portion	8,900,000	9,400,000
Accrued landfill costs, less current portion	44,878,800	27,663,907
Other long-term liabilities	13,137,811	3,056,578
Deferred income taxes	36,634,609	33,885,306
Commitments and contingencies		

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

UNITED WASTE SYSTEMS, INC.  
CONSOLIDATED BALANCE SHEETS

	December 31	
	1996	1995
Stockholders' equity:		
Preferred stock, \$.001 par value, 5,000,000 shares authorized; none outstanding		
Common stock, \$.001 par value, 75,000,000 shares authorized; 39,089,553 in 1996 and 17,578,550 in 1995 shares issued and outstanding	39,090	17,579
Additional paid-in capital	248,973,700	200,267,630
Retained earnings	69,700,623	41,978,002
	318,713,413	242,263,211
Total stockholders' equity	318,713,413	242,263,211
	\$801,041,694	\$540,568,461
	=====	=====

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

UNITED WASTE SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December		
	1996	1995	1994
Revenues	\$ 335,743,175	\$ 228,376,762	\$ 146,042,523
Cost of operations	206,786,205	140,813,834	88,611,515
Selling, general and administrative expense	53,106,485	34,841,125	22,526,867
Income from operations	75,850,485	52,721,803	34,904,141
Interest expense	14,949,746	10,061,290	6,424,630
Other expense (income), net	251,661	(948,830)	(474,211)
Income before provision for pro forma income taxes	60,649,078	43,609,343	28,953,722
Provision for income taxes	25,256,286	15,320,898	7,944,023
Pro forma net income	35,392,792	28,288,445	21,009,699
Net deductions from pro forma income available to common stockholders	--	372,501	1,275,180
Pro forma income available to common stockholders	\$ 35,392,792	\$ 27,915,944	\$ 19,734,519
Pro forma primary earnings per common share and common equivalent share	\$ .89	\$ .82	\$ .76
Pro forma fully diluted earnings per common share and common equivalent share	\$ .88	\$ .81	\$ .72
Pro forma tax adjustments	363,280	1,458,361	2,064,773
Pro forma net income	35,029,512	26,830,084	18,944,926
Net deductions from pro forma income available to common shareholders	--	372,501	1,275,180
Pro forma net income available to common shareholders	\$ 35,029,512	\$ 26,457,583	\$ 17,669,746
Pro forma primary earnings per common share and common equivalent share	\$ .88	\$ .77	\$ .68
Pro forma fully diluted earnings per common share and common equivalent share	\$ .87	\$ .77	\$ .65

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

UNITED WASTE SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings
	Number of Shares	Amount	Number of Shares	Amount		
Balance, December 31, 1993	1,797,581	\$ 1,798	11,514,060	\$ 11,514	\$ 83,935,580	\$ 4,535,071
Issuance of common stock			763,578	764	15,279,707	
Exercise of common stock warrants and options			568,394	569	7,311,162	
Conversion of 8% convertible preferred stock	(854,152)	(854)	780,563	780	44	
Preferred stock dividends						(1,275,180)
Contributed capital Subchapter S distributions of pooled entities					590,667	
Net income						(3,413,997) 21,009,699
Balance, December 31, 1994	943,429	944	13,626,595	13,627	107,117,160	20,855,593
Issuance of common stock			2,469,299	2,469	79,684,075	

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

UNITED WASTE SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - Continued

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings
	Number of Shares	Amount	Number of Shares	Amount		
Exercise of common stock warrants and options			529,582	530	8,145,726	
Conversion of 8% convertible preferred stock	(943,429)	(944)	862,105	862	82	
Conversion of convertible debt			90,969	91	2,660,752	
Preferred stock dividends						(372,501)
Subchapter S distributions of pooled entities						(4,133,700)
Net income						28,288,445
Reclassification of subchapter S accumulated earnings to paid-in capital					2,659,835	(2,659,835)
Balance, December 31, 1995			17,578,550	17,579	200,267,630	41,978,002

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

UNITED WASTE SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - Continued

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings
	Number of Shares	Amount	Number of Shares	Amount		
Two-for-one stock split			18,238,718	18,238	(18,238)	
Poolings-of-interests			758,558	759	422,967	(4,781,320)
Adjustment to conform fiscal year of pooled entities						(506,803)
Exercise of common stock warrants and options			2,468,630	2,469	43,335,486	
Issuance of common stock			45,097	45	3,823,807	
Subchapter S distributions of pooled entities						(1,240,000)
Net income						35,392,792
Reclassification of Subchapter S accumulated earnings to paid-in capital					1,142,048	(1,142,048)
Balance, December 31, 1996	--	\$ --	39,089,553	\$ 39,090	\$ 248,973,700	\$ 69,700,623

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



UNITED WASTE SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	1996	1995	1994
Cash flows from operating activities:			
Net income	\$ 35,392,792	\$ 28,288,445	\$ 21,009,699
Adjustments to reconcile pro forma net income to net cash provided by operating activities:			
Depreciation and amortization	37,875,896	24,308,227	14,247,906
Deferred income taxes	10,057,369	3,859,374	1,871,425
Gain on sale of assets	(929,661)	(174,767)	(25,618)
Changes in operating assets and liabilities:			
Accounts receivable	(5,332,538)	(2,446,181)	(6,076,126)
Other assets	1,614,204	(3,874,321)	(163,365)
Accounts payable	1,994,813	(882,447)	4,870,279
Accrued landfill costs	(5,525,390)	34,893	(1,849,037)
Other liabilities	3,045,562	7,277,122	3,536,541
Net cash provided by operating activities	78,193,047	56,390,345	37,421,704
Cash flows from investing activities:			
Purchases of property and equipment	(55,317,981)	(39,189,791)	(22,562,624)
Proceeds from sale of assets	3,071,440	280,290	285,243
Restricted investments, net (held to maturity)	(8,151,482)	(7,954,428)	(186,741)
Payments of capitalized project costs	(1,244,535)	(1,279,671)	(2,305,851)
Payments of contingent purchase price	(3,752,072)	(2,337,751)	(6,262,879)

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

UNITED WASTE SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS - continued

	Year ended December 31		
	1996	1995	1994
Purchases of other companies, net of cash acquired	(157,092,207)	(159,062,810)	(27,331,361)
Net cash used in investing activities	(222,486,837)	(209,544,161)	(58,364,213)
Cash flows from financing activities:			
Dividends on preferred stock		(372,501)	(1,275,180)
Proceeds from debt	225,130,225	278,281,793	40,839,022
Repayments of debt	(94,638,687)	(185,233,930)	(32,977,036)
Repayments of capital lease obligations	(3,456,053)	(614,686)	(1,570,971)
Net proceeds from issuance of common stock		66,072,051	15,280,471
Proceeds from exercise of common stock warrants and options	26,652,798	8,146,256	6,296,716
Payment of financing costs	(5,437,000)	(2,684,074)	(582,483)
Due to sellers	(6,871,488)	(2,185,751)	(317,498)
Notes receivable			(1,104,505)
Contributed capital of pooled entities			590,667
Subchapter S distributions of pooled entities	(1,240,000)	(4,133,700)	(3,413,997)
Net cash provided by financing activities	140,139,795	157,275,458	21,765,206
(Decrease) increase in cash and cash equivalents	(4,153,995)	4,121,642	822,697
Cash and cash equivalents at beginning of year	6,721,849	2,600,207	1,777,510
Cash and cash equivalents at end of year	\$ 2,567,854	\$ 6,721,849	\$ 2,600,207
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest, net of amounts capitalized	\$ 13,328,310	\$ 8,337,161	\$ 5,970,394
Cash paid during the year for income taxes	\$ 5,644,573	\$ 10,362,953	\$ 3,426,391

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

UNITED WASTE SYSTEMS, INC.  
 CONSOLIDATED STATEMENTS OF CASH FLOWS - continued

	Year ended December 31		
	1996	1995	1994
Supplemental schedule of noncash investing and financing activities:			
The Company acquired the net assets and assumed certain liabilities of other companies as follows:			
Fair value of net assets acquired:			
Property and equipment	\$ 51,505,429	\$ 121,210,509	\$ 14,795,348
Other assets, net of cash acquired	138,909,867	129,422,285	22,425,750
Less liabilities assumed	(24,603,268)	(67,813,389)	(9,227,426)
Less amounts due to seller	(4,671,023)	(7,965,999)	(594,483)
Less amounts paid in common stock	(3,823,852)	(13,333,150)	
Less deposits and capitalized project costs paid in prior periods	(224,946)	(2,457,446)	(67,828)
Net cash paid	\$ 157,092,207	\$ 159,062,810	\$ 27,331,361
Equipment financed by capital lease obligations		\$ 777,867	\$ 167,370
Conversion of convertible preferred stock		10,377,719	9,395,672
Conversion of convertible debt		2,660,843	

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

UNITED WASTE SYSTEMS, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 December 31, 1996, 1995 and 1994

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

United Waste Systems, Inc. and its subsidiaries ("United" or "the Company") own, operate, acquire and develop nonhazardous solid waste landfills, collection operations and other related environmental services in selected markets in the United States.

The accompanying Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The accompanying Consolidated Financial Statements have been restated to include accounts of certain acquisitions accounted for as poolings-of-interests (see Note 3).

All per share data of the Company for all periods included in the Consolidated Financial Statements and related Notes to Consolidated Financial Statements and all share data in the Notes to Consolidated Financial Statements have been adjusted to reflect a two-for-one stock split in the form of a 100% stock dividend that became effective in June 1996 (see Note 9).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Cash Equivalents:** The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents.

**Property and Equipment:** Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The estimated useful life ranges for property and equipment are as follows:

	Range of Estimated Useful Lives -----
Buildings and improvements	25 - 30 years
Vehicles and equipment	7 - 10 years
Furniture, fixtures and office equipment	5 - 10 years

Amortization of assets recorded under capital leases is included in depreciation expense. The Company's sludge composting facility is being depreciated over the original contract period of 20 years. Landfill and landfill improvement costs are amortized based upon total units of airspace filled during the year in relation to estimated permitted airspace capacity. Land held for future development is excluded from amortization.

Engineering and legal fees paid to third parties incurred to obtain a disposal facility permit are capitalized as landfill costs and amortized over the estimated related airspace capacity. These costs are not amortized until the permit is obtained and the disposal facility is ready for its intended use. If the permit is denied, these costs are charged to expense.

**Other Assets:** Other assets consist primarily of deposits for, or advances to, pending or prospective acquisitions and restricted cash and cash equivalents which are collateral for letters of credit and bonds and restricted debt service and construction funds. Restricted cash and cash equivalents are \$11,480,003 at December 31, 1996 and \$8,366,000 at December 31, 1995.

In connection with the Company's Tax Exempt Bonds (see Note 6), restricted cash and cash equivalents in escrow total \$5,590,000 at December 31, 1995. At December 31, 1996, all funds have been expended.

**Concentrations of Credit Risk:** Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash investments and accounts receivable. The Company places its cash investments with high quality financial institutions. Concentrations of credit risk with respect to accounts receivable are limited because a large number of geographically diverse customers make up the Company's customer base. No single group or customer represents greater than 10% of total accounts receivable. The Company controls credit risk through credit approvals, credit limits, and monitoring procedures.

**Accrued Landfill Costs:** Landfill site closure and post-closure cost liabilities are accrued for the Company's owned landfills based on engineering estimates of total units of airspace filled during the year and the total closure and post-closure costs to be incurred by the Company. Such liabilities are not discounted or reduced by possible recoveries from third parties.

**Revenue Recognition:** Landfill revenues are recorded at the date of actual waste disposal. Revenues received prior to services being performed are deferred and are recognized over the service period.

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

**Impact of Recently Issued Accounting Standards:** In March 1995, the Financial Accounting Standards Board issued Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of ("SFAS No. 121"), which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. SFAS No. 121 also addresses the accounting for long-lived assets that are expected to be disposed of. SFAS No. 121 is effective for the Company's fiscal year ended December 31, 1996. The adoption of this Statement did not have a material effect on the Company's financial position or results of operations.

In October 1996, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position No. 96-1 ("SOP 96-1"), Environmental Remediation Liabilities. SOP 96-1 provides authoritative guidance on the recognition, measurement, display and disclosure of environmental remediation liabilities. SOP 96-1 also contains a discussion of major federal legislation relating to environmental remediation and pollution prevention and control. SOP 96-1 is effective for fiscal years beginning after December 15, 1996. Although such costs are not presently determinable, adoption of SOP 96-1 is not expected to have a material effect on the Company's financial position and results of operations (See Note 12).

Use of Estimates: The preparation of the Consolidated Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. These estimates and assumptions principally affect the Company's accruals for landfill costs and accounts receivable reserve, the amortization periods for intangible assets and landfill and landfill improvement costs. Actual results could differ from those estimates.

Stock-Based Compensation: The Company accounts for its stock compensation arrangements under the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees." Since the stock options are granted by the Company at the fair value of the shares at the date of grant, no compensation expense is recognized in the Consolidated Financial Statements (see Note 9).

#### NOTE 3 - ACQUISITIONS

On June 28, 1996, the Company issued 730,765 shares of its Common Stock for all of the outstanding shares of common stock of Salinas Disposal Service, Inc., Rural Dispos-All Service, Inc. and Madison Lane Properties, Inc. (the "Salinas Companies"), a group of affiliated companies that comprise an integrated solid waste management company. This transaction has been accounted for as a pooling-of-interests and, accordingly, the Consolidated Financial Statements have been restated for all periods presented to include the accounts of the Salinas Companies.

On September 29, 1995, the Company issued 2,252,946 shares of its Common Stock for all of the outstanding shares of common stock of Carmel Marina Corporation, Neal Road Landfill Corporation, Jolon Road Landfill Corporation, Cal Sanitation Services, Inc., Portable Site Services, Inc. and certain real estate assets (the "Carmel Marina Companies"), a group of affiliated companies that comprise an integrated solid waste management company. This transaction has been accounted for as a pooling-of-interests and, accordingly, the Consolidated Financial Statements have been restated for all periods presented to include the accounts of the Carmel Marina Companies.

Separate revenue and pro forma net income of United the Carmel Marina Companies and the Salinas Companies prior to the respective combinations are as follows:

	United(1)	Carmel Marina Companies	Salinas Companies	Combined
	-----	-----	-----	-----
Year ended December 31, 1995				
Revenues	\$ 211,790,224		\$ 16,586,538	\$ 228,376,762
Pro forma net income	25,987,769		842,315	26,830,084
Year ended December 31, 1994				
Revenues	106,551,057	\$ 21,977,708	17,513,758	146,042,523
Pro forma net income	15,557,488	1,509,387	1,878,051	18,944,926

(1) The data with respect to United for the year ended December 31, 1994, is prior to restatement for the acquisitions of the Carmel Marina Companies and the Salinas Companies. The data with respect to United for the year ended December 31, 1995, is after restatement for the acquisition of the Carmel Marina Companies, but prior to restatement for the acquisition of the Salinas Companies.

During September 1996, the Company issued 579,857 shares of its Common Stock for the acquisition of three solid waste management companies. During December 1996, the Company issued 178,701 shares of its Common Stock for the acquisition of two solid waste management companies. These transactions were accounted for as poolings-of-interests; however, these acquisitions were not material to the Company's consolidated operations and financial position and, therefore, the accompanying 1995 and 1994 Consolidated Financial Statements have not been restated.

The acquisitions discussed below have been accounted for as purchases and, accordingly, the results of their operations have been included in the Company's results of operations from their respective acquisition dates. The purchase prices have been allocated to the assets acquired and liabilities assumed based on their respective fair values at their respective acquisition dates. Contingent purchase price is capitalized when earned and amortized over the remaining life of the related asset.

During December 1996, the Company purchased outstanding stock and certain assets of the I-5 Companies, which are comprised of two landfill operating contracts, one collection company and two transfer stations. The consideration was comprised of \$21,000,000 in cash and certain additional assumed liabilities.

During January 1996, the Company purchased all of the outstanding stock of Commercial Disposal Co., Inc. which is comprised of a collection company and two transfer stations. The aggregate consideration was \$16,126,500 in cash.

The total initial consideration for other acquisitions that the Company made in 1996 was approximately \$119,466,000 in cash, approximately \$1,390,000 in seller notes, 109,673 shares of the Company's Common Stock, warrants to purchase 65,000 shares of the Company's Common Stock and contingent consideration not to exceed \$15,950,000.

During September 1995, the Company purchased the outstanding stock and certain assets of the Partyka Resource Companies, which comprise two solid waste landfills and collection operations. The aggregate initial consideration was \$36,424,609 in cash, \$6 million in seller notes and 184,200 shares of the Company's Common Stock. Contingent royalty payments of \$5.95 per ton are due for each ton received at the landfills commencing October 1995 (subject to a cap of \$10,577,773).

During September 1995, the Company purchased all of the outstanding stock of the Zenith Kremer Companies, which are comprised of a collection company and two transfer station permits. The aggregate consideration was \$19,158,320 in cash.

During February 1995, the Company purchased all of the outstanding stock of Waste Systems Corporation and certain assets of WasteCo, Inc., which together are comprised of a solid waste landfill and collection operations. The aggregate initial consideration was \$12,326,396 in cash and 280,000 shares of the Company's Common Stock. Contingent royalty payments of \$1.15 per ton are due for each ton received at the landfill (not to exceed \$8 million in aggregate). An additional contingent purchase payment of \$750,000 was paid in 1996 upon receipt of a permit modification increasing daily and annual tonnage limits that may be accepted by the landfill, and an additional contingent purchase payment of \$1,000,000 was paid in 1996 upon the receipt of another permit modification from required regulatory agencies authorizing additional landfill capacity.

The total initial consideration for other acquisitions that the Company made in 1995 was approximately \$91,200,000 in cash, approximately \$5,900,000 in seller notes, 464,398 shares of the Company's Common Stock and contingent consideration not to exceed \$19,200,000.

During August 1994, the Company purchased all of the outstanding stock of Pete's Disposal Service, Inc., a collection company that provides solid waste collection services. The aggregate initial consideration was \$4,800,000 in cash. Contingent consideration of \$347,896 in cash was paid in January 1995 related to certain contractual obligations for billing retentions.

During June 1994, the Company purchased all of the outstanding stock of PRTR, Inc., a company that operates a transfer station. The aggregate initial consideration was \$4,225,846 in cash. Contingent royalty payments of \$1 per ton (subject to \$.75 increases on the fifth and tenth anniversary dates of the transaction) for each ton received in excess of 100 tons per day are payable quarterly (subject to a cap of \$125,000 per year and \$1,300,000 in aggregate).

During April 1994, the Company purchased substantially all of the assets of Orlando Trucking, Inc., a collection company. The aggregate initial consideration was \$3,970,000 in cash.

During March 1994, the Company purchased all of the outstanding stock of Kent Industrial Services, Inc., a collection company. The aggregate initial consideration was \$5,000,000 in cash.

During January 1994, the Company purchased all of the outstanding stock of Harland's Sanitary Landfill, Inc. and purchased substantially all of the assets of Harland's Disposal Service, Inc. These companies are comprised of solid waste landfill and collection operations. The initial aggregate purchase price was \$4,170,000 in cash. Contingent royalty payments of \$1.50 per ton commence on the ninth anniversary of the transaction.

The total consideration for other acquisitions that the Company made in 1994 was \$2,652,291 in cash and \$1,363,000 in seller notes.

The Company has not completed its valuation of certain of its 1996 purchases and the purchase price allocations are subject to change when additional information concerning asset and liability valuations are completed.

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company for the years ended December 31,



1996 and 1995 as though each acquisition described above (excluding certain of such acquisitions that were not material individually or in the aggregate) was made on January 1, 1995.

	1996 -----	1995 -----
Revenues	\$360,469,429	\$322,428,781
Pro forma net income	34,960,904	28,169,023
Pro forma primary earnings per common and common equivalent share	\$.88	\$.81
Pro forma fully diluted earnings per common and common equivalent share	\$.87	\$.80

The unaudited pro forma results are based upon certain assumptions and estimates which are subject to change. These results are not necessarily indicative of the actual results of operations that might have occurred, nor are they necessarily indicative of expected results in the future.

#### NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	December 31 -----	
	1996 -----	1995 -----
Landfills	\$ 224,413,867	\$ 181,685,044
Land and improvements	22,350,398	14,529,438
Buildings and improvements	34,713,450	22,626,762
Sludge composting facility	11,675,853	11,675,853
Vehicles and equipment	160,422,300	102,582,170
Furniture, fixtures and office equipment	5,381,978	3,243,833
Construction in progress	23,429,792	11,901,845
	-----	-----
	482,387,638	348,244,945
Less accumulated depreciation and amortization	(94,407,414)	(58,866,599)
	-----	-----
Net property and equipment	\$ 387,980,224 =====	\$ 289,378,346 =====

Landfill amortization totaled \$11,176,704, \$6,986,922 and \$3,573,196 for the years ended December 31, 1996, 1995 and 1994, respectively. Depreciation expense totaled \$18,009,022, \$9,971,936 and \$5,447,329 for the years ended December 31, 1996, 1995 and 1994, respectively.

The Company capitalizes interest as a component of the cost of property and equipment for construction projects that take considerable time and expenditures. Interest capitalized, primarily related to landfill cell construction, in 1996, 1995 and 1994 amounted to \$1,682,000, \$1,349,000 and \$722,000, respectively.

#### NOTE 5 - INTANGIBLE ASSETS

Intangible assets consist of the excess of cost over the value of identifiable net assets of businesses acquired and other intangible assets. Excess of cost over value of identifiable net assets of businesses acquired are being amortized on a straight line basis over forty years while other intangible assets are being amortized on a straight line basis for periods ranging from three to ten years.

	December 31	
	----- 1996 -----	----- 1995 -----
Excess of cost over value of identifiable net assets of businesses acquired	\$ 293,462,083	\$ 171,957,922
Other intangible assets	8,621,997	8,520,001
	-----	-----
	302,084,080	180,477,923
Less accumulated amortization	(15,232,403)	(8,738,726)
	-----	-----
Intangible assets, net	\$ 286,851,677	\$ 171,739,197
	=====	=====

The Company continually evaluates the value and future benefits of its intangibles. The Company assesses recoverability from future operations using income from operations of the related acquired business as a measure. Under this approach, the carrying value would be reduced if it becomes probable that the Company's best estimate for expected future cash flows of the related business would be less than the carrying amount of the intangible over the remaining amortization period. For the three year period ended December 31, 1996, there were no adjustments to the carrying amounts of intangibles resulting from these evaluations.

#### NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following:

	December 31	
	----- 1996 -----	----- 1995 -----
Credit Facility	\$ 31,450,000	\$ 41,800,000
Convertible Subordinated Notes at 4 1/2% per annum, due June 1, 2001, convertible to Common Stock at \$32.50 per share	150,000,000	
Senior secured notes, interest payment semi-annually, at 7.67% per annum, annual principal payments beginning September 1999, due September 2005	75,000,000	75,000,000
Tax exempt bonds, monthly interest payments at variable rates (4.25% and 5.15% at December 31, 1996 and 1995, respectively), due April 2010	22,500,000	22,500,000
Promissory note, quarterly interest payments, at 8% per annum, due September 2001	6,000,000	6,000,000
Subordinated promissory notes, monthly interest payments at 8 1/2% per annum due April 2000	3,000,000	3,000,000
Other (interest rates ranging from 3.07% to 14.7%)	19,418,532	13,238,067
	-----	-----
	307,368,532	161,538,067
Less current portion	(4,664,413)	(5,344,096)
	-----	-----
	\$ 302,704,119	\$ 156,193,971
	=====	=====

The Company's credit facility was amended in December 1996 to, among other

things, eliminate certain covenants and lower borrowing costs. The credit facility as so amended (the "Credit Facility") provides for a \$190 million, three year, secured revolving credit facility due December 1999. Outstanding loans under the Credit Facility bear interest at a rate per annum equal to the Eurodollar Rate (Reserve Adjusted) (as defined in the loan agreement providing for the Credit Facility) applicable to each interest period plus 0.625% to 1.25% per annum or the Alternate Reference Rate (as defined) from time to time in effect. At December 31, 1996 and 1995, the weighted average interest rate was 6.98% and 7.15%, respectively. The Credit Facility also allows the Company to obtain up to \$90 million in letters of credit. The aggregate amount that the Company is permitted to borrow under the Credit Facility is reduced by the aggregate face amount of all outstanding letters of credit issued thereunder. The Credit Facility is secured by the stock of the Company's subsidiaries, restricts the Company from granting other liens on its assets (subject to certain limited exceptions), and requires the Company to comply with certain covenants including, but not limited to, maintenance of certain financial ratios, limitations on additional indebtedness, limitations on capital expenditures and a prohibition on the Company's payment of cash dividends on its Common Stock. The Credit Facility also currently requires that the consent of the lenders be obtained in order for the Company to make an acquisition that provides for an aggregate cash purchase price of \$50 million or more. In addition, the Credit Facility prohibits the Company from using more than \$15 million of its cash to secure closure and post-closure obligations that the Company may have relating to its landfills (see Note 13).

In June 1996, the Company issued \$150 million principal amount of 4-1/2% Convertible Subordinated Notes due June 1, 2001 (the "Convertible Notes"). The Convertible Notes bear interest at a fixed rate of 4-1/2% per annum, payable semi-annually. The Convertible Notes are convertible into Common Stock of the Company at a conversion price of \$32.50 per share. The Convertible Notes are unsecured obligations of United Waste Systems, Inc. and are subordinated to all existing and future Senior Indebtedness (as defined in the indenture relating to the Convertible Notes) of United Waste Systems, Inc. and are effectively subordinated to all indebtedness and other liabilities of the subsidiaries of the Company.

In April 1995, \$22.5 million in principal amount of Variable Rate Demand Limited Obligation Revenue Bonds (the "Tax Exempt Bonds") were issued for the benefit of the Company by a corporate body organized under the laws of the State of Michigan. The Tax Exempt Bonds mature on April 1, 2010 and bear interest at a variable rate unless the Company elects a fixed rate in accordance with the terms of the Tax Exempt Bonds. If a variable rate is in effect, this rate is set periodically at a level (not to exceed 12% per annum) that would enable the Tax Exempt Bonds to be resold at a price equal to their principal amount plus all accrued interest thereon.

In September 1995, the Company issued \$75 million in Senior Secured Notes due September 1, 2005 (the "Notes"). The Notes bear interest at a fixed rate of 7.67% per annum; interest is payable semi-annually and annual principal payments in the amount of \$10.7 million are due beginning September 1999. The Notes are secured pari passu with the Credit Facility and any event of default under the Credit Facility also constitutes an event of default under the Notes. The Notes require the Company to comply with certain covenants including, but not limited to, maintenance of certain financial ratios, limitation on additional indebtedness and prohibition on the Company's payment of cash dividends on any of its capital stock.

Maturities of the Company's long-term debt for each of the next five years at December 31, 1996 are as follows:

1997	\$ 4,664,413
1998	5,564,456
1999	52,167,791
2000	11,406,981
2001	17,200,242
Thereafter	216,364,649

NOTE 7 - NONRECOURSE SEWAGE FACILITY REVENUE BONDS

The Company's nonrecourse sewage facility revenue bonds (the "Revenue Bonds") are obligations of a wholly-owned subsidiary of the Company and are collateralized solely by the subsidiary's interest in a sludge composting facility, revenue derived from such facility and by certain bond funds held in trust. The Revenue Bonds are nonrecourse and, therefore, the subsidiary and its affiliates, including, but not limited to, United Waste Systems, Inc. and subsidiaries, are not liable for any payment due on the Revenue Bonds, nor any claim based on, or in respect to, the Revenue Bond's indenture. Annual principal payments on the Revenue Bonds range from \$400,000 to \$1,100,000 through 2010 at final maturity and interest is payable semi-annually at a fixed rate of 9.25% per annum.

NOTE 8 - INCOME TAXES

Certain of the companies acquired by United in transactions accounted for as poolings-of-interests (see Note 3) had elected to be treated as Subchapter S Corporations or partnerships prior to being acquired. In general, the income or loss of a Subchapter S Corporation or partnership is passed through to its owners rather than being subjected to taxes at the entity level. Pro forma net income or loss reflects a provision for income taxes on a pro forma basis for all periods presented as if all such companies were liable for federal and state income taxes as taxable corporate entities for all periods presented.

The provision for historic and pro forma federal and state income taxes is as follows:

	December 31		
	1996	1995	1994
Historical income taxes:			
Current State	\$ 3,135,854	\$ 1,546,649	\$ 546,230
Current Federal	12,063,062	10,228,961	5,575,607
Deferred State	1,607,625	660,890	181,636
Deferred Federal	8,449,744	3,198,484	1,640,550
 (Benefit) for deferred taxes of Subchapter S Corporation at time of pooling		(314,086)	
	\$ 25,256,285	\$15,320,898	\$ 7,944,023
Pro forma tax adjustment:			
State	78,744	310,142	450,095
Federal	284,537	1,148,219	1,614,678
	\$ 363,281	\$ 1,458,361	\$ 2,064,773
	\$ 25,619,566	\$16,779,259	\$10,008,796

A reconciliation of the provision for pro forma income taxes and the amount computed by applying the statutory federal income tax rates of 35% for 1996, 1995 and 1994 to income before taxes is as follows:

	December 31		
	1996	1995	1994
Computed tax at statutory tax rate	\$ 21,227,177	\$ 15,263,270	\$ 10,133,803
Increase (decrease) in taxes:			
Change in valuation allowance	(270,480)	(35,978)	(472,306)
Nondeductible expense (primarily intangibles)	1,613,019	992,663	230,994
State income taxes, net of federal tax benefit	3,134,444	1,636,493	658,546
Income of Subchapter S Corporations	(363,280)	(1,458,361)	(2,064,773)
(Benefit) for deferred taxes of Subchapter S Corporation at time of pooling		(314,086)	
Other	(84,594)	(763,103)	(542,241)
	\$ 25,619,566	\$ 16,779,259	\$ 10,008,796
	\$ 25,256,286	\$ 15,320,898	\$ 7,944,023

The components of deferred income tax liabilities and assets are as follows:

	December 31	
	----- 1996 -----	----- 1995 -----
Deferred income tax liabilities:		
Property, equipment and intangibles	\$ 47,972,712 =====	\$42,593,903 =====
Deferred income tax assets:		
Accounts receivable allowance	770,304	921,905
Accrued liabilities	6,961,902	1,861,550
Closure reserves	10,405,684	8,090,566
Net operating loss carryforwards	2,047,551	1,131,158
Other		64,004
	-----	-----
Total deferred income tax assets	20,185,441	12,069,183
Valuation allowance		(270,480)
	-----	-----
	\$ 20,185,441 =====	\$11,798,703 =====

The Company recognized certain tax benefits related to its stock option plan in the amount of \$16,682,688 and \$1,754,177 in 1996 and 1995, respectively. At December 31, 1996, these benefits were recorded as income taxes receivable, which is reflected in the balance sheet as an increase in prepaid expenses and other current assets, and an increase in additional paid-in capital. At December 31, 1995, these benefits were recorded as a reduction of income taxes payable, and reflected in the balance sheet as a reduction in accrued expenses and other current liabilities, and an increase in additional paid-in capital.

The Company has net short-term deferred tax assets in the amount of \$8,847,338 and \$2,842,000, at December 31, 1996 and 1995, respectively, which are reported in the balance sheet in prepaid expenses and other current assets.

At December 31, 1996, the Company has net operating loss carryforwards ("NOLs") of \$14,111,425 for federal and \$17,504,221 for state income tax purposes that expire in years 1997 through 2011. A portion of the NOLs resulted from the Company's acquisitions discussed in Note 3 and such NOLs are limited to the future taxable earnings of their related acquired businesses. At December 31, 1996, the Company has refundable income taxes in the amount of \$9,591,911. This consists of \$4,739,903 representing a carryback of losses and \$4,852,008 representing federal and state payments for future liabilities.

#### NOTE 9 - CAPITAL STOCK

Common Stock: On May 30, 1996, the stockholders of the Company approved an amendment to the Company's Certificate of Incorporation that increased the authorized shares of Common Stock of the Company to 75,000,000 shares. On March 12, 1996, the Board of Directors approved a two-for-one stock split of the Company's Common Stock to be effected in the form of a 100% stock dividend. Such stock split was effected by the distribution on June 18, 1996, of a dividend of one share of the Company's Common Stock in respect of each share of Common Stock that was outstanding on June 7, 1996, the record date established for such distribution. All agreements concerning stock options, convertible securities and other commitments payable in shares of the Company's Common Stock were amended pursuant to their own terms to provide for the issuance of two shares of Common Stock for every one share that was issuable prior to the stock split.

At December 31, 1996, approximately 9,176,552 shares of Common Stock are reserved for the exercise of warrants, options and the conversion of certain debt.

**Preferred Stock:** The Company's board of directors has the authority to designate 5,000,000 shares of \$.001 par value preferred stock in series, to establish as to each series the designation and number of shares to be issued and the rights, preferences, privileges and restrictions of the shares of each series, and to determine the voting powers, if any, of such shares. At December 31, 1996, the Company's Board of Directors had designated 3,440,990 shares, of which 336,621 shares are available for future issuance.

**Common Stock Options and Warrants:** During July 1992, the Company adopted the 1992 Stock Option Plan for the grant of incentive stock options and non-statutory stock options. The aggregate number of shares of Common Stock which may be subject to options granted under the plan may not exceed 5,900,000, subject to adjustment under certain circumstances. The exercise price, subject to certain minimums, vesting periods and other conditions applicable to each option granted, are generally determined by two disinterested directors on the Compensation Committee of the Board of Directors.

Also during July 1992, the Company adopted a 1992 Disinterested Director Stock Option Plan for the grant of non-statutory options for certain directors of the Company. The plan provides for a fixed number of options to be issued annually for each participant with exercise prices at current market value and these options vest immediately.

The Company has various other stock option plans for employees other than officers or directors. These plans have terms similar to those of the Company's 1992 Stock Option Plan.

During 1996, the Company granted 1,983,368 stock options with a weighted-average exercise price of \$26.92 per share. During 1996, 2,562,698 options (with a weighted-average exercise price per share of \$10.06) were exercised and 17,829 options (with a weighted-average exercise price per share of \$13.97) were forfeited. The weighted-average grant date fair value of options granted during 1996 was \$6.52 per share.

At December 31, 1996, 3,588,091 options to purchase shares of the Company's Common Stock were outstanding. The weighted average exercise price per share of such options was \$19.91. Such options had exercise prices ranging from \$5.06 to \$36.25 per share. Of such options, 816,018 provided for an exercise price per share in the range of \$5.06 to \$10.00 (the weighted average exercise price and weighted average remaining life of the options in this range being \$8.08 and 6.9 years, respectively); 1,107,158 provided for an exercise price per share in the range of \$10.01 to \$20.00 (the weighted average exercise price and weighted average remaining life of the options in this range being \$16.48 and 8.6 years, respectively); and 1,664,915 provided for an exercise price per share in the range of \$20.01 to \$36.25 (the weighted average exercise price and weighted average remaining life of the options in this range being \$27.98 and 9.7 years, respectively).

At December 31, 1996, 1,424,954 of the Company's outstanding options were exercisable. The weighted average exercise price per share of such exercisable options was \$17.89. Of such options, 479,682 provided for an exercise price per

share in the range of \$5.06 to \$10.00 (the weighted average exercise price of the options in this range being \$7.78); 360,995 provided for an exercise price per share in the range of \$10.01 to \$20.00 (the weighted average exercise price per share of the options in this range being \$15.65); and 584,277 provided for an exercise price per share in the range of \$20.01 to \$36.25 (the weighted average exercise price of the options in this range being \$27.58).

At December 31, 1996, the Company had 973,076 stock purchase warrants outstanding with an exercise price per share ranging from \$2.61 to \$34.75, all of which were currently exercisable. Such warrants expire through the year 2006.

At December 31, 1995, the Company had 4,185,250 stock options outstanding with exercise prices per share ranging from \$5.06 to \$19.00, with a weighted-average exercise price of \$10.69 of which 3,063,584 options were exercisable. During 1995, 447,140 stock options were exercised with exercise prices per share ranging from \$5.25 to \$17.19. Also at December 31, 1995, the Company had 1,247,328 stock purchase warrants outstanding with exercise prices per share ranging from \$2.61 to \$12.50, all of which were currently exercisable, and expire through the year 2002.

At December 31, 1994, the Company had 3,235,242 stock options outstanding with exercise prices per share ranging from \$5.06 to \$12.00. During 1994, 672,844 stock options were exercised with exercise prices per share ranging from \$4.05 to \$9.00. Also at December 31, 1994, the Company had 1,631,214 stock purchase warrants outstanding with exercise prices per share ranging from \$.03 to \$7.71, all of which were currently exercisable, and such warrants expire through the year 2002.

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" in accounting for stock-based employee compensation arrangements whereby no compensation cost related to stock options is deducted in determining net income. Had compensation cost for the Company's stock option plans been determined pursuant to Financial Accounting Standards Board Statement No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation," the Company's pro forma net income and earnings per share would have differed. The Black-Scholes option pricing model estimates fair value of options using subjective assumptions which can materially effect fair value estimates and, therefore, do not necessarily provide a single measure of fair value of options. Using the Black-Scholes option pricing model for all options granted after December 31, 1994 and a risk-free interest rate of 5.75%, a volatility factor for the market price of the Company's Common Stock of .315 and a weighted-average expected life of options of approximately three years, the Company's pro forma net income, primary pro forma earnings per share and fully-diluted pro forma earnings per share would have been \$32,338,165, \$.81 and \$.81, respectively, for 1996 and \$26,008,749, \$.75 and \$.75 respectively, for 1995. For purposes of these pro forma disclosures, the estimated fair value of options is amortized over the options' vesting period. Since the number of options granted and their fair value may vary significantly from year to year, the pro forma compensation expense in future years may be materially different.



## NOTE 10 - EARNINGS PER SHARE

Primary and fully diluted earnings per common share for the year ended December 31, 1996 have been computed based upon weighted average equivalent shares outstanding of 39,943,715 and 42,913,825, respectively.

Primary and fully diluted earnings per common share for the year ended December 31, 1995 have been computed based upon weighted average equivalent shares outstanding of 34,693,501 and 34,898,801, respectively.

Primary and fully diluted earnings per common share for the year ended December 31, 1994 have been computed based upon weighted average equivalent shares outstanding of 26,076,421 and 29,153,689, respectively. Primary earnings per share was calculated after giving effect to net deductions from income available to common stockholders of \$1,275,180 related to dividends on preferred stock.

## NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating the fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates fair value.

Restricted cash: The \$11,480,003 carrying amount reported in the balance sheet included in other assets for restricted cash and cash equivalents approximates fair value.

Long and short-term debt: The carrying amount of the Company's borrowings under its revolving credit agreement approximates fair value. The Convertible Notes traded at 115% of face value at December 31, 1996 and therefore the \$150 million face amount of the Convertible Notes have a fair value of \$173 million. The fair values of the other long and short-term debt are estimated based on the Company's incremental borrowing rates for similar types of borrowing arrangements. These carrying amounts approximate fair value.

## NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Company leases various office space and equipment under noncancellable operating leases expiring on various dates through 2004. The Company leases equipment with a cost of \$2,422,984 and \$5,981,710 and cumulative amortization of approximately \$504,060 and \$1,547,133 under various capital leases at December 31, 1996 and December 31, 1995, respectively.

The following is a schedule of future minimum lease payments under capital leases and noncancellable operating leases with initial terms in excess of one year as of December 31, 1996:

December 31	Capital Leases	Noncancellable Operating Leases
-----	-----	-----
1997	\$ 905,876	\$ 1,257,322
1998	260,955	982,840
1999	113,589	375,242
2000	35,160	295,699
2001	-	275,000
Thereafter	-	709,202
	-----	-----
Total minimum lease payments	1,315,580	\$ 3,895,305 =====
Less amount representing interest	(95,756) -----	
Present value of net minimum lease payments	1,219,824	
Less current portion	(846,528) -----	
Long-term portion	\$ 373,296 =====	

Rent expense under noncancellable operating leases for the years ended December 31, 1996, 1995 and 1994 was \$1,044,995, \$435,008 and \$428,233, respectively.

During 1995, the Company acquired a company which had a contingent lease agreement with respect to a portion of the land related to one of its solid waste landfills. Payments under this lease agreement are based upon 50% of the net cash receipts (as defined in the lease agreement) of the landfill and are payable monthly. For the year ended December 31, 1996 and 1995 the related lease expense totaled \$751,000 and \$243,000, respectively.

The Company owns and operates a waste water sludge composting plant located in Springfield, Massachusetts. During 1992, the Company entered into a 20-year service agreement with the City of Springfield under which the Company treats sewage sludge generated at the Springfield Regional Wastewater Treatment Facility.

While the Company carries a wide range of insurance coverage for the protection of the Company's assets and operations, the Company does not carry insurance coverage for environmental liability, except as described in the following sentence. The Company's insurance coverage for environmental liability is limited to (i) over-the-road environmental liability protection for the transportation of asbestos-containing material, (ii) contractor pollution liability insurance that relates to certain environmental services provided by the Company and (iii) certain other pollution liability insurance which is the equivalent to self-insurance because under the terms thereof the Company is required to fully reimburse the insurance company for any paid claims. In the event uninsured losses occur, the Company's net income and financial position could be materially adversely affected.

On January 9, 1996, the Junker Landfill Trust sued the Company, Junker Sanitation Services, Inc., and United Waste Transfer, Inc., both of which are subsidiaries of the Company, and approximately 800 other parties in the United States District Court for the Western District of Wisconsin, Case No. 96C-19S, for the contribution under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"), as well as state common law, with respect to the Junker Landfill site in Hudson, Wisconsin. By order entered July 19, 1996, the court approved a consent decree which was signed by the Company and others with respect to this site. The Company's obligations under the consent decree are secured by, and limited to, \$3,000,000 on promissory notes issued by the Company for the purchase of Junker Sanitation Services, Inc. A Settlement Agreement has been reached with the Plaintiff which involves no payment obligation on the part of Junker Sanitation Services, Inc., United Waste Systems, Inc., or United Waste Transfer, Inc. That settlement will become complete when the Court approves a second consent decree, which approval is expected at a hearing scheduled for April 29, 1997.

On May 26, 1995, the Company sued Robert Foley and Matthew Parzych in the United States District Court for the District of Connecticut, Case No. 3:95-CV-985. The defendants sold stock in certain Massachusetts corporations to the Company under an agreement dated April 1, 1992 (the "1992 agreement"). In the suit the Company seeks approximately \$1,115,000 in cash and securities from an escrow account and additional amounts from defendants by reason of indemnity provisions contained in the 1992 agreement and confirmed in an agreement dated January 28, 1994 (the "1994 agreement"). The defendants have counterclaimed against the Company and its chief executive officer, seeking to invalidate the 1994 agreement primarily for alleged lack of consideration and economic duress, and to receive alleged damages and costs. The counterclaims for damages are primarily for alleged misrepresentations by the Company in connection with the 1992 agreement, and were asserted by defendants notwithstanding provisions in the 1994 agreement which generally released the Company from all claims. The Company intends vigorously to pursue its claims in this action and to seek dismissal of the counterclaims. In the opinion of management, this claim should not materially affect the financial position or operating results of the Company.

In June 1996, Dale Lynch, Dennis Lynch and D.L. Lynch sued the Company, its chief executive officer and a subsidiary of the Company in the Circuit Court of Whitley County, Kentucky (Index No. 96 CI 00355). The subsidiary purchased the Tri-County landfill from the plaintiffs in 1991. The suit primarily seeks compensatory and punitive damages for alleged breach of contract and for allegedly fraudulent representations in connection with this purchase. The Company has filed a Counterclaim for breach of warranties and fraud. The Company has also sought indemnification for breach of warranties. In January 1997, the plaintiffs filed an Amended Complaint, which seeks relief similar to that of their original Complaint. The Company intends to file a Motion to Dismiss seven of the eight counts in the Complaint, including the fraud count. The Company has served discovery requests and deposition notices on plaintiffs and intends to vigorously defend against plaintiffs' claims and prosecute its Counterclaim. In the opinion of management, this suit should not materially affect the financial position or operating results of the Company.

In July 1996 the Company filed suit against H.A.M. Sanitary Landfill, Inc. and its shareholders. The suit is now pending in the Circuit Court for Monroe County, West Virginia, Civil Action No. 96-C-51. The Company, among other things, seeks to recover \$1.8 million in advances which the Company made in connection with an agreement, since terminated, to purchase the H.A.M. Sanitary Landfill in West Virginia from the defendants, and to recover certain machinery and equipment with an aggregate replacement value of approximately \$150,000.

The defendants in September 1996 filed a counterclaim against the Company and a subsidiary which seeks compensatory and punitive damages for claims of alleged breach of contract, breach of fiduciary duty under an alleged joint venture, unjust enrichment and fraud. The Company will vigorously prosecute its claim and defend against the counterclaim. In the opinion of management, the counterclaim should not materially affect the financial position or operating results of the Company.

The Company accrues the costs for closure and postclosure monitoring over the life of its owned landfills and will pay out these costs over the next fifty years. Major components of these costs include closure cap construction, leachate treatment and groundwater monitoring. The Company accrues these costs utilizing engineering estimates based on current governmental regulations regarding closure requirements. The Company estimates that the aggregate liability for the closure, postclosure and remediation costs of its landfills owned at December 31, 1996 will be approximately \$66.6 million. At December 31, 1996, the Company has approximately \$49.5 million of these costs accrued and, therefore, has accrued approximately 74.3% of its estimated total costs to date.

The Company monitors the availability of airspace at each of its landfills and the need to obtain permit modifications for approvals for expansion in order to continue operating these landfills. In order to develop and operate a landfill, a composting facility or transfer station, or other solid waste management facility, the Company typically must go through several governmental review processes and obtain one or more permits and often zoning or other land use approvals. Once obtained, operating permits generally must be periodically renewed and are subject to modification and revocation by the issuing agency. There can be no assurance that the Company will succeed in obtaining these permits, permit modifications or approvals.

The Company has outstanding letters of credit with banks of approximately \$61,311,000 at December 31, 1996. The letters of credit were obtained as collateral for the Company's Tax Exempt Bonds, self-fund insurance programs and as direct collateral to assure compliance with governmental sanitary landfill closure and post-closure obligations for landfills.

#### NOTE 13 - SUBSEQUENT EVENTS

Subsequent to December 31, 1996, the Company completed the acquisition of 13 solid waste businesses - these businesses include one landfill, 12 collection operations and one transfer operation. These acquisitions were accounted for as purchases. Also, subsequent to December 31, 1996, the Company issued Common Stock for all of the outstanding stock of a solid waste business which includes one collection and one transfer operation. This transaction has been accounted for as a pooling-of-interests. The historical operations of this business are not material to the Company's consolidated operations and financial position and, therefore, no restatement of the accompanying Consolidated Financial Statements was necessary.

During March 1997, the Company completed a public offering of 3,450,000 shares of its Common Stock. Net proceeds of the offering were approximately \$119.3 million. Approximately \$47.2 million of such proceeds have been used to reduce outstanding indebtedness under the Company's Credit Facility. At March 25, 1997, the Company has cash and cash equivalents of approximately \$69.0 million.

## (b) PRO FORMA FINANCIAL INFORMATION

The following pro forma financial statements and notes thereto are included herein:

- o USA Waste Services, Inc. Pro Forma Condensed Consolidated Balance Sheet as of June 30, 1997 (unaudited).
- o USA Waste Services, Inc. Pro Forma Condensed Consolidated Statement of Operations for the six months ended June 30, 1997 (unaudited).
- o USA Waste Services, Inc. Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 1996 (unaudited).
- o USA Waste Services, Inc. Notes to Pro Forma Condensed Consolidated Financial Statements (unaudited).

## USA WASTE SERVICES, INC.

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

On August 26, 1997, USA Waste Services, Inc. ("USA Waste") consummated a merger transaction with United Waste Systems, Inc. ("United") accounted for as "pooling of interests" pursuant to Opinion No. 16 of the Accounting Principles Board whereby 1.075 shares of USA Waste Common Stock was issued in exchange for each share of United Common Stock (the "Merger"). The accompanying pro forma condensed consolidated financial statements give effect to the Merger using the "pooling of interests" method of accounting which assumes that the combining companies have been merged from their inception, and that the historical financial statements for periods prior to consummation of the Merger are restated as though had been combined from their inception. The accompanying pro forma condensed consolidated financial statements should be read in conjunction with the USA Waste Consolidated Financial Statements and related notes thereto included in the USA Waste Annual Report on Form 10-K for the year ended December 31, 1996, as amended by Form 10-K/A filed April 30, 1997, the USA Waste Condensed Consolidated Financial Statements included in the USA Waste Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997, the United Consolidated Financial Statements and related notes thereto as of December 31, 1996 and 1995, and for the three years in the period ended December 31, 1996, included elsewhere herein, and the United Condensed Consolidated Financial Statements and related notes thereto as of June 30, 1997 and December 31, 1996, and for the three and six months ended June 30, 1997 and 1996, included elsewhere herein. The pro forma condensed consolidated financial statements are not necessarily indicative of the operating results that would have been achieved had the Merger been consummated as of the beginning of the periods presented and should not be construed as indicative of future operating results.

## USA WASTE SERVICES, INC.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET  
 June 30, 1997  
 (Unaudited)

	USA WASTE =====	UNITED =====	PRO FORMA ADJUSTMENTS =====	PRO FORMA =====
	(In thousands)			
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 43,937	\$ 25,823	\$ --	\$ 69,760
Accounts receivable, net	327,707	68,824	--	396,531
Notes and other receivables	61,206	8,883	--	70,089
Deferred income taxes	31,980	9,613	--	41,593
Prepaid expenses and other	56,628	10,675	--	67,303
	-----	-----	-----	-----
Total current assets	521,458	123,818	--	645,276
Notes and other receivables	56,345	--	--	56,345
Property and equipment, net	2,917,497	438,172	--	3,355,669
Excess of cost over net assets of acquired business, net	873,189	333,339	--	1,206,528
Other intangible assets, net	85,146	4,970	--	90,116
Other assets	164,207	40,968	--	205,175
	-----	-----	-----	-----
Total assets	\$ 4,617,842	\$ 941,267	\$ --	\$ 5,559,109
	=====	=====	=====	=====
<b>Liabilities and Stockholders' Equity</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 153,231	\$ 25,448	\$ --	\$ 178,679
Accrued liabilities	145,121	48,723	(27,087) (a) 50,000 (b)	216,757
Deferred revenues	38,968	13,959	--	52,927
Current maturities of long-term debt	49,520	7,039	--	56,559
	-----	-----	-----	-----
Total current liabilities	386,840	95,169	22,913	504,922
Long-term debt	1,996,958	273,894	--	2,270,852
Deferred income taxes	132,478	39,326	--	171,804
Closure, post-closure and other liabilities	235,429	62,785	--	298,214
	-----	-----	-----	-----
	2,751,705	471,174	22,913	3,245,792
	-----	-----	-----	-----
Commitments and contingencies	--	--	--	--
<b>Stockholders' equity:</b>				
<b>Preferred stock:</b>				
USA Waste: \$1.00 par value; 10,000,000 shares authorized; none issued	--	--	--	--
United: \$.001 par value 5,000,000 shares authorized; none outstanding	--	--	--	--
<b>Common stock:</b>				
USA Waste: \$.01 par value; 300,000,000 shares authorized; historical 160,702,719 shares (210,297,099 pro forma shares) issued and outstanding	1,607	--	17 (a) 479 (c)	2,103
United: \$.001 par value 75,000,000 shares authorized; 44,569,287 shares issued and outstanding	--	45	(45) (c)	--
Additional paid-in capital	1,845,112	374,085	27,070 (a) (434) (c)	2,245,833
Retained earnings	35,760	95,963	(50,000) (b)	81,723
Foreign currency translation adjustment	(15,858)	--	--	(15,858)
Less treasury stock at cost, 23,485 shares	(484)	--	--	(484)
	-----	-----	-----	-----
Total stockholders' equity	1,866,137	470,093	(22,913)	2,313,317
	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 4,617,842	\$ 941,267	\$ --	\$ 5,559,109
	=====	=====	=====	=====

See notes to pro forma condensed consolidated financial statements.

## USA WASTE SERVICES, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
(Unaudited)

	USA WASTE SIX MONTHS ENDED June 30, 1997	UNITED SIX MONTHS ENDED June 30, 1997	PRO FORMA ADJUSTMENTS	PRO FORMA
	(In thousands, except per share amounts)			
Operating revenues	\$ 900,090	\$ 216,619	\$ --	\$ 1,116,709
Costs and expenses:				
Operating (exclusive of depreciation and amortization shown below)	463,403	136,200	(18,138) (d)	581,465
General and administrative	102,614	33,295	(5,243) (d)	125,407
Depreciation and amortization	108,203	--	23,381 (d)	131,584
Merger costs	--	--	5,259 (e)	5,259
	674,220	169,495	--	843,715
Income from operations	225,870	47,124	--	272,994
Other income (expense):				
Interest expense	(33,373)	(7,899)	--	(41,272)
Interest income	2,139	--	1,609 (f)	3,748
Other income (expense), net	7,713	1,585	(1,609) (f)	7,689
	(23,521)	(6,314)	--	(29,835)
Income before income taxes	202,349	40,810	--	243,159
Provision for income taxes	80,940	16,961	--	97,901
Income available to common shareholders	\$ 121,409	\$ 23,849	\$ --	\$ 145,258
Earnings per common share	\$ 0.75	\$ 0.54		\$ 0.70 (g)
Weighted average number of common and common equivalent shares outstanding	167,861	44,165	3,312 (g)	215,338

See notes to pro forma condensed consolidated financial statements.



USA WASTE SERVICES, INC.  
 PRO FORMA CONDENSED CONSOLIDATED  
 STATEMENT OF OPERATIONS  
 (Unaudited)

	USA WASTE YEAR ENDED December 31, 1996	UNITED YEAR ENDED December 31, 1996	PRO FORMA ADJUSTMENTS	PRO FORMA
	-----	-----	-----	-----
	(In thousands, except per share amounts)			
Operating revenues	\$ 1,313,388	\$ 335,743	\$ --	\$ 1,649,131
	-----	-----	-----	-----
Costs and expenses:				
Operating (exclusive of depreciation and amortization show below)	704,917	206,786	(30,302)(d)	881,401
General and administrative	160,539	53,106	(7,574)(d)	200,101
			(5,970)(e)	
Depreciation and amortization	153,168	--	37,876 (d)	191,044
Merger costs	120,656	--	5,970 (e)	126,626
Unusual items	63,800	--	--	63,800
	-----	-----	-----	-----
	1,203,080	259,892	--	1,462,972
	-----	-----	-----	-----
Income from operations	110,308	75,851	--	186,159
	-----	-----	-----	-----
Other income (expense):				
Interest expense	(45,547)	(14,950)	--	(60,497)
Interest income	5,267	--	1,432 (f)	6,699
Other income (expense), net	8,060	(252)	(1,432)(f)	6,376
	-----	-----	-----	-----
	(32,220)	(15,202)	--	(47,422)
	-----	-----	-----	-----
Income before income taxes	78,088	60,649	--	138,737
Provision for income taxes	45,142	25,256	--	70,398
	-----	-----	-----	-----
Income available to common shareholders	\$ 32,946	\$ 35,393	\$ --	\$ 68,339
	=====	=====	=====	=====
Earnings per common share	\$ 0.24	\$ 0.89		\$0.37 (g)
	=====	=====		=====
Weighted average number of common and common equivalent shares outstanding	139,740	39,944	2,996 (g)	182,680
	=====	=====	=====	=====

See notes to pro forma condensed consolidated financial statements.

## USA WASTE SERVICES, INC.

NOTES TO PRO FORMA CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

## 1. BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed consolidated financial statements present the issuance of USA Waste Common Stock for all issued and outstanding United Common Stock in a merger transaction accounted for as a "pooling of interests" pursuant to Opinion No. 16 of the Accounting Principles Board. The "pooling of interests" method of accounting assumes that the combining companies have been merged from their inception, and the historical financial statements for periods prior to consummation of the Merger are restated as though the companies have been combined since their inception.

The accompanying unaudited pro forma condensed consolidated balance sheet includes an adjustment for estimated nonrecurring costs directly related to the Merger which are expected to be included in operations of USA Waste within the twelve months succeeding the consummation of the Merger. Such costs are currently estimated to be approximately \$50,000,000.

Certain reclassifications have been made to the historical financial statements of USA Waste and United to conform to the pro forma presentation. Such reclassifications are not material to the pro forma condensed consolidated financial statements.

The pro forma condensed consolidated financial statements are not necessarily indicative of the operating results that would have been achieved had the Merger been consummated as of the beginning of the periods presented and should not be construed as indicative of future operating results.

## 2. PRO FORMA ADJUSTMENTS

- (a) In connection with the Merger, all outstanding options to purchase United Common Stock were cancelled in exchange for a number of shares of USA Waste Common Stock having a market value equal to the fair value of such options at the time of consummation of the Merger, as determined by an independent third party. This adjustment reflects the assumed issuance of 1,682,396 shares of USA Waste Common Stock to accomplish this exchange. United receives a tax deduction for the fair market value of the shares issued, and the estimated resulting benefit of \$27,087,000 (40% of the estimated market value of the shares issued of \$67,716,000) is reflected as a reduction in accrued liabilities. The estimated tax benefit realized, net of par value of the stock issued, is reflected as an increase in additional paid-in capital.
- (b) Reflects a charge to stockholders' equity and an increase in accrued liabilities for the estimated nonrecurring costs of \$50,000,000 related to the Merger. Actual nonrecurring costs may vary from such estimates.
- (c) The stockholders' equity accounts have been adjusted to reflect the issuance of 47,911,984 shares of USA Waste Common Stock for all issued and outstanding shares of United Common Stock (based on the exchange ratio of 1.075 shares of USA Waste Common Stock for each share of United Common Stock outstanding as of June 30, 1997). The actual number of shares of USA Waste Common Stock to be

issued pursuant to the Merger was based on the number of United Common Stock issued and outstanding immediately prior to the consummation of the Merger.

- (d) Adjustments have been made to reclassify United's depreciation and amortization from operating expenses and general and administrative expenses to a separate line item to conform to the presentation of USA Waste.
- (e) Adjustments have been made to reclassify United's merger costs from general and administrative expenses to a separate line item to conform to the presentation of USA Waste.
- (f) Adjustments have been made to reclassify United's interest income from other income (expense), net to a separate line item to conform to the presentation of USA Waste.
- (g) Earnings per common share for each period are based on the combined weighted average number of common and common equivalent shares outstanding, after giving effect to the issuance of 1.075 shares of USA Waste Common Stock for each share on United Common Stock. Earnings per common share for the six months ended June 30, 1997, is computed by dividing net income, after adjusting for the after-tax interest expense of approximately \$5,033,000 on the Company's 4% convertible subordinated notes that are considered to be common stock equivalents based upon the yield test at the time of issuance, by the weighted average number of common and dilutive common equivalent shares outstanding for the period. Fully dilutive earnings per common share are considered equal to primary earnings per share for all periods presented because the addition of potentially dilutive securities that are not common stock equivalents would have been either antidilutive or not material.

## (c) Exhibits

- 10.1 Revolving Credit Agreement, dated August 9, 1997, among USA Waste Services, Inc., Bank of America Illinois, Morgan Guaranty Trust Company and other financial institutions.
- 10.2 Supplemental Indenture, dated as of August 26, 1997, among United Waste Systems, Inc. and USA Waste Services, Inc. and Bankers Trust Company relating to United Waste Systems, Inc.'s 4 1/2% Convertible Subordinated Notes due June 1, 2001.
- 23.1 Consent of Ernst & Young LLP.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

USA WASTE SERVICES, INC.

By: /s/ GREGORY T. SANGALIS

-----  
Gregory T. Sangalis  
Vice President, General Counsel  
& Secretary

September 2, 1997

## INDEX TO EXHIBITS

- 10.1 Revolving Credit Agreement, dated as of August 9, 1997, among USA Waste Services, Inc., Bank of America Illinois, Morgan Guaranty Trust Company and other financial institutions.
- 10.2 Supplemental Indenture, dated as of August 26, 1997, among United Waste Systems, Inc. and USA Waste Services, Inc. and Bankers Trust Company relating to United Waste System, Inc.'s 4 1/2% Convertible Subordinated Notes due June 1, 2001.
- 23.1 Consent of Ernst & Young LLP.

## AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

dated as of August 7, 1997

by and among

USA WASTE SERVICES, INC.

(the "Borrower")

AND

THE GUARANTORS

AND

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

("BOA")

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

("MGT")

AND THE OTHER FINANCIAL INSTITUTIONS WHICH BECOME  
A PARTY TO THIS AGREEMENT

(Collectively, the "Banks")

and

MGT AS ADMINISTRATIVE AGENT AND DOCUMENTATION AGENT

(the "Administrative Agent")

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AMENDED AND RESTATED  
REVOLVING CREDIT AGREEMENT

This AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT is made as of the 7th day of August, 1997, by and among USA WASTE SERVICES, INC., a Delaware corporation having its chief executive office at 1001 Fannin Street, First City Tower, Suite 4000, Houston, Texas 77002 (the "Borrower"), the Guarantors, and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association having its principal place of business at 231 South LaSalle Street Chicago, IL 60697 (successor by merger to Bank of America Illinois and referred to herein as "BOA"), MORGAN GUARANTY TRUST COMPANY OF NEW YORK, a New York state banking association having its principal place of business at 60 Wall Street, New York, New York 10260 ("MGT"), and each of the other financial institutions party hereto (collectively, the "Banks"), and MGT as administrative agent and documentation agent (the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Borrower, Canadian Waste Services Inc., Sanifill, BOA, MGT and certain of the Banks, and MGT as Administrative and Documentation Agent thereunder (collectively, the "Original Parties") are party to that certain Amended and Restated Revolving Credit Agreement dated as of March 5, 1997, by and among the Original Parties (as amended and in effect from time to time, the "Original Credit Agreement"); and

WHEREAS, the Borrower has requested, among other things, additional financing and the Banks are willing to provide such financing on the terms and conditions set forth herein to replace the Original Credit Agreement;

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements set forth herein below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the parties hereto agree, and the Original Parties have acknowledged, that on the Closing Date the Original Credit Agreement shall be amended and restated by this Agreement, the terms of which are as follows:

SECTION 1. DEFINITIONS AND RULES OF INTERPRETATION.

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

Absolute Competitive Bid Loan(s). See Section 4.3(a).

Accountants. See Section 7.4(a).

Administrative Agent. See Preamble.

Affected Bank. See Section 5.12.

Agents. BOA, BancAmerica Securities, Inc. and J.P. Morgan Securities Inc.

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

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

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

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

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

Applicable Requirements. See Section 7.10.

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

Assignment and Acceptance. See Section 19.

Average Quarterly Utilization Amount. See Section 2.2(b).

Balance Sheet Date. December 31, 1996.Banks. See Preamble.

Base Rate. The higher of (a) the annual rate of interest announced from time to time by the Administrative Agent at its Head Office as its "prime rate" (it being understood that such rate is a reference rate and not necessarily the

lowest rate of interest charged by the Administrative Agent), or (b) one percent (1%) above the Overnight Federal Funds Effective Rate.

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

BOA. See Preamble.

Borrower. See Preamble.

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

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

CERCLA. See Section 6.15(a).

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

CFO or the CAO. See Section 7.4(b).

Closing Date. The date on which the conditions precedent set forth in Section 10.1 hereof are satisfied.

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

Commitment. With respect to each Bank, such Bank's commitment to make Syndicated Loans to, and to participate in the issuance, extension and renewal of Letters of Credit for the account of, the Borrower, determined by multiplying such Bank's Commitment Percentage by the Total Commitment.

Commitment Percentage. With respect to each Bank, the percentage initially set forth next to such Bank's name on Schedule 1 hereto, as the same may be adjusted in accordance with Section 2.3 and Section 19.

Competitive Bid Loan(s). A borrowing hereunder consisting of one or more loans made by any of the participating Banks whose offer to make a

Competitive Bid Loan as part of such borrowing has been accepted by the Borrower under the auction bidding procedure described in Section 4 hereof.

Competitive Bid Loan Accounts. See Section 4.2(a).

Competitive Bid Margin. See Section 4.5(b)(iv).

Competitive Bid Notes. See Section 4.2(b).

Competitive Bid Quote. An offer by a Bank to make a Competitive Bid Loan in accordance with Section 4.5 hereof.

Competitive Bid Quote Request. See Section 4.3.

Competitive Bid Rate. See Section 4.5(b)(v).

Compliance Certificate. See Section 7.4(c).

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

Consolidated Earnings Before Interest and Taxes, or EBIT. For any period, the Consolidated Net Income (or Deficit) of the Borrower and its Subsidiaries on a consolidated basis plus the sum of (1) interest expense, (2) income taxes, (3) up to \$39,000,000 in pooling charges actually incurred with respect to the Western Waste Merger taken as a special charge in the quarter ending June 30, 1996, (4) up to \$82,556,000 in pooling charges actually incurred with respect to the Sanifill Merger, taken as a special charge in the quarter ending September 30, 1996, (5) up to \$50,848,000 in extraordinary charges actually incurred in the quarter ending September 30, 1996, (6) up to \$50,000,000 in pooling charges actually incurred with respect to the United Merger, taken as a special charge in the quarter ending September 30, 1997, (7) up to \$6,200,000 related to prepayment penalties in connection with the Prudential Private Placement Debt, and (8) up to \$4,000,000 related to prepayment penalties in connection with the United Senior Secured Notes to the extent that each of items (1) through (8) was deducted in determining Consolidated Net Income (or Deficit) in the relevant period; provided, however, that EBIT shall not include (A) extraordinary gains from tax credits occurring in any quarter commencing with the quarter ending September 30, 1996, or (B) any cash reimbursements or payments received with respect to item (5).

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



calculation of Consolidated Net Income for such period, determined in accordance with GAAP.

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

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

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

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

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

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

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

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

Defaulting Bank. See Section 5.12.

Defaults. See Section 12.1.

Disposal. See "Release".

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

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

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

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

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

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

Environmental Laws. See Section 6.15(a).

EPA. See Section 6.15(b).

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

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

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

Eurocurrency Reserve Rate. For any day with respect to a Eurodollar Loan, the maximum rate (expressed as a decimal) at which any lender subject thereto would be required to maintain reserves under Regulation D of the Board

of Governors of the Federal Reserve System (or any successor or similar regulations relating to such reserve requirements) against "Eurocurrency Liabilities" (as that term is used in Regulation D), if such liabilities were outstanding. The Eurocurrency Reserve Rate shall be adjusted automatically on and as of the effective date of any change in the Eurocurrency Reserve Rate.

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

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

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

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

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

**Events of Default.** See Section 12.1.

**Facility Fee.** See Section 2.2(a).

**Funded Debt.** Consolidated Indebtedness of the Borrower and its Subsidiaries for borrowed money and guarantees of debt for borrowed money recorded on the Consolidated balance sheet of the Borrower and its Subsidiaries, including the amount of any Indebtedness of such Persons for Capitalized Leases which corresponds to principal and any Indebtedness with respect to Permitted Receivables Transactions.

generally accepted accounting principles or GAAP. (i) When used in Section 9, whether directly or indirectly through reference to a capitalized term used therein, means (A) principles that are consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, in effect for the fiscal year ended on the Balance Sheet Date, and (B) to the extent consistent with such principles, the accounting practice of the Borrower reflected in its financial statements for the year ended on the Balance Sheet Date, and (ii) when used in general, other than as provided above, means principles that are (A) consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, as in effect from time to time, and (B) consistently applied with past financial statements of the Borrower adopting the same principles, provided that in each case referred to in this definition of "generally accepted accounting principles" a certified public accountant would, insofar as the use of such accounting principles is pertinent, be in a position to deliver an unqualified opinion (other than a qualification regarding changes in generally accepted accounting principles) as to financial statements in which such principles have been properly applied.

Guaranteed Obligations. See Section 27.1.

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

Guarantors. Shall mean Sanifill prior to the United Joinder Date, and shall mean Sanifill and United, collectively, after the United Joinder Date.

Hazardous Substances. See Section 6.15(b).

Head Office. The Administrative Agent's head office located in New York, New York, or at such other location as the Administrative Agent may designate from time to time.

Indebtedness. Collectively without duplication, whether classified as Indebtedness, an Investment or otherwise on the obligor's balance sheet, (a) all indebtedness for borrowed money, (b) all obligations for the deferred purchase price of property or services (other than trade payables not overdue by more than ninety (90) days incurred in the ordinary course of business), (c) all obligations evidenced by notes, bonds, debentures or other similar debt instruments, (d) all obligations created or arising under any conditional sale or other title retention agreement with respect to property acquired (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations, liabilities and indebtedness under Capitalized Leases, (f) all

obligations, liabilities or indebtedness (contingent or otherwise) under surety, performance bonds or any other bonding arrangements, (g) all Indebtedness of others referred to in clauses (a) through (f) above which is guaranteed, or in effect guaranteed, directly or indirectly in any manner, including through an agreement (A) to pay or purchase such Indebtedness or to advance or supply funds for the payment or purchase of such Indebtedness, (B) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling any Person to make payment of such Indebtedness or to assure the holder of such Indebtedness against loss, (C) to supply funds to or in any other manner invest in any Person (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (D) otherwise to assure any Person against loss, and (h) all Indebtedness referred to in clauses (a) through (g) above secured or supported by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured or supported by) any lien or encumbrance on (or other right of recourse to or against) property (including, without limitation, accounts and contract rights), even though the owner of the property has not assumed or become liable, contractually or otherwise, for the payment of such Indebtedness; provided that if a Permitted Receivables Transaction is outstanding and is accounted for as a sale of accounts receivable under generally accepted accounting principles, Indebtedness determined as aforesaid shall be adjusted to include the additional Indebtedness, determined on a consolidated basis, which would have been outstanding had such Permitted Receivables Transaction been accounted for as a borrowing.

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

Interim Balance Sheet Date. March 31, 1997.

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

Issuance Fee. See Section 3.6.

Issuing Banks. The Bank(s) issuing Letters of Credit, which shall be (a) MGT, BOA, BankBoston, N.A. (f/k/a The First National Bank of Boston), Texas Commerce Bank, National Association, and Fleet Bank, N.A. and (b) such other Banks as agreed to by the Borrower and the Administrative Agent.

Letter of Credit Applications. Letter of credit applications in such form as may be agreed upon by the Borrower and the Issuing Bank from time to time which are entered into pursuant to Section 3 hereof, as such Letter of Credit Applications are amended, varied or supplemented from time to time; provided, however, in the event of any conflict or inconsistency between the terms of any Letter of Credit Application and this Agreement, the terms of this Agreement shall control.

Letter of Credit Fee. See Section 3.6.

Letter of Credit Participation. See Section 3.1(c).

Letters of Credit. Standby letters of credit issued or to be issued by the Issuing Banks under Section 3 hereof for the account of the Borrower.

LIBOR Competitive Bid Loan(s). See Section 4.3(a).

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

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

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

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

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

Maturity Date. August 7, 2002.

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

MGT. See Preamble.

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

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

New Lending Office. See Section 5.1(c).

Non-U.S. Bank. See Section 5.1(b).

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

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

Original Credit Agreement. See Recitals.

Original Parties. See Recitals.

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

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

Permitted Liens. See Section 8.2.

Permitted Receivables Transaction. Any sale or sales of, and/or securitization of, any accounts receivable of the Borrower and/or any of its Subsidiaries (the "Receivables") pursuant to which (a) the Borrower and its Subsidiaries realize aggregate net proceeds of not more than \$150,000,000 at any one time outstanding, including, without limitation, any revolving purchase(s) of Receivables where the maximum aggregate uncollected purchase price (exclusive of any deferred purchase price) for such Receivables at any time outstanding does not exceed \$150,000,000, and (b) which Receivables shall not be discounted more than 25%.

Person. Any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated association, business, or other legal



entity, and any government or any governmental agency or political subdivision thereof.

Pricing Table:

LEVEL	SENIOR PUBLIC DEBT RATING	APPLICABLE FACILITY RATE	APPLICABLE L/C RATE	APPLICABLE EURODOLLAR RATE
1	At least A- by Standard & Poor's or at least A3 by Moody's	0.07500% per annum	0.1500% per annum	Eurodollar Rate plus 0.1500% per annum
2	At least BBB+ by Standard & Poor's or at least Baa1 by Moody's	0.0900% per annum	0.1850% per annum	Eurodollar Rate plus 0.1850% per annum
3	At least BBB by Standard & Poor's or at least Baa2 by Moody's	0.1125% per annum	0.2375% per annum	Eurodollar Rate plus 0.2375% per annum
4	At least BBB- by Standard & Poor's or at least Baa3 by Moody's	0.1500% per annum	0.3000% per annum	Eurodollar Rate plus 0.3000% per annum
5	At least BB+ by Standard & Poor's or at least Ba1 by Moody's	0.2500% per annum	0.5000% per annum	Eurodollar Rate plus 0.5000% per annum
6	If no other level applies	0.3000% per annum	0.5750% per annum	Eurodollar Rate plus 0.5750% per annum

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

Prudential Private Placement Debt. (a) That certain Amended and Restated Note Agreement dated as of August 28, 1996 by and among the Borrower, Sanifill and The Prudential Insurance Company of America and (b) that certain Amended and Restated Master Shelf Agreement dated as of August 28, 1996 by and among the Borrower, Sanifill and The Prudential Insurance Company of America, as each shall be amended through the Closing Date.

RCRA. See Section 6.15(a).

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

Reference Banks. BOA and MGT.

Reimbursement Obligation. The Borrower's obligation to reimburse the applicable Issuing Bank and the Banks on account of any drawing under any Letter of Credit, all as provided in Section 3.2.

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

Replacement Bank. See Section 5.12.

Replacement Notice. See Section 5.12. Sanifill. Sanifill, Inc., a Delaware corporation having its chief executive office at 1001 Fannin Street, First City Tower, Suite 4000, Houston, Texas 77002.

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

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

Sanifill Convertible Subordinated Debt. That certain indenture dated as of March 1, 1996, by and between Sanifill and Texas Commerce Bank National Association as Trustee, as in effect on the Closing Date, provided, that the Obligations and Sanifill's Guaranteed Obligations shall be "Senior Indebtedness" thereunder.

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

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

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

Swing Line Loans. See Section 2.11(a).

Swing Line Note. See Section 2.11(a).

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

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

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

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

Syndicated Loan Request. See Section 2.6(a).

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

Syndicated Notes. See Section 2.4(a).

Total Commitment. (a) \$1,700,000,000 prior to the United Joinder Date, or (b) \$2,000,000,000 on and after the United Joinder Date, as such amount may

be reduced pursuant to Section 2.3 hereof, or, (c) if such Total Commitment has been terminated pursuant to Section 2.3 or Section 12.2 hereof, zero.

United. United Waste Systems, Inc., a Delaware corporation having its chief executive office at Four Greenwich Office Park, Greenwich, Connecticut 06830.

United Credit Agreement. That certain Fourth Amended and Restated Credit Agreement dated as of December 5, 1996 among United, the First National Bank of Boston as co-agent, Bank of America Illinois as agent, and certain other financial institutions party thereto.

United Indenture. That certain indenture dated as of June 5, 1996 between United and Bankers Trust Company, as trustee, in the principal amount of \$150,000,000 due June 1, 2001.

United Joinder. A joinder to this Agreement in the form of Exhibit L executed by United simultaneously with the closing of the United Merger Agreement wherein United becomes a Guarantor hereunder, and such other related documents reasonably requested by the Administrative Agent, all in form and substance satisfactory to the Administrative Agent.

United Joinder Date. The date of the satisfaction of the conditions set forth in Section 10.2.

United Merger. The merger of United and Riviera Acquisition Corporation, a Subsidiary of the Borrower, pursuant to the terms of the United Merger Agreement.

United Merger Agreement. The Agreement and Plan of Merger dated as of April 13, 1997 by and among United, the Borrower and Riviera Acquisition Corporation.

United Senior Secured Notes. That certain Secured Note Agreement among United and the purchasers listed in the schedule attached thereto dated as of September 1, 1995 in the principal amount of \$75,000,000 due September 1, 2005.

Utilization Fee. See Section 2.2(b).

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

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

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

SECTION 1.2 RULES OF INTERPRETATION.

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

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

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

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

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

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

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

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

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

SECTION 2. THE LOAN FACILITIES.

SECTION 2.1 COMMITMENT TO LEND.

(a) Subject to the terms and conditions set forth in this Agreement, each of the Banks severally agrees to lend to the Borrower and the Borrower may borrow, repay, and reborrow from time to time

between the Closing Date and the Maturity Date, upon notice by the Borrower to the Administrative Agent given in accordance with this Section 2, its Commitment Percentage of the Syndicated Loans as are requested by the Borrower; provided that the sum of the outstanding principal amount of the Syndicated Loans (including the Swing Line Loans) and the Maximum Drawing Amount of outstanding Letters of Credit shall not exceed the Total Commitment minus the aggregate amount of Competitive Bid Loans outstanding at such time.

(b) Each request for a Loan or Letter of Credit hereunder shall constitute a representation and warranty by the Borrower that the conditions set forth in Section 10 and Section 11, as the case may be, have been satisfied on the date of such request. Any unpaid Reimbursement Obligation shall be a Base Rate Loan, as set forth in Section 3.2 (a).

#### SECTION 2.2 FACILITY FEE; UTILIZATION FEE.

(a) The Borrower agrees to pay to the Administrative Agent for the account of the Banks a fee (the "Facility Fee") on the Total Commitment equal to the Applicable Facility Rate multiplied by the Total Commitment. The Facility Fee shall be payable for the period from and after the Closing Date quarterly in arrears on the first day of each calendar quarter for the immediately preceding calendar quarter commencing on October 1, 1997 with a final payment on the Maturity Date (or on the date of termination in full of the Total Commitment, if earlier). The Facility Fee shall be distributed pro rata among the Banks in accordance with each Bank's Commitment Percentage.

(b) In the event that the average outstanding amount of the Loans plus the average Maximum Drawing Amount of the Letters of Credit in any calendar quarter (collectively, the "Average Quarterly Utilization Amount") exceeds fifty percent (50%) of the Total Commitment in effect during such calendar quarter, the Borrower agrees to pay to the Administrative Agent for the account of the Banks a fee (the "Utilization Fee") equal to 0.05% per annum on the Average Quarterly Utilization Amount. If applicable, the Utilization Fee shall be payable quarterly in arrears on the first day of each calendar quarter for the immediate preceding calendar quarter (or such lesser period of time as has elapsed since the Closing Date), commencing October 1, 1997 with a final payment on the Maturity Date (or on the date of termination in full of the Total Commitment if earlier). The Utilization Fee shall be distributed pro rata among the Banks in accordance with each Bank's Commitment Percentage.

## SECTION 2.3 REDUCTION OF TOTAL COMMITMENT.

(a) The Borrower shall have the right at any time and from time to time upon three (3) Business Days' prior written notice to the Administrative Agent to reduce by \$25,000,000 or a greater amount or terminate entirely, the Total Commitment, whereupon each Bank's Commitment shall be reduced pro rata in accordance with such Bank's Commitment Percentage of the amount specified in such notice or, as the case may be, terminated provided that at no time may (i) the Total Commitment be reduced to an amount less than the sum of (A) the Maximum Drawing Amount of all Letters of Credit, and (B) all Loans then outstanding.

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

(c) The Administrative Agent will notify the Banks promptly after receiving any notice delivered by the Borrower pursuant to this Section 2.3 and will distribute to each Bank a revised Schedule 1 to this Agreement.

## SECTION 2.4 THE SYNDICATED NOTES.

(a) The Syndicated Loans shall be evidenced by separate promissory notes of the Borrower in substantially the form of Exhibit A hereto (each, a "Syndicated Note"), dated as of the Closing Date and completed with appropriate insertions. One Syndicated Note shall be payable to the order of each Bank in an amount equal to its maximum Commitment, and shall represent the obligation of the Borrower to pay such Bank such principal amount or, if less, the outstanding principal amount of all Syndicated Loans made by such Bank, plus interest accrued thereon, as set forth herein. Notwithstanding the initial face amounts of the Syndicated Notes, the Total Commitment shall not exceed \$1,700,000,000 prior to the United Joinder Date.

(b) The Borrower irrevocably authorizes each Bank to make, or cause to be made, in connection with a Drawdown Date of any Syndicated Loan and at the time of receipt of any payment of principal on its Syndicated Note, an appropriate notation on such Bank's records or on the schedule attached to such Bank's Syndicated Note or a continuation of such schedule attached thereto reflecting the making of such Loan, or the receipt of such payment (as the case may be) and each Bank may, prior to any transfer of its Syndicated Note endorse on the reverse side thereof the outstanding principal amount of such Loans evidenced thereby. The outstanding amount of the Loans set forth on such Bank's records shall be

prima facie evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount shall not limit or otherwise affect the obligations of the Borrower hereunder or under such Notes to make payments of principal of or interest on any such Notes when due.

#### SECTION 2.5 INTEREST ON LOANS.

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

(b) Interest shall be payable (i) monthly in arrears on the first Business Day of each month, commencing September 1, 1997, on Base Rate Loans, (ii) on the last day of the applicable Interest Period, and if such Interest Period is longer than three months, also on the last day of the third month following the commencement of such Interest Period, on Eurodollar Loans, and (iii) on the Maturity Date for all Loans.

#### SECTION 2.6 REQUESTS FOR SYNDICATED LOANS.

(a) The Borrower shall give to the Administrative Agent written notice in the form of Exhibit D hereto (or telephonic notice confirmed in writing or a facsimile in the form of Exhibit D hereto) of each Syndicated Loan requested hereunder (a "Syndicated Loan Request") not later than (a) 11:00 a.m. (New York time) on the proposed Drawdown Date of any Base Rate Loan, or (b) 11:00 a.m. (New York time) three (3) Eurodollar Business Days prior to the proposed Drawdown Date of any Eurodollar Loan. Each such Syndicated Loan Request shall specify (A) the principal amount of the Syndicated Loan requested, (B) the proposed Drawdown Date of such Syndicated Loan, (C) whether such Syndicated Loan requested is to be a Base Rate Loan or a Eurodollar Loan, and (D) the Interest Period for such Syndicated Loan, if a Eurodollar Loan. Each Syndicated Loan requested shall be in a minimum amount of \$10,000,000. Each such Syndicated Loan Request shall reflect the Maximum Drawing Amount of all Letters of Credit outstanding and the amount of all Loans outstanding (including Competitive Bid Loans and Swing Line Loans). Syndicated Loan Requests made hereunder shall be irrevocable and binding on the Borrower, and shall obligate the Borrower to accept the Syndicated Loan requested from the Banks on the proposed Drawdown Date.

(b) Each of the representations and warranties made by the Borrower to the Banks or the Administrative Agent in this Agreement or any other Loan Document shall be true and correct in all material respects when made and shall, for all purposes of this Agreement, be deemed to be repeated by the Borrower on and as of the date of the submission of a Syndicated Loan Request,



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

(c) The Administrative Agent shall promptly notify each Bank of each Syndicated Loan Request received by the Administrative Agent (i) on the proposed Drawdown Date of any Base Rate Loan, or (ii) three (3) Eurodollar Business Days prior to the proposed Drawdown Date of any Eurodollar Loan.

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

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

(b) Three (3) Eurodollar Business Days prior to the making of any Eurodollar Loan or the conversion of any Base Rate Loan to a Eurodollar Loan, or, in the case of an outstanding Eurodollar Loan, the expiration date of the applicable Interest Period, the Borrower shall give written, telex or facsimile notice received by the Administrative Agent not later than 11:00 a.m. (New York time) of its election pursuant to Section 2.7(a). Each such notice delivered to the Administrative Agent shall specify the aggregate principal amount of the Syndicated Loans to be borrowed or maintained as or converted to Eurodollar Loans and the requested duration of the Interest Period that will be applicable to such Eurodollar Loan, and shall be irrevocable and binding upon the Borrower. If the Borrower shall fail to give the Administrative Agent notice of its election hereunder together with all of the other information required by this Section 2.7(b) with respect to any Syndicated Loan, whether at the end of an Interest Period or otherwise, such Syndicated Loan shall be deemed a Base Rate Loan. The Administrative Agent shall promptly notify the

Banks in writing (or by telephone confirmed in writing or by facsimile) of such election.

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

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

(e) Subject to the terms and conditions of Section 5.8 hereof, if any affected Bank demands compensation under Section 5.5(c) or (d) with respect to any Eurodollar Loan, the Borrower may at any time, upon at least three (3) Business Days' prior written notice to the applicable Administrative Agent, elect to convert such Eurodollar Loan into a Base Rate Loan (on which interest and principal shall be payable contemporaneously with the related Eurodollar Loans of the other Banks). Thereafter, and until such time as the affected Bank notifies the Administrative Agent that the circumstances giving rise to the demand for compensation under Section 5.5(c) or (d) no longer exist, all requests for Eurodollar Loans from such affected Bank shall be deemed to be requests for Base Rate Loans. Once the affected Bank notifies the Administrative Agent that such circumstances no longer exist, the Borrower may elect that the principal amount of each such Loan converted hereunder shall again bear interest as Eurodollar Loans beginning on the first day of the next succeeding Interest Period applicable to the related Eurodollar Loans of the other Banks.

SECTION 2.8 FUNDS FOR SYNDICATED LOANS. Not later than 1:00 p.m. (New York time) on the proposed Drawdown Date (a) in the case of Syndicated Loans, each of the Banks will make available to the Administrative Agent at its Head Office, in immediately available funds, the amount of its Commitment Percentage of the amount of the requested Loan. Upon receipt from each Bank of such amount, and upon receipt of the documents required by Section 10 and Section 11 and the satisfaction of the other conditions set forth therein, the Administrative Agent will make available to the Borrower the aggregate amount of such Syndicated Loans made available by the Banks. The failure or refusal of any Bank to make available to the Administrative Agent at the aforesaid time and place on any Drawdown Date the amount of its Commitment Percentage of the requested Syndicated Loan shall not relieve any other Bank from its several obligations hereunder to make available to the Administrative Agent the amount of such Bank's Commitment Percentage of the requested Loan.

SECTION 2.9 MATURITY OF THE LOANS AND REIMBURSEMENT OBLIGATIONS. The Borrower promises to pay on the Maturity Date, and there shall become absolutely due and payable on the Maturity Date, all of the Loans and unpaid Reimbursement Obligations outstanding on such date, together with any and all accrued and unpaid interest thereon and any fees and other amounts owing hereunder.

SECTION 2.10 OPTIONAL PREPAYMENTS OR REPAYMENTS OF LOANS. Subject to the terms and conditions of Section 5.8, the Borrower shall have the right, at its election, to repay or prepay the outstanding amount of the Loans, as a whole or in part, at any time without penalty or premium. The Borrower shall give the Administrative Agent no later than 11:00 a.m. (New York time) (a) on the proposed date of prepayment or repayment of Base Rate Loans and (b) one (1) Business Day prior to the proposed date of prepayment or repayment of all other Loans, written notice (or telephonic notice confirmed in writing or by facsimile) of any proposed prepayment or repayment pursuant to this Section 2.10, specifying the proposed date of prepayment or repayment of Loans and the principal amount to be paid. Notwithstanding the foregoing, the Borrower may not prepay any Competitive Bid Loans. The Administrative Agent shall promptly notify each Bank by written notice (or telephonic notice confirmed in writing or by facsimile) of such notice of payment.

SECTION 2.11 SWING LINE LOANS; SETTLEMENTS.

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

(b) The Banks shall effect Swing Line Settlements on (i) the Business Day immediately following any day which MGT gives written notice to the Administrative Agent to effect a Swing Line Settlement, (ii)

the Business Day immediately following the Administrative Agent's becoming aware of the existence of any Default or Event of Default, (iii) the Maturity Date and (iv) the Business Day immediately following any day on which the outstanding amount of Swing Line Loans advanced by MGT exceeds \$10,000,000 (each such date, a "Swing Line Settlement Date"). One (1) Business Day prior to each such Swing Line Settlement Date, the Administrative Agent shall give telephonic notice to the Banks of (A) the respective outstanding amount of Syndicated Loans made by each Bank as at the close of business on the prior day, (B) the amount that any Bank, as applicable (a "Swing Line Settling Bank"), shall pay to effect a Swing Line Settlement (a "Swing Line Settlement Amount") and (C) the portion (if any) of the aggregate Swing Line Settlement Amount to be paid to each Bank. A statement of the Administrative Agent submitted to the Banks with respect to any amounts owing hereunder shall be prima facie evidence of the amount due and owing. Each Swing Line Settling Bank shall, not later than 1:00 p.m. (New York time) on each Swing Line Settlement Date, effect a wire transfer of immediately available funds to the Administrative Agent at its Head Office in the amount of such Bank's Swing Line Settlement Amount. The Administrative Agent shall, as promptly as practicable during normal business hours on each Swing Line Settlement Date, effect a wire transfer of immediately available funds to each Bank of the Swing Line Settlement Amount to be paid to such Bank. All funds advanced by any Bank as a Swing Line Settling Bank pursuant to this Section 2.11(b) shall for all purposes be treated as a Base Rate Loan made by such Swing Line Settling Bank to the Borrower, and all funds received by any Bank pursuant to this Section 2.11(b) shall for all purposes be treated as repayment of amounts owed by the Borrower with respect to Base Rate Loans made by such Bank.

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

period times (ii) such Swing Line Settlement Amount times (iii) a fraction, the numerator of which is the number of days that elapse from and including such Swing Line Settlement Date to but not including the date on which such Swing Line Settlement Amount shall become immediately available to the Administrative Agent, and the denominator of which is 365. Upon payment of such amount such Swing Line Settling Bank shall be deemed to have delivered its Swing Line Settlement Amount on the Swing Line Settlement Date and shall become entitled to interest payable by the Borrower with respect to such Swing Line Settling Bank's Swing Line Settlement Amount as if such share were delivered on the Swing Line Settlement Date. If such Swing Line Settlement Amount is not in fact made available to the Administrative Agent by such Swing Line Settling Bank within three (3) Business Days of such Swing Line Settlement Date, the Administrative Agent shall be entitled to recover such amount from the Borrower, with interest thereon at the Base Rate.

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

### SECTION 3. LETTERS OF CREDIT.

#### SECTION 3.1 LETTER OF CREDIT COMMITMENTS.

(a) Subject to the terms and conditions hereof and the receipt of a Letter of Credit Application by an Issuing Bank, with a copy to the Administrative Agent reflecting the Maximum Drawing Amount of all Letters of Credit (including the requested Letter of Credit), such Issuing Bank, on behalf of the Banks and in reliance upon the representations and warranties of the Borrower contained herein and the agreement of the Banks contained in Section 3.1(b) hereof, agrees to issue Letters of Credit for the account of the Borrower (which may, with such Issuing Bank's consent, incorporate automatic renewals for periods of

up to twelve (12) months), in such form as may be requested from time to time by the Borrower and agreed to by the Issuing Bank; provided, however, that, after giving effect to such request, the aggregate Maximum Drawing Amount of all Letters of Credit issued at any time shall not exceed the lesser of (i) \$650,000,000 or (ii) the Total Commitment minus the aggregate outstanding amount of the Loans and provided further, that no Letter of Credit shall have an expiration date later than the earlier of (x) eighteen (18) months after the date of issuance (which may incorporate automatic renewals for periods of up to twelve (12) months), or (y) five (5) Business Days prior to the Maturity Date. The letters of credit listed in Schedule 3.1(a) issued by Issuing Banks under the Original Credit Agreement shall be Letters of Credit under this Agreement, and the letters of credit listed in Schedule 3.1(a) issued by Issuing Banks under the United Credit Agreement shall be Letters of Credit under this Agreement issued for the account of the Borrower as of the United Joinder Date.

(b) Each Letter of Credit shall be denominated in Dollars. Each Bank severally agrees that it shall be absolutely liable, without regard to the occurrence of any Default or Event of Default, the termination of the Total Commitment pursuant to Section 12.2, or any other condition precedent whatsoever, to the extent of such Bank's Commitment Percentage to reimburse the Issuing Bank on demand for the amount of each draft paid by the Issuing Bank under each Letter of Credit to the extent that such amount is not reimbursed by the Borrower pursuant to Section 3.2 (such agreement for a Bank being called herein the "Letter of Credit Participation" of such Bank). Each Bank agrees that its obligation to reimburse the Issuing Bank pursuant to this Section 3.1(c) shall not be affected in any way by any circumstance other than the gross negligence or willful misconduct of the Issuing Bank.

(c) Each such reimbursement payment made by a Bank to the Issuing Bank shall be treated as the purchase by such Bank of a participating interest in the applicable Reimbursement Obligation under Section 3.2 in an amount equal to such payment. Each Bank shall share in accordance with its participating interest in any interest which accrues pursuant to Section 3.2.

SECTION 3.2. REIMBURSEMENT OBLIGATION OF THE BORROWER. In order to induce the Issuing Banks to issue, extend and renew each Letter of Credit, the Borrower hereby agrees to reimburse or pay to each Issuing Bank, with respect to each Letter of Credit issued, extended or renewed by such Issuing Bank hereunder as follows:

(a) if any draft presented under any Letter of Credit is honored by such Issuing Bank or such Issuing Bank otherwise makes payment with respect thereto, the sum of (i) the amount paid by such Issuing Bank under or with respect to such Letter of Credit, and (ii) the amount of any taxes, fees, charges or other costs and expenses whatsoever incurred by such Issuing Bank in connection with any payment made by such Issuing Bank under, or with respect to, such Letter of Credit, provided however, if the Borrower does not reimburse such Issuing Bank on the Drawdown Date, such amount shall, provided that no Event of Default under Section 12(g)

or 12(h) has occurred, become automatically a Syndicated Loan which is a Base Rate Loan advanced hereunder in an amount equal to such sum; and

(b) upon the Maturity Date or the acceleration of the Reimbursement Obligations with respect to all Letters of Credit in accordance with Section 12, an amount equal to the then Maximum Drawing Amount of all Letters of Credit shall be paid by the Borrower to the Administrative Agent to be held as cash collateral for the applicable Reimbursement Obligations.

SECTION 3.3 OBLIGATIONS ABSOLUTE. The Borrower's respective obligations under this Section 3 shall be absolute and unconditional under any and all circumstances and irrespective of the occurrence of any Default or Event of Default or any condition precedent whatsoever or any setoff, counterclaim or defense to payment which the Borrower may have or have had against any Issuing Bank, any Bank or any beneficiary of a Letter of Credit, and the Borrower expressly waives any such rights that it may have with respect thereto. The Borrower further agrees with each Issuing Bank and the Banks that such Issuing Bank and the Banks (i) shall not be responsible for, and the Borrower's Reimbursement Obligations under Section 3.2 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged (unless due to the willful misconduct of such Issuing Bank or any other Bank), or any dispute between or among the Borrower and the beneficiary of any Letter of Credit or any financing institution or other party to which any Letter of Credit may be transferred or any claims or defenses whatsoever of the Borrower against the beneficiary of any Letter of Credit or any such transferee, and (ii) shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit except to the extent of their own willful misconduct. The Borrower agrees that any action taken or omitted by any Issuing Bank or any Bank in good faith under or in connection with any Letter of Credit and the related drafts and documents shall be binding upon the Borrower and shall not result in any liability on the part of such Issuing Bank or any Bank (or their respective affiliates) to the Borrower. Nothing herein shall constitute a waiver by the Borrower of any of its rights against any beneficiary of a Letter of Credit.

SECTION 3.4 RELIANCE BY THE ISSUING BANKS. To the extent not inconsistent with Section 3.3, each Issuing Bank shall be entitled to rely, and shall be fully protected in relying, upon any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, facsimile, telex or teletype message, statement, order or other document believed by such Issuing Bank in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal

counsel, independent accountants and other experts selected by such Issuing Bank.

SECTION 3.5. NOTICE REGARDING LETTERS OF CREDIT. One (1) Business Day prior to the issuance of any Letter of Credit or amendments or extensions thereof, the applicable Issuing Bank shall notify the Administrative Agent of the terms of such Letter of Credit, amendment or extension. On the day of any drawing under any Letter of Credit, such Issuing Bank shall notify the Administrative Agent of such drawing under any Letter of Credit.

SECTION 3.6. LETTER OF CREDIT FEE. The Borrower shall pay a fee (the "Letter of Credit Fee") equal to the Applicable L/C Rate on the Maximum Drawing Amount of the Letters of Credit to the Administrative Agent for the account of the Banks, to be shared pro rata by the Banks in accordance with their respective Commitment Percentages. The Letter of Credit Fee shall be payable quarterly in arrears on the first day of each calendar quarter for the quarter just ended, commencing October 1, 1997, and on the Maturity Date. In addition, an issuing fee (the "Issuance Fee") with respect to each Letter of Credit to be agreed upon annually between the Borrower and each Issuing Bank shall be payable to such Issuing Bank for its account.

#### SECTION 4. COMPETITIVE BID LOANS.

SECTION 4.1. THE COMPETITIVE BID OPTION. In addition to the Syndicated Loans made pursuant to Section 2 hereof, the Borrower may request Competitive Bid Loans pursuant to the terms of this Section 4. The Banks may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept such offers in the manner set forth in this Section 4. Notwithstanding any other provision herein to the contrary, at no time shall the aggregate principal amount of Competitive Bid Loans outstanding at any time exceed the Total Commitment minus the sum of (a) the aggregate outstanding principal amount of Syndicated Loans (including the Swing Loans), plus (b) the Maximum Drawing Amount of Letters of Credit outstanding at such time.

#### SECTION 4.2. COMPETITIVE BID LOAN ACCOUNTS: COMPETITIVE BID NOTES.

(a) The obligation of the Borrower to repay the outstanding principal amount of any and all Competitive Bid Loans, plus interest at the applicable Competitive Bid Rate accrued thereon, shall be evidenced by this Agreement and by individual loan accounts (the "Competitive Bid Loan Accounts" and individually, a "Competitive Bid Loan Account") maintained by the Administrative Agent on its books for each of the Banks, it being the intention of the parties hereto that, except as provided for in paragraph (b) of this Section 4.2, the Borrower's obligations with respect to Competitive Bid Loans are to be evidenced only as stated herein and not by separate promissory notes.



(b) Any Bank may at any time, and from time to time, request that any Competitive Bid Loans outstanding to such Bank be evidenced by a promissory note of the Borrower in substantially the form of Exhibit C hereto (each, a "Competitive Bid Note"), dated as of the Closing Date and completed with appropriate insertions. One Competitive Bid Note shall be payable to the order of each Bank in an amount equal to the Total Commitment, and representing the obligation of the Borrower to pay such Bank such principal amount or, if less, the outstanding principal amount of any and all Competitive Bid Loans made by such Bank, plus interest at the applicable Competitive Bid Rate or Competitive Bid Margin accrued thereon, as set forth herein. Upon execution and delivery by the Borrower of a Competitive Bid Note, the Borrower's obligation to repay any and all Competitive Bid Loans made to it by such Bank and all interest thereon shall thereafter be evidenced by such Competitive Bid Note.

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

SECTION 4.3. COMPETITIVE BID QUOTE REQUEST; INVITATION FOR COMPETITIVE BID QUOTES.

(a) When the Borrower wishes to request offers to make Competitive Bid Loans under this Section 4, it shall transmit to the Administrative Agent by telex or facsimile a Competitive Bid

Quote Request substantially in the form of Exhibit H hereto (a "Competitive Bid Quote Request") so as to be received no later than 1:00 p.m. (New York time) (x) five (5) Eurodollar Business Days prior to the requested Drawdown Date in the case of a LIBOR Competitive Bid Loan (a "LIBOR Competitive Bid Loan") or (y) one (1) Business Day prior to the requested Drawdown Date in the case of an Absolute Competitive Bid Loan (an "Absolute Competitive Bid Loan"), specifying:

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

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

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

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

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

(b) Promptly upon receipt of a Competitive Bid Quote Request, the Administrative Agent shall send to the Banks by telecopy or facsimile transmission an Invitation for Competitive Bid Quotes substantially in the form of Exhibit I hereto, which shall constitute an invitation by the Borrower to each Bank to submit Competitive Bid Quotes in accordance with this Section 4.

SECTION 4.4. ALTERNATIVE MANNER OF PROCEDURE. If, after receipt by the Administrative Agent and each of the Banks of a Competitive Bid Quote Request from the Borrower in accordance with Section 4.3, the Administrative Agent or any Bank shall be unable to complete any procedure of the auction process described in Sections 4.5 through 4.6 (inclusive) due to the inability of such Person to transmit or receive communications through the means specified therein, such Person may rely on telephonic notice for the transmission or receipt of such communications. In any case where such Person shall rely on telephone transmission or receipt, any communication made by telephone shall, as soon as possible thereafter, be followed by written confirmation thereof.

## SECTION 4.5. SUBMISSION AND CONTENTS OF COMPETITIVE BID QUOTES.

(a) Each Bank may, but shall be under no obligation to, submit a Competitive Bid Quote containing an offer or offers to make Competitive Bid Loans in response to any Competitive Bid Quote Request. Each Competitive Bid Quote must comply with the requirements of this Section 4.5 and must be submitted to the Administrative Agent by telex or facsimile transmission at its offices as specified in or pursuant to Section 21 not later than (x) 2:00 p.m. (New York time) on the fourth Eurodollar Business Day prior to the proposed Drawdown Date, in the case of a LIBOR Competitive Bid Loan or (y) 10:00 a.m. (New York time) on the proposed Drawdown Date, in the case of an Absolute Competitive Bid Loan, provided that Competitive Bid Quotes may be submitted by the Administrative Agent in its capacity as a Bank only if it submits its Competitive Bid Quote to the Borrower not later than (x) one hour prior to the deadline for the other Banks, in the case of a LIBOR Competitive Bid Loan or (y) 15 minutes prior to the deadline for the other Banks, in the case of an Absolute Competitive Bid Loan. Subject to the provisions of Sections 10 and 11 hereof, any Competitive Bid Quote so made shall be irrevocable except with the written consent of the Administrative Agent given on the instructions of the Borrower.

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

(i) the proposed Drawdown Date;

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

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

(iv) in the case of a LIBOR Competitive Bid Loan, the margin above or below the applicable LIBOR Rate (the "Competitive Bid Margin") offered for each such Competitive Bid Loan, expressed as a percentage (specified to the nearest 1/10,000th of 1%) to be added to or subtracted from such LIBOR Rate;

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

(vi) the identity of the quoting Bank.

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

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

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

(ii) contains qualifying, conditional or similar language;

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

(iv) arrives after the time set forth in Section 4.5(a) hereof.

SECTION 4.6 NOTICE TO BORROWER. The Administrative Agent shall promptly notify the Borrower of the terms (x) of any Competitive Bid Quote submitted by a Bank that is in accordance with Section 4.5 and (y) of any Competitive Bid Quote that amends, modifies or is otherwise inconsistent with a previous Competitive Bid Quote submitted by such Bank with respect to the same Competitive Bid Quote Request. Any such subsequent Competitive Bid Quote shall be disregarded by the Administrative Agent unless such subsequent Competitive Bid Quote is submitted solely to correct a manifest error in such former Competitive Bid Quote. The Administrative Agent's notice to the Borrower shall specify (A) the aggregate principal amount of Competitive Bid Loans for which offers have been received for each Interest Period specified in the related Competitive Bid Quote Request, (B) the respective principal amounts and Competitive Bid Margins or Competitive Bid Rates, as the case may be, so offered, and the identity of the respective Banks submitting such offers, and (C) if applicable, limitations on the aggregate principal amount of Competitive Bid Loans for which offers in any single Competitive Bid Quote may be accepted.

SECTION 4.7. ACCEPTANCE AND NOTICE BY BORROWER AND ADMINISTRATIVE AGENT. Not later than 11:00 a.m. (New York time) on (x) the third Eurodollar Business Day prior to the proposed Drawdown Date, in the case of a LIBOR Competitive Bid Loan or (y) the proposed Drawdown Date, in the case of an Absolute Competitive Bid Loan, the Borrower shall notify the Administrative Agent of its acceptance or non-acceptance of each Competitive Bid Quote in

substantially the form of Exhibit K hereto. The Borrower may accept any Competitive Bid Quote in whole or in part; provided that:

- (i) the aggregate principal amount of each Competitive Bid Loan may not exceed the applicable amount set forth in the related Competitive Bid Quote Request;
- (ii) acceptance of offers may only be made on the basis of ascending Competitive Bid Margins or Competitive Bid Rates, as the case may be, and
- (iii) the Borrower may not accept any offer that is described in subsection 4.5(c) or that otherwise fails to comply with the requirements of this Agreement.

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

SECTION 4.8. ALLOCATION BY ADMINISTRATIVE AGENT. If offers are made by two or more Banks with the same Competitive Bid Margin or Competitive Bid Rate, as the case may be, for a greater aggregate principal amount than the amount in respect of which offers are accepted for the related Interest Period, the principal amount of Competitive Bid Loans in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Banks as nearly as possible (in such multiples, not less than \$1,000,000, as the Administrative Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determination by the Administrative Agent of the amounts of Competitive Bid Loans shall be conclusive in the absence of manifest error.

SECTION 4.9. FUNDING OF COMPETITIVE BID LOANS. If, on or prior to the Drawdown Date of any Competitive Bid Loan, the Total Commitment has not terminated in full and if, on such Drawdown Date, the applicable conditions of Sections 10 and 11 hereof are satisfied, the Bank or Banks whose offers the Borrower has accepted will fund each Competitive Bid Loan so accepted. Such Bank or Banks will make such Competitive Bid Loans by crediting the Administrative Agent for further credit to the Borrower's specified account with the Administrative Agent, in immediately available funds not later than 1:00 p.m. (New York time) on such Drawdown Date.

SECTION 4.10. FUNDING LOSSES. If, after acceptance of any Competitive Bid Quote pursuant to Section 4, the Borrower (i) fails to borrow any Competitive Bid Loan so accepted on the date specified therefor, or (ii) repays the outstanding amount of the Competitive Bid Loan prior to the last day of the Interest Period relating thereto, the Borrower shall indemnify the Bank making such Competitive Bid Quote or funding such Competitive Bid Loan against any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund or maintain such unborrowed Loans, including, without limitation compensation as provided in Section 5.8.

SECTION 4.11. REPAYMENT OF COMPETITIVE BID LOANS; INTEREST. The principal of each Competitive Bid Loan shall become absolutely due and payable by the Borrower on the last day of the Interest Period relating thereto, and the Borrower hereby absolutely and unconditionally promises to pay to the Administrative Agent for the account of the relevant Banks at or before 1:00 p.m. (New York time) on the last day of the Interest Periods relating thereto the principal amount of all such Competitive Bid Loans, plus interest thereon at the applicable Competitive Bid Rates. The Competitive Bid Loans shall bear interest at the rate per annum specified in the applicable Competitive Bid Quotes. Interest on the Competitive Bid Loans shall be payable (a) on the last day of the applicable Interest Periods, and if any such Interest Period is longer than three months, also on the last day of the third month following the commencement of such Interest Period, and (b) on the Maturity Date for all Loans. Subject to the terms of this Agreement, the Borrower may make Competitive Bid Quote Requests with respect to new borrowings of any amounts so repaid prior to the Maturity Date.

SECTION 5. PROVISIONS RELATING TO ALL LOANS AND LETTERS OF CREDIT.

SECTION 5.1. PAYMENTS.

(a) All payments of principal, interest, Reimbursement Obligations, fees (other than the Issuance Fee) and any other amounts due hereunder or under any of the other Loan Documents shall be made to the Administrative Agent at its Head Office in immediately available funds by 11:00 a.m. (New York time) on any due date. Subject to the provisions of Section 28, if a payment is received by the Administrative Agent at or before 1:00 p.m. (New York time) on any Business Day, the Administrative Agent shall on the same Business Day transfer in immediately available funds, as applicable, to (1) each of the Banks, their pro rata portion of such payment in accordance with their respective Commitment Percentages, in the

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

(b) Each Bank that is not incorporated or organized under the laws of the United States of America or a state thereof or the District of Columbia (a "Non-U.S. Bank") agrees that, prior to the first date on which any payment is due to it hereunder, it will deliver to the Borrower and the Administrative Agent two duly completed copies of United States Internal Revenue Service Form 1001 or 4224 or successor applicable form, as the case may be, certifying in each case that such Non-U.S. Bank is entitled to receive payments under this Agreement and the Notes payable to it, without deduction or withholding of any United States federal income taxes. Each Non-U.S. Bank that so delivers a Form 1001 or 4224 pursuant to the preceding sentence further undertakes to deliver to each of the Borrower and the Administrative Agent two further copies of Form 1001 or 4224 or successor applicable form, or other manner of certification, as the case may be, on or before the date that any such letter or form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower, and such extensions or renewals thereof as may reasonably be requested by the Borrower, certifying in the case of a Form 1001 or 4224 that such Non-U.S. Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required

which renders all such forms inapplicable or which would prevent such Non-U.S. Bank from duly completing and delivering any such form with respect to it and such Non-U.S. Bank advises the Borrower that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(c) The Borrower shall not be required to pay any additional amounts to any Non-U.S. Bank in respect of United States Federal withholding tax pursuant to Section 17 to the extent that (i) the obligation to withhold amounts with respect to United States Federal withholding tax existed on the date such Non-U.S. Bank became a party to this Agreement or, with respect to payments to a different lending office designated by the Non-U.S. Bank as its applicable lending office (a "New Lending Office"), the date such Non-U.S. Bank designated such New Lending Office with respect to a Loan; provided, however, that this clause (i) shall not apply to any transferee or New Lending Office as a result of an assignment, transfer or designation made at the request of the Borrower; and provided further, however, that this clause (i) shall not apply to the extent the indemnity payment or additional amounts any transferee, or Bank through a New Lending Office, would be entitled to receive without regard to this clause (i) do not exceed the indemnity payment or additional amounts that the Person making the assignment or transfer to such transferee, or Bank making the designation of such New Lending Office, would have been entitled to receive in the absence of such assignment, transfer or designation; or (ii) the obligation to pay such additional amounts would not have arisen but for a failure by such Non-U.S. Bank to comply with the provisions of paragraph (c) above.

(d) Notwithstanding the foregoing, each Bank agrees to use reasonable efforts (consistent with legal and regulatory restrictions) to change its lending office to avoid or to minimize any amounts otherwise payable under Section 17 in each case solely if such change can be made in a manner so that such Bank, in its sole determination, suffers no legal, economic or regulatory disadvantage.

SECTION 5.2. MANDATORY REPAYMENTS OF THE LOANS. If at any time the sum of the outstanding principal amount of the Loans plus the Maximum Drawing Amount of all outstanding Letters of Credit exceeds the Total Commitment, whether by reduction of the Total Commitment or otherwise, then the Borrower shall immediately pay the amount of such excess to the Administrative Agent, (a) for application to the Loans, first to Syndicated Loans, then to Competitive Bid Loans, subject to Section 5.8, or (b) if no Loans shall be outstanding, to be held by the Administrative Agent for the benefit of the Banks as collateral security for such excess Maximum Drawing Amount; provided, however, that if the amount of cash collateral held by the Administrative Agent pursuant to this Section 5.2 exceeds



the Maximum Drawing Amount required to be collateralized from time to time, the Administrative Agent shall return such excess to the Borrower.

SECTION 5.3. COMPUTATIONS. Except as otherwise expressly provided herein, all computations of interest, Facility Fees, Utilization Fees, Letter of Credit Fees or other fees shall be based on a 360-day year and paid for the actual number of days elapsed, except that computations based on the Administrative Agent's "prime rate" shall be based on a 365 or 366, as applicable, day year and paid for the actual number of days elapsed. Whenever a payment hereunder or under any of the other Loan Documents becomes due on a day that is not a Business Day, the due date for such payment shall be extended to the next succeeding Business Day, and interest shall accrue during such extension; provided that for any Interest Period for any Eurodollar Loan if such next succeeding Business Day falls in the next succeeding calendar month or after the Maturity Date, it shall be deemed to end on the next preceding Business Day.

SECTION 5.4. ILLEGALITY; INABILITY TO DETERMINE EURODOLLAR RATE. Notwithstanding any other provision of this Agreement (other than Section 5.10), if (a) the introduction of, any change in, or any change in the interpretation of, any law or regulation applicable to any Bank or the Administrative Agent shall make it unlawful, or any central bank or other governmental authority having jurisdiction thereof shall assert that it is unlawful, for any Bank or the Administrative Agent to perform its obligations in respect of any Eurodollar Loans, or (b) if any Bank or the Administrative Agent, as applicable, shall reasonably determine with respect to Eurodollar Loans that (i) by reason of circumstances affecting any Eurodollar interbank market, adequate and reasonable methods do not exist for ascertaining the Eurodollar Rate which would otherwise be applicable during any Interest Period, or (ii) deposits of Dollars in the relevant amount for the relevant Interest Period are not available to such Bank or the Administrative Agent in any Eurodollar interbank market, or (iii) the Eurodollar Rate does not or will not accurately reflect the cost to the Bank or the Administrative Agent of obtaining or maintaining the Eurodollar Loans during any Interest Period, then such Bank or the Administrative Agent shall promptly give telephonic, telex or cable notice of such determination to the Borrower (which notice shall be conclusive and binding upon the Borrower). Upon such notification by the Bank or the Administrative Agent, the obligation of the Banks and the Administrative Agent to make Eurodollar Loans shall be suspended until the Banks or the Administrative Agent, as the case may be, determine that such circumstances no longer exist, and to the extent permitted by law the outstanding Eurodollar Loans shall continue to bear interest at the applicable rate based on the Eurodollar Rate until the end of the applicable Interest Period, and thereafter shall be deemed converted to Base Rate Loans in equal principal amounts to such former Eurodollar Loans.

SECTION 5.5. ADDITIONAL COSTS, ETC. If any present or future applicable law (which expression, as used herein, includes statutes, rules and regulations thereunder and interpretations thereof by any competent court or by any governmental or other regulatory body or official charged with the administration or the interpretation thereof and requests, directives, instructions and notices at any time or from time to time hereafter made upon or otherwise issued to any Bank by any central bank or other fiscal, monetary or other authority, whether or not having the force of law) shall:

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

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

(c) except as provided in Section 5.6 or as otherwise reflected in the Base Rate, the Eurodollar Rate, or the Competitive Bid Rate, impose or increase or render applicable (other than to the extent specifically provided for elsewhere in this Agreement) any special deposit, reserve, assessment, liquidity, capital adequacy or other similar requirements (whether or not having the force of law) against assets held by, or deposits in or for the account of, or loans by, or commitments of, an office of any Bank with respect to this Agreement, the other Loan Documents, such Bank's Commitment or the Loans; or

(d) impose on such Bank any other conditions or requirements with respect to this Agreement, the other Loan Documents, the Loans, such Bank's Commitment or any class of loans or commitments of which any of the Loans or such Bank's Commitment forms a part, and the result of any of the foregoing is:

(i) to increase the cost to such Bank of making, funding, issuing, renewing, extending or maintaining the Loans or such Bank's Commitment or issuing or participating in Letters of Credit;

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

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

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

SECTION 5.6. CAPITAL ADEQUACY. If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule, or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or any corporation controlling such Bank) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or any corporation controlling such Bank) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank, the Borrower shall pay to such Bank such additional amount or amounts as will, in such Bank's reasonable determination, fairly compensate such Bank (or any corporation controlling such Bank) for such reduction. Each Bank shall allocate such cost increases among its customers in good faith and on an equitable basis.

SECTION 5.7. CERTIFICATE. A certificate setting forth the additional amounts payable pursuant to Section 5.5 or Section 5.6 and a reasonable explanation of such amounts which are due, submitted by any Bank to the Borrower, shall be conclusive, absent manifest error, that such amounts are due and owing.

SECTION 5.8. EURODOLLAR AND COMPETITIVE BID INDEMNITY. The Borrower agrees to indemnify the Banks and the Administrative Agent and to hold them harmless from and against any reasonable loss, cost or expense that any such Bank and the Administrative Agent may sustain or incur as a consequence of (a) the default by the Borrower in payment of the principal amount of or any interest on any Eurodollar Loans or Competitive Bid Loans as and when due and payable, including any such loss or expense arising from interest or fees

payable by any Bank or the Administrative Agent to lenders of funds obtained by it in order to maintain its Eurodollar Loans or Competitive Bid Loans, (b) the default by the Borrower in making a borrowing of a Eurodollar Loan or Competitive Bid Loan or conversion of a Eurodollar Loan or a prepayment of a Eurodollar or Competitive Bid Loan other than pursuant to Section 2.5(c) after the Borrower has given (or is deemed to have given) a Syndicated Loan Request, a notice pursuant to Section 2.7 or a Notice of Acceptance/Rejection of Competitive Bid Quote(s), or a notice pursuant to Section 2.10, and (c) the making of any payment of a Eurodollar Loan or Competitive Bid Loan, or the making of any conversion of any Eurodollar Loan to a Base Rate Loan on a day that is not the last day of the applicable Interest Period with respect thereto. Such loss, cost, or reasonable expense shall include an amount equal to the excess, if any, as reasonably determined by each Bank of (i) its cost of obtaining the funds for (A) the Eurodollar Loan being paid, prepaid, converted, not converted, reallocated, or not borrowed, as the case may be (based on the Eurodollar Rate), or (B) the Competitive Bid Loan being paid, prepaid, or not borrowed, as the case may be (based on the Competitive Bid Rate) for the period from the date of such payment, prepayment, conversion, or failure to borrow or convert, as the case may be, to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for the Loan which would have commenced on the date of such failure to borrow) over (ii) the amount of interest (as reasonably determined by such Bank) that would be realized by such Bank in reemploying the funds so paid, prepaid, converted, or not borrowed, converted, or prepaid for such period or Interest Period, as the case may be, which determinations shall be conclusive absent manifest error.

SECTION 5.9. INTEREST ON OVERDUE AMOUNTS. Overdue principal and (to the extent permitted by applicable law) interest on the Loans and all other overdue amounts payable hereunder or under any of the other Loan Documents shall bear interest compounded monthly and payable on demand at a rate per annum equal to the Base Rate plus 2%, until such amount shall be paid in full (after as well as before judgment).

SECTION 5.10. INTEREST LIMITATION. Notwithstanding any other term of this Agreement or the Notes, any other Loan Document or any other document referred to herein or therein, the maximum amount of interest which may be charged to or collected from any Person liable hereunder or under the Notes by any Bank shall be absolutely limited to, and shall in no event exceed, the maximum amount of interest which could lawfully be charged or collected by such Bank under applicable laws (including, to the extent applicable, the provisions of Section 5197 of the Revised Statutes of the United States of America, as amended, and 12 U.S.C. Section 85, as amended).

SECTION 5.11. REASONABLE EFFORTS TO MITIGATE. Each Bank agrees that as promptly as practicable after it becomes aware of the occurrence of an event or

the existence of a condition that would cause it to be affected under Sections 5.4, 5.5 or 5.6, such Bank will give notice thereof to the Borrower, with a copy to the Administrative Agent and, to the extent so requested by the Borrower and not inconsistent with such Bank's internal policies, such Bank shall use reasonable efforts and take such actions as are reasonably appropriate if as a result thereof the additional moneys which would otherwise be required to be paid to such Bank pursuant to such sections would be materially reduced, or the illegality or other adverse circumstances which would otherwise require a conversion of such Loans or result in the inability to make such Loans pursuant to such sections would cease to exist, and in each case if, as determined by such Bank in its sole discretion, the taking such actions would not adversely affect such Loans or such Bank or otherwise be disadvantageous to such Bank.

SECTION 5.12. REPLACEMENT OF BANKS. If any Bank (an "Affected Bank") (i) makes demand upon the Borrower for (or if the Borrower is otherwise required to pay) amounts pursuant to Sections 5.5 or 5.6, (ii) is unable to make or maintain Eurodollar Loans as a result of a condition described in Section 5.4 or (iii) defaults in its obligation to make Loans or to participate in Letters of Credit in accordance with the terms of this Agreement (such Bank being referred to as a "Defaulting Bank"), the Borrower may, within 90 days of receipt of such demand, notice (or the occurrence of such other event causing the Borrower to be required to pay such compensation or causing Section 5.4 to be applicable), or default, as the case may be, by notice (a "Replacement Notice") in writing to the Administrative Agent and such Affected Bank (A) request the Affected Bank to cooperate with the Borrower in obtaining a replacement bank satisfactory to the Administrative Agent and the Borrower (the "Replacement Bank"); (B) request the non-Affected Banks to acquire and assume all of the Affected Bank's Loans and Commitment, and to participate in Letters of Credit as provided herein, but none of such Banks shall be under an obligation to do so; or (C) designate a Replacement Bank reasonably satisfactory to the Administrative Agent. If any satisfactory Replacement Bank shall be obtained, and/or any of the non-Affected Banks shall agree to acquire and assume all of the Affected Bank's Loans and Commitment, and to participate in Letters of Credit then such Affected Bank shall, so long as no Event of Default shall have occurred and be continuing, assign, in accordance with Section 19, all of its Commitment, Loans, Notes and other rights and obligations under this Agreement and all other Loan Documents to such Replacement Bank or non-Affected Banks, as the case may be, in exchange for payment of the principal amount so assigned and all interest and fees accrued on the amount so assigned, plus all other Obligations then due and payable to the Affected Bank; provided, however, that (x) such assignment shall be without recourse, representation or warranty and shall be on terms and conditions reasonably satisfactory to such Affected Bank and such Replacement Bank and/or non-Affected Banks, as the case may be, and (y) prior to any such assignment, the Borrower shall have paid to such Affected Bank all amounts properly demanded and unreimbursed under Sections 5.5, 5.6 and 5.8. Upon the effective date of such

assignment, the Borrower shall issue replacement Notes to such Replacement Bank and/or non-Affected Banks, as the case may be, and such Replacement Bank shall become a "Bank" for all purposes under this Agreement and the other Loan Documents.

SECTION 5.13. ADVANCES BY ADMINISTRATIVE AGENT. The Administrative Agent may (unless earlier notified to the contrary by any Bank by 12:00 noon (New York time) one (1) Business Day prior to any Drawdown Date) assume that each Bank has made available (or will before the end of such Business Day make available) to the Administrative Agent the amount of such Bank's Commitment Percentage with respect to the Loans (or, in the case of Competitive Bid Loans, the amount of such Bank's accepted offers of such Loans, if any) to be made on such Drawdown Date, and the Administrative Agent may (but shall not be required to), in reliance upon such assumption, make available to the Borrower a corresponding amount. If any Bank makes such amount available to the Administrative Agent on a date after such Drawdown Date, such Bank shall pay the Administrative Agent on demand an amount equal to the product of (i) the average, computed for the period referred to in clause (iii) below, of the weighted average annual interest rate paid by the Administrative Agent for federal funds acquired by the Administrative Agent during each day included in such period times (ii) the amount equal to such Bank's Commitment Percentage of such Syndicated Loan (or, in the case of Competitive Bid Loans and Swing Line Loans, the amount of such Bank's accepted offer of such Competitive Bid Loans, if any, and portion of such Swing Line Loans) times (iii) a fraction, the numerator of which is the number of days that elapse from and including such Drawdown Date to but not including the date on which the amount equal to such Bank's Commitment Percentage of such Loans, or the amount of such Bank's accepted offers of such Competitive Bid Loans, if any, and portion of Swing Line Loans, shall become immediately available to the Administrative Agent, and the denominator of which is 365. A statement of the Administrative Agent submitted to such Bank with respect to any amounts owing under this paragraph shall be prima facie evidence of the amount due and owing to the Administrative Agent by such Bank. If such amount is not in fact made available to the Administrative Agent by such Bank within three (3) Business Days of such Drawdown Date, the Administrative Agent shall be entitled to recover such amount from such Borrower, with interest thereon at the applicable rate per annum.

SECTION 6. REPRESENTATIONS AND WARRANTIES. The Borrower (and each of the Guarantors, where applicable) represents and warrants to the Banks that:

## SECTION 6.1. CORPORATE AUTHORITY.

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

(b) AUTHORIZATION. The execution, delivery and performance of its Loan Documents and the transactions contemplated hereby and thereby (i) are within the corporate authority of the Borrower and each of the Guarantors, (ii) have been duly authorized by all necessary corporate proceedings on the part of each of the Borrower and the Guarantors, (iii) do not conflict with or result in any breach or contravention of any provision of law, statute, rule or regulation to which any of the Borrower or the Guarantors or any of their Subsidiaries is subject or any judgment, order, writ, injunction, license or permit applicable to the Borrower, any of the Guarantors or any of their Subsidiaries so as to materially adversely affect the assets, business or any activity of the Borrower, the Guarantors and their Subsidiaries as a whole, and (iv) do not conflict with any provision of the corporate charter or bylaws of the Borrower, the Guarantors or any Subsidiary or any agreement or other instrument binding upon the Borrower, the Guarantors or any of their Subsidiaries.

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

SECTION 6.2. GOVERNMENTAL APPROVALS. The execution, delivery and performance of the Loan Documents by the Borrower and the Guarantors and the consummation by the Borrower and the Guarantors of the transactions contemplated hereby and thereby do not require any approval or consent of, or

filing with, any governmental agency or authority other than those already obtained and those required after the date hereof in connection with the Borrower's and its Subsidiaries' performance of their covenants contained in Sections 7, 8 and 9 hereof.

SECTION 6.3. TITLE TO PROPERTIES; LEASES. The Borrower and its Subsidiaries own all of the assets reflected in the consolidated balance sheet as at the Interim Balance Sheet Date or acquired since that date (except property and assets operated under capital leases or sold or otherwise disposed of in the ordinary course of business since that date), subject to no mortgages, Capitalized Leases, conditional sales agreements, title retention agreements, liens or other encumbrances except Permitted Liens.

SECTION 6.4. FINANCIAL STATEMENTS; SOLVENCY.

(a) There have been furnished to the Banks consolidated balance sheets of the Borrower and its Subsidiaries and United and its Subsidiaries dated the Balance Sheet Date and consolidated statements of operations for the fiscal periods then ended, certified by the Accountants. In addition, there have been furnished to the Banks consolidated balance sheets of the Borrower and its Subsidiaries, and United and its Subsidiaries dated the Interim Balance Sheet Date and the related consolidated statements of operation for the fiscal quarter ending on the Interim Balance Sheet Date. All said balance sheets and statements of operations have been prepared in accordance with GAAP (but, in the case of any of such financial statements which are unaudited, only to the extent GAAP is applicable to interim unaudited reports), fairly present the financial condition of the Borrower and its Subsidiaries on a consolidated basis, or United and its Subsidiaries on a consolidated basis, as at the close of business on the dates thereof and the results of operations for the periods then ended, subject, in the case of unaudited interim financial statements, to changes resulting from audit and normal year-end adjustments and to the absence of complete footnotes. There are no contingent liabilities of the Borrower and its Subsidiaries or United and its Subsidiaries involving material amounts, known to the officers of the Borrower or United which have not been disclosed in said balance sheets and the related notes thereto or otherwise in writing to the Banks.

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



and expect to have, the ability to pay their debts from time to time incurred in connection therewith as such debts mature.

SECTION 6.5 NO MATERIAL CHANGES, ETC. Since the Interim Balance Sheet Date, there have occurred no material adverse changes in the consolidated financial condition, business or assets of the Borrower and its Subsidiaries, taken together, or United and its Subsidiaries, taken together, as the case may be, as shown on or reflected in the consolidated balance sheets of the Borrower and its Subsidiaries or United and its Subsidiaries as at the Interim Balance Sheet Date, or the consolidated statements of income for the period then ended other than changes in the ordinary course of business which have not had any material adverse effect either individually or in the aggregate on the financial condition, business or assets of the Borrower and its Subsidiaries, taken together, or United and its Subsidiaries, taken together, as the case may be. Since the Interim Balance Sheet Date, there have not been any Distributions (including Distributions by the Borrower and United) other than as permitted by Section 8.5 hereof.

SECTION 6.6. FRANCHISES, PATENTS, COPYRIGHTS, ETC. The Borrower and each of its Subsidiaries possess all franchises, patents, copyrights, trademarks, trade names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of their business substantially as now conducted (other than those the absence of which would not have a material adverse effect on the business, operations or financial condition of the Borrower and its Subsidiaries as a whole) without known conflict with any rights of others other than a conflict which would not have a material adverse effect on the financial condition, business or assets of the Borrower and its Subsidiaries as a whole.

SECTION 6.7. LITIGATION. Except as set forth on Schedule 6.7, there are no actions, suits, proceedings or investigations of any kind pending or, to the knowledge of the Borrower or any of its Subsidiaries, threatened against the Borrower or any of its Subsidiaries before any court, tribunal or administrative agency or board which, either in any case or in the aggregate, could reasonably be expected to have a material adverse effect on the financial condition, business, or assets of the Borrower and its Subsidiaries, considered as a whole, or materially impair the right of the Borrower and its Subsidiaries, considered as a whole, to carry on business substantially as now conducted, or result in any substantial liability not adequately covered by insurance, or for which adequate reserves are not maintained on the consolidated balance sheet or which question the validity of any of the Loan Documents to which the Borrower or any of its Subsidiaries is a party, or any action taken or to be taken pursuant hereto or thereto.

SECTION 6.8. NO MATERIALLY ADVERSE CONTRACTS, ETC. Neither the Borrower nor any of its Subsidiaries is subject to any charter, corporate or other legal

restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Borrower's or such Subsidiary's officers has or could reasonably be expected in the future to have a materially adverse effect on the business, assets or financial condition of the Borrower and its Subsidiaries, considered as a whole. Neither the Borrower nor any of its Subsidiaries is a party to any contract or agreement which in the judgment of the Borrower's or its Subsidiary's officers has or could reasonably be expected to have any materially adverse effect on the financial condition, business or assets of the Borrower and its Subsidiaries, considered as a whole, except as otherwise reflected in adequate reserves as required by GAAP.

SECTION 6.9. COMPLIANCE WITH OTHER INSTRUMENTS, LAWS, ETC. Neither the Borrower nor any of its Subsidiaries is (a) violating any provision of its charter documents or by-laws or (b) any agreement or instrument to which any of them may be subject or by which any of them or any of their properties may be bound or any decree, order, judgment, or any statute, license, rule or regulation, in a manner which could (in the case of such agreements or such instruments) reasonably be expected to result in the imposition of substantial penalties or materially and adversely affect the financial condition, business or assets of the Borrower and its Subsidiaries, considered as a whole.

SECTION 6.10. TAX STATUS. The Borrower and its Subsidiaries have filed all federal, state, provincial and territorial income and all other tax returns, reports and declarations (or obtained extensions with respect thereto) required by applicable law to be filed by them (unless and only to the extent that the Borrower or such Subsidiary has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes as required by GAAP); and have paid all taxes and other governmental assessments and charges (other than taxes, assessments and other governmental charges imposed by jurisdictions other than the United States, Canada or any political subdivision thereof which in the aggregate are not material to the financial condition, business or assets of the Borrower or such Subsidiary on an individual basis or of the Borrower and its Subsidiaries on a consolidated basis) that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith; and, as required by GAAP, have set aside on their books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. Except to the extent contested in the manner permitted in the preceding sentence, there are no unpaid taxes in any material amount claimed by the taxing authority of any jurisdiction to be due and owing by the Borrower or any Subsidiary, nor do the officers of the Borrower or any of its Subsidiaries know of any basis for any such claim.

SECTION 6.11. NO EVENT OF DEFAULT. No Default or Event of Default has occurred and is continuing.

SECTION 6.12. HOLDING COMPANY AND INVESTMENT COMPANY ACTS. Neither the Borrower nor any of its Subsidiaries is a "holding Company", or a "subsidiary Company" of a "holding Borrower", or an "affiliate" of a "holding Company", as such terms are defined in the Public Utility Holding Company Act of 1935; nor is any of them a "registered investment Company", or an "affiliated Company" or a "principal underwriter" of a "registered investment Company", as such terms are defined in the Investment Company Act of 1940, as AMENDED.

SECTION 6.13. ABSENCE OF FINANCING STATEMENTS, ETC. Except as permitted by Section 8.2 of this Agreement, there is no Indebtedness senior to the Obligations, and there is no effective financing statement, security agreement, chattel mortgage, real estate mortgage or other document filed or recorded with any filing records, registry, or other public office, which purports to cover, affect or give notice of any present or possible future lien on, or security interest in, any assets or property of the Borrower or any of its Subsidiaries or right thereunder.

SECTION 6.14. EMPLOYEE BENEFIT PLANS.

SECTION 6.14.1. IN GENERAL. Each Employee Benefit Plan has been maintained and operated in compliance in all material respects with the provisions of ERISA and/or all Applicable Canadian Pension Legislation, as applicable, and, to the extent applicable, the Code, including but not limited to the provisions thereunder respecting prohibited transactions. Promptly upon the request of any Bank or the Administrative Agent, the Borrower will furnish to the Administrative Agent the most recently completed annual report, Form 5500, with all required attachments, and actuarial statement required to be submitted under Section 103(d) of ERISA, with respect to each Guaranteed Pension Plan.

SECTION 6.14.2. TERMINABILITY OF WELFARE PLANS. Under each Employee Benefit Plan which is an employee welfare benefit plan within the meaning of Section 3(1) or Section 3(2)(B) of ERISA, no benefits are due unless the event giving rise to the benefit entitlement occurs prior to plan termination (except as required by Title I, Part 6 of ERISA). The Borrower or an ERISA Affiliate, as appropriate, may terminate each such Plan at any time (or at any time subsequent to the expiration of any applicable bargaining agreement) in the discretion of the Borrower or such ERISA Affiliate without liability to any Person.

SECTION 6.14.3. GUARANTEED PENSION PLANS. Each contribution required to be made to a Guaranteed Pension Plan, whether required to be made to avoid the incurrence of an accumulated funding deficiency, the notice or lien provisions of Section 302(f) of ERISA,

or otherwise, has been timely made. No waiver of an accumulated funding deficiency or extension of amortization periods has been received with respect to any Guaranteed Pension Plan. No liability to the PBGC (other than required insurance premiums, all of which have been paid) has been incurred by the Borrower or any ERISA Affiliate with respect to any Guaranteed Pension Plan and there has not been any ERISA Reportable Event, or any other event or condition which presents a material risk of termination of any Guaranteed Pension Plan by the PBGC. Based on the latest valuation of each Guaranteed Pension Plan (which in each case occurred within twelve months of the date of this representation), and on the actuarial methods and assumptions employed for that valuation, the aggregate benefit liabilities of all such Guaranteed Pension Plans within the meaning of Section 4001 of ERISA did not exceed the aggregate value of the assets of all such Guaranteed Pension Plans, disregarding for this purpose the benefit liabilities and assets of any Guaranteed Pension Plan with assets in excess of benefit liabilities.

SECTION 6.14.4. MULTIEMPLOYER PLANS. Neither the Borrower nor any ERISA Affiliate has incurred any material liability (including secondary liability) to any Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan under Section 4201 of ERISA or as a result of a sale of assets described in Section 4204 of ERISA. Neither the Borrower nor any ERISA Affiliate has been notified that any Multiemployer Plan is in reorganization or insolvent under and within the meaning of Section 4241 or Section 4245 of ERISA or that any Multiemployer Plan intends to terminate or has been terminated under Section 4041A of ERISA.

SECTION 6.15. ENVIRONMENTAL COMPLIANCE. The Borrower and its Subsidiaries have taken all necessary steps to investigate the past and present condition and usage of the Real Property and the operations conducted by the Borrower and its Subsidiaries and, based upon such diligent investigation, have determined that, except as set forth on Schedule 6.15:

(a) Neither the Borrower, its Subsidiaries, nor any operator of their properties, is in violation, or alleged violation, of any judgment, decree, order, law, permit, license, rule or regulation pertaining to environmental matters, including without limitation, those arising under the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, or any United

States or Canadian federal, state, provincial, territorial or local statute, regulation, ordinance, order or decree relating to health, safety, waste transportation or disposal, or the environment (the "Environmental Laws"), which violation would have a material adverse effect on the business, assets or financial condition of the Borrower and its Subsidiaries on a consolidated basis.

(b) Except as described on Schedule 6.15, neither the Borrower nor any of its Subsidiaries has received notice from any third party including, without limitation: any federal, state, provincial, territorial or local governmental authority, (i) that any one of them has been identified by the United States Environmental Protection Agency ("EPA") as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B; (ii) that any hazardous waste, as defined by 42 U.S.C. Section 6903(5), any hazardous substances as defined by 42 U.S.C. Section 9601(14), any pollutant or contaminant as defined by 42 U.S.C. Section 9601(33) or any toxic substance, oil or hazardous materials or other chemicals or substances regulated by any Environmental Laws, excluding household hazardous waste ("Hazardous Substances"), which any one of them has generated, transported or disposed of, has been found at any site at which a federal, state, provincial, territorial or local agency or other third party has conducted or has ordered that the Borrower or any of its Subsidiaries conduct a remedial investigation, removal or other response action pursuant to any Environmental Law; or (iii) that it is or shall be a named party to any claim, action, cause of action, complaint, legal or administrative proceeding arising out of any third party's incurrance of costs, expenses, losses or damages of any kind whatsoever in connection with the Release of Hazardous Substances.

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

Releases or threatened Releases of Hazardous Substances on, upon, into or from the Real Property or other assets of the Borrower or its Subsidiaries, which Releases would have a material adverse effect on the value of such properties; (iv) to the best of the Borrower's and its Subsidiaries' knowledge, there have been no Releases on, upon, from or into any real property in the vicinity of the Real Property or other assets of the Borrower or its Subsidiaries which, through soil or groundwater contamination, may have come to be located on, and which would reasonably be expected to have a material adverse effect on the value of, such properties; and (v) in addition, any Hazardous Substances that have been generated on the Real Property or other assets of the Borrower or its Subsidiaries have been transported offsite only by carriers having an identification number issued by the EPA, treated or disposed of only by treatment or disposal facilities maintaining valid permits as required under applicable Environmental Laws, which transporters and facilities have been and are, to the best of the Borrower's and its Subsidiaries' knowledge, operating in compliance with such permits and applicable Environmental Laws.

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

SECTION 6.16. TRUE COPIES OF CHARTER AND OTHER DOCUMENTS. Each of the Borrower and the Guarantors have furnished the Administrative Agent copies, in each case true and complete as of the Closing Date, of (a) all charter and other incorporation documents (together with any amendments thereto) and (b) by-laws (together with any amendments thereto).

SECTION 6.17. DISCLOSURE. No representation or warranty made by the Borrower or any Guarantor in this Agreement or in any agreement, instrument, document, certificate, statement or letter furnished to the Banks or the Administrative Agent by or on behalf of or at the request of the Borrower and the Guarantors in connection with any of the transactions contemplated by the Loan Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which they are made.

SECTION 6.18. PERMITS AND GOVERNMENTAL AUTHORITY. All permits (other than those the absence of which would not have a material adverse effect on the business, operations or financial condition of the Borrower and its Subsidiaries as a whole) required for the construction and operation of all landfills currently

owned or operated by the Borrower or any of its Subsidiaries have been obtained and remain in full force and effect and are not subject to any appeals or further proceedings or to any unsatisfied conditions that may allow material modification or revocation. Neither the Borrower nor any of its Subsidiaries, nor, to the knowledge of the Borrower and its Subsidiaries, the holder of such permits is in violation of any such permits, except for any violation which would not have a material adverse effect on the business, operations or financial condition of the Borrower and its Subsidiaries as a whole.

SECTION 7. AFFIRMATIVE COVENANTS OF THE BORROWER. The Borrower agrees that, so long as any Obligation or any Letter of Credit is outstanding or the Banks have any obligation to make Loans, or the Issuing Bank has any obligation to issue, extend or renew any Letters of Credit hereunder, or the Banks have any obligations to reimburse the Issuing Bank for drawings honored under any Letter of Credit, it shall, and shall cause its Subsidiaries to, comply with the following covenants:

SECTION 7.1. PUNCTUAL PAYMENT. The Borrower will duly and punctually pay or cause to be paid the principal and interest on the Loans, all Reimbursement Obligations, fees and other amounts provided for in this Agreement and the other Loan Documents, all in accordance with the terms of this Agreement and such other Loan Documents.

SECTION 7.2. MAINTENANCE OF U.S. OFFICE. The Borrower will, and will cause each of its Subsidiaries in the United States of America to, maintain its chief executive offices at Houston, Texas, or at such other place in the United States of America as the Borrower shall designate upon 30 days' prior written notice to the Administrative Agent.

SECTION 7.3. RECORDS AND ACCOUNTS. The Borrower will, and will cause each of its Subsidiaries to, keep true and accurate records and books of account in which full, true and correct entries will be made in accordance with GAAP and with the requirements of all regulatory authorities and maintain adequate accounts and reserves for all taxes (including income taxes), depreciation, depletion, obsolescence and amortization of its properties, all other contingencies, and all other proper reserves.

SECTION 7.4. FINANCIAL STATEMENTS, CERTIFICATES AND INFORMATION. The Borrower will deliver to the Banks:

(a) as soon as practicable, but, in any event not later than 92 days after the end of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such year, consolidated statements of cash flows, and the related consolidated statements of operations, each setting forth in comparative form the figures for the previous fiscal year, all such consolidated financial

statements to be in reasonable detail, prepared, in accordance with GAAP and, with respect to the consolidated financial statements, certified by Coopers & Lybrand LLP or by other independent auditors selected by the Borrower and reasonably satisfactory to the Banks (the "Accountants"). In addition, simultaneously therewith, the Borrower shall provide the Banks with a written statement from such Accountants to the effect that they have read a copy of this Agreement, and that, in making the examination necessary to said certification, they have obtained no knowledge of any Default or Event of Default, or, if such Accountants shall have obtained knowledge of any then existing Default or Event of Default they shall disclose in such statement any such Default or Event of Default;

(b) as soon as practicable, but in any event not later than 47 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, copies of the consolidated balance sheet and statement of operations of the Borrower and its Subsidiaries as at the end of such quarter, subject to year-end adjustments, and the related consolidated statement of cash flows, all in reasonable detail and prepared in accordance with GAAP (to the extent GAAP is applicable to interim unaudited financial statements) with a certification by the principal financial or accounting officer of the Borrower (the "CFO or the CAO") that the consolidated financial statements are prepared in accordance with GAAP (to the extent GAAP is applicable to interim unaudited financial statements) and fairly present the consolidated financial condition of the Borrower and its Subsidiaries on a consolidated basis as at the close of business on the date thereof and the results of operations for the period then ended, it being understood that no such statement need be accompanied by complete footnotes;

(c) simultaneously with the delivery of the financial statements referred to in (a) and (b) above, a certificate in the form of Exhibit F hereto (the "Compliance Certificate") signed by the CFO or the CAO or the Borrower's corporate treasurer, stating that the Borrower and its Subsidiaries are in compliance with the covenants contained in Sections 7, 8 and 9 hereof as of the end of the applicable period and setting forth in reasonable detail computations evidencing such compliance with respect to the covenants contained in Sections 8.1(e), 8.3, 8.4, 8.5, and 9 hereof and that no Default or Event of Default exists, provided that if the Borrower shall at the time of issuance of such Compliance Certificate or at any other time obtain knowledge of any Default or Event of Default, the Borrower shall include in such certificate or otherwise deliver forthwith to the Banks a certificate specifying the nature and period of existence thereof and what action the Borrower proposes to take with respect thereto;



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

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

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

SECTION 7.5. CORPORATE EXISTENCE AND CONDUCT OF BUSINESS. The Borrower will, and will cause each Subsidiary, to do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, corporate rights and franchises; and effect and maintain its foreign qualifications (except where the failure of the Borrower or any Subsidiary to remain so qualified would not materially adversely impair the financial condition, business or assets of the Borrower and its Subsidiaries on a consolidated basis), licensing, domestication or authorization except as terminated by its Board of Directors in the exercise of its reasonable judgment; provided that such termination would not have a material adverse effect on the financial condition, business or assets of the Borrower and its Subsidiaries on a consolidated basis. The Borrower will not, and will cause its Subsidiaries not to, become obligated under any contract or binding arrangement which, at the time it was entered into, would materially adversely impair the financial condition, business or assets of the Borrower and its Subsidiaries, on a consolidated basis. The Borrower will, and will cause each Subsidiary to, continue to engage primarily in the businesses now conducted by it and in related businesses.

SECTION 7.6. MAINTENANCE OF PROPERTIES. The Borrower will, and will cause its Subsidiaries to, cause all material properties used or useful in the conduct of their businesses to be maintained and kept in good condition, repair and working order (ordinary wear and tear excepted) and supplied with all necessary equipment and cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrower and its Subsidiaries may be necessary so that the businesses carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this section shall prevent the Borrower or any of its Subsidiaries from discontinuing the operation and maintenance of any of its properties if such discontinuance is, in the judgment of

the Borrower or such Subsidiary, desirable in the conduct of its or their business and which does not in the aggregate materially adversely affect the financial condition, business or assets of the Borrower and its Subsidiaries on a consolidated basis.

SECTION 7.7. INSURANCE. The Borrower will, and will cause its Subsidiaries to, maintain with financially sound and reputable insurance companies, funds or underwriters, insurance of the kinds, covering the risks (other than risks arising out of or in any way connected with personal liability of any officers and directors thereof) and in the relative proportionate amounts usually carried by reasonable and prudent companies conducting businesses similar to that of the Borrower and its Subsidiaries, in amounts substantially similar to the existing coverage policies maintained by the Borrower and its Subsidiaries, copies of which have been provided to the Administrative Agent. In addition, the Borrower will furnish from time to time, upon any Bank's request, a summary of the insurance coverage of the Borrower and its Subsidiaries, which summary shall be in form and substance satisfactory to the Banks and, if requested by any of the Banks, will furnish to the Administrative Agent and such Bank copies of the applicable policies.

SECTION 7.8. TAXES. The Borrower will, and will cause its Subsidiaries to, duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue, all taxes, assessments and other governmental charges (other than taxes, assessments and other governmental charges imposed by jurisdictions other than the United States, Canada or any political subdivision thereof, which in the aggregate are not material to the business, financial conditions, or assets of the Borrower and its Subsidiaries on a consolidated basis) imposed upon it and its real properties, sales and activities, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies, which if unpaid might by law become a lien or charge upon any of its property; provided, however, that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if the Borrower or such Subsidiary shall have set aside on its books adequate reserves with respect thereto as required by GAAP; and provided, further, that the Borrower or such Subsidiary will pay all such taxes, assessments, charges, levies or claims forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefor.

SECTION 7.9. INSPECTION OF PROPERTIES, BOOKS AND CONTRACTS. The Borrower will, and will cause its Subsidiaries to, permit the Administrative Agent or any Bank or any of their designated representatives, upon reasonable notice, to visit and inspect any of the properties of the Borrower and its Subsidiaries, to examine the books of account of the Borrower and its Subsidiaries, or contracts (and to make copies thereof and extracts therefrom), and to discuss the affairs,

finances and accounts of the Borrower and its Subsidiaries with, and to be advised as to the same by, their officers, all at such times and intervals as may be reasonably requested.

SECTION 7.10. COMPLIANCE WITH LAWS, CONTRACTS, LICENSES AND PERMITS; MAINTENANCE OF MATERIAL LICENSES AND PERMITS. The Borrower will, and will cause each Subsidiary to, (i) comply with the provisions of its charter documents and by-laws; (ii) comply in all material respects with all agreements and instruments by which it or any of its properties may be bound; (iii) comply with all applicable laws and regulations (including Environmental Laws), decrees, orders, judgments, licenses and permits, including, without limitation, all environmental permits ("Applicable Requirements"), except where noncompliance with such Applicable Requirements would not reasonably be expected to have a material adverse effect in the aggregate on the consolidated financial condition, properties or businesses of the Borrower and its Subsidiaries; and (iv) maintain all material operating permits for all landfills now owned or hereafter acquired; and (v) dispose of hazardous waste only at licensed disposal facilities operating, to the best of the Borrower's or such Subsidiary's knowledge after reasonable inquiry, in compliance with Environmental Laws. If at any time any authorization, consent, approval, permit or license from any officer, agency or instrumentality of any government shall become necessary or required in order that the Borrower or any Subsidiary may fulfill any of its obligations hereunder or under any other Loan Document, the Borrower will immediately take or cause to be taken all reasonable steps within the power of the Borrower or such Subsidiary to obtain such authorization, consent, approval, permit or license and furnish the Banks with evidence thereof.

SECTION 7.11. ENVIRONMENTAL INDEMNIFICATION. The Borrower covenants and agrees that it will indemnify and hold the Banks, the Issuing Banks and the Administrative Agent and their respective affiliates, and each of the representatives, agents and officers of each of the foregoing, harmless from and against any and all claims, expense, damage, loss or liability incurred by the Banks, the Issuing Banks or the Administrative Agent (including all costs of legal representation incurred by the Banks, the Issuing Banks or the Administrative Agent) relating to (a) any Release or threatened Release of Hazardous Substances on the Real Property; (b) any violation of any Environmental Laws or Applicable Requirements with respect to conditions at the Real Property or other assets of the Borrower or its Subsidiaries, or the operations conducted thereon; or (c) the investigation or remediation of offsite locations at which the Borrower, any of its Subsidiaries, or their predecessors are alleged to have directly or indirectly Disposed of Hazardous Substances. It is expressly acknowledged by the Borrower that this covenant of indemnification shall survive the payment of the Loans and Reimbursement Obligations and satisfaction of all other Obligations hereunder and shall inure to the benefit of

the Banks, the Issuing Banks, the Administrative Agent and their affiliates, successors and assigns.

SECTION 7.12. FURTHER ASSURANCES. The Borrower and the Guarantors will cooperate with the Administrative Agent and execute such further instruments and documents as the Administrative Agent shall reasonably request to carry out to the Banks' satisfaction the transactions contemplated by this Agreement.

SECTION 7.13. NOTICE OF POTENTIAL CLAIMS OR LITIGATION. The Borrower shall deliver to the Banks, within 30 days of receipt thereof, written notice of the initiation of any action, claim, complaint, or any other notice of dispute or potential litigation against the Borrower or any of its Subsidiaries wherein the potential liability is in excess of \$10,000,000 together with a copy of each such notice received by the Borrower or any of its Subsidiaries.

SECTION 7.14. NOTICE OF CERTAIN EVENTS CONCERNING INSURANCE AND ENVIRONMENTAL CLAIMS.

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

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

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

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

(iii) upon the Borrower's or any Subsidiary's receipt of any notice of any material violation of any Environmental Law or of any Release or threatened Release of Hazardous Substances, including a notice or claim of liability or potential responsibility from any third party (including any federal, state, provincial, territorial or local

governmental officials) and including notice of any formal inquiry, proceeding, demand, investigation or other action with regard to (A) the Borrower's, any Subsidiary's or any Person's operation of the Real Property, (B) contamination on, from, or into the Real Property, or (C) investigation or remediation of offsite locations at which the Borrower, any Subsidiary, or its predecessors are alleged to have directly or indirectly Disposed of Hazardous Substances, and with respect to which the liability associated therewith could be reasonably expected to exceed \$10,000,000; or

(iv) upon the Borrower's or any Subsidiary's obtaining knowledge that any expense or loss which individually or in the aggregate exceeds \$10,000,000 has been incurred by such governmental authority in connection with the assessment, containment, removal or remediation of any Hazardous Substances with respect to which the Borrower or any Subsidiary may be liable or for which a lien may be imposed on the Real Property.

SECTION 7.15. NOTICE OF DEFAULT. The Borrower will promptly notify the Banks in writing of the occurrence of any Default or Event of Default. If any Person shall give any notice or take any other action in respect of a claimed default (whether or not constituting an Event of Default) under this Agreement or any other note, evidence of indebtedness, indenture or other obligation evidencing indebtedness in excess of \$10,000,000 as to which the Borrower or any of its Subsidiaries is a party or obligor, whether as principal or surety, the Borrower shall forthwith upon obtaining actual knowledge thereof give written notice thereof to the Banks, describing the notice of action and the nature of the claimed default.

SECTION 7.16. USE OF PROCEEDS. The proceeds of the Loans shall be used for general corporate purposes and in connection with the United Merger and refinancing the United Credit Agreement and other existing debt and letters of credit of United and the Borrower. No proceeds of the Loans shall be used in any way that will violate Regulations G, T, U or X of the Board of Governors of the Federal Reserve System.

SECTION 7.17. CERTAIN TRANSACTIONS. Except as disclosed in filings made by the Borrower and United under the Securities Exchange Act of 1934 prior to the Closing Date, and except for arm's length transactions pursuant to which the Borrower or any Subsidiary makes payments in the ordinary course of business upon terms no less favorable than the Borrower or such Subsidiary could obtain from third parties, none of the officers, directors, or employees of the Borrower or any Subsidiary are presently or shall be a party to any transaction with the Borrower or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for

the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Borrower or any Subsidiary, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

SECTION 8. CERTAIN NEGATIVE COVENANTS OF THE BORROWER. The Borrower agrees that, so long as any Obligation or Letter of Credit is outstanding or the Banks have any obligation to make Loans or any Issuing Bank has any obligation to issue, extend or renew any Letters of Credit hereunder, or the Banks have any obligation to reimburse any Issuing Bank for drawings honored under any Letter of Credit, it shall, and shall cause its Subsidiaries to, comply with the following covenants:

SECTION 8.1. RESTRICTIONS ON INDEBTEDNESS. Neither the Borrower nor any of its Subsidiaries shall become or be a guarantor or surety of, or otherwise create, incur, assume, or be or remain liable, contingently or otherwise, with respect to any Indebtedness, or become or be responsible in any manner (whether by agreement to purchase any obligations, stock, assets, goods or services, or to supply or advance any funds, assets, goods or services or otherwise) with respect to any Indebtedness of any other Person, or incur any Indebtedness other than:

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

(b) Existing Indebtedness of the Borrower and its Subsidiaries listed on Schedule 8.1(b) hereto on the terms and conditions in effect as of the date hereof, including extensions, renewals and refinancing of such Indebtedness in amounts no greater than and on terms no more restrictive than exist on the Closing Date;

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

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

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

(e) (i) Indebtedness of the Borrower's Subsidiaries, (ii) secured Indebtedness of the Borrower, (iii) Indebtedness with respect to landfill closure bonds of the Borrower's Subsidiaries, and (iv) Indebtedness with respect to Permitted Receivables Transactions; provided that the aggregate amount of all such Indebtedness in this Section 8.1(e) shall not exceed 7.5% of Consolidated Tangible Assets at any time;

(f) Indebtedness of Sanifill with respect to the Sanifill Convertible Subordinated Debt;

(g) Other Indebtedness of the Canadian Subsidiaries of the Borrower in an aggregate amount outstanding not in excess of \$50,000,000;

(h) After the United Joinder Date, Indebtedness of United with respect to the United Indenture;

(i) After the United Joinder Date, Indebtedness of United with respect to the United Senior Secured Notes, provided that such Indebtedness is discharged within 60 days after the United Joinder Date, or if not so discharged, the outstanding amount of such Indebtedness shall be deducted from the amount of Indebtedness permitted under Section 8.1(e); and

(j) Indebtedness of the Borrower and Sanifill with respect to the Prudential Private Placement Debt, provided that such Indebtedness is discharged within 60 days after the Closing DATE.

SECTION 8.2. RESTRICTIONS ON LIENS. The Borrower will not, and will cause its Subsidiaries not to, create or incur or suffer to be created or incurred or to exist any lien, encumbrance, mortgage, pledge, charge, restriction or other security interest of any kind upon any property or assets of any character, whether now owned or hereafter acquired, or upon the income or profits therefrom; or transfer any of such property or assets or the income or profits therefrom for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to payment of its general creditors; or acquire, or agree or have an option to acquire, any property or assets upon conditional sale or other title retention or purchase money security agreement, device or arrangement; or suffer to exist for a period of more than 30 days after the same shall have been incurred any Indebtedness or claim or demand against it which if unpaid might by law or upon bankruptcy or insolvency, or otherwise, be given any priority whatsoever over its general creditors; or sell, assign, pledge or otherwise transfer any accounts, contract rights, general intangibles or chattel paper, with or without recourse, except as follows (the "Permitted Liens"):

(a) Liens existing on the Closing Date and listed on Schedule 8.2(a) hereto;

(b) Liens securing Indebtedness permitted by Section 8.1(c)(i) hereof; provided that the assets subject to such liens and security interests shall be limited to those contracts to which such guaranty, suretyship or indemnification obligations relate and the rights to payment thereunder;

(c) Liens securing Indebtedness permitted under Section 8.1(e) (provided that Liens created pursuant to a Permitted Receivables Transaction are only on the receivables so transferred and secure only the obligations with respect thereto) and Section 8.1(g);

(d) Liens securing Indebtedness arising under the United Senior Secured Notes;

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

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

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

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

(i) Encumbrances consisting of easements, rights of way, zoning restrictions, restrictions on the use of real property and defects and irregularities in the title thereto, landlord's or lessor's liens under leases to which the Borrower or any Subsidiary is a party, and other minor liens



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

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

SECTION 8.3. RESTRICTIONS ON INVESTMENTS. Except to the extent provided in Section 8.4, neither the Borrower nor any Subsidiary may make or permit to exist or to remain outstanding any Investment, unless both before and after giving effect thereto (i) the Borrower and its Subsidiaries are in compliance with the covenants set forth in Sections 7, 8 and 9 hereof; (ii) there does not exist a Default or Event of Default and no Default or Event of Default would be created by the making of such Investment; and (iii) the aggregate amount of all Investments (excluding Investments in (A) direct obligations of the United States of America or any agency thereof having maturities of less than one (1) year, (B) certificates of deposit having maturities of less than one (1) year, issued by commercial banks in the United States or Canada having capital and surplus of not less than \$100,000,000, and (C) wholly owned Subsidiaries) does not exceed 15% of Consolidated Tangible Assets; provided, that the ability of the Borrower and its Subsidiaries to incur any Indebtedness in connection with any Investment permitted by this Section 8.3 shall be governed by Section 8.1.

SECTION 8.4. MERGERS, CONSOLIDATIONS, SALES.

(a) Neither the Borrower nor any Subsidiary shall be a party to any merger, consolidation or exchange of stock unless the Borrower shall be the surviving entity with respect to any such transaction to which the Borrower is a party or a Subsidiary shall be the surviving entity (and

continue to be a Subsidiary) with respect to any such transactions to which one or more Subsidiaries is a party (and the conditions set forth below are satisfied), or purchase or otherwise acquire all or substantially all of the assets or stock of any class of, or any partnership, membership or joint venture or other interest in, any other Person except as otherwise provided in Section 8.3 or this Section 8.4. Notwithstanding the foregoing, the Borrower and its Subsidiaries may purchase or otherwise acquire all or substantially all of the assets or stock of any class of, or joint venture or other interest in, any Person if the following conditions have been met: (i) the proposed transaction will not otherwise create a Default or an Event of Default hereunder; (ii) the business to be acquired predominantly involves the collection, transfer, hauling, disposal or recycling of solid waste (excluding hazardous waste as that term is defined in RCRA) or thermal soil remediation; (iii) the business to be acquired operates predominantly (A) in North America or (B) outside North America, provided, that the aggregate amount of such acquisitions under this clause (B) does not exceed five percent (5%) of Consolidated Tangible Assets; and (iv) the board of directors and (if required by applicable law) the shareholders, or the equivalent thereof, of the business to be acquired has approved such acquisition. Notwithstanding the foregoing, the Borrower may effect the United Merger provided that (x) such transaction will not otherwise create a Default or Event of Default hereunder, and (y) the Banks shall have received as soon as is reasonably possible an environmental permit certificate from the CFO of the Borrower satisfactory to the Banks concerning principal operating permits of United's principal operating facilities to be acquired pursuant to the United Merger. Notwithstanding anything herein to the contrary, the ability of the Borrower and its Subsidiaries to incur any Indebtedness in connection with any transaction permitted pursuant to this Section 8.4 shall be governed by Section 8.1.

(b) Neither the Borrower nor any Subsidiary shall sell, transfer, convey or lease any assets or group of assets including the sale or transfer of any property owned by the Borrower or any Subsidiary in order then or thereafter to lease such property or lease other property which the Borrower or such Subsidiary intends to use for substantially the same purpose as the property being sold or transferred (except (1) transfers of personal property among Subsidiaries of the Borrower which are wholly owned by the Borrower and (2) so long as no Default or Event of Default has occurred and is continuing, or would result therefrom, sales of assets in the ordinary course of business between the date hereof and the Maturity Date with an aggregate value not greater than ten percent (10%) of Consolidated Total Assets, as set forth in the most recent financial statements delivered to the Banks pursuant to Section 7.4 hereof) or sell or assign, with or without recourse, any receivables (except accounts

receivable more than sixty (60) days past due sold or assigned in the ordinary course of collecting past due accounts, or pursuant to a Permitted Receivables Transaction).

SECTION 8.5. RESTRICTED DISTRIBUTIONS AND REDEMPTIONS. Neither the Borrower nor any of its Subsidiaries will (a) declare or pay any Distributions, or (b) redeem, convert, retire or otherwise acquire shares of any class of its capital stock (other than in connection with a merger permitted by Section 8.4 hereof or conversion into another form of equity of any preferred shares of the Borrower existing as of the Closing Date pursuant to the terms thereof); provided that the Borrower and its Subsidiaries may pay cash dividends and redeem stock in an aggregate amount not to exceed (x) \$25,000,000 plus (y) on a cumulative basis, 50% of positive Consolidated Net Income after December 31, 1995. Notwithstanding the above, any Subsidiary may make Distributions to the Borrower and the Borrower agrees that neither the Borrower nor any Material Subsidiary will enter into any agreement restricting Distributions from such Material Subsidiary to the Borrower, other than existing restrictions in the Prudential Private Placement Debt and the United Senior Secured Notes as in effect as of the Closing Date.

SECTION 8.6. EMPLOYEE BENEFIT PLANS. None of the Borrower, any of its Subsidiaries, or any ERISA Affiliate will:

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

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

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

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

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

The Borrower and its Subsidiaries will (i) promptly upon the request of any Bank or the Administrative Agent, furnish to the Banks a copy of the most recent actuarial statement required to be submitted under Section 103(d) of ERISA and Annual Report, Form 5500, with all required attachments, in respect of each Guaranteed Pension Plan and (ii) promptly upon receipt or dispatch, furnish to the Banks any notice, report or demand sent or received in respect of a Guaranteed Pension Plan under Sections 302, 4041, 4042, 4043, 4063, 4065, 4066 and 4068 of ERISA, or in respect of a Multiemployer Plan, under Sections 4041A, 4202, 4219, 4242 or 4245 of ERISA.

SECTION 9. FINANCIAL COVENANTS OF THE BORROWER. The Borrower agrees that, so long as any Obligation or Letter of Credit is outstanding or the Banks have any obligation to make Loans, or any Issuing Bank has any obligation to issue, extend or renew any Letter of Credit hereunder, or the Banks have any obligation to reimburse any Issuing Bank for drawings honored under any Letter of Credit, it shall, and shall cause its Subsidiaries to, comply with the following covenants:

SECTION 9.1. INTEREST COVERAGE RATIO. As of the end of any fiscal quarter of the Borrower, the ratio of (a) EBIT for the period of four consecutive fiscal quarters ending on that date to (b) Consolidated Total Interest Expense for such period shall not be less than 3.00:1.

SECTION 9.2. DEBT TO TOTAL CAPITALIZATION.

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

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

SECTION 10. CONDITIONS PRECEDENT.

SECTION 10.1 CONDITIONS TO EFFECTIVENESS. The effectiveness of this Agreement and the obligations of the Banks to make any Loans and of any Issuing Bank to issue Letters of Credit and of the Banks to participate in Letters of Credit and otherwise be bound by the terms of this Agreement shall be subject to the satisfaction of each of the following conditions precedent:

SECTION 10.1.1. CORPORATE ACTION. All corporate action necessary for the valid execution, delivery and performance by the Borrower and Sanifill of the Loan Documents shall have been duly and effectively taken, and evidence thereof certified by authorized officers of the Borrower and Sanifill and satisfactory to the Banks shall have been provided to the Banks.

SECTION 10.1.2. LOAN DOCUMENTS, ETC. Each of the Loan Documents and other documents listed on the closing agenda shall have been duly and properly authorized, executed and delivered by the respective parties thereto and shall be in full force and effect in a form satisfactory to the Banks.

SECTION 10.1.3. CERTIFIED COPIES OF CHARTER DOCUMENTS. The Banks shall have received from the Borrower and Sanifill a copy, certified by a duly authorized officer of such Person to be true and complete on the Closing Date, of (a) its charter or other incorporation documents as in effect on such date of certification, and (b) its by-laws as in effect on such date.

SECTION 10.1.4. INCUMBENCY CERTIFICATE. The Banks shall have received an incumbency certificate, dated as of the Closing Date, signed by duly authorized officers giving the name and bearing a specimen signature of each individual who shall be authorized: (a) to sign the Loan Documents on behalf of the Borrower and Sanifill; (b) to make Syndicated Loan Requests and Letter of Credit Requests; (c) to make Competitive Bid Quote Requests; and (d) to give notices and to take other action on the Borrower's behalf under the Loan Documents.

SECTION 10.1.5. CERTIFICATES OF INSURANCE. The Banks shall have received (i) a certificate of insurance from an independent insurance broker dated as of the Closing Date, or within 15 days prior thereto, identifying insurers, types of insurance, insurance limits, and policy terms, and otherwise describing the insurance obtained in accordance with the provisions of the Loan Documents and (ii) copies of all policies evidencing such insurance (or certificates therefor signed by the insurer or an agent authorized to bind the insurer).

SECTION 10.1.6. OPINIONS OF COUNSEL AND PERMIT CERTIFICATE. The Banks shall have received (a) favorable legal opinions from outside counsel to the Borrower and Sanifill addressed to the Banks, dated the Closing Date, in form and substance satisfactory to the Administrative Agent, and (b) an environmental permit certificate from the CFO of the Borrower satisfactory to the Banks concerning principal operating permits at the Borrower's and its Subsidiaries' principal operating facilities.

SECTION 10.1.7. EXISTING DEBT. The Administrative Agent shall have received a payoff letter, in form and substance satisfactory to the Administrative Agent, with respect to the Original Credit Agreement, such payoff letter indicating the amount of the loan obligations of the Borrower and its Subsidiaries as of the Closing Date.

SECTION 10.1.8. SATISFACTORY FINANCIAL CONDITION. No material adverse change, in the judgment of the Majority Banks, shall have occurred in the financial condition, results of operations, business, properties or prospects of the

Borrower and its Subsidiaries, taken as a whole, since the most recent financial statements and projections provided to the Banks.

SECTION 10.1.9. PAYMENT OF CLOSING FEES. The Borrower shall have paid closing fees to the Administrative Agent for the account of the Banks in accordance with the letter by BOA dated July 10, 1997.

SECTION 10.2. CONDITIONS TO INCREASE IN TOTAL COMMITMENT. The increase in the Total Commitment from \$1,700,000,000 to \$2,000,000,000 shall be subject to the satisfaction of each of the following conditions precedent:

SECTION 10.2.1. UNITED MERGER. The United Merger shall have been successfully completed on terms no less favorable to the Borrower than the terms set forth in the United Merger Agreement, and evidence thereof satisfactory to the Administrative Agent, including, without limitation, a legal opinion as to the completion of the United Merger, shall have been furnished to the Administrative Agent.

SECTION 10.2.2. CORPORATE ACTION. All corporate action necessary for the valid execution, delivery and performance by United of the United Joinder shall have been duly and effectively taken, and evidence thereof certified by authorized officers of United and satisfactory to the Administrative Agent shall have been provided to the Administrative Agent.

SECTION 10.2.3. THE UNITED JOINDER. The United Joinder shall have been duly and properly authorized, executed and delivered by United and shall be in full force and effect.

SECTION 10.2.4. CERTIFIED COPIES OF CHARTER DOCUMENTS. The Administrative Agent shall have received from United a copy, certified by a duly authorized officer of such Person to be true and complete on the United Joinder Date, of (a) its charter or other incorporation documents as in effect on such date of certification, and (b) its by-laws as in effect on such date.

SECTION 10.2.5. INCUMBENCY CERTIFICATE. The Administrative Agent shall have received an incumbency certificate, dated as of the United Joinder Date, signed by duly authorized officers giving the name and bearing a specimen signature of each individual who shall be authorized to sign the United Joinder on behalf of United.

SECTION 10.2.6. OPINION OF COUNSEL. The Administrative Agent shall have received a favorable legal opinion from outside counsel to United addressed to the Administrative Agent and the Banks, dated the United Joinder Date, in form and substance satisfactory to the Administrative Agent.

SECTION 10.2.7. EXISTING UNITED DEBT. The Administrative Agent shall have received a payoff letter, in form and substance satisfactory to the Administrative Agent, with respect to the United Credit Agreement, together with necessary disbursement instructions sufficient to discharge all Indebtedness under the United Credit Agreement on the United Joinder Date.

SECTION 10.2.8. LIEN SEARCH RESULTS. The Administrative Agent shall have received the results of UCC lien searches with respect to United and its Subsidiaries indicating no liens or encumbrances other than Permitted Liens.

SECTION 10.2.9. SATISFACTORY FINANCIAL CONDITION. No material adverse change, in the judgment of the Majority Banks, shall have occurred in the financial condition, results of operations, business, properties or prospects of the Borrower and its Subsidiaries, taken as a whole, or United and its Subsidiaries, taken as a whole, since the most recent financial statements and projections provided to the Banks.

SECTION 10.2.10. NOTICE OF UNITED JOINDER DATE. Promptly upon receipt of the items set forth above, the Administrative Agent shall notify the Banks that all of the conditions of Section 10.2 have been satisfied, and upon such notice the Total Commitment shall be increased to \$2,000,000,000. As soon as practical thereafter, the Administrative Agent shall distribute an original counterpart of the United Joinder to each Bank, together with copies of other items delivered pursuant to this Section 10.2.

SECTION 11. CONDITIONS TO ALL LOANS. The obligations of the Banks to make any Loan and the obligation of any Issuing Bank to issue, extend, or renew any Letter of Credit at the time of and subsequent to the Closing Date is subject to the following conditions precedent:

SECTION 11.1. REPRESENTATIONS TRUE. Each of the representations and warranties of the Borrower and the Guarantors (as applicable) contained in this Agreement or in any document or instrument delivered pursuant to or in connection with this Agreement shall be true as of the date as of which they were made and shall also be true at and as of the time of the making of such Loan or the issuance, extension, or renewal of any Letter of Credit, as applicable, with the same effect as if made at and as of that time (except to the extent of changes resulting from transactions contemplated or permitted by this Agreement and changes occurring in the ordinary course of business which singly or in the aggregate are not materially adverse to the business, assets or financial condition of the Borrower and its Subsidiaries as a whole, and to the extent that such representations and warranties relate expressly and solely to an earlier date).

SECTION 11.2. PERFORMANCE; NO EVENT OF DEFAULT. The Borrower shall have performed and complied with all terms and conditions herein required to be

performed or complied with by them prior to or at the time of the making of any Loan the issuance, extension or renewal of any Letter of Credit, and at the time of the making of any Loan or the issuance, renewal or extension of any Letter of Credit, there shall exist no Default or Event of Default or condition which would result in a Default or an Event of Default upon consummation of such Loan or issuance, extension, or renewal of any Letter of Credit, as applicable. Each request for a Loan, or for issuance, extension or renewal of a Letter of Credit shall constitute certification by the Borrower that the conditions specified in Sections 11.1 and 11.2 will be duly satisfied on the date of such Loan or Letter of Credit issuance, extension or renewal.

SECTION 11.3. NO LEGAL IMPEDIMENT. No change shall have occurred in any law or regulations thereunder or interpretations thereof which in the reasonable opinion of the Banks would make it illegal for the Banks to make Loans, for any Issuing Bank to issue, extend or renew, or the Banks to participate in, Letters of Credit hereunder.

SECTION 11.4. GOVERNMENTAL REGULATION. The Banks shall have received from the Borrower and its Subsidiaries such statements in substance and form reasonably satisfactory to the Banks as they shall require for the purpose of compliance with any applicable regulations of the Comptroller of the Currency or the Board of Governors of the Federal Reserve System or the Office of the Superintendent of Financial Institutions.

SECTION 11.5. PROCEEDINGS AND DOCUMENTS. All proceedings in connection with the transactions contemplated by this Agreement and all documents incident thereto shall have been delivered to the Banks as of the date of the making of any extension of credit in substance and in form satisfactory to the Banks, including without limitation a Syndicated Loan Request in the form attached hereto as Exhibit D or a Letter of Credit Request in the form of Exhibit E and the Banks shall have received all information and such counterpart originals or certified or other copies of such documents as the Banks may reasonably request.

SECTION 12. EVENTS OF DEFAULT; ACCELERATION; TERMINATION OF COMMITMENT.

SECTION 12.1. EVENTS OF DEFAULT AND ACCELERATION. If any of the following events ("Events of Default" or, if the giving of notice or the lapse of time or both is required, then, prior to such notice and/or lapse of time, "Defaults") shall occur:

(a) if the Borrower shall fail to pay any principal of the Loans when the same shall become due and payable, whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;



(b) if the Borrower shall fail to pay any interest or fees or other amounts owing hereunder (other than those specified in subsection (a) above) within five (5) Business Days after the same shall become due and payable whether at the Maturity Date or any accelerated date of maturity or at any other date fixed for payment;

(c) if the Borrower shall fail to comply with any of the covenants contained in Sections 7, 8 and 9 hereof;

(d) if the Borrower shall fail to perform any term, covenant or agreement contained herein or in any of the other Loan Documents (other than those specified in subsections (a), (b), and (c) above) and such failure shall not be remedied within 30 days after written notice of such failure shall have been given to the Borrower by the Administrative Agent or any of the Banks;

(e) if any representation or warranty contained in this Agreement or in any document or instrument delivered pursuant to or in connection with this Agreement shall prove to have been false in any material respect upon the date when made or repeated;

(f) if the Borrower or any of its Subsidiaries shall fail to pay when due, or within any applicable period of grace, any Indebtedness in an aggregate amount greater than \$25,000,000, or fail to observe or perform any material term, covenant or agreement contained in any one or more agreements by which it is bound, evidencing or securing any Indebtedness in an aggregate amount greater than \$25,000,000 for such period of time as would, or would have permitted (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof or terminate its commitment with respect thereto;

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

against the Borrower, the Guarantors or any Material Subsidiary or the Borrower, any Guarantor or any Material Subsidiary indicates its approval thereof, consent thereto or acquiescence therein;

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

(i) if there shall remain in force, undischarged, unsatisfied and unstayed, for more than thirty days, whether or not consecutive, any final judgment against the Borrower or any Subsidiary which, with other outstanding final judgments against the Borrower and its Subsidiaries exceeds in the aggregate \$10,000,000 after taking into account any undisputed insurance coverage;

(j) if, with respect to any Guaranteed Pension Plan (or any corresponding plan described in any Applicable Canadian Pension Legislation), an ERISA Reportable Event or similar event under Applicable Canadian Pension Legislation shall have occurred and the Banks shall have determined in their reasonable discretion that such event reasonably could be expected to result in liability of the Borrower or any Subsidiary to the PBGC or similar Canadian authorities or the Plan in an aggregate amount exceeding \$10,000,000 and such event in the circumstances occurring reasonably could constitute grounds for the partial or complete termination of such Plan by the PBGC or similar Canadian authorities or for the appointment by the appropriate United States District Court or Canadian Court of a trustee to administer such Plan; or a trustee shall have been appointed by the appropriate United States District Court or Canadian Court to administer such Plan; or the PBGC or similar Canadian authorities shall have instituted proceedings to terminate such Plan;

(k) if any of the Loan Documents shall be cancelled, terminated, revoked or rescinded otherwise than in accordance with the terms thereof or with the express prior written agreement, consent or approval of the Banks, or any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by or on behalf of the Borrower, any Guarantor, or any of their respective stockholders, or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination

that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof; or

(1) if any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 25% or more of the outstanding shares of common voting stock of the Borrower; or, during any period of twelve consecutive calendar months, individuals who were directors of the Borrower on the first day of such period shall cease to constitute a majority of the board of directors of the Borrower;

then, and in any such event, so long as the same may be continuing, the Administrative Agent may, and upon the request of the Majority Banks shall, by notice in writing to the Borrower, declare all amounts owing with respect to this Agreement, the Notes and the other Loan Documents and all Reimbursement Obligations to be, and they shall thereupon forthwith become, immediately due and payable without presentment, demand, protest, notice of intent to accelerate, notice of acceleration to the extent permitted by law or other notice of any kind, all of which are hereby expressly waived by the Borrower; provided that in the event of any Event of Default specified in Section 12.1(g) or 12.1(h), all such amounts shall become immediately due and payable automatically and without any requirement of notice from the Administrative Agent or any Bank. Upon demand by the Majority Banks after the occurrence of any Event of Default, the Borrower shall immediately provide to the Administrative Agent cash in an amount equal to the aggregate Maximum Drawing Amount to be held by the Administrative Agent as collateral security for the Reimbursement Obligations.

SECTION 12.2. TERMINATION OF COMMITMENTS. If any Event of Default pursuant to Sections 12.1(g) or 12.1(h) hereof shall occur, any unused portion of the Total Commitment hereunder shall forthwith terminate and the Banks and the Issuing Banks shall be relieved of all obligations to make Loans or to issue, extend or renew Letters of Credit hereunder; or if any other Event of Default shall occur, the Majority Banks may by notice to the Borrower terminate the unused portion of the Total Commitment hereunder, and, upon such notice being given, such unused portion of the Total Commitment hereunder shall terminate immediately and the Banks and the Issuing Banks shall be relieved of all further obligations to make Loans or to issue, extend or renew Letters of Credit hereunder. No termination of any portion of the Total Commitment hereunder shall relieve the Borrower of any of its existing Obligations to the Banks, the Issuing Banks or the Administrative Agent hereunder or elsewhere.

SECTION 12.3. REMEDIES. In case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Banks shall have accelerated the maturity of the Loans and other Obligations pursuant to Section 12.1, each Bank, upon notice to the other Banks, if owed any amount with respect to the Loans or the Reimbursement Obligations, may proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the Obligations to such Bank are evidenced, including, without limitation, as permitted by applicable law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any legal or equitable right of such Bank, any recovery being subject to the terms of Section 28 hereof. No remedy herein conferred upon any Bank or the Administrative Agent or the holder of any Note is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law.

SECTION 13. SETOFF. Regardless of the adequacy of any collateral, during the continuance of an Event of Default, any deposits or other sums credited by or due from any Bank to the Borrower or any of them and any securities or other property of the Borrower or any of them in the possession of such Bank may be applied to or set off against the payment of Obligations and any and all other liabilities, direct, or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of the Borrower to the Banks or the Administrative Agent. Any amounts set off pursuant to this Section 13 shall be distributed ratably in accordance with Section 30 among all of the Banks by the Bank setting off such amounts. If any Bank fails to share such setoff ratably, the Administrative Agent shall have the right to withhold such Bank's share of the Borrower's payments until each of the Banks shall have, in the aggregate, received a pro rata repayment.

SECTION 14. EXPENSES. Whether or not the transactions contemplated herein shall be consummated, the Borrower hereby promises to reimburse the Administrative Agent for all reasonable out-of-pocket fees and disbursements (including all reasonable attorneys' fees) incurred or expended in connection with the preparation, filing or recording, or interpretation of this Agreement, the other Loan Documents, or any amendment, modification, approval, consent or waiver hereof or thereof. The Borrower further promises to reimburse the Administrative Agent and the Banks for all reasonable out-of-pocket fees and disbursements (including all reasonable legal fees and the allocable cost of in-house attorneys' fees) incurred or expended in connection with the enforcement of any Obligations or the satisfaction of any indebtedness of the Borrower hereunder or under any other Loan Document, or in connection with any

litigation, proceeding or dispute hereunder in any way related to the credit hereunder. The Borrower also promises to pay the Administrative Agent all reasonable out-of-pocket fees and disbursements, incurred or expended in connection with the Competitive Bid Loan procedure under Section 4 hereof.

SECTION 15. THE ADMINISTRATIVE AGENT.

SECTION 15.1. APPOINTMENT, POWERS AND IMMUNITIES. Each Bank hereby irrevocably appoints and authorizes MGT to act as Administrative Agent, provided, however, the Administrative Agent is hereby authorized to serve only as administrative and documentation agent for the Banks and to exercise such powers as are reasonably incidental thereto and as are set forth in this Agreement and the other Loan Documents. The Administrative Agent hereby acknowledges that it does not have the authority to negotiate any agreement which would bind the Banks or agree to any amendment, waiver or modification of any of the Loan Documents or bind the Banks except as set forth in this Agreement or the Loan Documents. Except as provided in this Agreement, and in the other Loan Documents, the Administrative Agent shall take action or refrain from acting only upon instructions of the Banks. It is agreed that the duties, rights, privileges and immunities of the Issuing Banks, in their capacity as issuers of Letters of Credit hereunder, shall be identical to the duties, rights, privileges and immunities of the Administrative Agent as provided in this Section 15. The Administrative Agent shall not have any duties or responsibilities or any fiduciary relationship with any Bank except those expressly set forth in this Agreement and the other Loan Documents. Neither the Administrative Agent nor any of its affiliates shall be responsible to the Banks for any recitals, statements, representations or warranties made by the Borrower or any other Person whether contained herein or otherwise or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, the other Loan Documents or any other document referred to or provided for herein or therein or for any failure by the Borrower or any other Person to perform its obligations hereunder or thereunder or in respect of the Notes. The Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Administrative Agent, the Agents and any of their directors, officers, employees or agents shall not be responsible for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct. The Administrative Agent in its separate capacity as a Bank shall have the same rights and powers hereunder as any other Bank.

SECTION 15.2. ACTIONS BY ADMINISTRATIVE AGENT. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement as reasonably deemed appropriate unless it shall first have received the consent of the Majority Banks (or, when expressly required hereby, all of the

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

SECTION 15.3. INDEMNIFICATION. Without limiting the obligations of the Borrower hereunder or under any other Loan Document, the Banks agree to indemnify the Administrative Agent, its affiliates and its respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) ratably in accordance with their respective Commitment Percentages for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any other Loan Document or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or the enforcement of any of the terms hereof or thereof or of any such other documents; provided, that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Administrative Agent (or any agent thereof), IT BEING THE INTENT OF THE PARTIES HERETO THAT ALL SUCH INDEMNIFIED PARTIES SHALL BE INDEMNIFIED FOR THEIR ORDINARY SOLE OR CONTRIBUTORY NEGLIGENCE.

SECTION 15.4. REIMBURSEMENT. Without limiting the provisions of Sections 5.1(a), 5.13, and 13, the Administrative Agent shall not be obliged to make available to any Person any sum which the Administrative Agent is expecting to receive for the account of that Person until the Administrative Agent has determined that it has received that sum. The Administrative Agent may, however, disburse funds prior to determining that the sums which the Administrative Agent expects to receive have been finally and unconditionally paid to the Administrative Agent, if the Administrative Agent wishes to do so. If and to the extent that the Administrative Agent does disburse funds and it later becomes apparent that the Administrative Agent did not then receive a payment in an amount equal to the sum paid out, then any Person to whom the Administrative Agent made the funds available shall, on demand from the Administrative Agent, refund to the Administrative Agent the sum paid to that Person. If, in the opinion of the Administrative Agent, the distribution of any amount received by it in such capacity hereunder or under the other Loan Documents might involve it in liability, it may refrain from making distribution until its right to

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

SECTION 15.5. DOCUMENTS. The Administrative Agent will forward to each Bank, promptly after receipt thereof, a copy of each notice or other document furnished to the Administrative Agent for such Bank hereunder; provided, however, that, notwithstanding the foregoing, the Administrative Agent may furnish to the Banks a monthly summary with respect to Letters of Credit issued hereunder in lieu of copies of the related Letter of Credit Applications.

SECTION 15.6. NON-RELIANCE ON ADMINISTRATIVE AGENT AND OTHER BANKS. Each Bank represents that it has, independently and without reliance on the Administrative Agent, the Agents or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of the financial condition and affairs of the Borrower and the Guarantors and the decision to enter into this Agreement and the other Loan Documents and agrees that it will, independently and without reliance upon the Administrative Agent, the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own appraisals and decisions in taking or not taking action under this Agreement or any other Loan Document. Except as herein expressly provided to the contrary, the Administrative Agent shall not be required to keep informed as to the performance or observance by the Borrower and the Guarantors of this Agreement, the other Loan Documents or any other document referred to or provided for herein or therein or by any other Person of any other agreement or to make inquiry of, or to inspect the properties or books of, any Person. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning any person which may come into the possession of the Administrative Agent or any of their affiliates. Each Bank shall have access to all documents relating to the Administrative Agent's performance of their duties hereunder at such Bank's request. Unless any Bank shall promptly object to any action taken by the Administrative Agent hereunder of which such Bank has actual knowledge (other than actions which require the prior consent of such Bank in accordance with the terms hereof or to which the provisions of Section 15.8 are applicable and other than actions which constitute gross negligence or willful misconduct by the Administrative Agent), such Bank shall be presumed to have approved the same.

SECTION 15.7. RESIGNATION OF ADMINISTRATIVE AGENT. The Administrative Agent may resign at any time by giving 60 days' prior written notice thereof to the Banks and the Borrower. Upon any such resignation, the Banks (other than the resigning Administrative Agent) shall have the right to appoint a successor Administrative Agent from among the Banks. If no successor to the Administrative Agent shall have been so appointed by the Banks and shall have accepted such appointment within 30 days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent from among the remaining Banks, which shall be a financial institution having a combined capital and surplus in excess of \$1,000,000,000. Upon the acceptance of any appointment as the Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the retiring Administrative Agent's resignation, the provisions of this Agreement shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent. Any new Issuing Bank appointed pursuant to this Section 15.7 shall immediately issue new Letters of Credit in place of Letters of Credit previously issued or, if acceptable to the resigning Issuing Bank, issue letters of credit in favor of the resigning Issuing Bank as security for the outstanding Letters of Credit and shall in due course replace all Letters of Credit previously issued by the resigning Issuing Bank.

SECTION 15.8. ACTION BY THE BANKS, CONSENTS, AMENDMENTS, WAIVERS, ETC. Any action to be taken (including the giving of notice) may be taken, any consent or approval required or permitted by this Agreement or any other Loan Document to be given by the Banks may be given, any term of this Agreement, any other Loan Document or any other instrument, document or agreement related to this Agreement or the other Loan Documents or mentioned therein may be amended, and the performance or observance by the Borrower or any other Person of any of the terms thereof and any Default or Event of Default (as defined in any of the above-referenced documents or instruments) may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Majority Banks; provided, however, that no such consent or amendment which affects the rights, duties or liabilities of the Administrative Agent or any Issuing Bank shall be effective without the written consent of the Administrative Agent or such Issuing Bank, as the case may be. Notwithstanding the foregoing, no amendment, waiver or consent shall do any of the following unless in writing and signed by ALL of the Banks (a) increase the principal amount of the Total Commitment (or subject any Bank to any additional obligations), (b) reduce the principal of or interest on the Notes (including, without limitation, interest on overdue amounts) or any fees payable hereunder, (c) postpone any date fixed for any payment in respect



of principal or interest (including, without limitation, interest on overdue amounts) on the Notes or any fee hereunder; (d) change the definition of "Majority Banks" or number of Banks which shall be required for the Banks or any of them to take any action under the Loan Documents; (e) amend this Section 15.8; (f) change the Commitment Percentage of any Bank, except as permitted under Section 19 hereof, (g) change the Total Commitment Percentage of any Bank, or (h) release the Borrower or any Guarantor from its obligations hereunder (except as expressly set forth herein).

SECTION 16. INDEMNIFICATION. The Borrower agrees to indemnify and hold harmless the Banks, the Agents, the Issuing Banks, and the Administrative Agent and their affiliates, as well as the Banks' and the Administrative Agent's and their affiliates' shareholders, directors, agents, officers, subsidiaries and affiliates, from and against all damages, losses, settlement payments, obligations, liabilities, claims, suits, penalties, assessments, citations, directives, demands, judgments, actions or causes of action, whether statutorily created or under the common law, and reasonable costs and expenses incurred, suffered, sustained or required to be paid by an indemnified party by reason of or resulting from the transactions contemplated hereby, except any of the foregoing which result from the gross negligence or willful misconduct of any indemnified party. In any investigation, enforcement matter, proceeding or litigation, or the preparation therefor, the Banks and the Administrative Agent shall be entitled to select their own counsel and, in addition to the foregoing indemnity, the Borrower agrees to pay promptly the reasonable fees and expenses of such counsel. In the event of the commencement of any such proceeding or litigation against the Banks or Administrative Agent by third parties, the Borrower shall be entitled to participate in such proceeding or litigation with counsel of their choice at their expense, provided that such counsel shall be reasonably satisfactory to the Banks or Administrative Agent. The covenants of this Section 16 shall survive payment or satisfaction of payment of amounts owing with respect to any Note or any other Loan Document and satisfaction of all the Obligations hereunder, IT BEING THE INTENT OF THE PARTIES HERETO THAT ALL SUCH INDEMNIFIED PARTIES SHALL BE INDEMNIFIED FOR THEIR ORDINARY SOLE OR CONTRIBUTORY NEGLIGENCE.

SECTION 17. WITHHOLDING TAXES. The Borrower hereby agrees that:

(a) Any and all payments made by the Borrower hereunder shall be made free and clear of, and without deduction for, any and all present or future taxes, levies, fees, duties, imposts, deductions, charges or withholdings of any nature whatsoever, excluding, in the case of the Administrative Agent or the Banks or any holder of the Notes, (i) taxes imposed on, or measured by, its net income or profits, (ii) franchise taxes imposed on it, (iii) taxes imposed by any jurisdiction as a direct

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

(b) The Borrower shall pay any present or future stamp or documentary taxes or any other excise or any other similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Document ("Other Taxes").

(c) The Borrower hereby indemnify and holds harmless the Administrative Agent and each Bank for the full amount of Indemnifiable

Taxes or Other Taxes (including, without limitation, any Indemnifiable Taxes or Other Taxes imposed on amounts payable under this Section 17) paid by the Administrative Agent or such Bank, as the case may be, and any liability (including penalties, interest and reasonable expenses) arising therefrom or with respect thereto, by reason of the Borrower's failure to properly deduct and withhold Indemnifiable Taxes pursuant to paragraph (a) above or to properly pay Other Taxes pursuant to paragraph (b) above. Any indemnification payment from the Borrower under the preceding sentence shall be made promptly after receipt by the Borrower from the Administrative Agent or Bank of a written statement setting forth in reasonable detail the amount of such Indemnifiable Taxes or such Other Taxes, as the case may be, and the basis of the claim.

(d) If the Borrower pays any amount under this Section 17 to the Administrative Agent or any Bank and such payee knowingly receives a refund of any taxes with respect to which such amount was paid, the Administrative Agent or such Bank, as the case may be, shall pay to the Borrower the amount of such refund promptly following the receipt thereof by such payee.

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

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

(g) Without prejudice to the survival of any other agreement of the parties hereunder, the agreements and obligations of the Borrower contained in this Section 17 shall survive the payment in full of the Obligations.

SECTION 18. SURVIVAL OF COVENANTS, ETC. Unless otherwise stated herein, all covenants, agreements, representations and warranties made herein, in the other Loan Documents or in any documents or other papers delivered by or on behalf of the Borrower or any Guarantor pursuant hereto shall be deemed to have been relied upon by the Banks, the Issuing Banks and the Administrative Agent, notwithstanding any investigation heretofore or hereafter made by them, and shall survive the making by the Banks of the Loans and the issuance, extension or renewal of any Letters of Credit by any Issuing Bank, as

herein contemplated, and shall continue in full force and effect so long as any amount due under this Agreement, any Obligation, any Letter of Credit or any Note remains outstanding and unpaid or any Bank has any obligation to make any Loans or any Issuing Bank has any obligation to issue, extend, or renew any Letters of Credit hereunder. All statements contained in any certificate or other paper delivered by or on behalf of the Borrower pursuant hereto or in connection with the transactions contemplated hereby shall constitute representations and warranties by the Borrower hereunder.

SECTION 19. ASSIGNMENT AND PARTICIPATION. It is understood and agreed that each Bank shall have the right to assign at any time all or a portion of its Commitment Percentage and interests in the risk relating to the Loans, outstanding Letters of Credit and its Commitment hereunder in an amount equal to or greater than \$5,000,000 to additional banks or other financial institutions with the prior written approval of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower, which approvals shall not be unreasonably withheld. Any Bank may at any time, and from time to time, assign to any branch, lending office, or affiliate or such Bank all or any part of its rights and obligations under the Loan Documents by notice to the Administrative Agent and the Borrower. It is further agreed that each bank or other financial institution which executes and delivers to the Administrative Agent and the Borrower hereunder an Assignment and Acceptance substantially in the form of Exhibit G hereto (an "Assignment and Acceptance") together with an assignment fee in the amount of \$2,500 payable by the assigning Bank to the Administrative Agent, shall, on the date specified in such Assignment and Acceptance, become a party to this Agreement and the other Loan Documents for all purposes of this Agreement and the other Loan Documents, and its portion of the Commitment, the Loans and Letters of Credit shall be as set forth in such Assignment and Acceptance. The Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement and the other Loan Documents. Upon the execution and delivery of such Assignment and Acceptance, (a) the Borrower shall issue to the assignee bank or other financial institution Notes in the amount of such bank's or other financial institution's Commitment dated the date of the assignment or such other date as may be specified by the Administrative Agent, and otherwise completed in substantially the form of Exhibits A or B, and to the extent any assigning Bank has retained a portion of its obligations hereunder, a replacement Syndicated Note, to the assigning Bank reflecting its assignment; (b) to the extent applicable, the Borrower shall issue a Competitive Bid Note in substantially the form of Exhibit C (and a replacement Competitive Bid Note) or the Administrative Agent shall make appropriate entries on the Competitive Bid Loan Accounts to reflect such assignment of Competitive Bid Loan(s); (c) the Administrative Agent shall distribute to the Borrower, the Banks and such bank or financial

institution a schedule reflecting such changes; and (d) this Agreement shall be deemed to be appropriately amended to reflect (i) the status of the bank or financial institution as a party hereto and (ii) the status and rights of the Banks hereunder.

Each Bank shall also have the right to grant participations to one or more banks or other financial institutions in its Commitment, the Loans and outstanding Letters of Credit. The documents evidencing any such participation shall limit such participating bank's or financial institution's voting rights with respect to this Agreement to the matters set forth in Section 15.8 which require the approval of all Banks.

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

Anything contained in this Section 19 to the contrary notwithstanding, any Bank may at any time pledge all or any portion of its interest and rights under this Agreement (including all or any portion of its Notes) to any of the twelve Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or the enforcement thereof shall release the pledgor Bank from its obligations hereunder or under any of the other Loan Documents.

SECTION 20. PARTIES IN INTEREST. All the terms of this Agreement and the other Loan Documents shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto and thereto; provided, that the Borrower shall not assign or transfer its rights or obligations hereunder or thereunder without the prior written consent of each of the Banks.

SECTION 21. NOTICES, ETC. Except as otherwise expressly provided in this Agreement, all notices and other communications made or required to be given pursuant to this Agreement or the other Loan Documents shall be in writing and shall be delivered in hand, mailed by United States first class mail, postage prepaid, or sent by telegraph, telex or facsimile and confirmed by letter, addressed as follows:

(a) if to the Borrower or the Guarantors, at 1001 Fannin Street, First City Tower, Suite 4000, Houston, Texas 77002, Attention: Earl E. DeFrates, facsimile number (713) 209-9710; or

(b) if to BOA, at Bank of America National Trust and Savings Association, 231 South LaSalle Street, Chicago, Illinois 60697, Attention: Robert P. Rospierski, Vice President, facsimile number (312) 828-1974; or

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

(d) if to any Bank, at the address set forth next to such Bank's name on Schedule 1 hereto;

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

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

SECTION 22. MISCELLANEOUS. The rights and remedies herein expressed are cumulative and not exclusive of any other rights which the Banks, the Issuing Banks or the Administrative Agent would otherwise have. The captions in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof. This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

SECTION 23. CONSENTS, ETC. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in this Section 23, subject to the provisions of Section 15.8. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. Except as otherwise expressly provided in this Agreement, any consent or approval required or permitted by this Agreement to be given by the Banks may be given, and any term of this Agreement or of any other instrument related hereto or mentioned herein may be amended, and the performance or observance by the Borrower of any terms of this Agreement or such other instrument or the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Borrower and the Majority Banks. To the

extent permitted by law, no course of dealing or delay or omission on the part of any of the Banks, the Issuing Banks or the Administrative Agent in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. No notice to or demand upon the Borrower shall entitle the Borrower to other or further notice or demand in similar or other circumstances.

SECTION 24. WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR ANY OF THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. EXCEPT AS PROHIBITED BY LAW, THE BORROWER AND THE GUARANTORS HEREBY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN THE PRECEDING SENTENCE ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. THE BORROWER AND EACH OF THE GUARANTORS EACH (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY BANK, ANY ISSUING BANK, THE ADMINISTRATIVE AGENT OR ANY AGENT HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH BANK, SUCH ISSUING BANK, THE ADMINISTRATIVE AGENT OR SUCH AGENT WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS AND (B) ACKNOWLEDGES THAT THE ADMINISTRATIVE AGENT, THE BANKS, AND THE ISSUING BANKS HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BECAUSE OF, AMONG OTHER THINGS, THE BORROWER'S AND THE GUARANTORS' WAIVERS AND CERTIFICATIONS CONTAINED HEREIN.

SECTION 25. GOVERNING LAW; SUBMISSION TO JURISDICTION. THIS AGREEMENT AND EACH OF THE OTHER LOAN DOCUMENTS ARE CONTRACTS UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL FOR ALL PURPOSES BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF SAID STATE (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW OTHER THAN GENERAL OBLIGATIONS LAW Section 5-1401). THE BORROWER AND THE GUARANTORS CONSENT TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK IN CONNECTION WITH ANY SUIT TO ENFORCE THE RIGHTS OF THE BANKS, THE ISSUING BANKS OR THE ADMINISTRATIVE AGENT UNDER THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. THE BORROWER AND EACH OF THE GUARANTORS EACH IRREVOCABLY

WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

SECTION 26. SEVERABILITY. The provisions of this Agreement are severable and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

SECTION 27. GUARANTY.

SECTION 27.1. GUARANTY. For value received and hereby acknowledged and as an inducement to the Banks and the Issuing Banks to make the Loans available to the Borrower, and issue, extend or renew Letters of Credit for the account of the Borrower, the Guarantors each hereby unconditionally and irrevocably guarantee (a) the full punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all Obligations of the Borrower now or hereafter existing whether for principal, interest, fees, expenses or otherwise, and (b) the strict performance and observance by the Borrower of all agreements, warranties and covenants applicable to the Borrower in the Loan Documents and (c) the obligations of the Borrower under the Loan Documents (such Obligations collectively being hereafter referred to as the "Guaranteed Obligations").

SECTION 27.2. GUARANTY ABSOLUTE. Each of the Guarantors guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms hereof, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Bank, any Issuing Bank or the Administrative Agent with respect thereto. The liability of the Guarantors under the guaranty granted under this Agreement with regard to the Guaranteed Obligations shall be absolute and unconditional irrespective of:

(a) any change in the time, manner or place of payment of, or in any other term of, all or any of its Guaranteed Obligations or any other amendment or waiver of or any consent to departure from this Agreement or any other Loan Document (with regard to such Guaranteed Obligations);



(b) any release or amendment or waiver of or consent to departure from any other guaranty for all or any of its Guaranteed Obligations;

(c) any change in ownership of the Borrower;

(d) any acceptance of any partial payment(s) from the Borrower or the other Guarantor; or

(e) any other circumstance which might otherwise constitute a defense available to, or a discharge of, any of the Borrower in respect of its Obligations under any Loan Document.

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

SECTION 27.3. EFFECTIVENESS; ENFORCEMENT. The guaranty under this Agreement shall be effective and shall be deemed to be made with respect to each Loan and each Letter of Credit as of the time it is made, issued or extended, or becomes a Letter of Credit under this Agreement, as applicable. No invalidity, irregularity or unenforceability by reason of any bankruptcy or similar law, or any law or order of any government or agency thereof purporting to reduce, amend or otherwise affect any liability of the Borrower, and no defect in or insufficiency or want of powers of the Borrower or irregular or improperly recorded exercise thereof, shall impair, affect, be a defense to or claim against such guaranty. The guaranty under this Agreement is a continuing guaranty and shall (a) survive any termination of this Agreement, and (b) remain in full force and effect until payment in full of, and performance of, all Guaranteed Obligations and all other amounts payable under this Agreement. Notwithstanding anything set forth in this Section 27 to the contrary, (x) Sanifill shall be released from its guaranty obligations upon the satisfaction (as determined in the Administrative Agent's judgment and evidenced by a release executed by the Administrative Agent) of the Prudential Private Placement Debt and the Sanifill Convertible Subordinated Debt, and (y) United shall be released from its guaranty obligations upon the satisfaction (as determined in the Administrative Agent's judgment and evidenced by a release executed by the Administrative Agent) of the United Indenture and the United Senior Secured Notes. The guaranty under this Agreement is made for the benefit of the Administrative Agent, the Issuing Banks and the Banks and their successors and assigns, and may be enforced from time to time as often as occasion therefor may arise and without requirement on the part of the Administrative Agent, the Issuing Banks

or the Banks first to exercise any rights against the Borrower, or to resort to any other source or means of obtaining payment of any of the said obligations or to elect any other remedy.

SECTION 27.4. WAIVER. Except as otherwise specifically provided in any of the Loan Documents, each of the Guarantors hereby waives promptness, diligence, protest, notice of protest, all suretyship defenses, notice of acceptance and any other notice with respect to any of its Guaranteed Obligations and the guaranty under this Agreement and any requirement that the Banks, the Issuing Banks or the Administrative Agent protect, secure, perfect any security interest or lien or any property subject thereto or exhaust any right or take any action against the Borrower or any other Person. Each of the Guarantors also irrevocably waives, to the fullest extent permitted by law, all defenses which at any time may be available to it in respect of its Guaranteed Obligations by virtue of any statute of limitations, valuation, stay, moratorium law or other similar law now or hereafter in effect.

SECTION 27.5. EXPENSES. Each of the Guarantors hereby promises to reimburse (a) the Administrative Agent for all reasonable out-of-pocket fees and disbursements (including all reasonable attorneys' fees), incurred or expended in connection with the preparation, filing or recording, or interpretation of the guaranty under this Agreement, the other Loan Documents to which such Guarantor is a party, or any amendment, modification, approval, consent or waiver hereof or thereof, and (b) the Administrative Agent, the Issuing Banks and the Banks and their respective affiliates for all reasonable out-of-pocket fees and disbursements (including reasonable attorneys' fees), incurred or expended in connection with the enforcement of its Guaranteed Obligations (whether or not legal proceedings are instituted). The Guarantors will pay any taxes (including any interest and penalties in respect thereof) other than the Banks' taxes based on overall income or profits, payable on or with respect to the transactions contemplated by the guaranty under this Agreement, each of the Guarantors hereby agreeing jointly and severally to indemnify each Bank with respect thereto.

SECTION 27.6. CONCERNING JOINT AND SEVERAL LIABILITY OF THE GUARANTORS.

(a) Each of the Guarantors hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the Borrower, with respect to the payment and performance of all of its Guaranteed Obligations (including, without limitation, any Guaranteed Obligations arising under this Section 27), it being the intention of the parties hereto that all such Guaranteed Obligations shall be the joint and several Guaranteed Obligations of such Guarantor and the Borrower without preferences or distinction among them.

(b) If and to the extent that the Borrower shall fail to make any payment with respect to any of its Guaranteed Obligations as and when due or to perform any of its Guaranteed Obligations in accordance with the terms thereof, then in each such event the applicable Guarantor will make such payment with respect to, or perform, such Guaranteed Obligation.

(c) The Guaranteed Obligations of each Guarantor under the provisions of this Section 27 constitute full recourse obligations of such Guarantor enforceable against such Guarantor to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement or any other circumstance whatsoever.

(d) Except as otherwise expressly provided in this Agreement, each of the Guarantors hereby waives notice of acceptance of its joint and several liability, notice of any Loans made, or Letters of Credit issued under this Agreement, notice of any action at any time taken or omitted by the Administrative Agent, the Issuing Banks or the Banks under or in respect of any of the Guaranteed Obligations, and, generally, to the extent permitted by applicable law, all demands, notices and other formalities of every kind in connection with this Agreement. Each of the Guarantors hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Guaranteed Obligations, the acceptance of any payment of any of the Guaranteed Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by the Administrative Agent, the Issuing Banks or the Banks at any time or times in respect of any Default or Event of Default by the Borrower or the Guarantors in the performance or satisfaction of any term, covenant, condition or provision of this Agreement or any other Loan Document, any and all other indulgences whatsoever by the Administrative Agent, the Issuing Banks or the Banks in respect of any of the Guaranteed Obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of the Guaranteed Obligations or the addition, substitution or release, in whole or in part, of the Borrower or any Guarantor. Without limiting the generality of the foregoing, each of the Guarantors assents to any other action or delay in acting or failure to act on the part of the Banks, the Issuing Banks or the Administrative Agent with respect to the failure by the Borrower or any Guarantor to comply with its respective Obligations or Guaranteed Obligations, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder, which might, but for the provisions of this Section 27, afford grounds for terminating, discharging or relieving the Guarantors, in whole or in part, from any of the Guaranteed Obligations under this

Section 27, it being the intention of the Guarantors that, so long as any of the Guaranteed Obligations hereunder remain unsatisfied, the Guaranteed Obligations of each of the Guarantors under this Section 27 shall not be discharged except by performance and then only to the extent of such performance. The Guaranteed Obligations of each of the Guarantors under this Section 27 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to the Borrower or any of the Guarantors or the Banks, the Issuing Banks or the Administrative Agent. The joint and several liability of each of the Guarantors hereunder shall continue in full force and effect notwithstanding any absorption, merger, consolidation, amalgamation or any other change whatsoever in the name, membership, constitution or place of formation of the Borrower or the Guarantors, the Banks, the Issuing Banks or the Administrative Agent.

(e) The Guarantors shall be liable under the Guaranty under this Section 27 only for the maximum amount of such liabilities that can be incurred under applicable law without rendering this Agreement, as it relates to the guaranty under this Section 27, voidable under applicable law relating to fraudulent conveyance and fraudulent transfer, and not for any greater amount. Accordingly, if any obligation under any provision of the guaranty under this Section 27 shall be declared to be invalid or unenforceable in any respect or to any extent, it is the stated intention and agreement of the Guarantors, the Administrative Agent, the Issuing Banks and the Banks that any balance of the obligation created by such provision and all other obligations of the Guarantors under this Section 27 to the Banks, the Issuing Banks or the Administrative Agent shall remain valid and enforceable, and that all sums not in excess of those permitted under applicable law shall remain fully collectible by the Banks, the Issuing Banks and the Administrative Agent from the Borrower or the Guarantors, as the case may be.

(f) The provisions of this Section 27 are made for the benefit of the Administrative Agent, the Issuing Banks and the Banks and their successors and assigns, and may be enforced in good faith by them from time to time against the Guarantors as often as occasion therefor may arise and without requirement on the part of the Administrative Agent, the Issuing Banks or the Banks first to marshal any of their claims or to exercise any of their rights against the Borrower or the Guarantors or to exhaust any remedies available to them against the Borrower or the Guarantors or to resort to any other source or means of obtaining payment of any of the obligations hereunder or to elect any other remedy. The provisions of this Section 27 shall remain in effect until all of the Guaranteed Obligations shall have been paid in full or otherwise fully satisfied and the Commitments have expired and all outstanding Letters of Credit have

expired, matured or otherwise been terminated. If at any time, any payment, or any part thereof, made in respect of any of the Guaranteed Obligations, is rescinded or must otherwise be restored or returned by the Banks, the Issuing Banks or the Administrative Agent upon the insolvency, bankruptcy or reorganization of the Borrower or any of the Guarantors, or otherwise, the provisions of this Section 27 will forthwith be reinstated in effect, as though such payment had not been made.

SECTION 27.7. WAIVER. Until the final payment and performance in full of all of the Obligations, neither of the Guarantors shall exercise and each of the Guarantors hereby waives any rights such Guarantor may have against the Borrower or the other Guarantor arising as a result of payment by such Guarantor hereunder, by way of subrogation, reimbursement, restitution, contribution or otherwise, and will not prove any claim in competition with the Administrative Agent, the Issuing Banks or any Bank in respect of any payment hereunder in any bankruptcy, insolvency or reorganization case or proceedings of any nature; such Guarantor will not claim any setoff, recoupment or counterclaim against the Borrower or the other Guarantor in respect of any liability of the Borrower to such Guarantor; and such Guarantor waives any benefit of and any right to participate in any collateral security which may be held by the Administrative Agent, the Issuing Banks or any Bank.

SECTION 27.8. SUBROGATION; SUBORDINATION. The payment of any amounts due with respect to any indebtedness of the Borrower for money borrowed or credit received now or hereafter owed to either of the Guarantors is hereby subordinated to the prior payment in full of all of the Obligations. Each of the Guarantors agrees that, after the occurrence of any default in the payment or performance of any of the Obligations, such Guarantor will not demand, sue for or otherwise attempt to collect any such indebtedness of the Borrower or the other Guarantor to such Guarantor until all of the Obligations shall have been paid in full. If, notwithstanding the foregoing sentence, either of the Guarantors shall collect, enforce or receive any amounts in respect of such indebtedness while any Obligations are still outstanding, such amounts shall be collected, enforced and received by such Guarantor as trustee for the Banks, the Issuing Banks and the Administrative Agent and be paid over to the Administrative Agent at Default, for the benefit of the Banks, the Issuing Banks, and the Administrative Agent on account of the Obligations without affecting in any manner the liability of such Guarantor under the other provisions hereof.

28 PARI PASSU TREATMENT.

(a) Notwithstanding anything to the contrary set forth herein, each payment or prepayment of principal and interest received after the occurrence of an Event of Default hereunder shall be distributed pari

passu among the Banks, in accordance with the aggregate outstanding principal amount of the Obligations owing to each Bank divided by the aggregate outstanding principal amount of all Obligations.

(b) Following the occurrence and during the continuance of any Event of Default, each Bank agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against any Borrower (pursuant to Section 13 or otherwise), including a secured claim under Section 506 of the Bankruptcy Code or other security or interest arising from or in lieu of, such secured claim, received by such Bank under any applicable bankruptcy, insolvency or other similar law or otherwise, obtain payment (voluntary or involuntary) in respect of the Notes, Loans, Reimbursement Obligations and other Obligations held by it (other than pursuant to Section 5.5, Section 5.6 or Section 5.8) as a result of which the unpaid principal portion of the Notes and the Obligations held by it shall be proportionately less than the unpaid principal portion of the Notes and Obligations held by any other Bank, it shall be deemed to have simultaneously purchased from such other Bank a participation in the Notes and Obligations held by such other Bank, so that the aggregate unpaid principal amount of the Notes, Obligations and participations in Notes and Obligations held by each Bank shall be in the same proportion to the aggregate unpaid principal amount of the Notes and Obligations then outstanding as the principal amount of the Notes and other Obligations held by it prior to such exercise of banker's lien, setoff or counterclaim was to the principal amount of all Notes and other Obligations outstanding prior to such exercise of banker's lien, setoff or counterclaim; provided, however, that if any such purchase or purchases or adjustments shall be made pursuant to this Section 28 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustments restored without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any Person holding such a participation in the Notes and the Obligations deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower to such Person as fully as if such Person had made a Loan directly to the Borrower in the amount of such participation.

SECTION 29. FINAL AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement under seal as of the date first set forth above.

THE BORROWER AND GUARANTORS:

USA WASTE SERVICES, INC.

By: /s/ EARL E. DEFRATES  
-----  
Earl E. DeFrates  
Executive Vice President and CFO

SANIFILL, INC.

By: /s/ EARL E DEFRATES  
-----  
Earl E. DeFrates  
Executive Vice President and CFO

THE BANKS AND AGENTS:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, individually and as Administrative Agent

By: /s/ CHRISTOPHER C. KUNHARDT  
-----  
Name: Christopher C. Kunhardt  
Title: Vice President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

By: /s/ ROBERT P. ROSPIERSKI  
-----  
Name: Robert P. Rospierski  
Title: Vice President

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ABN AMRO BANK, N.A.

By: /s/ LAURIE C. TUZO

-----  
Name: Laurie C. Tuzo  
Title: Vice President

By: /s/ LILA JORDAN

-----  
Name: Lila Jordan  
Title: Vice PresidentBANCA COMMERCIALE ITALIANA, LOS ANGELES  
FOREIGN BRANCH

By: /s/ RICHARD E. IWANICKI

-----  
Name: Richard E. Iwanicki  
Title: Vice President

By: /s/ E. BOMBIERI

-----  
Name: E. Bombieri  
Title: Vice President & ManagerBANK AUSTRIA  
AKTIENGESELLSCHAFT

By: /s/ JOSEPH A. STEINER

-----  
Name: Joseph A. Steiner  
Title: Senior Vice President  
BANK AUSTRIA

By: /s/ JEANINE BALL

-----  
Name: Jeanine Ball  
Title: Assistant Vice President  
BANK AUSTRIA



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BANKBOSTON, N.A.

By: /s/ ARTHUR J. OBERHEIM

-----  
Name: Arthur J. Oberheim  
Title: Vice President

BANK OF MONTREAL

By: /s/ ANGELO A. BARONE

-----  
Name: Angelo A. Barone  
Title: Director

BANQUE NATIONALE DE PARIS

By: /s/ JOHN L. STACY

-----  
Name: John L. Stacy  
Title: Vice PresidentWELLS FARGO BANK (TEXAS),  
NATIONAL ASSOCIATION

By: /s/ CHRISTOPHER A. KING

-----  
Name: Christopher A. King  
Title: Assistant Vice President

THE BANK OF NOVA SCOTIA

By: /s/ F.C.H. ASHBY

-----  
Name: F.C.H. Ashby  
Title: Senior Manager Loan Operations

THE BANK OF TOKYO-MITSUBISHI, LTD.

By: /s/ J. MEARNS

-----  
Name: J. Mearns  
Title: VP & Manager

BANK ONE, TEXAS

By: /s/ SCOTT RHEA

-----  
Name: Scott Rhea  
Title: Vice President

BANQUE PARIBAS

By: /s/ GLENN E. MEALEY

-----  
Name: Glenn E. Mealey  
Title: Vice President

By: /s/ TIMOTHY A. DONNON

-----  
Name: Timothy A. Donnon  
Title: Regional General Manager

COMERICA BANK

By: /s/ REGINALD M. GOLDSMITH III

-----  
Reginald M. Goldsmith III  
Vice President

CIBC INC.

By: /s/ TIMOTHY E. DOYLE

-----  
Name: Timothy E. Doyle  
Title: Managing Director,  
CIBC Wood Gundy  
Securities Corp. as Agent

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ ALAIN PAPIASSE

-----  
Name: Alain Papiasse  
Title: Executive Vice President



FLEET BANK, N.A.

By: /s/ CHRISTOPHER MAYROSE

-----  
Name: Christopher Mayrose  
Title: Vice President

THE FUJI BANK, LIMITED, HOUSTON AGENCY

By: /s/ P.C. LAUINGER III

-----  
Name: Philip C. Lauinger III  
Title: Vice President & Manager

HIBERNIA NATIONAL BANK

By: /s/ TROY J. VILLAFARRA

-----  
Name: Troy J. Villafarra  
Title: Vice President

THE INDUSTRIAL BANK OF JAPAN  
TRUST COMPANY

By: /s/ KAZUTHOSHI KUWAHARA

-----  
Name: Kazuthoshi Kuwahara  
Title: Executive Vice President  
THE INDUSTRIAL BANK OF JAPAN,  
LIMITED, HOUSTON OFFICE  
(AUTHORIZED REPRESENTATIVE)

KREDIETBANK, N.V.

By: /s/ ROBERT SNAUFFER

-----  
Name: Robert Snauffer  
Title: Vice President

By: /s/ [ILLEGIBLE]

-----  
Name:  
Title: Vice President

THE MITSUBISHI TRUST AND BANKING  
CORPORATION

By: /s/ MASA AKI YAMAGISHI

-----  
Name: Masaaki Yamagishi  
Title: Chief Manager

PNC BANK, NATIONAL ASSOCIATION

By: /s/ PHILIP K. LIEBSCHER

-----  
Name: Philip K. Liebscher  
Title: Vice President

ROYAL BANK OF CANADA

By: /s/ GORDON MACARTHUR

-----  
Name: Gordon MacArthur  
Title: Manager

THE SANWA BANK LIMITED

By: /s/ TORU SAKAMURO

-----  
Name: Toru Sakamuro  
Title: Vice President

THE SUMITOMO BANK, LIMITED

By: /s/ HARUMITSU SEKI

-----  
Name: Harumitsu Seki  
Title: General Manager

SUNTRUST BANK, ATLANTA

By: /s/ TRISHA E. HARDY

-----  
Name: Trisha E. Hardy  
Title: Corporate Banking Officer

By: /s/ JOHN A. FIELDS, JR.

-----  
Name: John A. Fields, Jr.  
Title: Vice President

TEXAS COMMERCE BANK, NATIONAL ASSOCIATION

By: /s/ MICHAEL ONDRUCH

-----  
Name: Michael Ondruch  
Title: Vice President

TORONTO DOMINION (TEXAS), INC.

By: /s/ NEVA NESBITT

-----  
Name: Neva Nesbitt  
Title: Vice President

WACHOVIA BANK, N.A.

By: /s/ DAVID K. ALEXANDER

-----  
Name: David K. Alexander  
Title: Senior Vice President

WESTDEUTSCHE LANDESBANK GIROZENTRALE, NEW YORK BRANCH

By: /s/ RICHARD R. NEWMAN    JAMES VENEAU

-----  
Name: Richard R. Newman    James Veneau  
Title: Vice President        Analyst

THE BANK OF NEW YORK

By: /s/ ALAN F. LYSTER, JR.

-----  
Alan F. Lyster, Jr.  
Vice President

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UNITED WASTE SYSTEMS, INC.

AND

USA WASTE SERVICES, INC.

TO

BANKERS TRUST COMPANY  
as Trustee

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FIRST SUPPLEMENTAL INDENTURE

Dated as of August 26, 1997

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Supplementing and Amending Indenture Dated as of June 5, 1996

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THIS FIRST SUPPLEMENTAL INDENTURE, dated as of August 26, 1997 (the "Supplemental Indenture"), is by and among United Waste Systems, Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called "United" or the "Company"), having its principal executive office at Four Greenwich Office Park, Greenwich, Connecticut 06830. USA Waste Services, Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called "USA Waste"), having its principal executive office at First City Tower, 1001 Fannin Street, Suite 4000, Houston, Texas 77002, and Bankers Trust company, a New York banking association, as Trustee (herein called the "Trustee").

#### RECITALS OF UNITED AND USA WASTE

United has executed and delivered to the Trustee its Indenture, dated as of June 5, 1996 (herein called the "Indenture"), to provide for the issuance of \$150,000,000 aggregate principal amount of its 4-1/2% Convertible Subordinated Notes Due June 1, 2001 (the "Securities").

Pursuant to the Indenture, United has issued Securities in an original principal amount of \$150,000,000, all of which are currently outstanding. No other securities have been issued pursuant to the Indenture.

Effective as of August 26, 1997 (the "Merger Date"), Riviera Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of USA Waste, was merged with and into United pursuant to the provisions of the General Corporation Law of the State of Delaware (the "Merger"), as a result of which United became a wholly-owned subsidiary of USA Waste.

Each share of common stock of United which was issued and outstanding immediately prior to the Merger was, by virtue of the Merger and without any action on the part of the holder thereof, converted into 1.075 shares of the common stock, par value \$0.01 per share, of USA Waste (the "USA Waste Shares").

In connection with the Merger, United and USA Waste, pursuant to appropriate resolutions of their respective Boards of Directors, have duly determined to make, execute and deliver to the Trustee this Supplemental Indenture in order to reflect the results of the Merger as required by the Indenture.

Pursuant to Section 12.11 of the Indenture, United, as the survivor in the Merger, is required to execute and deliver to the Trustee an indenture supplemental to the Indenture in connection with the Merger.

The Indenture provides that, without the consent of any Holders, United and the Trustee may enter into a supplemental indenture to make provision with respect to the conversion rights of Holders pursuant to the requirements of Article Twelve of the Indenture, and United has determined that this Supplemental Indenture may therefore be entered into without the consent of any Holder in accordance with Section 8.1(5) of the Indenture.

United and USA Waste have duly authorized the execution and delivery of this Supplemental Indenture and all things necessary have been done to make this Supplemental Indenture a valid agreement of United and USA Waste, in accordance with its terms.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises, it is mutually agreed, for the equal and proportionate benefit of the respective Holders from time to time of the Securities, as follows:

ARTICLE ONE  
DEFINITIONS

SECTION 101. Indenture Terms.

Capitalized terms used but not defined in this Supplemental Indenture have the respective meanings assigned to them in the Indenture.

ARTICLE TWO  
CONCERNING THE SECURITIES

SECTION 201. Conversion Privilege

The Holder of each Security Outstanding on the date hereof shall have the right from and after the date hereof, during the period such Security shall be convertible as specified in Section 12.1 of the Indenture, to convert such Security only into the number of USA Waste Shares, and cash in lieu of fractional USA Waste Shares, receivable upon the effectiveness of the Merger by a holder of the number of shares of Common Stock of the Company into which such Security might have been converted immediately prior to the Merger, subject to adjustment as provided in Section 202 below.

SECTION 202. Conversion Price.

The price at which USA Waste Shares shall be delivered upon conversion of Securities (herein called the "Conversion Price") shall be the price specified in Section 12.1 of the Indenture, as adjusted in accordance with Article Twelve of the Indenture prior to the Merger. For events subsequent to the effective date of this Supplemental Indenture, the Conversion Price shall be adjusted in a manner as nearly equivalent as may be practical to the adjustments provided for in Article Twelve of the Indenture.

ARTICLE THREE  
CONCERNING THE TRUSTEE

SECTION 301. Terms and Conditions.

The Trustee accepts this Supplemental Indenture and agrees to perform the duties of the Trustee upon the terms and conditions herein and in the Indenture set forth.

SECTION 302. No Responsibility.

The Trustee shall not be responsible in any manner whatsoever for or in respect of (i) the validity or sufficiency of this Supplemental Indenture, the authorization or permissibility of this Supplemental Indenture pursuant to the terms of the Indenture or the due execution thereof by United or USA Waste or (ii) the recitals herein contained, all such recitals being made by United and USA Waste. The Trustee shall not be responsible in any manner to determine the correctness of provisions contained in this Supplemental Indenture relating either to the kind or amount of securities receivable by Holders of Securities upon the conversion of their Securities after the Merger or to any adjustment provided herein.

ARTICLE FOUR  
EFFECT OF EXECUTION AND DELIVERY HEREOF

From and after the execution and delivery of this Supplemental Indenture, (i) the Indenture shall be deemed to be amended and modified as provided herein, (ii) this Supplemental Indenture shall form a part of the Indenture, (iii) except as modified and amended by this Supplemental Indenture, the Indenture shall continue in full force and effect, (iv) the Securities shall continue to be governed by the Indenture, as modified and amended by this Supplemental Indenture, and (v) every Holder of Securities heretofore and hereafter authenticated and delivered under the Indenture shall be bound by this Supplemental Indenture.

ARTICLE FIVE  
MISCELLANEOUS PROVISIONS

SECTION 501. Headings Descriptive.

The headings of the several Articles and Sections of this Supplemental Indenture are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Supplemental Indenture.

SECTION 502. Rights and Obligations of the Trustee.

All of the provisions of the Indenture with respect to the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of this Supplemental Indenture as fully and with the same effect as if set forth herein in full.

SECTION 503. Successors and Assigns.

This Supplemental Indenture shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto and the Holders of any Securities then Outstanding.

SECTION 504. Counterparts.

This Supplemental Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 505. Governing Law.

This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

[The next page is the signature page]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

UNITED WASTE SYSTEMS, INC.

By: /s/ BRADLEY S. JACOBS

-----  
Name: Bradley S. Jacobs  
Title: Chairman of the Board and  
Chief Executive Officer

Attest:

By: /s/ JOHN N. MILNE

-----  
NAME: John N. Milne  
Title: Secretary

USA WASTE SERVICES, INC.

By: /s/ EARL E. DEFRATES

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Name: Earl E. DeFrates  
Title: Executive Vice President and  
Chief Financial Officer

Attest:

By: /s/ GREGORY T. SANGALIS

-----  
Name: Gregory T. Sangalis  
Title: Vice President, General  
Counsel and Secretary

BANKERS TRUST COMPANY

By: /s/ SUSAN JOHNSON

-----  
Name: Susan Johnson  
Title: Assistant Vice President

STATE OF TEXAS )  
 )  
COUNTY OF HARRIS )

On the 26th day of August, 1997, before me personally came Bradley S. Jacobs, to me known, who, being by me duly sworn, did depose and say that he is Chairman of the Board and Chief Executive Officer of United Waste Systems, Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

By: /s/ DEBORAH S. BRIGGS

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[NOTARY SEAL]

STATE OF TEXAS )  
 )  
COUNTY OF HARRIS )

On the 26th day of August, 1997, before me personally came Earl E. DeFrates, to me known, who, being by me duly sworn, did depose and say that he is Executive Vice President and Chief Financial Officer of USA Waste Services, Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

By: /s/ DEBORAH S. BRIGGS

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[NOTARY SEAL]

STATE OF NEW YORK )  
 )  
COUNTY OF NEW YORK )

On the 26th day of August, 1997, before me personally came Susan Johnson, to me known, who, being by me duly sworn, did depose and say that she is Assistant Vice President of Bankers Trust Company, Inc., one of the corporations described in and which executed the foregoing instrument; that she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that she signed her name thereto by like authority.

By: /s/ MARGARET BEREZA

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[NOTARY SEAL]

## CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-3, No. 333-00097, No. 333-08573, No. 333-17421, No. 333-32471, No. 333-33889) of USA Waste Services, Inc. and the related Prospectuses, and in the Registration Statements (Form S-4, No. 333-31979, No. 333-32805) of USA Waste Services, Inc., and the related Prospectuses, and in the Registration Statements (Form S-8, No. 33-43619, No. 33-59807, No. 33-61621, No. 33-61625, No. 33-61627, No. 33-72436, No. 33-84988, No. 33-84990, No. 333-02181, No. 333-08161, No. 333-14115, No. 333-14613, No. 333-34819) of USA Waste Services, Inc., and the related Prospectuses of our report, dated February 21, 1997, except for Note 13, as to which the date is March 25, 1997, with respect to the consolidated financial statements of United Waste Systems, Inc. for the year ended December 31, 1996, in this Current Report on Form 8-K, dated August 26, 1997.

Ernst & Young LLP

MetroPark, New Jersey  
August 29, 1997