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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q/A

(MARK ONE)

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

For the quarterly period ended June 30, 1998

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER 1-12154

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

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

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

1001 FANNIN  
SUITE 4000  
HOUSTON, TEXAS 77002  
(Address of principal executive offices)

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

USA WASTE SERVICES, INC.  
(Former name or former address, if changed since last report)

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

The number of shares of Common Stock, \$.01 par value, of the Registrant  
outstanding at August 10, 1998, was 571,789,484 (excluding 7,892,612 shares held  
in the Waste Management, Inc. Employee Stock Benefit Trust).

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PART I.  
ITEM 1. FINANCIAL STATEMENTS.

WASTE MANAGEMENT, INC.

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

ASSETS

	June 30, 1998	December 31, 1997
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Current assets:		
Cash and cash equivalents	\$ 44,990	\$ 51,241
Accounts receivable, net	549,842	442,347
Notes and other receivables	80,517	56,361
Deferred income taxes	41,924	52,592
Prepaid expenses and other	58,396	52,845
	-----	-----
Total current assets	775,669	655,386
Notes and other receivables	23,300	32,386
Property and equipment, net	5,123,117	3,955,008
Excess of cost over net assets of acquired businesses, net	2,035,462	1,539,927
Other intangible assets, net	136,543	106,058
Other assets	280,709	334,080
	-----	-----
Total assets	\$8,374,800	\$6,622,845
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 245,611	\$ 237,176
Accrued liabilities	191,490	228,771
Deferred revenues	85,120	63,417
Current maturities of long-term debt	53,172	39,286
	-----	-----
Total current liabilities	575,393	568,650
Long-term debt, less current maturities	4,050,989	2,724,443
Deferred income taxes	351,446	320,439
Closure, post-closure, and other liabilities	446,745	380,337
	-----	-----
Total liabilities	5,424,573	3,993,869
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 10,000,000 shares authorized; none issued	--	--
Common stock, \$.01 par value; 500,000,000 shares authorized; 223,660,312 and 217,805,496 shares issued, respectively	2,237	2,178
Additional paid-in capital	2,513,472	2,392,797
Retained earnings	497,667	253,497
Accumulated other comprehensive income	(62,665)	(19,012)
Less treasury stock at cost, 23,485 shares	(484)	(484)
	-----	-----
Total stockholders' equity	2,950,227	2,628,976
	-----	-----
Total liabilities and stockholders' equity	\$8,374,800	\$6,622,845
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The accompanying notes are an integral part  
of these condensed consolidated financial statements.

WASTE MANAGEMENT, INC.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Operating revenues	\$882,044	\$656,225	\$1,651,484	\$1,116,709
Costs and expenses:				
Operating (exclusive of depreciation and amortization shown below)	437,763	340,147	835,255	581,465
General and administrative	83,680	71,730	165,596	125,407
Depreciation and amortization	99,606	75,406	185,716	131,584
Merger costs	5,305	3,263	5,305	5,259
	626,354	490,546	1,191,872	843,715
Income from operations	255,690	165,679	459,612	272,994
Other income (expense):				
Interest expense	(52,793)	(25,174)	(91,161)	(41,272)
Interest and other income, net	8,949	5,738	44,999	11,437
	(43,844)	(19,436)	(46,162)	(29,835)
Income before income taxes and extraordinary item	211,846	146,243	413,450	243,159
Provision for income taxes	84,738	58,947	165,380	97,901
Income before extraordinary item	127,108	87,296	248,070	145,258
Extraordinary item related to early retirement of debt, net of tax benefit of \$2,600	(3,900)	--	(3,900)	--
Net income	\$123,208	\$ 87,296	\$ 244,170	\$ 145,258
Basic earnings per common share:				
Income before extraordinary item	\$ 0.57	\$ 0.43	\$ 1.13	\$ 0.73
Extraordinary item	(0.01)	--	(0.01)	--
Net income	\$ 0.56	\$ 0.43	\$ 1.12	\$ 0.73
Diluted earnings per common share:				
Income before extraordinary item	\$ 0.53	\$ 0.40	\$ 1.05	\$ 0.69
Extraordinary item	(0.01)	--	(0.01)	--
Net income	\$ 0.52	\$ 0.40	\$ 1.04	\$ 0.69
Weighted average number of common shares outstanding	222,143	204,729	220,316	198,751
Weighted average number of common and dilutive potential common shares outstanding	247,772	232,951	245,469	224,362

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

WASTE MANAGEMENT, INC.  
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(IN THOUSANDS)  
(UNAUDITED)

	Preferred Stock -----	Common Stock -----	Additional Paid-in Capital -----	Accumulated Other Retained Earnings -----	Comprehensive Income -----	Treasury Stock -----
Balance, December 31, 1997	\$ --	\$2,178	\$2,392,797	\$253,497	\$(19,012)	\$(484)
Common stock options and warrants exercised, including tax benefits	--	15	27,203	--	--	--
Common stock issued in business combinations and development projects	--	40	86,667	--	--	--
Foreign currency translation adjustment	--	--	--	--	(43,653)	--
Other	--	4	6,805	--	--	--
Net income	--	--	--	244,170	--	--
	-----	-----	-----	-----	-----	-----
Balance, June 30, 1998	\$ --	\$2,237	\$2,513,472	\$497,667	\$(62,665)	\$(484)
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The accompanying notes are an integral part  
of these condensed consolidated financial statements.

WASTE MANAGEMENT, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)  
(UNAUDITED)

	Six Months Ended June 30,	
	1998	1997
Cash flows from operating activities:		
Net income	\$ 244,170	\$ 145,258
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	185,716	131,584
Deferred income taxes	42,957	36,231
Gain on sale of assets	(9,647)	(648)
Equity in earnings of a partnership	(28,124)	--
Effect of nonrecurring charges	4,689	--
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts receivable and other receivables	(77,916)	(85,890)
Prepaid expenses and other	(27,687)	3,993
Other assets	(18,596)	1,696
Accounts payable and accrued liabilities	(230,818)	(113,349)
Deferred revenues and other liabilities	(13,551)	(12,284)
Other, net	(21,908)	(1,015)
Net cash provided by operating activities	49,285	105,576
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(1,272,430)	(1,168,677)
Capital expenditures	(214,583)	(208,738)
Proceeds from sale of assets	60,083	109,026
Proceeds from partnership distribution	131,803	--
Other	(10,713)	(25,054)
Net cash used in investing activities	(1,305,840)	(1,293,443)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	1,558,368	1,658,295
Principal payments on long-term debt	(325,395)	(948,465)
Net proceeds from issuance of common stock	--	506,381
Proceeds from exercise of common stock options and warrants	16,420	23,739
Other	702	(8,276)
Net cash provided by financing activities	1,250,095	1,231,674
Effect of exchange rate changes on cash and cash equivalents	209	(126)
Increase (decrease) in cash and cash equivalents	(6,251)	43,681
Cash and cash equivalents at beginning of period	51,241	26,079
Cash and cash equivalents at end of period	\$ 44,990	\$ 69,760

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

WASTE MANAGEMENT, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

On July 16, 1998, USA Waste Services, Inc. (this registrant) consummated a merger with Waste Management, Inc. (collectively the "Combined Company") accounted for as a pooling of interests pursuant to which USA Waste Services, Inc. issued 0.725 of a share of its common stock for each outstanding share of Waste Management, Inc. common stock (the "Merger"). At the effective time of the Merger, Waste Management, Inc. changed its name to Waste Management Holdings, Inc. ("WM Holdings") and USA Waste Services, Inc. changed its name to Waste Management, Inc. (herein referred to as "Waste Management" or the "Company"). With the exception of Note 9, the financial information and disclosures included in Part I, Item 1 of this Form 10-Q presents the Company prior to the consummation of the Merger. Certain supplemental financial information regarding the Combined Company is included in Part II, Item 5 of this Form 10-Q.

The condensed consolidated balance sheets of the Company as of June 30, 1998 and December 31, 1997, the condensed consolidated statements of operations for the three and six months ended June 30, 1998 and 1997, the condensed consolidated statement of stockholders' equity for the six months ended June 30, 1998, and the condensed consolidated statements of cash flows for the six months ended June 30, 1998 and 1997 are unaudited. In the opinion of management, such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of financial position, results of operations, and cash flows for the periods presented. The financial statements presented herein should be read in connection with the Company's Annual Report on Form 10-K for the year ended December 31, 1997, and with the Company's Joint Proxy Statement/Prospectus dated June 9, 1998, that was filed in connection with the Merger.

1. BUSINESS COMBINATIONS

On January 14, 1998, the Company acquired the solid waste divisions of City Management Holdings Trust ("City Management") for approximately \$810,000,000 consisting of cash paid, and liabilities and debt assumed. The businesses acquired are primarily located in the state of Michigan and include several collection operations, landfills, and transfer stations. This acquisition was accounted for using the purchase method of accounting.

On June 18, 1998, the Company acquired the solid waste businesses of American Waste Systems, Inc. ("American") for approximately \$150,000,000 in cash. The acquired assets include three landfills and one collection operation located in Ohio. This acquisition was accounted for using the purchase method of accounting.

In addition to the acquisitions of City Management and American, during the six months ended June 30, 1998, the Company acquired 12 landfills, 85 collection businesses, and 15 transfer stations for approximately \$410,000,000 in cash paid, and liabilities and debt assumed, and approximately 1,715,000 shares of the Company's common stock in business combinations accounted for using the purchase method of accounting.

The unaudited pro forma information set forth below assumes all acquisitions accounted for as purchases from January 1, 1997 through June 30, 1998, had occurred at the beginning of 1997. The unaudited pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the purchase acquisitions been consummated at that time (in thousands, except per share amounts):

	Six Months Ended June 30,	
	1998	1997
Operating revenues	\$1,743,934	\$1,729,062
Income before extraordinary item	254,298	177,382
Net income	250,398	177,382
Basic earnings per common share:		
Income before extraordinary item	1.14	0.86
Net income	1.13	0.86
Diluted earnings per common share:		
Income before extraordinary item	1.07	0.81
Net income	1.06	0.81

On May 6, 1998, the Company consummated a merger with TransAmerican Waste Industries, Inc. ("TransAmerican") accounted for using the pooling of interests method of accounting, pursuant to which the Company issued approximately 1,975,000 shares of its common stock in exchange for all outstanding shares of TransAmerican (the "TransAmerican Merger"). Periods reported prior to the consummation of the TransAmerican Merger were not restated to include the accounts and operations of TransAmerican as the combined results would not be materially different from the results as previously presented. The businesses acquired include five collection operations, nine landfills, and two transfer stations located throughout the southern United States.

In addition to the TransAmerican Merger, the Company consummated four other acquisitions accounted for as poolings of interests during the six months ended June 30, 1998, pursuant to which the Company issued approximately 275,000 shares of its common stock in exchange for all outstanding shares of the acquired companies. Periods reported prior to the consummation of these poolings of interests were not restated to include the accounts and operations of the acquired companies as the combined results would not be materially different from the results as previously presented. For the three months ended June 30, 1998, the Company incurred \$5,305,000 of merger costs related to the TransAmerican Merger and the other poolings of interests transactions consummated during the period.

## 2. LONG-TERM DEBT

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

	June 30, 1998	December 31, 1997
Senior revolving credit facility	\$1,458,000	\$ 430,000
6 1/2% Senior notes due 2002, net of unamortized discount of \$1,988 and \$2,229	348,012	347,771
7% Senior notes due 2004, net of unamortized discount of \$2,218 and \$2,455	297,782	297,545
7 1/8% Senior notes due 2007, net of unamortized discount of \$2,722 and \$2,919	297,278	297,081
7 1/8% Senior notes due 2017, net of unamortized discount of \$1,491 and \$1,533	148,509	148,467
4% Convertible subordinated notes due 2002	535,275	535,275
4 1/2% Convertible subordinated notes due 2001	149,333	149,500
5% Convertible subordinated debentures due 2006	115,000	115,000
Tax-exempt bonds, principal payable in periodic installments, maturing through 2021, fixed and variable interest rates ranging from 3.25% to 9.25% at June 30, 1998	273,049	265,355
Other	481,923	177,735
	4,104,161	2,763,729
Less current maturities	53,172	39,286
	\$4,050,989	\$2,724,443

On August 7, 1997, the Company entered into a \$2,000,000,000 senior revolving credit facility with a consortium

of banks (the "Credit Facility"). The Credit Facility is used for general corporate purposes including borrowings and standby letters of credit and principal reductions are not required for the Credit Facility during its five-year term. The Credit Facility requires a facility fee not to exceed 0.30% per annum and loans under the Credit Facility bear interest at a rate based on the Eurodollar rate plus a spread not to exceed 0.575% per annum. At December 31, 1997, the Company had borrowed \$430,000,000 and had issued letters of credit of \$467,029,000 under the Credit Facility. The applicable interest rate and facility fee at December 31, 1997, was 6.1% and 0.1125% per annum, respectively. At June 30, 1998, the Company had borrowed \$1,458,000,000 and had issued letters of credit of \$472,786,000 under the Credit Facility. The applicable interest rate and facility fee was 5.925% and 0.1125%, respectively, at June 30, 1998.

Included in other long-term debt at June 30, 1998 is \$325,000,000 of bank debt that was incurred during the second quarter of 1998 and subsequently retired with proceeds from the Company's \$3,000,000,000 syndicated loan facility that was entered into in conjunction with the consummation of the Merger (see Notes 9 and 10). Interest rates for the bank debt approximated the applicable interest rates for the existing Credit Facility.

Upon consummation of the TransAmerican Merger, the Company retired approximately \$40,000,000 of TransAmerican's outstanding indebtedness with an average interest rate of 9.0% with proceeds from the Company's Credit Facility. In connection with this debt retirement, the Company incurred prepayment penalties and other fees of \$1,811,000 and wrote off the related remaining unamortized discounts and discounts and debt offering costs of \$4,689,000, which were recorded as an extraordinary item during the three months ended June 30, 1998.

### 3. INCOME TAXES

The difference in federal income taxes at the statutory rate and the provision for income taxes for the three and six months ended June 30, 1998 and 1997, is primarily due to state and local income taxes.

### 4. EARNINGS PER COMMON SHARE

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS No.128"). SFAS No. 128 specifies the computation, presentation, and disclosure requirements of earnings per share and supercedes Accounting Principles Board Opinion No. 15, Earnings Per Share. SFAS No. 128 requires a dual presentation of basic and diluted earnings per share. Basic earnings per share, which is based on the weighted average number of common shares outstanding, replaces primary earnings per share. Diluted earnings per share, which is based on the weighted average number of common and dilutive potential common shares outstanding, replaces fully diluted earnings per share and utilizes the average market price per share as opposed to the greater of the average market price per share or ending market price per share when applying the treasury stock method in determining dilutive potential shares. SFAS No. 128 was effective for the Company for the year ended December 31, 1997, and required all prior-period earnings per share data to be restated to conform to its presentation. Accordingly, the Company has restated all previously reported earnings per share amounts.

Diluted earnings per common share for the three and six months ended June 30, 1998 and 1997, have been calculated assuming conversion of the Company's convertible subordinated notes and debentures. For the three and six months ended June 30, 1998, interest (net of taxes) of \$5,069,000 and \$10,082,000, respectively, has been added back to net income for the diluted earnings per share calculation. For the three and six months ended June 30, 1997, interest (net of taxes) of \$5,078,000 and \$8,773,000, respectively, has been added back to net income for the diluted earnings per share calculation.

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



	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Number of common shares outstanding	223,637	208,591	223,637	208,591
Effect of using weighted average common shares outstanding	(1,494)	(3,862)	(3,321)	(9,840)
Weighted average number of common shares outstanding	222,143	204,729	220,316	198,751
Dilutive effect of common stock options and warrants	4,339	6,911	3,863	6,879
Dilutive effect of convertible subordinated notes and debentures	21,290	21,311	21,290	18,732
Weighted average number of common and dilutive potential common shares outstanding	247,772	232,951	245,469	224,362

## 5. COMPREHENSIVE INCOME

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, REPORTING COMPREHENSIVE INCOME ("SFAS No. 130"). SFAS No. 130 establishes standards for reporting and presentation of comprehensive income and its components. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. SFAS No. 130 is effective for the Company in 1998 and requires comparative disclosure for prior periods presented. Comprehensive income and its components for the three and six months ended June 30, 1998 and 1997 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Net income	\$123,208	\$87,296	\$244,170	\$145,258
Foreign currency translation adjustment	(25,167)	55	(43,653)	(15)
Comprehensive income	\$ 98,041	\$87,351	\$200,517	\$145,243

Accumulated other comprehensive income at June 30, 1998 and December 31, 1997, is comprised solely of foreign currency translation adjustments.

## 6. PARTNERSHIP INVESTMENT

In November 1997, the Company purchased for approximately \$97,000,000, a 49% limited partner interest in a limited partnership which was formed for the purpose of acquiring shares of WM Holdings common stock (prior to the Merger) on the open market. The limited partnership purchased shares of WM Holdings common stock during November 1997 and sold substantially all of such shares in March 1998. For the six months ended June 30, 1998, the Company recorded other income of \$28,124,000 (\$16,875,000 after tax, or \$0.07 per share on a diluted basis) for its equity in the earnings of the limited partnership.

## 7. COMMITMENTS AND CONTINGENCIES

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

LITIGATION - As of June 30, 1998, the Company or its subsidiaries has been notified that they are potentially responsible parties ("PRPs") in connection with eight locations listed on the Superfund National Priorities List ("NPL"). None of the eight NPL sites at which claims have been made against the Company are owned by the Company, and they are at different procedural stages under Superfund. At six of the NPL sites, the Company's liability is well defined as a consequence of a governmental decision as to the appropriate remedy. At the others, where investigations have not been completed, remedies have not been selected or responsible parties have been unable to reach an agreement, the Company's liability is less certain. While the Company, based on its status reviews of its PRP claims, does not currently anticipate that the amount of such liabilities will have a material adverse effect on the Company's operations, financial condition or cash flows, the measurement of environmental liabilities is inherently difficult and the possibility remains that technological, regulatory or enforcement developments, the results of environmental studies, or other factors could materially alter this expectation at any time.

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

INSURANCE - The Company carries a broad range of insurance coverages, which management considers prudent for the protection of the Company's assets and operations. Some of these coverages are subject to varying retentions of risk by the Company. The casualty coverages currently include \$2,000,000 primary commercial general liability and \$1,000,000 primary automobile liability supported by \$300,000,000 in umbrella insurance protection. The property policy provides insurance coverage for all of the Company's real and personal property, including California earthquake perils. The Company also carries \$200,000,000 in aircraft liability protection.

The Company maintains workers' compensation insurance in accordance with laws of the various states and countries in which it has employees. The Company also currently has an environmental impairment liability ("EIL") insurance policy for certain of its landfills, transfer stations, and recycling facilities that provides coverage for property damages and/or bodily injuries to third parties caused by off-site pollution emanating from such landfills, transfer stations, or recycling facilities. This policy provides \$5,000,000 of coverage per loss with a \$10,000,000 aggregate limit. Upon consummation of the Merger (see Note 9), this policy was amended to provide \$10,000,000 of coverage per loss with a \$20,000,000 aggregate limit.

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

#### 8. NEW ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION ("SFAS No. 131"). SFAS No. 131 establishes standards for reporting information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997. Adoption is not required for interim periods in the initial year of application. Adoption of this statement will not have a material impact on the Consolidated Financial Statements of the Company.

In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public

Accountants issued Statement of Position 98-5, ACCOUNTING FOR THE COSTS OF START-UP ACTIVITIES ("SOP 98-5"). SOP 98-5 requires all costs of start-up activities to be expensed as incurred. Start-up activities are defined as those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer or beneficiary, initiating a new process in an existing facility, or commencing some new operation. Activities related to mergers or acquisitions are not considered start-up activities, and therefore SOP 98-5 does not change the accounting for such items. SOP 98-5 is effective for financial statements for years beginning after December 15, 1998. Management is currently assessing the impact that the adoption of SOP 98-5 will have on the Company's financial position, results of operations and cash flows.

#### 9. THE MERGER

On July 16, 1998, the Company consummated the Merger with WM Holdings (formerly Waste Management, Inc.) accounted for as a pooling of interests. Under the terms of the agreement, the Company issued 0.725 of a share of its common stock for each outstanding share of WM Holdings common stock. The Merger increased the Company's outstanding shares of common stock by approximately 354,000,000 shares. The Combined Company is a leading international provider of waste management and related services to governmental, residential, commercial and industrial customers in the United States and selected international markets. The corporate headquarters of the Combined Company is located in Houston, Texas, and John E. Drury, the Company's Chairman of the Board and Chief Executive Officer, is the Chief Executive Officer of the Combined Company. Robert S. Miller, WM Holding's Chief Executive Officer and Chairman of the Board, is the non-executive Chairman of the Board for the Combined Company for a twelve month term, after which, Mr. Drury will become the Chairman of the Board and continue as Chief Executive Officer. Rodney R. Proto, the Company's President and Chief Operating Officer, and Earl E. DeFrates, the Company's Executive Vice President and Chief Financial Officer, have been appointed to their respective positions with the Combined Company. See Part II, Item 5, of this Form 10-Q for supplemental financial information on the Combined Company.

#### 10. SUBSEQUENT EVENTS

On June 29, 1998, WM Holdings announced that it had reached an agreement to acquire the publicly owned shares of its subsidiary, Waste Management International plc ("WM International"). Under the agreement, holders of the approximately 20% of outstanding shares of WM International not currently owned by the Combined Company will receive 345 pence in cash for each share held. The agreement values each WM International American Depository Receipt ("ADR"), each representing two WM International ordinary shares, at approximately \$11.50 based on the exchange rate at the time of the announcement. As the agreement is priced in pounds sterling, the U.S. dollar value of the agreement will fluctuate with the pound-dollar exchange rate. Closing of the transaction is subject to approval by the WM International minority shareholders, approval of the English High Court and satisfaction of other customary items, however, is expected to occur in the fourth quarter of 1998.

On July 17, 1998, the Company issued \$600,000,000 of 7% senior notes, due on July 15, 2028 (the "7% Notes") and \$600,000,000 of 6 1/8% mandatorily tendered senior notes, due on July 15, 2011 (the "6 1/8% Notes"). The 7% Notes are redeemable, in whole or in part, at the option of the Company at any time and from time to time at the redemption price, as defined. The 6 1/8% Notes are subject to certain mandatory tender features as described in the indenture. The proceeds from the 7% Notes and 6 1/8% Notes were used to repay outstanding indebtedness under the Company's senior revolving credit facility. Interest on the 7% Notes and 6 1/8% Notes is payable semi-annually on January 15 and July 15.

Upon consummation of the Merger, the Combined Company entered into a syndicated loan facility in the amount of \$3,000,000,000, which was an addition to the Company's existing \$2,000,000,000 senior revolving credit facility. The syndicated loan facility is renewable annually and provides for a one-year term option at the Company's request. The facility is available for the issuance of commercial paper and borrowings and up to \$800,000,000 of standby letters of credit. The applicable interest rate, facility fee and covenant restrictions for the syndicated loan facility are similar to those contained in the Company's existing senior revolving credit facility which was amended to provide for the Merger.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

On July 16, 1998, USA Waste Services, Inc. (this registrant) consummated a merger with Waste Management, Inc. (collectively the "Combined Company") accounted for as a pooling of interests pursuant to which USA Waste Services, Inc. issued 0.725 of a share of its common stock for each outstanding share of Waste Management, Inc. common stock (the "Merger"). At the effective time of the Merger, Waste Management, Inc. changed its name to Waste Management Holdings, Inc. ("WM Holdings") and USA Waste Services, Inc. changed its name to Waste Management, Inc. (herein referred to as "Waste Management" or the "Company"). The financial information and disclosures included in Part I, Item 2 of this Form 10-Q presents the Company prior to the consummation of the Merger. Certain supplemental financial information regarding the Combined Company is included in Part II, Item 5 of this Form 10-Q.

The following discussion reviews the Company's operations for the three and six months ended June 30, 1998 and 1997, and should be read in conjunction with the Company's Condensed Consolidated Financial Statements and related notes thereto included elsewhere herein as well as the Company's Consolidated Financial Statements and related notes thereto included in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

The following discussion includes statements that are forward-looking in nature. Whether such statements ultimately prove to be accurate depends upon a variety of factors that may affect the business and operations of the Company. Certain of these factors are discussed under "Business - Factors Influencing Future Results and Accuracy of Forward-Looking Statements" included in Part I, Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

### INTRODUCTION

The Company provides nonhazardous solid waste management services, consisting of collection, transfer, disposal, recycling, and other miscellaneous services in various locations throughout the United States, Canada, and Puerto Rico. Since August 1990, the Company has experienced significant growth principally through the acquisition and integration of solid waste businesses and is the third largest nonhazardous solid waste management company in North America, as measured by revenues for the 1997 fiscal year. As of June 30, 1998, the Company owned or operated an extensive network of landfills, transfer stations, and collection operations serving in excess of nine million customers.

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

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

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

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

## RESULTS OF OPERATIONS

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

	Period to Period Change for the Three Months Ended June 30, 1998 and 1997		Period to Period Change for the Six Months Ended June 30, 1998 and 1997	
	\$	%	\$	%
Statement of Operations:				
Operating revenues	\$225,819	34.4%	\$534,775	47.9%
Costs and expenses:				
Operating (exclusive of depreciation and amortization shown below)	97,616	28.7	253,790	43.6
General and administrative	11,950	16.7	40,189	32.0
Depreciation and amortization	24,200	32.1	54,132	41.1
Merger costs	2,042	62.6	46	0.9
	135,808	27.7	348,157	41.3
Income from operations	90,011	54.3	186,618	68.4
Other income (expense):				
Interest expense	(27,619)	(109.7)	(49,889)	(120.9)
Interest and other income, net	3,211	56.0	33,562	293.5
	(24,408)	(125.6)	(16,327)	(54.7)
Income before income taxes and extraordinary item	65,603	44.9	170,291	70.0
Provision for income taxes	25,791	43.8	67,479	68.9
Income before extraordinary item	39,812	45.6	102,812	70.8
Extraordinary item	(3,900)	(100.0)	(3,900)	(100.0)
Net income	\$35,912	41.1%	\$ 98,918	68.1%
Supplementary Data:				
EBITDA (1)	\$114,211	47.4 %	\$240,750	59.5%
EBITDA, excluding merger costs (1)	\$116,253	47.6 %	\$240,796	58.8%

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
<b>STATEMENT OF OPERATIONS:</b>				
Operating revenues				
Collection	61.5%	62.9%	62.7%	60.6%
Transfer	12.3	10.0	12.1	10.3
Disposal	23.2	23.7	22.2	24.9
Other	3.0	3.4	3.0	4.2
	-----	-----	-----	-----
	100.0	100.0	100.0	100.0
	-----	-----	-----	-----
Costs and expenses:				
Operating (exclusive of depreciation and amortization shown below)	49.6	51.8	50.6	52.1
General and administrative	9.5	11.0	10.0	11.2
Depreciation and amortization	11.3	11.5	11.3	11.8
Merger costs	0.6	0.5	0.3	0.5
	-----	-----	-----	-----
	71.0	74.8	72.2	75.6
	-----	-----	-----	-----
Income from operations	29.0	25.2	27.8	24.4
	-----	-----	-----	-----
Other income (expense):				
Interest expense	(6.0)	(3.8)	(5.5)	(3.7)
Interest and other income, net	1.0	0.9	2.7	1.1
	-----	-----	-----	-----
	(5.0)	(2.9)	(2.8)	(2.6)
	-----	-----	-----	-----
Income before income taxes and extraordinary item	24.0	22.3	25.0	21.8
Provision for income taxes	9.6	9.0	10.0	8.8
	-----	-----	-----	-----
Income before extraordinary item	14.4	13.3	15.0	13.0
Extraordinary item	(0.4)	--	(0.2)	--
	-----	-----	-----	-----
Net income	14.0%	13.3%	14.8%	13.0%
	-----	-----	-----	-----
<b>SUPPLEMENTARY DATA:</b>				
EBITDA (1)	40.3%	36.7%	39.1%	36.2%
	-----	-----	-----	-----
EBITDA, excluding merger costs (1)	40.9%	37.2%	39.4%	36.7%
	-----	-----	-----	-----

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

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 1998 AND 1997

OPERATING REVENUES

For the three and six months ended June 30, 1998, operating revenues increased \$225,819,000, or 34.4%, and \$534,775,000, or 47.9%, respectively, as compared to the corresponding prior year period. The increase in operating revenues is primarily attributable to the effects of acquisitions of domestic and Canadian solid waste businesses and the internal growth of comparable operations. Acquisitions during 1998 of solid waste businesses operating in the United States and the effect of such acquisitions consummated during 1997 accounted for increases in operating revenues of \$204,800,000, or 31.2% for the three months ended June 30, 1998, and \$459,600,000, or 41.2% for the six months ended June 30, 1998. Acquisitions primarily during 1997 of solid waste businesses operating in Canada accounted for increases in operating revenues of \$23,900,000, or 3.6% for the three months ended June 30, 1998, and \$99,900,000, or 8.9% for the six months ended June 30, 1998. Internal growth of comparable operations resulted in increases in operating revenues of \$57,500,000, or 8.8% for the three months ended June 30, 1998, and \$97,700,000, or 8.7% for the six months ended June 30, 1998. Internal growth was comprised of 3.1% price and 5.7% volume for the three months ended June 30, 1998, and 3.1% price and 5.6% volume for the six months ended June 30, 1998. The foreign currency translation differences between the U.S. and Canadian dollars had the effect of decreasing operating revenues by \$4,544,000 and \$9,319,000 for the three and six months ended June 30, 1998, respectively. The remaining decrease in operating revenues was primarily the result of dispositions during 1997 of certain non-core businesses and non-strategically located solid waste operations.

The Company's one line of business, integrated solid waste management, encompasses the entire waste stream from collection to transfer station to landfill. As a percentage of total operating revenues, the Company's mix between collection, transfer station, and landfill, reflects an increase in collection and transfer station operations and a decrease in landfill operations for the six months ended June 30, 1998, as compared to the corresponding prior year period. This change is primarily the result of the Company's acquisitions of businesses with large collection operations, including the Canadian solid waste businesses of both Allied Waste Industries, Inc. in March 1997 and WM Holdings in June 1997, the Company's on-going tuck-in acquisition program, and the Company's efforts to improve its waste internalization through the acquisition and construction of strategically located transfer stations.

As a result of the Company's large investments during 1997 in Canadian solid waste businesses, operating revenues from foreign operations have increased significantly as a percentage of total operating revenues from 1997 to 1998. The following table summarizes for these periods the Company's operating revenues by geographic area and the percentage relationship of operating revenues by geographic area to total operating revenues (dollars in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	1998		1997		1998		1997	
United States and Puerto Rico	\$771,409	87.5%	\$631,948	96.3%	\$1,447,964	87.7%	\$1,060,999	95.0%
Canada	110,635	12.5	21,136	3.2	203,520	12.3	49,908	4.5
Mexico	--	--	3,141	0.5	--	--	5,802	0.5
Total operating revenues	\$882,044	100.0%	\$656,225	100.0%	\$1,651,484	100.0%	\$1,116,709	100.0%

OPERATING COSTS AND EXPENSES (EXCLUSIVE OF DEPRECIATION SHOWN BELOW)

Operating costs and expenses increased \$97,616,000, or 28.7% and \$253,790,000, or 43.6% for the three and six months ended June 30, 1998, respectively, as compared to the corresponding periods of 1997. However, as a percentage of operating revenues, operating costs and expenses decreased from 51.8% to 49.6% for the three months ended June 30, 1997 and 1998, respectively, and decreased from 52.1% to 50.6% for the six months ended June 30, 1997 and 1998, respectively. The improvements in the operating margins reflect operating synergies realized from the Company's tuck-in acquisition program, its merger with United Waste Systems, Inc. ("United") in August 1997 and the results of the Company's internal growth for the respective periods. Additionally, the improvements in the operating margins reflect cost reductions realized from the Company's efforts to increase its

utilization of internal disposal capacity, which improved from 49.9% to 56.0% for the three months ended June 30, 1997 and 1998, respectively, and from 51.7% to 55.5% for the six months ended June 30, 1997 and 1998, respectively.

#### GENERAL AND ADMINISTRATIVE

General and administrative expenses increased \$11,950,000, or 16.7% and \$40,189,000, or 43.6% for the three and six months ended June 30, 1998, respectively, as compared to the respective prior year periods. However, as a percentage of operating revenues, general and administrative expenses have decreased from 11.0% to 9.5% for the three months ended June 30, 1997 and 1998, respectively, and decreased from 11.2% to 10.0% for the six months ended June 30, 1997 and 1998, respectively. The decrease in general and administrative expenses as a percentage of operating revenues is the result of the Company's ability to integrate acquisitions of solid waste businesses without a proportionate increase in general and administrative expenses as well as cost reductions resulting from the Company's merger with United in August 1997.

#### DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense increased \$24,200,000, or 32.1% and \$54,132,000, or 41.1% for the three and six months ended June 30, 1998, respectively, as compared to the corresponding prior year periods. The increase is primarily due to the effect of acquisitions of solid waste businesses during 1997 and 1998, and increases landfill volumes from internal growth and higher internalization. The average tons per day for the three months ended June 30, 1997 and 1998, increased from 129,500 to 174,300, respectively, and increased from 115,200 to 159,400 for the six months ended June 30, 1997 and 1998, respectively. As a percentage of operating revenues, depreciation and amortization was consistent for the periods presented. The incremental depreciation and amortization due to the improved utilization of internal disposal capacity was offset by the improved utilization of equipment through internal growth in collection and disposal operations.

#### MERGER COSTS

In the first and second quarter of 1997, the Company recorded expenses of \$1,996,000 and \$3,263,000, respectively, related to the acquisition of solid waste businesses accounted for under the pooling of interests method of accounting. For the three months ended June 30, 1998, the Company recorded merger related expenses of \$5,305,000 for the acquisition of solid waste businesses accounted for as poolings of interests, including the Company's merger with TransAmerican Waste Industries, Inc. ("TransAmerican"), which was consummated in May 1998.

#### INCOME FROM OPERATIONS

Income from operations increased \$90,011,000, or 54.3% for the three months ended June 30, 1998, and increased \$186,618,000, or 68.4% for the six months ended June 30, 1998, as compared to the respective prior year periods due to the reasons discussed above. As a percentage of operating revenues, income from operations, exclusive of merger costs, increased from 25.7% to 29.6% and from 24.9% to 28.1% for the three and six months ended June 30, 1997 and 1998, respectively. The improvement is a result of economies of scale realized by the Company from recent mergers and acquisitions, increased utilization of internal disposal capacity, and improvements in comparable operations.

#### OTHER INCOME AND EXPENSES

Other income and expenses consists of interest expense, interest income, and other income. Interest costs, including amounts capitalized, increased due to the increases in the Company's outstanding indebtedness. Interest capitalized for the three and six months ended June 30, 1998, was \$7,955,000 and \$14,261,000, respectively, as compared to \$5,814,000 and \$11,627,000 for the three and six months ended June 30, 1997, respectively. The increase in capitalized interest is primarily due to development activity at landfills acquired during 1997 and the first six months of 1998. Included in other income for the six months ended June 30, 1998, was \$28,124,000 (\$16,875,000



after tax or \$0.07 per share on a diluted basis), representing the Company's equity in earnings of a partnership formed in 1997 for the purpose of acquiring common stock of WM Holdings in the open market.

#### PROVISION FOR INCOME TAXES

The Company recorded a provision for income taxes of \$84,738,000 and \$165,380,000 for the three and six months ended June 30, 1998, respectively, and \$58,947,000 and \$97,901,000 for the three and six months ended June 30, 1997, respectively. The difference in the provision for income taxes at the federal statutory rate and the recorded amounts for the periods presented is primarily due to state and local income taxes.

#### EXTRAORDINARY ITEM

During the second quarter of 1998, the Company recorded an extraordinary loss related to the early retirement of debt. The outstanding debt of approximately \$40,000,000 that was retired was assumed as part of the merger with TransAmerican that was consummated in May 1998, and had an average interest rate of approximately 9.0%. The extraordinary item, before income taxes, was comprised of \$1,811,000 for prepayment penalties and other fees and \$4,689,000 for the write-off of unamortized discount and debt issuance costs.

#### NET INCOME

For the three and six months ended June 30, 1998, respectively, net income was \$123,208,000 and \$244,170,000, or \$0.52 and \$1.04 per share on a diluted basis as compared to \$87,296,000 and \$145,258,000, or \$0.40 and \$0.69 for the respective prior year periods. Excluding the extraordinary item and the Company's equity in earnings of a partnership discussed above, diluted earnings per share was \$0.55 and \$1.00 for the three and six months ended June 30, 1998, respectively.

#### LIQUIDITY AND CAPITAL RESOURCES

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

As of June 30, 1998, the Company had working capital of \$200,276,000 (a ratio of current assets to current liabilities of 1.35:1) and a cash balance of \$44,990,000 which compares to working capital of \$86,736,000 (a ratio of current assets to current liabilities of 1.15:1) and a cash balance of \$51,241,000 as of December 31, 1997. For the six months ended June 30, 1998, net cash from operating activities was approximately \$49,285,000 and net cash from financing activities was approximately \$1,250,095,000, as compared to \$105,576,000 and \$1,231,674,000, respectively, for the corresponding prior year period. Net cash from operating activities and financing activities was primarily used to fund acquisitions of businesses of \$1,272,430,000 and \$1,168,677,000 and for capital expenditures of \$214,583,000 and \$208,738,000 for the six months ended June 30, 1998 and 1997, respectively. For the six months ended June 30, 1998, net cash flows from investing activities included a cash distribution of \$131,803,000 from a partnership, of which the Company owned a 49% interest, that was formed for the purpose of acquiring common stock of WM Holdings in the open market (see "Recent Developments").

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

## SIGNIFICANT FINANCING EVENTS

On August 7, 1997, the Company entered into a \$2,000,000,000 senior revolving credit facility with a consortium of banks (the "Credit Facility"). The Credit Facility is used for general corporate purposes including borrowings and standby letters of credit and principal reductions are not required for the Credit Facility during its five-year term. The Credit Facility requires a facility fee not to exceed 0.30% per annum and loans under the Credit Facility bear interest at a rate based on the Eurodollar rate plus a spread not to exceed 0.575% per annum. At December 31, 1997, the Company had borrowed \$430,000,000 and had issued letters of credit of \$467,029,000 under the Credit Facility. The applicable interest rate and facility fee at December 31, 1997, was 6.1% and 0.1125% per annum, respectively.

At June 30, 1998, the Company had borrowed \$1,458,000,000 and had issued letters of credit of \$472,786,000 under the Credit Facility. The applicable interest rate and facility fee was 5.925% and 0.1125%, respectively, at June 30, 1998.

## ACQUISITION ACTIVITY FOR THE SIX MONTHS ENDED JUNE 30, 1998

On January 14, 1998, the Company acquired the solid waste divisions of City Management Holding Trust ("City Management") for approximately \$810,000,000 consisting of cash paid, and liabilities and debt assumed. The businesses acquired are primarily located in the state of Michigan and include several collection operations, landfills, and transfer stations. This acquisition was accounted for using the purchase method of accounting.

On May 6, 1998, the Company consummated a merger with TransAmerican accounted for as a pooling of interests, pursuant to which the Company issued approximately 1,975,000 shares of its common stock in exchange for all outstanding shares of TransAmerican. Periods reported prior to the consummation of this transaction were not restated to include the accounts and operations of TransAmerican as the combined results would not be materially different from the results as previously presented. The businesses acquired include five collection operations, nine landfills, and two transfer stations located throughout the southern United States.

On June 18, 1998, the Company acquired the solid waste businesses of American Waste Systems, Inc., for approximately \$150,000,000 in cash. The businesses acquired include three landfills and one collection operation located in Ohio. This acquisition was accounted for using the purchase method of accounting.

In addition to the aforementioned acquisitions, during the six months ended June 30, 1998, the Company acquired 7 landfills, 84 collection businesses, and 8 transfer stations for approximately \$411,000,000 in cash, liabilities incurred and debt assumed, and approximately 1,990,000 shares of the Company's common stock in business combinations during the six months ended June 30, 1998, primarily accounted for under the purchase method of accounting.

## RECENT DEVELOPMENTS

On July 16, 1998, the Company consummated the Merger with WM Holdings accounted for as a pooling of interests. Under the terms of the agreement, the Company issued 0.725 of a share of its common stock for each outstanding share of WM Holdings common stock. The Merger increased the Company's outstanding shares of common stock by approximately 354,000,000 shares. The Combined Company is a leading international provider of waste management and related services to governmental, residential, commercial and industrial customers in the United States and selected international markets. The corporate headquarters of the Combined Company is located in Houston, Texas, and John E. Drury, the Company's Chairman of the Board and Chief Executive Officer, is the Chief Executive Officer of the Combined Company. Robert S. Miller, WM Holding's Chief Executive Officer and Chairman of the Board, has become the non-executive Chairman of the Board for the Combined Company for a twelve month term, after

which, Mr. Drury will become the Chairman of the Board and continue as Chief Executive Officer. Rodney R. Proto, the Company's President and Chief Operating Officer, and Earl E. DeFrates, the Company's Executive Vice President and Chief Financial Officer, have been appointed to their respective positions with the Combined Company. See Part II, Item 5, of this Form 10-Q for supplemental financial information on the Combined Company.

On June 29, 1998, WM Holdings announced that it had reached an agreement to acquire the publicly owned shares of its subsidiary, Waste Management International plc ("WM International"). Under the agreement, holders of the approximately 20% of outstanding shares of WM International not currently owned by the Combined Company will receive 345 pence in cash for each share held. The agreement values each WM International American Depository Receipt ("ADR"), each representing two WM International ordinary shares, at approximately \$11.50 based on the exchange rate at the time of the announcement. As the agreement is priced in pounds sterling, the U.S. dollar value of the agreement will fluctuate with the pound-dollar exchange rate. Closing of the transaction is subject to approval by the WM International minority shareholders, approval of the English High Court and satisfaction of other customary items, however, is expected to occur in the fourth quarter of 1998.

On July 17, 1998, the Company issued \$600,000,000 of 7% senior notes, due on July 15, 2028 (the "7% Notes") and \$600,000,000 of 6-1/8% mandatorily tendered senior notes, due on July 15, 2011 (the "6-1/8% Notes"). The 7% Notes are redeemable, in whole or in part, at the option of the Company at any time and from time to time at the redemption price, as defined. The 6-1/8% Notes are subject to certain mandatory tender features as described in the indenture. The proceeds from the 7% Notes and 6-1/8% Notes were used to repay outstanding indebtedness under the Company's senior revolving credit facility. Interest on the 7% Notes and 6-1/8% Notes is payable semi-annually on January 15 and July 15.

Upon consummation of the Merger, the Combined Company entered into a syndicated loan facility in the amount of \$3,000,000,000, which was an addition to the Company's existing \$2,000,000,000 senior revolving credit facility. The syndicated loan facility is renewable annually and provides for a one-year term option at the Company's request. The facility is available for the issuance of commercial paper and borrowings and up to \$800,000,000 of standby letters of credit. The applicable interest rate, facility fee and covenant restrictions for the syndicated loan facility are similar to those contained in the Company's existing senior revolving credit facility which was amended to provide for the Merger.

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

On August 4, 1997, the Company filed a shelf registration statement with the Securities and Exchange Commission to provide for the issuance of up to 20,000,000 shares of the Company's common stock that may be offered and issued by the Company from time to time in connection with the acquisition directly or indirectly by the Company of other businesses or properties or interests therein, and which may be reserved for issuance pursuant to, or offered and issued upon exercise or conversion of, warrants, options, convertible notes, or other similar instruments issued by the Company from time to time in connection with such acquisitions. As of August 10, 1998, the Company had approximately 15,000,000 shares of its common stock available for future offerings and issuances under this shelf registration statement.

#### SEASONALITY AND INFLATION

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

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

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

#### 2000 DATE CONVERSION

In 1997, the Company began to modify its computer information systems to ensure proper processing of transactions relating to the year 2000 and beyond and expects to complete the required modifications during 1998. The amount charged to expense during the three and six months ended June 30, 1998 and 1997, as well as the amounts anticipated to be charged to expense during the remainder of 1998 related to the year 2000 computer compliance modifications, have not been and are not expected to be material to the Company's financial position, results of operations or cash flows.

#### NEW ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION ("SFAS No. 131"). SFAS No. 131 establishes standards for reporting information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997. Adoption is not required for interim periods in the initial year of application. Adoption of this statement will not have a material impact on the consolidated financial statements of the Company.

In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-5, ACCOUNTING FOR THE COSTS OF START-UP ACTIVITIES ("SOP 98-5"). SOP 98-5 requires all costs of start-up activities to be expensed as incurred. Start-up activities are defined as those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer or beneficiary, initiating a new process in an existing facility, or commencing some new operation. Activities related to mergers or acquisitions are not considered start-up activities, and therefore SOP 98-5 does not change the accounting for such items. SOP 98-5 is effective for financial statements for years beginning after December 15, 1998. Management is currently assessing the impact that the adoption of SOP 98-5 will have on the Company's financial position, results of operations and cash flows.

PART II.  
 ITEM 1. LEGAL PROCEEDINGS.

As of June 30, 1998, the Company or its subsidiaries has been notified that they are potentially responsible parties ("PRPs") in connection with eight locations listed on the Superfund National Priorities List ("NPL"). None of the eight NPL sites at which claims have been made against the Company are owned by the Company, and they are at different procedural stages under Superfund. At six of the NPL sites, the Company's liability is well defined as a consequence of a governmental decision as to the appropriate remedy. At the others, where investigations have not been completed, remedies not selected or responsible parties have been unable to reach agreement, the Company's liability is less certain. While the Company, based on its status reviews of its PRP claims, does not currently anticipate that the amount of such liabilities will have a material adverse effect on the Company's operations, financial condition or cash flows, the measurement of environmental liabilities is inherently difficult and the possibility remains that technological, regulatory or enforcement developments, the results of environmental studies, or other factors could materially alter this expectation at any time.

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

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

At the Company's Annual Meeting of Stockholders held on May 19, 1998, a proposal to elect the nominees listed in the following table as directors of the Company was submitted to a vote of the Company's stockholders. The following table also shows the results of voting as to each nominee:

Nominee	Votes For	Votes Withheld
-----	-----	-----
Richard D. Kinder	178,647,374	2,974,536
Larry J. Martin	178,721,692	2,900,218
Rodney R. Proto	178,673,684	2,948,226
Alexander W. Rangos	178,557,811	3,064,099

At the same meeting, a proposal to approve an increase in the number of shares available for grant under the Company's 1993 Stock Incentive Plan by 10,000,000 shares was submitted to a vote of the Company's stockholders. The proposal was adopted by the stockholders. The voting was as follows:

	VOTES FOR	VOTES AGAINST	ABSTENTIONS
	-----	-----	-----
Approve increase in shares available for grant under the Company's 1993 Stock Incentive Plan	173,765,268	6,743,050	1,113,592

ITEM 5. OTHER INFORMATION.

On July 16, 1998, USA Waste Services, Inc. (this registrant) consummated a merger transaction with Waste Management, Inc. accounted for as a pooling of interests pursuant to which USA Waste Services, Inc. issued 0.725 of a share of its common stock for each outstanding share of Waste Management, Inc. (the "Merger"). At the effective time of the Merger, Waste Management, Inc. changed its name to Waste Management Holdings, Inc. (herein referred to as "WM Holdings") and USA Waste Services, Inc. changed its name to Waste Management, Inc. (herein referred to as "Waste Management" or the "Company"). The following supplemental condensed consolidated balance sheets of Waste Management as of June 30, 1998 and December 31, 1997, and the related supplemental condensed consolidated statements of operations for the three and six months ended June 30, 1998 and 1997 are presented for informational purposes. Generally accepted accounting principles proscribe giving effect to a consummated business combination accounted for by the pooling of interests method in historical financial statements that do not include the date of consummation. The supplemental unaudited condensed consolidated financial statements do not extend through the date of consummation of the Merger; however, they will become the historical consolidated financial statements of the Company after financial statements covering the date of consummation of the Merger are issued. These financial statements do not give effect to any divestitures of business units which are required by the antitrust regulatory authorities or to any cost savings which may result from the integration of the previously separate operations, nor do such financial statements include the nonrecurring costs directly related to the Merger which are expected to be included in the Company's operations within the twelve months following the Merger. Such nonrecurring costs have yet to be determined, however are expected to be significant.

WASTE MANAGEMENT, INC.  
SUPPLEMENTAL CONDENSED CONSOLIDATED BALANCE SHEETS  
(In Thousands, Except Share and Par Value Amounts)  
(Unaudited)  
ASSETS

	June 30, 1998 -----	December 31, 1997 -----
Current assets:		
Cash and cash equivalents	\$ 268,305	\$ 184,052
Short-term investments	1,462	59,296
Accounts receivable, net	2,079,857	1,956,593
Notes and other receivables	104,311	89,345
Deferred income taxes	41,924	52,592
Costs and estimated earnings in excess of billings on uncompleted projects	134,672	158,610
Prepaid expenses and other	366,504	300,404
	-----	-----
Total current assets	2,997,035	2,800,892
Notes and other receivables	120,004	128,105
Property and equipment, net	12,127,923	11,104,440
Excess of cost over net assets of acquired businesses, net	5,603,141	4,658,818
Other intangible assets, net	146,052	118,653
Net assets of continuing businesses held for sale	142,121	154,384
Other assets	863,583	978,086
	-----	-----
Total assets	\$21,999,859	\$19,943,378
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 866,099	\$ 995,223
Accrued liabilities	1,853,763	1,881,085
Deferred revenues	299,468	296,996
Current maturities of long-term debt	1,361,643	1,587,751
	-----	-----
Total current liabilities	4,380,973	4,761,055
Long-term debt, less current maturities	9,286,271	7,803,000
Deferred income taxes	552,161	517,612
Closure, post-closure, and other liabilities	2,043,188	1,945,770
	-----	-----
Total liabilities	16,262,593	15,027,437
	-----	-----
Minority interest in subsidiaries	740,581	1,110,681
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 10,000,000 shares authorized; none issued	--	--
Common stock, \$.01 par value; 1,500,000,000 shares authorized; 591,309,092 and 585,454,260 shares issued, respectively	5,913	5,855
Additional paid-in capital	4,054,674	3,828,475
Retained earnings	2,265,733	1,933,929
Accumulated other comprehensive income	(336,858)	(283,193)
Restricted stock unearned compensation	(9,209)	(11,102)
Less treasury stock at cost, 14,151,859 and 34,239,062 shares, respectively	(602,545)	(1,369,329)
Less employee stock benefit trust at market, 7,892,612 shares	(381,023)	(299,375)
	-----	-----
Total stockholders' equity	4,996,685	3,805,260
	-----	-----
Total liabilities and stockholders' equity	\$21,999,859	\$19,943,378
	-----	-----

See accompanying notes.

WASTE MANAGEMENT, INC.  
SUPPLEMENTAL CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(In Thousands, Except Per Share Amounts)  
(Unaudited)

	Three Months Ended June 30, 1998	1997	Six Months Ended June 30, 1998	1997
	-----	-----	-----	-----
Operating revenues	\$3,175,177	\$2,989,533	\$6,076,238	\$5,655,002
Costs and expenses:				
Operating (exclusive of depreciation and amortization shown below)	1,865,559	1,809,941	3,623,266	3,505,784
General and administrative	370,092	328,588	709,831	631,837
Depreciation and amortization	381,606	326,238	733,064	630,676
Merger costs	5,305	3,263	11,147	5,259
Unusual items	--	47,790	--	69,611
(Income) loss from continuing operations held for sale, net of minority interest	(4,986)	4,249	(2,570)	4,130
	-----	-----	-----	-----
	2,617,576	2,520,069	5,074,738	4,847,297
	-----	-----	-----	-----
Income from operations	557,601	469,464	1,001,500	807,705
Other income (expense):				
Interest expense	(172,020)	(136,317)	(325,962)	(267,470)
Minority interest	(12,864)	(27,943)	(38,166)	(55,018)
Interest and other income, net	47,075	(13,137)	123,507	140,369
	-----	-----	-----	-----
	(137,809)	(177,397)	(240,621)	(182,119)
	-----	-----	-----	-----
Income from continuing operations before income taxes	419,792	292,067	760,879	625,586
Provision for income taxes	179,340	156,360	341,155	317,585
	-----	-----	-----	-----
Income from continuing operations	240,452	135,707	419,724	308,001
Discontinued operations:				
Income from gain on disposal or from reserve adjustment, net of applicable income taxes and minority interest of \$82,080 and \$82,073 for the three and six months ended June 30, 1997, respectively	--	7,561	--	8,208
	-----	-----	-----	-----
Income before extraordinary item	240,452	143,268	419,724	316,209
Extraordinary item related to early retirement of debt, net of tax benefit of \$2,600	(3,900)	--	(3,900)	--
	-----	-----	-----	-----
Net income	\$ 236,552	\$ 143,268	\$ 415,824	\$ 316,209
	-----	-----	-----	-----
Basic earnings per common share:				
Continuing operations	\$ 0.43	\$ 0.25	\$ 0.76	\$ 0.57
Discontinued operations	--	0.01	--	0.01
Extraordinary item	(0.01)	--	(0.01)	--
	-----	-----	-----	-----
Net income	\$ 0.42	\$ 0.26	\$ 0.75	\$ 0.58
	-----	-----	-----	-----
Diluted earnings per common share:				
Continuing operations	\$ 0.42	\$ 0.25	\$ 0.74	\$ 0.56
Discontinued operations	--	0.01	--	0.01
Extraordinary item	(0.01)	--	(0.01)	--
	-----	-----	-----	-----
Net income	\$ 0.41	\$ 0.26	\$ 0.73	\$ 0.57
	-----	-----	-----	-----

See accompanying notes.



WASTE MANAGEMENT, INC.  
NOTES TO SUPPLEMENTAL CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The supplemental condensed consolidated financial statements present the issuance of the Company's common stock in exchange for all outstanding shares of WM Holdings common stock, and the Merger accounted for using the pooling of interests method of accounting 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 since their inception, and the historical financial statements for periods prior to consummation of the Merger are restated as though the companies have been combined from their inception.

These financial statements do not give effect to any divestitures of business units which are required by the antitrust regulatory authorities or to any cost savings which may result from the integration of the previously separate operations, nor do such financial statements include the nonrecurring costs directly related to the Merger which are expected to be included in the Company's operations within the twelve months following the Merger. Such nonrecurring costs have yet to be determined, however are expected to be significant.

Certain reclassifications have been made to the Company's and WM Holding's historical financial statements for purposes of the supplemental presentation. Such reclassifications are not material to the supplemental condensed consolidated financial statements.

2. Supplemental Adjustments

Adjustments to the supplemental condensed consolidated financial statements were as follows:

- In June 1997, WM Holdings sold a majority of its Canadian solid waste businesses to the Company and, as a result of such sale, recorded a pre-tax gain of approximately \$61,331,000. The Company accounted for this transaction as a purchase business combination and allocated the purchase price to the assets acquired and liabilities assumed accordingly. Assuming that the Company and WM Holdings had been combined since their inception, the gain recorded by WM Holdings in 1997 has been eliminated and the basis recorded by the Company for assets acquired and liabilities assumed has been restored to WM Holding's historical book value. In addition, the Supplemental Condensed Consolidated Statement of Operations for the three and six months ended June 30, 1998 and 1997 have been adjusted for the effect of lower amortization as a result of restoring the book basis of the assets acquired and liabilities assumed by the Company to the historical book value of WM Holdings.
- Adjustments have been made to conform the accounting for certain landfill related issues as if the Company and WM Holdings had been combined since their inception.
- In November 1997, the Company purchased a 49% limited partner interest in a limited partnership, which was formed for the purpose of acquiring shares of WM Holdings common stock on the open market (prior to the Merger). The limited partnership purchased shares of WM Holdings common stock during November 1997 and sold substantially all of such shares in March 1998. For the six months ended June 30, 1998, the Company recorded other income of \$28,124,000 for its equity in the earnings of the limited partnership. An adjustment has been made to reverse the Company's equity in the earnings of the limited partnership to account for the transaction as if the companies had been combined since their inception.
- The stockholders' equity accounts have been adjusted to reflect the assumed issuance of 367,648,786 and 367,648,780 shares of the Company's common stock as of December 31, 1997 and June 30, 1998, respectively, for the 507,101,774 and 507,101,766 shares of WM Holding's common stock issued as of December 31, 1997 and June 30, 1998, respectively, based on an exchange ratio of 0.725 of a share of the Company's common stock for each share of WM Holdings common

stock. As the WM Holdings treasury stock was cancelled upon the effective time of the merger, the actual number of shares of the Company's common stock to be issued pursuant to the Merger were based upon the number of shares of WM Holdings common stock issued and outstanding immediately prior to the consummation of the Merger.

- Adjustments have been made to reclassify WM Holding's depreciation and amortization from operating expenses and general and administrative expenses to a separate line item to conform to the presentation of the Company.
- Supplemental basic earnings per common share for each period are based on the combined weighted average number of common shares outstanding, after giving effect to the issuance of 0.725 of a share of the Company's common stock for each share of WM Holdings Common Stock. Supplemental diluted earnings per common share for each period are based on the combined weighted average number of common and dilutive potential common shares outstanding, after giving effect to the issuance of 0.725 of a share of the Company's common stock for each outstanding share of WM Holdings common stock. The combined weighted average shares outstanding used in the supplemental basic and diluted earnings per share calculations are net of the shares of WM Holdings common stock that are held by WM Holdings' employee stock benefit trust and are treated similar to treasury shares for earnings per share calculation purposes. The supplemental diluted earnings per share for the three months ended June 30, 1998 and 1997 have been calculated assuming conversion of certain convertible debt, and therefore interest (net of taxes) of approximately \$7,600,000 and approximately \$7,600,000, respectively, has been added back to income from continuing operations for this calculation. The supplemental diluted earnings per share for the six months ended June 30, 1998 and 1997 have been calculated assessing conversion of certain convertible debt, and therefore, interest (net of taxes) of approximately \$15,100,000 and approximately \$13,700,000, respectively, has been added back to income from continuing operations for this calculation.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) EXHIBITS:

Exhibit No.* -----	Description -----
10.1	Amended and Restated Revolving Credit Agreement dated as of August 7, 1997, among the Registrant, Bank of America National Trust and Savings Association, Morgan Guaranty Trust Company of New York and other financial institutions [Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K dated August 26, 1997].
10.2	First Amendment dated as of March 6, 1998, to Amended and Restated Revolving Credit Agreement, among the Registrant, Bank of America National Trust and Savings Association, Morgan Guaranty Trust Company of New York and other financial institutions [Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998].
10.3	Second Amendment dated as of July 16, 1998, to Amended and Restated Revolving Credit Agreement, among the Registrant, Bank of America National Trust and Savings Association, Morgan Guaranty Trust Company of New York and other financial institutions.
10.4	Loan Agreement dated as of July 16, 1998, among the Registrant, Bank of America National Trust and Savings Association, Chase Bank of Texas, N.A., Deutsche Bank AG, New York Branch, Morgan Guaranty Trust Company of New York and other financial institutions.
10.5	1993 Stock Incentive Plan, as Amended and Restated.
12	Computation of Ratio of Earnings to Fixed Charges.
27	Financial Data Schedule.

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

(b) REPORTS ON FORM 8-K:

No reports on Form 8-K were filed by the Company during the second quarter of 1998.

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.

WASTE MANAGEMENT, INC.

By: /s/ EARL E. DEFRATES

-----  
Earl E. DeFrates,  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

By: /s/ BRUCE E. SNYDER

-----  
Bruce E. Snyder,  
Vice President and  
Chief Accounting Officer  
(Principal Accounting Officer)

Date: August 28, 1998

INDEX TO EXHIBITS

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-----  
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SECOND AMENDED AND RESTATED  
REVOLVING CREDIT AGREEMENT

DATED AS OF JULY 16, 1998

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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SECOND AMENDED AND RESTATED  
REVOLVING CREDIT AGREEMENT

This SECOND AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT is made as of the 16th day of July, 1998, by and among USA WASTE SERVICES, INC., a Delaware corporation having its chief executive office at 1001 Fannin Street, 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, Illinois 60697 ("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, Sanifill, United, BOA, MGT, 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 August 7, 1997, by and among the Original Parties (as amended by the First Amendment dated as of March 6, 1998, the "Existing Credit Agreement"); and

WHEREAS, the Borrower and Dome have entered into the WMI Merger Agreement (as such term is defined below) with Waste Management, Inc. ("Old WMI") with respect to the WMI Merger (as such term is defined below);

WHEREAS, in connection with the WMI Merger, Old WMI will become a wholly owned Subsidiary of the Borrower and will change its name to "Waste Management Holdings, Inc.", execute a joinder and become a Guarantor hereunder, and the Borrower will change its name to "Waste Management, Inc.;" and

WHEREAS, the Borrower has requested changes in certain terms and the pricing of the Existing 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, on the Effective Date the Existing 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 Second 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 20.

AVERAGE QUARTERLY UTILIZATION AMOUNT. See Section 2.2(b).

BALANCE SHEET DATE. December 31, 1997.

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).

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 20.

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 (other than income taxes that are a net credit except the WMI Merger pooling costs and merger-related expenses in item (3) below), (3) up to \$1,700,000,000 in pooling costs and merger-related expenses actually incurred with respect to the WMI Merger, taken as a special charge in the quarter ending September 30, 1998, and (4) up to \$200,000,000 in after tax charges actually incurred with respect to Old WMI shareholder litigation and Securities and Exchange Commission investigations which were pending or initiated prior to the Effective Date, taken as a special charge, to the extent that each of items (1) through (4) was deducted, without duplication, in determining Consolidated Net Income (or Deficit) in the relevant period.

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 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.

DEUTSCHE. Deutsche Bank AG, New York Branch, the duly licensed New York branch of a German corporation having its principal place of business at 31 West 52nd Street, New York, New York . 10019.

DISCLOSURE DOCUMENTS. The Borrower's financial statements referred to in Section 6.4 and filings made by the Borrower or Old WMI with the Securities and Exchange Commission that were publicly available prior to the Effective Date.

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.



**DOME.** Dome Merger Subsidiary, Inc., a Delaware corporation and wholly owned Subsidiary of Borrower.

**DRAWDOWN DATE.** The date on which any Loan is made or is to be made, or any amount is paid by an Issuing Bank under a Letter of Credit.

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

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

**EFFECTIVE DATE.** The date on which the conditions precedent set forth in Section 10.1 hereof are satisfied and the Majority Banks consent to this Agreement.

**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 (2) 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.

EXISTING CREDIT AGREEMENT. See Recitals.

FACILITY FEE. See Section 2.2(a).

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 28.1.

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.

GUARANTOR(S). Sanifill and United, collectively, until the WMI Joinder Date; and thereafter (or until the release of Sanifill, United or both, pursuant to Section 28.3 of this Agreement) Sanifill, United and Old WMI.

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 either a Permitted Receivables Transaction or a sale of receivables under the WMF Agreement 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. The sum of all such Indebtedness of the Borrower and its Subsidiaries on a consolidated basis under (a) through (h) above shall be referred to as "Total Debt"; PROVIDED, HOWEVER, that Indebtedness under (f) above shall be included in such calculation only to the extent that a surety has been called upon to make payment on a bond.

INELIGIBLE SECURITIES. Securities which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. Section 24, Seventh), as amended.

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 or if such period has no numerically corresponding day, on the last Business Day of such period; 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, 1998.

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., Chase Bank of Texas, N.A. (f/k/a 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; and with respect to Old WMI Letters of Credit only, the Transitional Issuing Banks.

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(b).

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 (2) 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 WMI 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 \$20,000,000, 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.

**OLD WMI.** See Recitals.

**ORIGINAL CLOSING DATE.** August 7, 1997.

**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, or if such rate is not published, the average of the quotations at approximately 11:00 a.m. New York time for the day of such transaction(s), received by the Administrative Agent from three Federal Funds brokers of recognized standing selected by the Administrative Agent.

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 \$250,000,000 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 \$250,000,000, 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	0.08500% per annum	0.2150% per annum	Eurodollar Rate plus 0.2150% per annum
2	At least BBB+ by Standard & Poor's or at least Baa1 by Moody's	0.1050% per annum	0.2700% per annum	Eurodollar Rate plus 0.2700% per annum
3	At least BBB by Standard & Poor's or at least Baa2 by Moody's	0.1250% per annum	0.3250% per annum	Eurodollar Rate plus 0.3250% per annum
4	At least BBB- by Standard & Poor's or at least Baa3 by Moody's	0.1500% per annum	0.3750% per annum	Eurodollar Rate plus 0.3750% 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 Effective 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, Deutsche and MGT.

REGULATORY DISPOSITION. The disposition of any assets of the Borrower and its Subsidiaries (including Old WMI) required under antitrust laws in connection with the WMI Merger.

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, Suite 4000, Houston, Texas 77002.

SANIFILL CONVERTIBLE SUBORDINATED DEBT. Indebtedness under that certain indenture dated as of March 1, 1996, by and between Sanifill and Chase Bank of Texas (f/k/a Texas Commerce Bank National Association) as Trustee, as in effect on August 7, 1997, with respect to \$115,000,000 of 5% convertible subordinated debt due March 1, 2006.

SECTION 20 SUBSIDIARY. A Subsidiary of the bank holding company controlling any Bank, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

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; PROVIDED FURTHER that in the event that both Moody's and Standard & Poor's have issued such ratings, the Senior Public Debt Rating will be the higher of such ratings unless such ratings by Moody's and Standard & Poor's are more than one rank apart, as set forth in the table below, in which case the Senior Public Debt Rating will be set at one rank below the higher of the two ratings.

RANK	STANDARD & POOR'S	MOODY'S
1	A-	A3
2	BBB+	Baa1
3	BBB	Baa2
4	BBB-	Baa3
5	BB+	Ba1
6	If no other level applies	If no other level applies

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. \$2,000,000,000, as such amount may be reduced pursuant to Section 2.3 hereof, or, if such Total Commitment has been terminated pursuant to Section 2.3 or Section 12.2 hereof, zero.

TRANSITIONAL ISSUING BANKS. Comerica Bank, Banque Nationale de Paris, Royal Bank of Canada, Deutsche and Wachovia Bank.

UNITED. United Waste Systems, Inc., a Delaware corporation having its chief executive office at 1001 Fannin Street, Suite 4000, Houston, Texas 77002.

UNITED CONVERTIBLE SUBORDINATED DEBT. Indebtedness under that certain indenture dated as of June 5, 1996 between United and Bankers Trust Company, as trustee, with respect to \$150,000,000 of 4.5% convertible subordinated notes due June 1, 2001.

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 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).

WMF AGREEMENT. The Receivables Transfer and the Servicing Agreement for \$550,000,000 dated as of December 27, 1997, among Old WMI, Waste Management Financing Corporation, and the Subsidiaries of Old WMI party thereto, the lenders party thereto and The Chase Manhattan Bank, as agent.

WMI CREDIT AGREEMENT. That certain Credit Agreement, dated as of March 31, 1998, among Old WMI, the lenders party thereto and The Chase Manhattan Bank, as Administrative Agent.

WMI JOINDER. A joinder to this Agreement in the form of EXHIBIT L executed by Old WMI simultaneously with the closing of the WMI Merger wherein Old WMI 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.

WMI JOINDER DATE. The date of the WMI Joinder.

WMI MERGER. The merger of Dome into Old WMI pursuant to the WMI Merger Agreement, on or about July 16, 1998, with Old WMI being the surviving corporation and becoming a wholly owned subsidiary of the Borrower and with Old WMI changing its name to Waste Management Holdings, Inc.

WMI MERGER AGREEMENT. The Agreement and Plan of Merger, dated as of March 10, 1998, among the Borrower, Dome and Old WMI.

WMI MERGER COSTS AND SPECIAL CHARGES. Up to \$1,700,000,000 in pooling costs and merger-related expenses actually incurred with respect to the WMI Merger, taken as a special charge in the quarter ending September 30, 1998, and up to \$200,000,000 in after tax charges actually incurred with respect to Old WMI shareholder litigation and Securities and Exchange Commission investigations which were pending or initiated prior to the Effective Date, taken as a special charge.

WMINTERNATIONAL. Waste Management International PLC, a public limited company incorporated in England and Wales and a Subsidiary of Old WMI.

YEAR 2000 COMPLIANCE ISSUE. The risk that computer applications used by the Borrower or any of its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999.

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 Effective 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 Effective Date quarterly in arrears on the first day of each calendar quarter for the immediately preceding calendar quarter commencing on October 1, 1998 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 and unpaid Reimbursement Obligations 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 0.10% 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 Effective Date), commencing October 1, 1998 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 Original 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.

(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 August 1, 1998, 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 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) three (3) 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 and (iii) the Maturity Date (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 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 (i) eighteen (18) months after the date of issuance (which may incorporate automatic renewals for periods of up to twelve (12) months), or (ii) 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 Existing Credit Agreement shall be Letters of Credit under this Agreement. The letters of credit listed in SCHEDULE 3.1(b) issued by the Transitional Issuing Banks to the account of Old WMI or its Subsidiaries (the "Old WMI Letters of Credit") shall be Letters of Credit under this Agreement issued for the account of the Borrower as of the WMI Joinder Date; PROVIDED, HOWEVER, no Issuance Fee shall be payable hereunder to any Transitional Issuing Bank. The Old WMI Letters of Credit may only be renewed or extended by Letters of Credit issued by Issuing Banks (other than Transitional Issuing Banks) hereunder.

(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(b) 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 Sections 12.1(g) or 12.1(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, extensions or terminations thereof, the applicable Issuing Bank shall notify the Administrative Agent of the terms of such Letter of Credit, amendment, extension or termination. 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, 1998, 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 Original 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 22 not later than (x) 2:00 p.m. (New York time) on the fourth Eurodollar Business Day prior to the proposed Drawdown Date, in the case of a LIBOR Competitive Bid Loan or (y) 10:00 a.m. (New

York time) on the proposed Drawdown Date, in the case of an Absolute Competitive Bid Loan, PROVIDED that Competitive Bid Quotes may be submitted by the Administrative Agent in its capacity as a 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 29, 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 and the Borrower hereby grants a security interest in such amount to the Administrative Agent for the benefit of the Banks; 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(b) 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") as provided herein, but none of such Banks shall be under an obligation to find a 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 20, all of its Commitment, Loans, Notes and other rights and obligations under this Agreement and all other Loan



Documents to such Replacement Bank or non-Affected Banks, as the case may be, in exchange for payment of the principal amount so assigned and all interest and fees accrued on the amount so assigned, plus all other Obligations then due and payable to the Affected Bank; PROVIDED, HOWEVER, that (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 Old WMI 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 Old WMI 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 Old WMI 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 Old WMI and its Subsidiaries involving material amounts, known to the officers of the Borrower or Old WMI 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 Old WMI and its Subsidiaries on a consolidated basis (both before and after giving effect to the transactions contemplated by this Agreement including the WMI 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 Old WMI 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 Old WMI 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 Old WMI 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 Old WMI) other than as permitted by Section 8.5 hereof, except as disclosed in the Disclosure Documents.

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 or in the Disclosure Documents, 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 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 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 or the Disclosure Documents:

(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 applicable international, 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, individually or in the aggregate, 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 with respect to any such matters which individually or in the aggregate 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, 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 incurrence of costs, expenses, losses or damages of any kind whatsoever in connection with the Release of Hazardous Substances.

(c) (i) No portion of the Real Property or other assets of the 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; (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 has furnished the Administrative Agent as of the Effective Date, true and complete copies 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 6.19. YEAR 2000 COMPLIANCE. The Borrower and its Subsidiaries have reviewed the areas within their businesses and operations which could be adversely affected by, and have developed or are developing a program to address on a timely basis, the Year 2000 Compliance Issue. Based upon such review, the Borrower reasonably believes that the Year 2000 Compliance Issue will not have any 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 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 PricewaterhouseCoopers LLP or Arthur Anderson 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(d), 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 \$25,000,000 or which questions the validity or enforceability of any Loan Document 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, and in any event within ten (10) Business Days of the Borrower's obtaining knowledge thereof, 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 \$25,000,000; or

(iv) upon the Borrower's or any Subsidiary's obtaining knowledge that any expense or loss which individually or in the aggregate exceeds \$25,000,000 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 \$25,000,000 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 WMI Merger and refinancing the WMI Credit Agreement and other existing debt and letters of credit of Old WMI 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. No portion of the proceeds of any Loan is to be used, and no portion of any Letter of Credit is to be obtained, for the purpose of (a) knowingly purchasing, or providing credit support for the purchase of, Ineligible Securities from a Section 20 Subsidiary during any period in which such Section 20 Subsidiary makes a market in such Ineligible Securities, (b) knowingly purchasing, or providing credit support for the purchase of, during the underwriting or placement period, any Ineligible Securities being underwritten or privately placed by a Section 20 Subsidiary, or (c) making, or providing credit support for the making of, payments of principal or interest on Ineligible Securities underwritten or privately placed by a Section 20 Subsidiary and issued by or for the benefit of the Borrower or any Subsidiary or other affiliate of the Borrower.

SECTION 7.17. CERTAIN TRANSACTIONS. Except as disclosed in the Disclosure Documents, 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) (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 and undrawn landfill closure bonds; and

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

(c) Unsecured Indebtedness of the Borrower (and any guarantee thereof by Old WMI), 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 the incurrence of such Indebtedness;

(d) (i) Indebtedness of the Borrower's Subsidiaries (other than of Old WMI and the Sanifill Convertible Subordinated Debt and United Convertible Subordinated Debt), (ii) secured Indebtedness of the Borrower, (iii) Indebtedness with respect to drawn landfill closure bonds of the Borrower's Subsidiaries (other than of Old WMI), and (iv) Indebtedness with respect to Permitted Receivables Transactions (other than of Old WMI); PROVIDED that the aggregate amount of all such Indebtedness in this Section 8.1(d) shall not exceed 15% of Consolidated Tangible Assets at any time;

(e) Indebtedness of Old WMI listed in SCHEDULE 8.1(E) on the terms and conditions existing on the Effective Date, PROVIDED that any extension, renewal or refinancing of such Indebtedness is prohibited unless the amount of such extended, renewed or refinanced Indebtedness by Old WMI is deducted from Indebtedness allowed under Section 8.1(d) above;

(f) The Sanifill Convertible Subordinated Debt and United Convertible Subordinated Debt; and

(g) Until July 31, 1998 only, with respect to the WMF Agreement.

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 Effective Date and listed on SCHEDULE 8.2(A) hereto;

(b) Liens securing Indebtedness permitted by Section 8.1(b)(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 Sections 8.1(d) and (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), provided such liens are discharged by August 31, 1998;

(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, (C) wholly owned Subsidiaries (other than WMIInternational), and (D) existing WMIInternational Investments listed on Schedule 8.3) does not exceed 10% 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 and a Guarantor shall be the survivor of any merger with any Subsidiary which is not Guarantor 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 (A) the collection, transfer, hauling, disposal or recycling of solid waste (excluding hazardous waste as that term is defined in RCRA) or thermal soil remediation, or (B) other lines of businesses currently engaged in by Old WMI, including (1) on-site portable sanitation services, (2) industrial cleaning services, (3) chemical waste treatment, storage, disposal and related services, (4) on-site integrated hazardous waste management services, including hazardous waste identification, packaging, removal, and recycling services, (5) radioactive waste management services, (6) development and operation of waste-to-energy facilities and related services, (7) the treatment and management of biosolids, (8) design and installation of air pollution control systems and equipment, or (9) environmental and infrastructure consulting and related services, provided that revenues from operations with respect to items (3), (4) and (5) shall not exceed ten percent (10%) of consolidated revenues without the consent of the Majority Banks; (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 fifteen percent (15%) 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 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. Notwithstanding the foregoing, the Borrower may effect the WMI Merger provided that such transaction will not otherwise create a Default or Event of Default hereunder.

(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 real or personal property among Subsidiaries of the Borrower which are wholly owned by the Borrower, (2) Regulatory Dispositions, and (3) 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 in any calendar year with an aggregate value not greater than five percent (5%) 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 Effective 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) \$100,000,000 PLUS (y) on a cumulative basis, 50% of the sum of, if positive, (i) Consolidated Net Income after June 30, 1998 plus (ii) WMI Merger Costs and Special Charges. 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.

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 ending during any period described in the table set forth below, the Borrower will not permit the ratio of (a) EBIT to (b) Consolidated Total Interest Expense for such period to be less than the ratio set forth opposite such period in such table:

Period -----	Ratio -----
Effective Date - March 31, 1999	2.50:1
April 1, 1999 and thereafter	3.00:1

The Interest Coverage Ratio shall be calculated on a cumulative quarterly basis for the fiscal quarters ending September 30, 1998, through March 31, 1999, and thereafter for the four fiscal quarters then ending.

SECTION 9.2. TOTAL DEBT TO EBITDA. As of the end of any fiscal quarter of the Borrower commencing with the fiscal quarter ending September 30, 1998, the ratio of Total Debt to EBITDA shall not exceed 3.00:1 at any time. For the purposes of this Section 9.2, EBITDA shall be calculated on an annualized basis for the fiscal quarters ending September 30, 1998 through the fiscal quarter ending March 31, 1999, and thereafter, for the four fiscal quarters then ending.

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 the Guarantors of the Loan Documents shall have been duly and effectively taken, and evidence thereof certified by authorized officers of the Borrower and the Guarantors and satisfactory to the Majority 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 Majority Banks.

SECTION 10.1.3. CERTIFIED COPIES OF CHARTER DOCUMENTS. The Banks shall have received from each of the Borrower and the Guarantors a copy, certified by a duly authorized officer of such Person to be true and complete on the Effective 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 Effective 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 each Guarantor; (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 Effective 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. The Banks shall have received favorable legal opinions from outside counsel to the Borrower and the Guarantors addressed to the Banks, dated the Effective Date, in form and substance satisfactory to the Administrative Agent.

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 accrued interest and fees under the Existing Credit Agreement, payoff letters with respect to Old WMI, and other debt of the Borrower, such payoff letter(s) indicating the amount of the loan obligations of the Borrower, its Subsidiaries, and the Guarantors to be discharged as of the Effective 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, or Old WMI 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 AMENDMENT FEES. The Borrower shall have paid the agreed upon amendment fees to the Administrative Agent for the account of the Banks.

SECTION 10.1.10. WMI MERGER. The WMI Merger shall be successfully completed on terms no less favorable to the Borrower than the terms set forth in the WMI Merger Agreement, and evidence thereof satisfactory to the Administrative Agent, including, without limitation, a legal opinion as to the completion of the WMI Merger, shall have been furnished to the Administrative Agent. In addition, the definitive documentation relating to the WMI Merger shall be in form and substance reasonably satisfactory to the Agents, and the structure of the WMI Merger, including all tax, ERISA, accounting and other consequences thereof, shall be satisfactory to the Agents.

SECTION 10.1.11. LIEN SEARCH RESULTS. The Administrative Agent shall have received the results of UCC lien searches satisfactory to the Administrative Agent with respect to Old WMI and its Subsidiaries indicating no liens or encumbrances other than Permitted Liens.

SECTION 10.2. NOTICE OF EFFECTIVE DATE. Promptly upon receipt of the items set forth above, the Administrative Agent shall notify the Banks that all of the conditions of Section 10.1 have been satisfied and that the Majority Banks have approved this Agreement. As soon as practical thereafter, the Administrative Agent shall distribute an original counterpart of the WMI Joinder and this Agreement to each Bank, together with copies of other items delivered in connection with the closing of this Agreement.

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 Effective 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 \$50,000,000, 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 \$50,000,000 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 \$25,000,000 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 \$25,000,000 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

(l) if any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 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 29 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) and provided further that no Bank shall be liable with respect to acts of Section 20 Subsidiaries of other Banks, 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 20 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 indemnifies 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. TREATMENT OF CERTAIN CONFIDENTIAL INFORMATION.

SECTION 18.1. SHARING OF INFORMATION WITH SECTION 20 SUBSIDIARY. The Borrower acknowledges that from time to time financial advisory, investment banking and other services may be offered



or provided to the Borrower or one or more of its Subsidiaries, in connection with this Agreement or otherwise, by a Section 20 Subsidiary. The Borrower, for itself and each of its Subsidiaries, hereby authorizes (a) such Section 20 Subsidiary to share with the Administrative Agent and each Bank any information delivered to such Section 20 Subsidiary by the Borrower or any of its Subsidiaries, and (b) the Administrative Agent and each Bank to share with such Section 20 Subsidiary any information delivered to the Administrative Agent or such Bank by the Borrower or any of its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Bank to enter into this Agreement; it being understood, in each case, that any such Section 20 Subsidiary receiving such information shall be bound by the confidentiality provisions of this Agreement. Such authorization shall survive the payment and satisfaction in full of all of Obligations.

SECTION 18.2. CONFIDENTIALITY. Each of the Banks and the Administrative Agent agrees, on behalf of itself and each of its affiliates, directors, officers, employees and representatives, to use reasonable precautions to keep confidential, in accordance with their customary procedures for handling confidential information of the same nature and in accordance with safe and sound banking practices, any non-public information supplied to it by the Borrower or any of its Subsidiaries pursuant to this Agreement that is identified by such Person as being confidential at the time the same is delivered to the Banks or the Administrative Agent, provided that nothing herein shall limit the disclosure of any such information (a) after such information shall have become public other than through a violation of this Section 18, (b) to the extent required by statute, rule, regulation or judicial process, (c) to counsel for any of the Banks or the Administrative Agent, (d) to bank examiners or any other regulatory authority having jurisdiction over any Bank or the Administrative Agent, or to auditors or accountants, (e) to the Administrative Agent, any Bank or any Section 20 Subsidiary, (f) in connection with any litigation to which any one or more of the Banks, the Administrative Agent or any Section 20 Subsidiary is a party, or in connection with the enforcement of rights or remedies hereunder or under any other Loan Document, (g) to a Subsidiary or affiliate of such Bank as provided in Section 18.1 or (h) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant agrees to be bound by the provisions of Section 20.

SECTION 18.3. PRIOR NOTIFICATION. Unless specifically prohibited by applicable law or court order, each of the Banks and the Administrative Agent shall, prior to disclosure thereof, notify the Borrower of any request for disclosure of any such non-public information by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Bank by such governmental agency) or pursuant to legal process.

SECTION 18.4. OTHER. In no event shall any Bank or the Administrative Agent be obligated or required to return any materials furnished to it or any Section 20 Subsidiary by the Borrower or any of its Subsidiaries. The obligations of each Bank under this Section 18 shall supersede and replace the obligations of such Bank under any confidentiality letter in respect of this financing signed and delivered by such Bank to the Borrower prior to the date hereof and shall be binding upon any assignee of, or purchaser of any participation in, any interest in any of the Loans or Reimbursement Obligations from any Bank.

SECTION 19. SURVIVAL OF COVENANTS, ETC. Unless otherwise stated herein, all covenants, agreements, representations and warranties made herein, in the other Loan Documents or in any documents or other papers delivered by or on behalf of the 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 20. ASSIGNMENT AND PARTICIPATION. It is understood and agreed that each Bank shall have the right to assign at any time all or a portion of its 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 (or, if a Bank's Commitment is less than \$5,000,000, in a minimum amount equal to such Bank's Commitment, PROVIDED that prior to any Commitment reductions pursuant to Section 2.3, such Bank's Commitment was at least \$10,000,000) 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 20 to the contrary notwithstanding, any Bank may at any time pledge all or any portion of its interest and rights under this Agreement (including all or any portion of its Notes) to any of the twelve Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or the enforcement thereof shall release the pledgor Bank from its obligations hereunder or under any of the other Loan Documents.

The Borrower agrees that in addition to disclosures made in accordance with standard and customary banking practices any Bank may disclose information obtained by such Bank pursuant to this Agreement to assignees or participants and potential assignees or participants hereunder; provided that such assignees or participants or potential assignees or participants shall agree to be bound by Section 18 hereof.

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

SECTION 22. NOTICES, ETC. Except as otherwise expressly provided in this Agreement, all notices and other communications made or required to be given pursuant to this Agreement or the other Loan Documents shall be in writing and shall be delivered in hand, mailed by United States 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, 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, Managing Director, 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) 648-5018; 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 23. 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 24. CONSENTS, ETC. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in this Section 24, subject to the provisions of Section 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 25. 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 26. 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, PURSUANT TO NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1401, BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK. THE BORROWER AND THE GUARANTORS CONSENT AND AGREE THAT ANY SUIT FOR THE ENFORCEMENT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWER IN ACCORDANCE WITH LAW AT THE ADDRESS SPECIFIED IN SECTION 22. THE BORROWER AND EACH OF THE GUARANTORS HEREBY WAIVE ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

SECTION 27. SEVERABILITY. The provisions of this Agreement are severable and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or

part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

SECTION 28. GUARANTY.

SECTION 28.1. 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, each Guarantor hereby unconditionally and irrevocably guarantees (a) the full punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all Obligations of the 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 28.2. 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 any other Guarantor; or

(e) any other circumstance which might otherwise constitute a defense available to, or a discharge 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 28.3. 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 28 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 28.4. 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 28.5. 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 28.6. 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 28), 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 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 28 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 law or regulations thereunder, which might, but for the provisions of this Section 28, afford grounds for terminating, discharging or relieving the Guarantors, in whole or in part, from any of the Guaranteed Obligations under this Section 28, 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 28 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 28 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 this Section 28 only for the maximum amount of such liabilities that can be incurred under applicable law without rendering this Section 28 voidable under applicable law relating to fraudulent conveyance and fraudulent transfer, and not for any greater amount. Accordingly, if any obligation under any provision under this Section 28 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 28 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 28 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 28 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 28 will forthwith be reinstated in effect, as though such payment had not been made.

SECTION 28.7. 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 28.8. 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.

SECTION 29. 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 29 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 30. TRANSITIONAL ARRANGEMENTS. Upon the Effective Date, this Agreement shall supersede the Existing Credit Agreement in its entirety; PROVIDED, HOWEVER, that the Borrower hereby confirms and agrees that the Obligations under this Agreement shall be evidenced by the Notes executed as of the Original Closing Date and the Borrower further agrees to execute replacement Note(s) after its name change to "Waste Management, Inc." if requested by any Bank.

SECTION 31. SPECIAL WAIVER. The Banks hereby waive any Event of Default which occurred or may have occurred under the Existing Credit Agreement as a result of the naming of eight (8) new board members during the twelve (12) months prior to the Effective Date or changes as a result of the WMI Merger.

SECTION 32. 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 as of the date first set forth above.

THE BORROWER AND GUARANTORS:

USA WASTE SERVICES, INC.

By: /s/ EARL E. DEFRATES

-----  
Name: Earl E. DeFrates  
Title: Executive Vice President & CFO

SANIFILL, INC.

By: /s/ RONALD H. JONES

-----  
Name: Ronald H. Jones  
Title: Vice President & Treasurer

UNITED WASTE SYSTEMS, INC.

By: /s/ RONALD H. JONES

-----  
Name: Ronald H. Jones  
Title: Vice President & Treasurer

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: Managing Director

ABN AMRO BANK, N.A.

By: /s/ LAURIE C. TUZO

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

By: /s/ ERIC R. HOLLINGSWORTH

-----  
Name: Eric R. Hollingsworth  
Title: Assistant Vice President

BANCA COMMERCIALE ITALIANA, LOS ANGELES FOREIGN BRANCH

By: /s/ RICHARD E. IWANICKI

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

By: /s/ M. HANNA

-----  
Name: M. Hanna  
Title: Assistant Vice President

BANK AUSTRIA AKTIENGESELLSCHAFT

By: /s/ R. TENHAVE

-----  
Name: R. Tenhave  
Title: SVP

By: /s/ CHRISTINE A. PENARD

-----  
Name: Christine A. Penard  
Title: VP

BANKBOSTON, N.A.

By: /s/ ARTHUR J. OBERHEIM

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

BANK OF MONTREAL

By: /s/ LEON H. SINCLAIR

-----  
Name: Leon H. Sinclair  
Title: Director

BANQUE NATIONALE DE PARIS

By: /s/ MIKE SHRYOCK

-----  
Name: Mike Shryock  
Title: Vice President

WELLS FARGO BANK (TEXAS),  
NATIONAL ASSOCIATION

By: /s/ NIPUL V. PATEL

-----  
Name: Nipul V. Patel  
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:

-----  
Name:  
Title:

BANK ONE, TEXAS, N.A.

By: /s/ SCOTT RHEA

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

BANQUE PARIBAS

By: /s/ SCOTT CLINGAN

-----  
Name: Scott Clingan  
Title: VP

By: /s/ LARRY ROBINSON

-----  
Name: Larry Robinson  
Title: Vice President

COMERICA BANK

By: /s/ REGINALD M. GOLDSMITH, III

-----  
Name: Reginald M. Goldsmith, III  
Title: Vice President

CIBC INC.

By:

-----  
Name:  
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ ROBERT IVOSEVICH

-----  
Name: Robert Ivosevich  
Title: Senior Vice President

THE DAI-ICHI KANGYO BANK, LTD.

By: /s/ MASAAKI ISHIKURA

-----  
Name: Masaaki Ishikura  
Title: Vice President

DEUTSCHE BANK AG, NEW YORK AND/OR CAYMAN ISLANDS BRANCHES

By: /s/ JEAN M. HANNIGAN

-----  
Name: Jean M. Hannigan  
Title: Vice President

By: /s/ SUSAN L. PEARSON

-----  
Name: Susan L. Pearson  
Title: Director

DG BANK DEUTSCHE GENOSSENSCHAFTSBANK,  
NEW YORK BRANCH

By: /s/ MARK K. CONNELLY / /s/ TREVOR H. BROOKS

-----  
Name: Mark K. Connelly / Trevor H. Brooks  
Title: Vice President / Assistant Vice  
President

THE FIRST NATIONAL BANK OF MARYLAND

By: /s/ ANDREW W. FISH

-----  
Name: Andrew W. Fish  
Title: Vice President

FLEET BANK, N.A.

By: /s/ CHRISTOPHER MAYROSE

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

THE FUJI BANK, LIMITED, HOUSTON AGENCY

By: /s/ NATE ELLIS

-----  
Name: Nate Ellis  
Title: VP & Manager



HIBERNIA NATIONAL BANK

By: -----  
Name:  
Title:

THE INDUSTRIAL BANK OF JAPAN  
TRUST COMPANY

By: /s/ KENSAKU IWATA  
-----  
Name: Kensaku Iwata  
Title: Senior Vice President

KBC BANK N.V.

By: /s/ ROBERT SNAUFFER  
-----  
Name: Robert Snauffer  
Title: Vice President

By: /s/ MICHAEL V. CURRAN  
-----  
Name: Michael V. Curran  
Title: Vice President

THE MITSUBISHI TRUST AND BANKING CORPORATION

By: -----  
Name:  
Title:

PNC BANK, NATIONAL ASSOCIATION

By: /s/ ERIC C. JOHNSON  
-----  
Name: Eric C. Johnson  
Title: Senior Vice President

ROYAL BANK OF CANADA

By: /s/ GORDAN MACARTHUR

-----  
Name: Gordan MacArthur  
Title: Manager

THE SANWA BANK LIMITED

By: /s/ JOHN T. FEENEY

-----  
Name: John T. Feeney  
Title: Vice President

THE SUMITOMO BANK, LIMITED

By: /s/ WILLIAM R. MCKOWN, III

-----  
Name: William R. McKown, III  
Title: Vice President & Manager

SUNTRUST BANK, ATLANTA

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

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

By: /s/ STEVEN J. NEWBY

-----  
Name: Steven J. Newby  
Title: Corporate Banking Officer

CHASE BANK OF TEXAS, N.A.

By: /s/ MICHAEL ONDRUCH

-----  
Name: Michael Ondruch  
Title: V.P.

TORONTO DOMINION (TEXAS), INC.

By: /s/ DEBBIE A. GREENE

-----  
Name: Debbie A. Greene  
Title: Vice President

WACHOVIA BANK, N.A.

By: /s/ STEVEN M. TAKEI

-----  
Name: Steven M. Takei  
Title: Senior Vice President

WESTDEUTSCHE LANDESBANK GIROZENTRALE, NEW YORK BRANCH

By: /s/ FELICIA LA FORGIA / /s/ THOMAS LEE

-----  
Name: Felicia La Forgia / Thomas Lee  
Title: Vice President / Associate

THE BANK OF NEW YORK

By: /s/ HELEN L. SARRO

-----  
Name: Helen L. Sarro  
Title: Assistant Vice President

ABU DHABI INTERNATIONAL BANK INC.

By: /s/ DAVID J. YOUNG

-----  
Name: David J. Young  
Title: Assistant Vice President

By: /s/ NAGY S. KOLTA

-----  
Name: Nagy S. Kolta  
Title: Senior Vice President

SUMITOMO BANK OF CALIFORNIA

By:

-----

Name:  
Title:

THE SUMITOMO TRUST & BANKING CO.,  
LIMITED, LOS ANGELES AGENCY

By: /s/ ELEANOR CHAN

-----

Name: Eleanor Chan  
Title: Manager & Vice President

-----  
LOAN AGREEMENT

DATED AS OF JULY 16, 1998

by and among

WASTE MANAGEMENT, INC.  
(f/k/a USA Waste Services, Inc.)

(the "Borrower")

and

THE GUARANTOR

and

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION  
("BOA")  
CHASE BANK OF TEXAS, N.A. ("CHASE")  
DEUTSCHE BANK AG, NEW YORK BRANCH ("DEUTSCHE")  
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  
(the "Administrative Agent")

and

DEUTSCHE AS DOCUMENTATION AGENT  
(the "Documentation Agent")

and

BANCAMERICA ROBERTSON STEPHENS AND CHASE SECURITIES INC.  
AS SYNDICATION AGENTS AND BOOK MANAGERS  
(the "Syndication Agents")  
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## LOAN AGREEMENT

This LOAN AGREEMENT is made as of the 16th day of July, 1998, by and among WASTE MANAGEMENT, INC. (f/k/a USA Waste Services, Inc.), a Delaware corporation having its chief executive office at 1001 Fannin Street, Suite 4000, Houston, Texas 77002 (the "Borrower"), the Guarantor, 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 ("BOA"), CHASE BANK OF TEXAS, N.A., a national banking association having its principal place of business at 707 Travis Street, Houston, TX 77002 ("Chase"), DEUTSCHE BANK AG, NEW YORK BRANCH, the duly licensed New York branch of a German corporation having its principal place of business at 31 West 52nd Street, New York, NY 10019 ("Deutsche"), 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 (the "Administrative Agent"), BancAmerica Robertson Stephens and Chase Securities Inc. as syndication agents and book managers (the "Syndication Agents"), and Deutsche as documentation agent (the "Documentation Agent", and together with the Administrative Agent and the Syndication Agents, the "Agents").

### SECTION 1. DEFINITIONS AND RULES OF INTERPRETATION.

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

ABSOLUTE COMPETITIVE BID LOAN(S). See Section 4.3(a).

ACCOUNTANTS. See Section 8.4(a).

ADMINISTRATIVE AGENT. See Preamble.

AFFECTED BANK. See Section 6.11.

AGENTS. See Preamble.

AGGREGATE REVOLVING COMMITMENTS. The Total Commitment hereunder PLUS the "Total Commitment" under the USA Waste Credit Agreement, as in effect from time to time.

AGREEMENT. This Loan 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 8.10.

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 21.

AVERAGE QUARTERLY UTILIZATION AMOUNT. The average outstanding Revolving Credit Loans PLUS the average Maximum Drawing Amount and unpaid Reimbursement Obligations of the Letters of Credit in any calendar quarter.

BALANCE SHEET DATE. December 31, 1997.

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.

BOA CREDIT AGREEMENT. That certain Credit Agreement dated as of January 22, 1998, among the Borrower, BOA, the other banks party thereto and BOA as agent for the banks.

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 7.15(a).

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

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

CHASE. See Preamble.

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 21.

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 8.4(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 (other than income taxes that are a net credit except the WMI Merger pooling costs and merger-related expenses in item (3) below), (3) up to \$1,700,000,000 in pooling costs and merger-related expenses actually incurred with respect to the WMI Merger, taken as a special charge in the quarter ending September 30, 1998, and (4) up to \$200,000,000 in after tax charges actually incurred with respect to Old WMI shareholder litigation and Securities and Exchange Commission investigations which were pending or initiated prior to the Effective Date, taken as a special charge, to the extent that each of items (1) through (4) was deducted, without duplication, in determining Consolidated Net Income (or Deficit) in the relevant period.

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 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 6.11.

DEFAULTS. See Section 13.1.

DEUTSCHE. See Preamble.

DISCLOSURE DOCUMENTS. The Borrower's financial statements referred to in Section 7.4 and filings made by the Borrower or Old WMI with the Securities and Exchange Commission that were publicly available prior to the Effective Date.

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.

DOME. Dome Merger Subsidiary, Inc., a Delaware corporation and wholly owned Subsidiary of Borrower.

DRAWDOWN DATE. The date on which any Loan is made or is to be made, or any amount is paid by the Issuing Bank under a Letter of Credit.

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

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

EFFECTIVE DATE. The date on which the conditions precedent set forth in Section 11.1 hereof are satisfied.

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 7.15(a).

EPA. See Section 7.15(b).

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

ERISA AFFILIATE. Any Person which is treated as a single employer with the 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 (2) 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 13.1.

FACILITY FEE. See Section 2.2(a).

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES or GAAP. (i) When used in Section 10, whether directly or indirectly through reference to a capitalized term used therein, means (A) principles that are consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, in effect for the fiscal year ended on the Balance Sheet Date, and (B) to the extent consistent with such principles, the accounting practice of the 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 29.1.

GUARANTEED PENSION PLAN. Any employee pension benefit plan within the meaning of Section 3(2) of ERISA maintained or contributed to by the 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.

GUARANTOR. Old WMI.

HAZARDOUS SUBSTANCES. See Section 7.15(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 either a Permitted Receivables Transaction or a sale of receivables under the WMF Agreement 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. The sum of all such Indebtedness of the Borrower and its Subsidiaries on a consolidated basis under (a) through (h) above shall be referred to as "Total Debt"; PROVIDED, however, that Indebtedness under (f) above shall be included in such calculation only to the extent that a surety has been called upon to make payment on a bond.

**INELIGIBLE SECURITIES.** Securities which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. Section 24, Seventh), as amended.

**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 or if such period has no numerically corresponding day, on the last Business Day of such period; 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 Revolving Credit Maturity Date.

INTERIM BALANCE SHEET DATE. March 31, 1998.

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, Chase and BankBoston, N.A., and (b) such other Banks as agreed to by the Borrower and the Administrative Agent; and with respect to Old WMI Letters of Credit only, the Transitional Issuing Banks.

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(b).

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 (2) 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, 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, the Competitive Bid Loans and the Term Loan.

**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 \$20,000,000, 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.

**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 6.1(c).

**NON-U.S. BANK.** See Section 6.1(b).

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

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.

OLD WMI. Waste Management Holdings, Inc. (f/k/a Waste Management, Inc.), a wholly owned Subsidiary of the Borrower.

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, or if such rate is not published, the average of the quotations at approximately 11:00 a.m. New York time for the day of such transaction(s), received by the Administrative Agent from three Federal Funds brokers of recognized standing selected by the Administrative Agent.

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

PERMITTED LIENS. See Section 9.2.

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 \$250,000,000 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 \$250,000,000, 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	0.06000% per annum	0.2400% per annum	Eurodollar Rate plus 0.2400% per annum
2	At least BBB+ by Standard & Poor's or at least Baa1 by Moody's	0.08000% per annum	0.2950% per annum	Eurodollar Rate plus 0.2950% per annum
3	At least BBB by Standard & Poor's or at least Baa2 by Moody's	0.1000% per annum	0.3500% per annum	Eurodollar Rate plus 0.3500% per annum
4	At least BBB- by Standard & Poor's or at least Baa3 by Moody's	0.1250% per annum	0.4000% per annum	Eurodollar Rate plus 0.4000% per annum
5	At least BB+ by Standard & Poor's or at least Ba1 by Moody's	0.2000% per annum	0.5500% per annum	Eurodollar Rate plus 0.5500% per annum
6	If no other level applies	0.2500% per annum	0.6250% per annum	Eurodollar Rate plus 0.6250% per annum

The applicable rates charged for any day shall be determined by the Senior Public Debt Rating in effect as of that day. The initial pricing for (a) the Applicable Facility Rate shall be 0.1000 % per annum, (b) the Applicable L/C Rate shall be 0.3500% per annum and (c) the Applicable Eurodollar Rate shall be the Eurodollar Rate plus 0.3500% per annum, and shall be effective until the notice of a change in the Senior Public Debt Rating.

RCRA. See Section 7.15(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, MGT and Deutsche.

REGULATORY DISPOSITION. The disposition of any assets of the Borrower and its Subsidiaries (including Old WMI) required under antitrust laws in connection with the WMI Merger.

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 6.11.

REPLACEMENT NOTICE. See Section 6.11.

REVOLVING CREDIT LOANS. Collectively, the Syndicated Loans, the Swing Line Loans and the Competitive Bid Loans.

REVOLVING CREDIT MATURITY DATE. July \_\_, 1999, as the same may be extended in the sole discretion of the Banks pursuant to Section 2.10 hereof.

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

SANIFILL. Sanifill, Inc., a Delaware corporation having its chief executive office at 1001 Fannin Street, Suite 4000, Houston, Texas 77002.

SANIFILL CONVERTIBLE SUBORDINATED DEBT. Indebtedness under that certain indenture dated as of March 1, 1996, by and between Sanifill and Chase Bank of Texas, N.A. (f/k/a Texas Commerce Bank National Association) as Trustee, as in effect on August 7, 1997, with respect to \$115,000,000 of 5% convertible subordinated debt due March 1, 2006.

SECTION 20 SUBSIDIARY. A Subsidiary of the bank holding company controlling any Bank, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

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; PROVIDED FURTHER that in the event that both Moody's and Standard & Poor's have issued such ratings, the Senior Public Debt Rating will be the higher of such ratings unless such ratings by Moody's and Standard & Poor's are more than one rank apart, as set forth in the table below, in which case the Senior Public Debt Rating will be set at one rank below the higher of the two ratings.

RANK	STANDARD & POOR'S	MOODY'S
1	A-	A3
2	BBB+	Baa1
3	BBB	Baa2
4	BBB-	Baa3
5	BB+	Ba1
6	If no other level applies	If no other level applies

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 2.12(a).

SWING LINE NOTE. See Section 2.12(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 2.12 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 2.12(b).

SWING LINE SETTLEMENT DATE. See Section 2.12(b).

SWING LINE SETTLING BANK. See Section 2.12(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 2.12 hereof.

SYNDICATED NOTES. See Section 2.4(a).

TERM LOAN. The term loan made or to be made by the Banks to the Borrower on the Revolving Credit Maturity Date as contemplated by Section 5.

TERM LOAN MATURITY DATE. The date 364 days after the Revolving Credit Maturity Date.

TERM NOTES. See Section 5.1.

TOTAL COMMITMENT. \$3,000,000,000, as such amount may be reduced pursuant to Section 2.3 hereof, or, if such Total Commitment has been terminated pursuant to Section 2.3 or Section 13.2 hereof, zero.

TRANSITIONAL ISSUING BANKS. The First National Bank of Chicago, First Union National Bank, and Mellon Bank, N.A.

UNITED. United Waste Systems, Inc., a Delaware corporation having its chief executive office at 1001 Fannin Street, Suite 4000, Houston, Texas 77002.

UNITED CONVERTIBLE SUBORDINATED DEBT. Indebtedness under that certain indenture dated as of June 5, 1996 between United and Bankers Trust Company, as trustee, with respect to \$150,000,000 of 4 1/2% convertible subordinated notes due June 1, 2001.

USA WASTE BRIDGE LOAN. That certain Bridge Loan Agreement dated as of January 21, 1998 by and among USA Waste Services, Inc., MGT and the other banks party thereto, and MGT as agent thereunder.

USA WASTE AVERAGE QUARTERLY UTILIZATION AMOUNT. The average outstanding amount of the "Loans" (as defined in the USA Waste Credit Agreement) PLUS the average "Maximum Drawing Amount" and unpaid "Reimbursement Obligations" (both as defined in the USA Waste Credit Agreement) of the "Letters of Credit" (as defined in the USA Waste Credit Agreement) in any calendar quarter under the USA Waste Credit Agreement.

USA WASTE CREDIT AGREEMENT. That certain Second Amended and Restated Revolving Credit Agreement dated as of July 16, 1998 by and among USA Waste Services, Inc., Sanifill, United, BOA, MGT and the other banks party thereto, and MGT as administrative and documentation agent thereunder, as amended from time to time.

UTILIZATION FEE. See Section 2.2(b).

WMF AGREEMENT. The Receivables Transfer and the Servicing Agreement for \$550,000,000 dated as of December 27, 1997, among Old WMI, Waste Management Financing

Corporation, and the Subsidiaries of Old WMI party thereto, the lenders party thereto and The Chase Manhattan Bank, as agent.

WMI CREDIT AGREEMENT. That certain Credit Agreement for \$1,250,000,000 dated as of March 31, 1998, among Old WMI, the lenders party thereto and The Chase Manhattan Bank, as administrative agent.

WMI MERGER. The merger of Dome into Old WMI pursuant to the WMI Merger Agreement, on or about July 16, 1998, with Old WMI being the surviving corporation and becoming a wholly owned subsidiary of the Borrower and with Old WMI changing its name to Waste Management Holdings, Inc.

WMI MERGER AGREEMENT. The Agreement and Plan of Merger, dated as of March 10, 1998, among the Borrower, Dome and Old WMI.

WMI MERGER COSTS AND SPECIAL CHARGES. Up to \$1,700,000,000 in pooling costs and merger-related expenses actually incurred with respect to the WMI Merger, taken as a special charge in the quarter ending September 30, 1998, and up to \$200,000,000 in after tax charges actually incurred with respect to Old WMI shareholder litigation and Securities and Exchange Commission investigations which were pending or initiated prior to the Effective Date, taken as a special charge.

WMINTERNATIONAL. Waste Management International plc, a public limited company incorporated in the United Kingdom and a Subsidiary of Old WMI.

YEAR 2000 COMPLIANCE ISSUE. The risk that computer applications used by the Borrower or any of its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999.

#### 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 SYNDICATED 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 Effective Date and the Revolving Credit 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; and PROVIDED that the Borrower shall maintain \$400,000,000 availability hereunder until the buyback of the WMInternational shares (the "WMInternational Reserve").

(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 11 and Section 12, as the case may be, have been satisfied on the date of such request. Any unpaid Reimbursement Obligation shall be a Base Rate Loan, 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 Effective Date quarterly in arrears on the first day of each calendar quarter for the immediately preceding calendar quarter commencing on October 1, 1998 with a final payment on the Revolving Credit 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 (i) the USA Waste Average Quarterly Utilization Amount, PLUS (ii) the Average Quarterly Utilization Amount, exceeds fifty percent (50%) of the Aggregate Revolving Commitments in effect during such calendar quarter, the Borrower agrees to pay to the Administrative Agent for the account of the Banks party to this Agreement a fee (the "Utilization Fee") equal to 0.10% 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 Effective Date), commencing October 1, 1998 with a final payment on the Revolving Credit 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 party to this Agreement 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 Revolving Credit 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 Effective 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.

(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 Syndicated 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 SYNDICATED 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 August 1, 1998, 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 Revolving Credit Maturity Date for all Revolving Credit 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 Revolving Credit 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 Revolving Credit 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 Revolving Credit 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 6.7 hereof, if any affected Bank demands compensation under Section 6.4(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 6.4(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 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 11 and Section 12 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 REVOLVING CREDIT LOANS AND REIMBURSEMENT OBLIGATIONS. The Borrower promises to pay on the Revolving Credit Maturity Date, and there shall become absolutely due and payable on the Revolving Credit Maturity Date, all of the Revolving Credit 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. REQUEST FOR EXTENSION OF REVOLVING CREDIT MATURITY DATE. The Borrower may, provided that no Default or Event of Default has occurred and is continuing, by written notice to the Administrative Agent given not more than sixty (60) days nor less than forty-five (45) days prior to the initial Revolving Credit Maturity Date (the "Initial Maturity Date") request that the Initial Maturity Date be extended to the date which is 364 days after the Initial Maturity Date. The Administrative Agent shall notify the Banks of such request promptly after receipt, and request each Bank to notify the Administrative Agent of its determination to consent or not

to consent to such extension. Each Bank which makes a determination not to consent shall notify the Administrative Agent of such determination by the thirtieth (30th) day prior to the Initial Maturity Date (without prejudice to any Bank's right to determine not to consent after such thirtieth (30th) day but on or before the tenth (10th) Business Day before the Initial Maturity Date). The Borrower may take the actions permitted by Section 6.11 to replace any Bank that fails to consent to such extension, or reduce the Total Commitment as permitted under Section 2.3. If the Majority Banks (including any Replacement Bank, if applicable) consent to the extension by so notifying the Administrative Agent in writing no earlier than ten (10) Business Days prior to the Initial Maturity Date, the Revolving Credit Maturity Date for Revolving Credit Loans of such consenting or Replacement Banks shall be extended for 364 days. The determination of each Bank shall be in the sole discretion of such Bank. Each Bank shall give written notice of its determination to consent or not to consent to such extension pursuant to this Section 2.10, no earlier than the tenth (10th) Business Day prior to the Initial Maturity Date. All non-consenting Banks' Revolving Credit Loans shall be payable in full on the Initial Maturity Date, unless the Borrower has exercised its option to term out all Revolving Credit Loans pursuant to Section 5.1. Any Bank which fails to give written notice of its consent or non-consent shall be deemed not to have consented to the extension hereunder.

#### SECTION 2.11. PREPAYMENTS OR REPAYMENTS OF REVOLVING CREDIT LOANS.

(a) **OPTIONAL PREPAYMENTS:** Subject to the terms and conditions of Section 6.7, the Borrower shall have the right, at its election, to repay or prepay the outstanding amount of the Revolving Credit Loans (other than Competitive Bid 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) (i) on the proposed date of prepayment or repayment of Base Rate Loans, and (ii) three (3) Eurodollar Business Day prior to the proposed date of prepayment or repayment of Eurodollar Rate Loans, written notice (or telephonic notice confirmed in writing or by facsimile) of any proposed prepayment or repayment pursuant to this Section 2.11, specifying the proposed date of prepayment or repayment of such 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.

(b) **MANDATORY REPAYMENTS:** If at any time the sum of the outstanding principal amount of the Revolving Credit 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, (i) for application to the Revolving Credit Loans, first to Syndicated Loans, then to Competitive Bid Loans, subject to Section 6.7, or (ii) if no Revolving Credit 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 and the Borrower hereby grants a security interest in such amount to the Administrative Agent for the benefit of the Banks; PROVIDED, HOWEVER, that if the amount of cash collateral held by the Administrative Agent pursuant to this Section 2.11(b) exceeds



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

SECTION 2.12. 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, and (iii) the Revolving Credit Maturity Date (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 2.12(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 2.12(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 2.12(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) \$800,000,000 or (ii) the Total Commitment MINUS the aggregate outstanding amount of the Revolving Credit Loans and PROVIDED FURTHER, that no Letter of Credit shall have an expiration date later than five (5) Business Days prior to the Revolving Credit Maturity Date. The letters of credit listed in SCHEDULE 3.1(a) issued by the Transitional Issuing Banks to the account of Old WMI or its Subsidiaries (the "Old WMI Letters of Credit") shall be Letters of Credit under this Agreement issued for the account of the Borrower as of the date of the WMI Merger, provided, however, that no Issuance Fee shall be payable hereunder to any Transitional Issuing Bank. The Old WMI Letters of Credit may only be renewed or extended by Letters of Credit issued by Issuing Banks (other than Transitional Issuing Banks) hereunder.

(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 13.2, 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(b) 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 13(g) or 13(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 Revolving Credit Maturity Date or the acceleration of the Reimbursement Obligations with respect to all Letters of Credit in accordance with Section 13, an amount equal to the then Maximum Drawing Amount of 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, extensions or terminations thereof, the applicable Issuing Bank shall notify the Administrative Agent of the terms of such Letter of Credit, amendment, extension or termination. 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, 1998, and on the Revolving Credit 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 Effective 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 23 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 11 and 12 hereof, any Competitive Bid Quote so made shall be irrevocable except with the written consent of the Administrative Agent given on the instructions of the 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 11 and 12 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 Competitive Bid Loans, including, without limitation compensation as provided in Section 6.7.

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 Revolving Credit Maturity Date for all Revolving Credit 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 Revolving Credit Maturity Date.

#### SECTION 5. THE TERM LOAN.

SECTION 5.1. CONVERSION OF REVOLVING CREDIT LOANS; THE TERM LOAN. Subject to the terms and conditions set forth in this Agreement, including, without limitation, the satisfaction of the conditions set forth in Section 12 hereof and the execution and delivery by the Borrower of the Term Notes to the Banks, on the Revolving Credit Maturity Date the aggregate amount of the outstanding Revolving Credit Loans at such date shall be converted into a Term Loan in the aggregate principal amount equal to the aggregate outstanding principal balance of the Revolving Credit Loans on such date, held severally by the Banks in accordance with their Commitment Percentages and the Commitments hereunder shall terminate. The Term Loan outstanding after conversion shall be evidenced by the separate Term Notes (the "Term Notes") of the Borrower payable to the order of each Bank, each dated as of the Revolving Credit Maturity Date and in substantially the form of EXHIBIT L hereto, completed with appropriate insertions. On the Revolving Credit Maturity Date, the Borrower shall pay to the Administrative Agent for the PRO RATA accounts of the Banks, all interest accrued to such date on the Revolving Credit Loans any Facility Fees, Utilization Fees and other fees payable to the Administrative Agent and the Banks hereunder and, as soon as reasonably practicable after such payment, each Bank shall surrender to the Borrower its Revolving Credit Notes against receipt of its Term Note evidencing the amount of the outstanding Revolving Credit Loans so converted. The term-out option granted herein may be exercised only once (either on the Initial Maturity Date or the extended Revolving Credit Maturity Date) and must term out all then existing Revolving Credit Loans.

SECTION 5.2. THE TERM NOTES. Each Term Note shall represent the obligation of the Borrower to pay to such Bank the principal amount of the Term Loan evidenced by the Term Note plus interest accrued thereon, as set forth below. The Borrower irrevocably authorizes each Bank to make or cause to be made a notation on such Bank's Term Note Record reflecting the original principal amount of such Bank's Commitment Percentage of the Term Loan and, at or about the time of such Bank's receipt of any principal payment on such Bank's Term Note, an appropriate notation on such Bank's Term Note Record reflecting such payment. The aggregate unpaid amount set forth on such Bank's Term Note Record shall be prima facie evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount on such Bank's Term Note Record shall not affect the obligations of the Borrower hereunder or under any Term Note to make payments of principal of and interest on any Term Note when due.

SECTION 5.3. REPAYMENTS OF THE TERM LOAN. The Borrower promises to pay to the Administrative Agent for the account of the Banks the principal amount of the Term Loan on the Term Loan Maturity Date in an amount equal to the unpaid balance of the Term Loan.

SECTION 5.4. OPTIONAL PREPAYMENT OF TERM LOAN. The Borrower shall have the right at any time to prepay the Term Loans on or before the Term Loan Maturity Date, as a whole, or in part, upon not less than one (1) Business Day prior written notice to the Administrative Agent, without premium or penalty, PROVIDED that (a) each partial prepayment shall be in the principal amount of \$5,000,000 or an integral multiple thereof, (b) any portion of any Eurodollar Rate Loan which has been prepaid on any day other than the last day of the Interest Period relating thereto shall be subject to the payment by the Borrower of any applicable costs associated with such prepayment as set forth in Section 2.11 hereof, and (c) each partial prepayment shall be allocated among the Banks, in proportion, as nearly as practicable, to the respective outstanding amount of each Bank's Term Note, with adjustments to the extent practicable to equalize any prior prepayments not exactly in proportion. Any prepayment of principal of the Term Loan shall include all interest accrued on such amount to the date of prepayment. No amount repaid with respect to the Term Loan may be reborrowed.

SECTION 5.5. INTEREST ON TERM LOAN.

SECTION 5.5.1. NOTIFICATION BY BORROWER. The Borrower shall notify the Administrative Agent, such notice to be irrevocable, at least three (3) Eurodollar Business Days prior to the Drawdown Date of the Term Loan if all or any portion of the Term Loan is to be a Eurodollar Rate Loan. After the Term Loan has been made, the provisions of Section 2 shall apply MUTATIS MUTANDIS with respect to all or any portion of the Term Loan so that the Borrower may have the same interest rate options with respect to all or any portion of the Term Loan as it would be entitled to with respect to the Syndicated Loans.

SECTION 5.5.2. AMOUNTS, ETC. Any portion of the Term Loan which is a Eurodollar Loan relating to any Interest Period shall be in the amount of \$5,000,000 or a whole multiple or \$1,000,000 in excess thereof. No Interest Period relating to the Term Loan or any portion thereof which is a Eurodollar Loan shall extend beyond the Term Loan Maturity Date.

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

SECTION 6.1. PAYMENTS.

(a) All payments of principal, interest, Reimbursement Obligations, fees (other than the Issuance Fee) and any other amounts due hereunder or under any of the other Loan Documents shall be made to the Administrative Agent 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 30, 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, Letters of Credit and the Term Loan, (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 18 to the extent that (i) the obligation to withhold amounts with respect to United States Federal withholding tax existed on the date such Non-U.S. Bank became a party to this 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 18 in each case solely if such change can be made in a manner so that such Bank, in its sole determination, suffers no legal, economic or regulatory disadvantage.

SECTION 6.2. 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 Revolving

Credit Maturity Date, or Term Loan Maturity Date, as the case may be, it shall be deemed to end on the next preceding Business Day.

SECTION 6.3. ILLEGALITY; INABILITY TO DETERMINE EURODOLLAR RATE.

Notwithstanding any other provision of this Agreement (other than Section 6.9), 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 6.4. 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 6.5 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 6.5. CAPITAL ADEQUACY. If any Bank shall have determined that, after the date hereof, (i) 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, or (ii) compliance by such Bank or the Administrative Agent or any corporation controlling such Bank or the Administrative Agent with any law, governmental rule, regulation, policy, guideline or directive (whether or not having the force of law and including any determination by such central bank or other governmental authority that for purposes of capital adequacy requirements the Commitments hereunder do not constitute commitments with an original maturity of one year or less) of any such entity regarding capital adequacy, 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 6.6. CERTIFICATE. A certificate setting forth the additional amounts payable pursuant to Section 6.4 or Section 6.5 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 6.7. 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(b) 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 6.8. 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 6.9. 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 6.10. REASONABLE EFFORTS TO MITIGATE. Each Bank agrees that as promptly as practicable after it becomes aware of the occurrence of an event or the existence of a condition that would cause it to be affected under Sections 6.3, 6.4 or 6.5, 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 6.11. 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 6.4 or 6.5, (ii) is unable to make or maintain Eurodollar Loans as a result of a condition described in Section 6.3, (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") or (iv) fails to agree to extend the Revolving Credit Maturity Date pursuant to Section 2.10, 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 6.3 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") as provided herein, but none of such Banks shall be under an obligation to find a 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 21, 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 6.4, 6.5 and 6.7. 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 6.12. 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) or the Term Loan, as the case may be, 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 7. REPRESENTATIONS AND WARRANTIES. The Borrower (and the Guarantor, where applicable) represents and warrants to the Banks that:

SECTION 7.1. 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 the Guarantor, (ii) have been duly authorized by all necessary corporate proceedings on the part of each of the Borrower and the Guarantor, (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 Guarantor or any of their Subsidiaries is subject or any judgment, order, writ, injunction, license or permit applicable to the Borrower, the Guarantor or any of their Subsidiaries so as to materially adversely affect the assets, business or any activity of the Borrower, the Guarantor and their Subsidiaries as a whole, and (iv) do not conflict with any provision of the corporate charter or bylaws of the Borrower, the Guarantor or any Subsidiary or any agreement or other instrument binding upon the Borrower, the Guarantor or any of their Subsidiaries.

(c) ENFORCEABILITY. The execution, delivery and performance of the Loan Documents by the Borrower and the Guarantor will result in valid and legally binding obligations of the Borrower and the Guarantor 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 7.2. GOVERNMENTAL APPROVALS. The execution, delivery and performance of the Loan Documents by the Borrower and the Guarantor and the consummation by the Borrower and the Guarantor 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 8, 9 and 10 hereof.

SECTION 7.3. 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 7.4. FINANCIAL STATEMENTS; SOLVENCY.

(a) There have been furnished to the Banks consolidated balance sheets of the Borrower and its Subsidiaries and Old WMI 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 Old WMI 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 Old WMI 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 Old WMI and its Subsidiaries involving material amounts, known to the officers of the Borrower or Old WMI 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 Old WMI and its Subsidiaries on a consolidated basis (both before and after giving effect to the transactions contemplated by this Agreement including the WMI Merger) are solvent (i.e., they have assets having a fair value in excess of the amount required to pay their probable liabilities on their existing debts as they become absolute and matured) and have, and expect to have, the ability to pay their debts from time to time incurred in connection therewith as such debts mature.

SECTION 7.5. NO MATERIAL CHANGES, ETC. Since the 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 Old WMI 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 Old WMI 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 Old WMI 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 Old WMI) other than as permitted by Section 9.5 hereof, except as disclosed in the Disclosure Documents.

SECTION 7.6. 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 7.7. LITIGATION. Except as set forth on SCHEDULE 7.7 or in the Disclosure Documents, 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 7.8. 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 7.9. 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 7.10. 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 7.11. NO EVENT OF DEFAULT. No Default or Event of Default has occurred and is continuing.

SECTION 7.12. HOLDING COMPANY AND INVESTMENT COMPANY ACTS. Neither the 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 7.13. ABSENCE OF FINANCING STATEMENTS, ETC. Except as permitted by Section 9.2 of this Agreement, there is no Indebtedness senior to the Obligations, and there is no effective financing statement, security agreement, chattel mortgage, real estate mortgage or other 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 7.14. EMPLOYEE BENEFIT PLANS.

SECTION 7.14.1. 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 7.14.2. 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 7.14.3. 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 7.14.4. 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 7.15. 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 7.15 or the Disclosure Documents:

(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 applicable international, 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, individually or in the aggregate, 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 with respect to any such matters which individually or in the aggregate 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, 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 incurrence of costs, expenses, losses or damages of any kind whatsoever in connection with the Release of Hazardous Substances.

(c) (i) No portion of the Real Property or other assets of the 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; (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 7.16. TRUE COPIES OF CHARTER AND OTHER DOCUMENTS. Each of the Borrower and the Guarantor has furnished the Administrative Agent as of the Effective Date, true and complete copies of (a) all charter and other incorporation documents (together with any amendments thereto) and (b) by-laws (together with any amendments thereto).

SECTION 7.17. DISCLOSURE. No representation or warranty made by the Borrower or the 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 Guarantor in connection with any of the transactions contemplated by the Loan Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which they are made.

SECTION 7.18. PERMITS AND GOVERNMENTAL AUTHORITY. All permits (other than those the absence of which would not have a material adverse effect on the business, operations or

financial condition of the 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 7.19. YEAR 2000 COMPLIANCE. The Borrower and its Subsidiaries have reviewed the areas within their businesses and operations which could be adversely affected by, and have developed or are developing a program to address on a timely basis, the Year 2000 Compliance Issue. Based upon such review, the Borrower reasonably believes that the Year 2000 Compliance Issue will not have any material adverse effect on the business, operations or financial condition of the Borrower and its Subsidiaries as a whole.

SECTION 7.20. USE OF PROCEEDS. The proceeds of the Loans shall be used for general corporate purposes, including commercial paper backup, and in connection with the WMI Merger and refinancing the WMI Credit Agreement, the WMF Agreement, the buyback of WMI International shares, the USA Waste Bridge Loan and the BOA Credit Agreement and other existing debt and letters of credit of Old WMI. The Borrower hereby agrees to terminate the WMF Agreement no later than July 31, 1998.

SECTION 8. 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 8.1. 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 8.2. MAINTENANCE OF U.S. OFFICE. 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 8.1. 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 8.2. MAINTENANCE OF U.S. OFFICE. The Borrower will 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 8.3. 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 8.4. 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 PricewaterhouseCoopers LLP or Arthur Andersen 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 8, 9 and 10 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 9.1(d), 9.3, 9.4, 9.5, and 10 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 8.5. 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 8.6. 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 8.7. 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 8.8. 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 8.9. 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 8.10. 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 8.11. 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 8.12. FURTHER ASSURANCES. The Borrower and the Guarantor 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 8.13. 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 \$25,000,000 or which questions the validity or enforceability of any Loan Document together with a copy of each such notice received by the Borrower or any of its Subsidiaries.

SECTION 8.14. 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, and in any event within ten (10) Business Days of the Borrower's obtaining knowledge thereof, 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 \$25,000,000; or

(iv) upon the Borrower's or any Subsidiary's obtaining knowledge that any expense or loss which individually or in the aggregate exceeds \$25,000,000 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 8.15. 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 \$25,000,000 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 8.16. USE OF PROCEEDS.

(a) GENERALLY: The proceeds of the Loans shall be used for general corporate purposes and in connection with the WMI Merger and refinancing the WMI Credit Agreement, the WMF Agreement, the buyback of WMInternational shares, the USA

Waste Bridge Loan and the BOA Credit Agreement and other existing debt and letters of credit of Old WMI. 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.

(b) INELIGIBLE SECURITIES: No portion of the proceeds of any Loan is to be used, and no portion of any Letter of Credit is to be obtained, for the purpose of (i) knowingly purchasing, or providing credit support for the purchase of, Ineligible Securities from a Section 20 Subsidiary during any period in which such Section 20 Subsidiary makes a market in such Ineligible Securities, (ii) knowingly purchasing, or providing credit support for the purchase of, during the underwriting or placement period, any Ineligible Securities being underwritten or privately placed by a Section 20 Subsidiary, or (iii) making, or providing credit support for the making of, payments of principal or interest on Ineligible Securities underwritten or privately placed by a Section 20 Subsidiary and issued by or for the benefit of the Borrower or any Subsidiary or other affiliate of the Borrower.

SECTION 8.17. CERTAIN TRANSACTIONS. Except as disclosed in the Disclosure Documents prior to the Effective 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 9. 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 9.1. 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) (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, and undrawn landfill closure bonds; and

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

(c) Unsecured Indebtedness of the Borrower (and any guarantee thereof by Old WMI), 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 the incurrence of such Indebtedness;

(d) (i) Indebtedness of the Borrower's Subsidiaries (other than of Old WMI, and with respect to the Sanifill Convertible Subordinated Debt and United Convertible Subordinated Debt), (ii) secured Indebtedness of the Borrower, (iii) Indebtedness with respect to drawn landfill closure bonds of the Borrower's Subsidiaries (other than of Old WMI), and (iv) Indebtedness with respect to Permitted Receivables Transactions (other than of Old WMI); PROVIDED that the aggregate amount of all such Indebtedness in this Section 9.1(d) shall not exceed 15% of Consolidated Tangible Assets at any time;

(e) Indebtedness of Old WMI listed in SCHEDULE 9.1(E) on the terms and conditions existing on the Effective Date, PROVIDED that any extension, renewal or refinancing by Old WMI of such Indebtedness is prohibited unless the amount of such extended, renewed or refinanced Indebtedness by Old WMI is deducted from Indebtedness allowed under Section 9.1(d) above;

(f) Indebtedness of the Borrower and certain of its Subsidiaries incurred pursuant to the USA Waste Credit Agreement;

(g) The Sanifill Convertible Subordinated Debt and United Convertible Subordinated Debt; and

(h) Until July 31, 1998 only, Indebtedness with respect to the WMF Agreement.

SECTION 9.2. 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 Effective Date and listed on SCHEDULE 9.2(A) hereto;

(b) Liens securing Indebtedness permitted by Section 9.1(b)(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 Sections 9.1(d) and (e) (provided that Liens created pursuant to a Permitted Receivables Transaction are only on the receivables so transferred and securing only the obligations with respect thereto), and Section 9.1(h), PROVIDED such liens are discharged by August 31, 1998;

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

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

(f) Liens in respect of judgments or awards which have been in force for less than the applicable period for taking an appeal so long as execution is not levied thereunder or in respect of which the 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;

(g) Liens of carriers, warehousemen, mechanics and materialmen, and other like liens, in existence less than 120 days from the date of creation thereof in respect of obligations not overdue, PROVIDED that such liens may continue to exist for a period of more than 120 days if the validity or amount thereof shall currently be contested by the 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

(h) Encumbrances consisting of easements, rights of way, zoning restrictions, restrictions on the use of real property and defects and irregularities in the title thereto, landlord's or lessor's liens under leases to which the 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 Guarantor covenant and agree that if either of them or any of their Subsidiaries shall create or assume any lien upon any of their respective properties or assets, whether now owned or hereafter acquired, other than Permitted Liens (unless prior written consent shall have been obtained from the Banks), the Borrower and the Guarantor will make or cause to be made effective provision whereby the Obligations and the Guaranteed Obligations will be secured by such lien equally and ratably with any and all other Indebtedness thereby secured so long as such other Indebtedness shall be so secured; PROVIDED, that the covenants of the Borrower and the Guarantor contained in this sentence shall only be in effect for so long as the Borrower or the 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 the Guarantor to ratably secure the Obligations and the Guaranteed Obligations hereunder.

SECTION 9.3. RESTRICTIONS ON INVESTMENTS. Except to the extent provided in Section 9.4, 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 8, 9 and 10 hereof; (ii) there does not exist a Default or Event of Default and no Default or Event of Default would be created by the making of such Investment; and (iii) the aggregate amount of all Investments (excluding Investments in (A) direct obligations of the United States of America or any agency thereof having maturities of less than one (1) year, (B) certificates of deposit having maturities of less than one (1) year, issued by commercial banks in the United States or Canada having capital and surplus of not less than \$100,000,000, (C) wholly owned Subsidiaries (other than WMInternational), and (D) existing WMInternational Investments listed on SCHEDULE 9.3) does not exceed 10% 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 9.3 shall be governed by Section 9.1.

SECTION 9.4. 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 and the Guarantor shall be the survivor of any merger with any other Subsidiary 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 9.3 or this Section 9.4. 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 (A) the collection, transfer, hauling, disposal or recycling of solid waste (excluding hazardous waste as that term is defined in RCRA) or thermal soil remediation, or (B) other lines of businesses currently engaged in by Old WMI, including (1) on-site portable sanitation services, (2) industrial cleaning services, (3) chemical waste treatment, storage, disposal and related services, (4) on-site integrated hazardous waste management services, including hazardous waste identification, packaging, removal, and recycling services, (5) radioactive waste management services, (6) development and operation of waste-to-energy facilities and related services, (7) the treatment and management of biosolids, (8) design and installation of air pollution control systems and equipment, or (9) environmental and infrastructure consulting and related services, provided that revenues from operations with respect to items (3), (4) and (5) shall not exceed ten percent (10%) of consolidated revenues without the consent of the Majority Banks; (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 fifteen percent (15%) 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 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 9.4 shall be governed by Section 9.1. Notwithstanding the foregoing, the Borrower may effect the WMI Merger provided that such transaction will not otherwise create a Default or Event of Default hereunder.

(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 real or personal property among Subsidiaries of the Borrower which are wholly owned by the Borrower, (2) Regulatory Dispositions, and (3) 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 in any calendar year with an aggregate value not greater than five percent (5%) of Consolidated Total Assets, as set forth in the most recent financial statements delivered to the Banks pursuant to Section 8.4 hereof) or sell or assign, with or without recourse, any receivables (except accounts receivable more than sixty (60) days past due sold or assigned in the ordinary course of collecting past due accounts, or pursuant to a Permitted Receivables Transaction).

SECTION 9.5. 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 9.4 hereof or conversion into another form of equity of any preferred shares of the Borrower existing as of the Effective 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) \$100,000,000 PLUS (y) on a cumulative basis, 50% of the sum of, if positive, (i) Consolidated Net Income after June 30, 1998 PLUS (ii) WMI Merger Costs and Special Charges. 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.

SECTION 9.6. 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 10. 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 10.1. INTEREST COVERAGE RATIO. As of the end of any fiscal quarter of the Borrower ending during any period described in the table set forth below, the Borrower will not permit the ratio of (a) EBIT to (b) Consolidated Total Interest Expense for such period to be less than the ratio set forth opposite such period in such table:

Period -----	Ratio -----
Effective Date - March 31, 1999	2.50:1
April 1, 1999 and thereafter	3.00:1

The Interest Coverage Ratio shall be calculated on a cumulative quarterly basis for the fiscal quarters ending September 30, 1998 through March 31, 1999, and thereafter, for the four fiscal quarters then ending.

SECTION 10.2. TOTAL DEBT TO EBITDA. As of the end of any fiscal quarter of the Borrower commencing with the fiscal quarter ending September 30, 1998, the ratio of Total Debt to EBITDA shall not exceed 3.00:1 at any time. For the purposes of this Section 10.2, EBITDA shall be calculated on an annualized basis for the fiscal quarters ending September 30, 1998 through the fiscal quarter ending March 31, 1999, and thereafter, for the four fiscal quarters then ending.

SECTION 11. CONDITIONS PRECEDENT.

SECTION 11.1. 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 11.1.1. CORPORATE ACTION. All corporate action necessary for the valid execution, delivery and performance by the Borrower and the Guarantor of the Loan Documents shall have been duly and effectively taken, and evidence thereof certified by authorized officers of the Borrower and the Guarantor and satisfactory to the Banks shall have been provided to the Banks.

SECTION 11.1.2. 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 11.1.3. CERTIFIED COPIES OF CHARTER DOCUMENTS. The Banks shall have received from each of the Borrower and the Guarantor a copy, certified by a duly authorized officer of such Person to be true and complete on the Effective Date, of (a) its charter or other incorporation documents as in effect on such date of certification, and (b) its by-laws as in effect on such date.

SECTION 11.1.4. INCUMBENCY CERTIFICATE. The Banks shall have received an incumbency certificate, dated as of the Effective 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 the Guarantor; (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 11.1.5. CERTIFICATES OF INSURANCE. The Banks shall have received (i) a certificate of insurance from an independent insurance broker dated as of the Effective Date, or within 15 days prior thereto, identifying insurers, types of insurance, insurance limits, and policy terms, and otherwise describing the insurance obtained in accordance with the provisions of the Loan Documents and (ii) copies of all policies evidencing such insurance (or certificates therefor signed by the insurer or an agent authorized to bind the insurer).

SECTION 11.1.6. OPINIONS OF COUNSEL. The Banks shall have received (a) favorable legal opinions from outside counsel to the Borrower and the Guarantor addressed to the Banks, dated the Effective Date, in form and substance satisfactory to the Administrative Agent.

SECTION 11.1.7. EXISTING DEBT. The Administrative Agent shall have received evidence, in form and substance satisfactory to the Administrative Agent, that all amounts owing under (a) the USA Waste Bridge Loan, (b) the WMI Credit Agreement, and (c) the BOA Credit Agreement have been paid in full and discharged as of the Effective Date.

SECTION 11.1.8. 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, or Old WMI and its Subsidiaries, taken as a whole, since the most recent financial statements and projections provided to the Banks.

SECTION 11.1.9. USA WASTE CREDIT AGREEMENT. The USA Waste Credit Agreement shall have been amended and restated in form and substance reasonably satisfactory to the Agents.

SECTION 11.1.10. WMI MERGER. The WMI Merger shall be successfully completed on terms no less favorable to the Borrower than the terms set forth in the WMI Merger Agreement, and evidence thereof satisfactory to the Administrative Agent, including, without limitation, a legal opinion as to the completion of the WMI Merger, shall have been furnished to the Administrative Agent. In addition, the definitive documentation relating to the WMI Merger shall be in form and substance reasonably satisfactory to the Agents, and the structure of the WMI Merger, including all tax, ERISA, accounting and other consequences thereof, shall be satisfactory to the Agents.

SECTION 11.1.11. CERTAIN APPROVALS. All necessary governmental and third party approvals shall have been obtained in connection with the WMI Merger and the transactions contemplated hereunder, except approvals which the failure to obtain will not have a material adverse impact on the Borrower, its business or financial condition, individually or in the aggregate, and all applicable waiting periods with respect to any action which could be taken to restrain, prevent or otherwise adversely affect the WMI Merger shall have expired without such action having been taken or threatened.

SECTION 11.1.12. LIEN SEARCH RESULTS. The Administrative Agent shall have received the results of UCC lien searches satisfactory to the Administrative Agent with respect to Old WMI and its Subsidiaries indicating no liens or encumbrances other than Permitted Liens.

SECTION 11.1.13. PAYMENT OF CLOSING FEES. The Borrower shall have paid the agreed upon closing fees to the Administrative Agent for the account of the Banks.

SECTION 11.2. NOTICE OF EFFECTIVE DATE. Promptly upon receipt of the items set forth above, the Administrative Agent shall notify the Banks that all of the conditions of Section 11.1 have been satisfied.



SECTION 12. 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 Effective Date is subject to the following conditions precedent:

SECTION 12.1. REPRESENTATIONS TRUE. Each of the representations and warranties of the Borrower and the Guarantor (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 12.2. 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 12.1 and 12.2 will be duly satisfied on the date of such Loan or Letter of Credit issuance, extension or renewal.

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

SECTION 12.4. 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 12.5. PROCEEDINGS AND DOCUMENTS. All proceedings in connection with the transactions contemplated by this Agreement and all documents incident thereto shall have been delivered to the Banks as of the date of the making of 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 13. EVENTS OF DEFAULT; ACCELERATION; TERMINATION OF COMMITMENT.

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

(a) if the 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 Revolving Credit Maturity Date, Term Loan 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 8, 9 and 10 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 \$50,000,000, 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 \$50,000,000 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, the 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 Guarantor or any Material Subsidiary, or of any substantial part of the assets of the Borrower, the Guarantor or any Material Subsidiary or commences any case or other proceeding relating to the Borrower, the Guarantor 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 Guarantor or any Material Subsidiary or the Borrower, the 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 the 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 the 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 \$25,000,000 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 \$25,000,000 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, the 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 13.1(g) or 13.1(h), all such amounts shall become immediately due and payable automatically and without any requirement of notice from the 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 13.2. TERMINATION OF COMMITMENTS. If any Event of Default pursuant to Sections 13.1(g) or 13.1(h) hereof shall occur, any unused portion of the Total Commitment hereunder shall forthwith terminate and the Banks and the Issuing 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 13.3. REMEDIES. In case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Banks shall have accelerated the maturity of the Loans and other Obligations pursuant to Section 13.1, each Bank, upon notice to the other Banks, if owed any amount with respect to the Loans or the Reimbursement Obligations, may proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the Obligations to such Bank are evidenced, including, without limitation, as permitted by applicable law the obtaining of the EX PARTE appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any legal or equitable right of such Bank, any recovery being subject to the terms of Section 30 hereof. No remedy herein conferred upon any

Bank or the 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 14. SETOFF. Regardless of the adequacy of any collateral, during the continuance of an Event of Default, any deposits or other sums credited by or due from any Bank to the 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 14 shall be distributed ratably in accordance with Section 30 among all of the Banks by the Bank setting off such amounts. If any Bank fails to share such setoff ratably, the Administrative Agent 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 15. 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 syndication, 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 16. THE AGENTS.

SECTION 16.1. 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 16. 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. The Documentation Agent and the Syndication Agents shall not have any right, power, obligation, liability, responsibility or duty under this Credit Agreement in such capacity, other than with respect to the Documentation Agent, those applicable to all Banks as Banks.

SECTION 16.2. 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 16.3. 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) and PROVIDED FURTHER that no Bank shall be liable with respect to acts of Section 20 Subsidiaries of other Banks, IT BEING THE INTENT OF THE PARTIES HERETO THAT ALL SUCH INDEMNIFIED PARTIES SHALL BE

INDEMNIFIED FOR THEIR ORDINARY SOLE OR CONTRIBUTORY NEGLIGENCE.

SECTION 16.4. REIMBURSEMENT. Without limiting the provisions of Sections 6.1(a), 6.12, and 14, 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 16.5. 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 16.6. 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 Guarantor 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 Agents or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own appraisals and decisions in taking or not taking action under this Agreement or any other Loan Document. Except as herein expressly provided to the contrary, the Administrative Agent shall not be required to keep informed as to the performance or observance by the Borrower and the Guarantor 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 16.8 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 16.7. 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 16.7 shall immediately issue new Letters of Credit in place of Letters of Credit previously issued or, if acceptable to the resigning Issuing Bank, issue letters of credit in favor of the resigning Issuing Bank as security for the outstanding Letters of Credit and shall in due course replace all Letters of Credit previously issued by the resigning Issuing Bank.

SECTION 16.8. ACTION BY THE BANKS, CONSENTS, AMENDMENTS, WAIVERS, ETC. Any action to be taken (including the giving of notice) may be taken, any consent or approval required or permitted by this Agreement or any other Loan Document to be given by the Banks may be given, any term of this Agreement, any other Loan Document or any other instrument, document or agreement related to this Agreement or the other Loan Documents or mentioned therein may be amended, and the performance or observance by the 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 (except pursuant to Section 2.10); (d) change the definition of "Majority Banks" or number of Banks which shall be required for the Banks or any of them to take any action under the Loan Documents; (e) amend this Section 16.8; (f) change the Commitment Percentage of any Bank, except as permitted under Section 21 and Section 2.10 hereof, (g) change the Total Commitment Percentage of any Bank, or (h) release the Borrower or the Guarantor from its obligations hereunder (except as expressly set forth herein).

SECTION 17. 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 17 shall survive payment or satisfaction of payment of amounts owing with respect to any Note or any other Loan Document and satisfaction of all the Obligations hereunder, IT BEING THE INTENT OF THE PARTIES HERETO THAT ALL SUCH INDEMNIFIED PARTIES SHALL BE INDEMNIFIED FOR THEIR ORDINARY SOLE OR CONTRIBUTORY NEGLIGENCE.

SECTION 18. WITHHOLDING TAXES. The 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 indemnifies 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 18) 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 18 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 18 shall survive the payment in full of the Obligations.

#### SECTION 19. TREATMENT OF CERTAIN CONFIDENTIAL INFORMATION.

SECTION 19.1. SHARING OF INFORMATION WITH SECTION 20 SUBSIDIARY. The Borrower acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to the Borrower or one or more of its Subsidiaries, in connection with this Agreement or otherwise, by a Section 20 Subsidiary. The Borrower, for itself and each of its Subsidiaries, hereby authorizes (a) such Section 20 Subsidiary to share with the Administrative Agent and each Bank any information delivered to such Section 20 Subsidiary by the Borrower or any of its Subsidiaries, and (b) the Administrative Agent and each Bank to share with such Section 20 Subsidiary any information delivered to the Administrative Agent or such Bank by the Borrower or any of its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Bank to enter into this Agreement; it being understood, in each case, that any such Section 20 Subsidiary receiving such information shall be bound by the confidentiality provisions of this Agreement. Such authorization shall survive the payment and satisfaction in full of all of Obligations.

SECTION 19.2. CONFIDENTIALITY. Each of the Banks and the Administrative Agent agrees, on behalf of itself and each of its affiliates, directors, officers, employees and representatives, to use reasonable precautions to keep confidential, in accordance with their customary procedures for handling confidential information of the same nature and in accordance with safe and sound banking practices, any non-public information supplied to it by the Borrower or any of its Subsidiaries pursuant to this Agreement that is identified by such Person as being confidential at the time the same is delivered to the Banks or the Administrative Agent, PROVIDED that nothing herein shall limit the disclosure of any such information (a) after such information shall have become public other than through a violation of this Section 19, (b) to the extent required by statute, rule, regulation or judicial process, (c) to counsel for any of the Banks or the Administrative Agent, (d) to bank examiners or any other regulatory authority having jurisdiction over any Bank

or the Administrative Agent, or to auditors or accountants, (e) to the Administrative Agent, any Bank or any Section 20 Subsidiary, (f) in connection with any litigation to which any one or more of the Banks, the Administrative Agent or any Section 20 Subsidiary is a party, or in connection with the enforcement of rights or remedies hereunder or under any other Loan Document, (g) to a Subsidiary or affiliate of such Bank as provided in Section 19.1 or (h) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant agrees to be bound by the provisions of Section 21.

SECTION 19.3. PRIOR NOTIFICATION. Unless specifically prohibited by applicable law or court order, each of the Banks and the Administrative Agent shall, prior to disclosure thereof, notify the Borrower of any request for disclosure of any such non-public information by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Bank by such governmental agency) or pursuant to legal process.

SECTION 19.4. OTHER. In no event shall any Bank or the Administrative Agent be obligated or required to return any materials furnished to it or any Section 20 Subsidiary by the Borrower or any of its Subsidiaries. The obligations of each Bank under this Section 19 shall supersede and replace the obligations of such Bank under any confidentiality letter in respect of this financing signed and delivered by such Bank to the Borrower prior to the date hereof and shall be binding upon any assignee of, or purchaser of any participation in, any interest in any of the Loans or Reimbursement Obligations from any Bank.

SECTION 20. 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 the 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 21. 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 (or, if a Bank's Commitment is less than \$5,000,000, in a minimum amount equal to such Bank's Commitment, PROVIDED that prior to any Commitment reductions pursuant to Section 2.3, such Bank's Commitment was at least \$10,000,000) 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 16.8 which require the approval of all Banks.

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

Anything contained in this Section 21 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.

The Borrower agrees that in addition to disclosures made in accordance with standard and customary banking practices any Bank may disclose information obtained by such Bank pursuant to this Agreement to assignees or participants and potential assignees or participants hereunder; PROVIDED that such assignees or participants or potential assignees or participants shall agree to be bound by Section 19 hereof.

SECTION 22. 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 23. 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 Guarantor, at 1001 Fannin Street, 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, Managing Director, 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) 648-5018; 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 24. 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 25. CONSENTS, ETC. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in this Section 25, subject to the provisions of Section 16.8. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. Except as otherwise expressly provided in this Agreement, any consent or approval required or permitted by this Agreement to be given by the Banks may be given, and any term of this Agreement or of any other instrument related hereto or mentioned herein may be amended, and the performance or observance by the 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 26. 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 GUARANTOR HEREBY WAIVE ANY RIGHT EITHER 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 THE GUARANTOR 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 GUARANTOR'S WAIVERS AND CERTIFICATIONS CONTAINED HEREIN.

SECTION 27. 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, PURSUANT TO NEW YORK GENERAL OBLIGATIONS LAW Section 5-1401, BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK. THE BORROWER AND THE GUARANTOR CONSENT AND AGREE THAT ANY SUIT FOR THE ENFORCEMENT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWER IN ACCORDANCE WITH LAW AT THE ADDRESS SPECIFIED IN Section 23. THE BORROWER AND THE GUARANTOR HEREBY WAIVE ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

SECTION 28. 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 29. GUARANTY.

SECTION 29.1. 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 Guarantor hereby unconditionally and irrevocably guarantees (a) the full punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all Obligations of the 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 29.2. GUARANTY ABSOLUTE. The Guarantor 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 Guarantor 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 Guarantor; or

(e) any other circumstance which might otherwise constitute a defense available to, or a discharge 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 29.3. 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. 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 29.4. WAIVER. Except as otherwise specifically provided in any of the Loan Documents, the Guarantor 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. The Guarantor also irrevocably waives, to the fullest extent permitted by law, all defenses which at any time may be available to it in respect of its

Guaranteed Obligations by virtue of any statute of limitations, valuation, stay, moratorium law or other similar law now or hereafter in effect.

SECTION 29.5. EXPENSES. The Guarantor 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 the 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 Guarantor 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, the Guarantor hereby agreeing jointly and severally to indemnify each Bank with respect thereto.

SECTION 29.6. CONCERNING JOINT AND SEVERAL LIABILITY OF THE GUARANTOR.

(a) The Guarantor 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 29), it being the intention of the parties hereto that all such Guaranteed Obligations shall be the joint and several Guaranteed Obligations of the 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 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 the Guarantor under the provisions of this Section 29 constitute full recourse obligations of the Guarantor enforceable against the 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, the Guarantor 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. The Guarantor 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 Guarantor 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 the Guarantor. Without limiting the generality of the foregoing, the Guarantor 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 the Guarantor to comply with its respective Obligations or Guaranteed Obligations, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder, which might, but for the provisions of this Section 29, afford grounds for terminating, discharging or relieving the Guarantor, in whole or in part, from any of the Guaranteed Obligations under this Section 29, it being the intention of the Guarantor that, so long as any of the Guaranteed Obligations hereunder remain unsatisfied, the Guaranteed Obligations of the Guarantor under this Section 29 shall not be discharged except by performance and then only to the extent of such performance. The Guaranteed Obligations of the Guarantor under this Section 29 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to the Borrower or the Guarantor or the Banks, the Issuing Banks or the Administrative Agent. The joint and several liability of the Guarantor 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 Guarantor, the Banks, the Issuing Banks or the Administrative Agent.

(e) The Guarantor shall be liable under this Section 29 only for the maximum amount of such liabilities that can be incurred under applicable law without rendering this Section 29 voidable under applicable law relating to fraudulent conveyance and fraudulent transfer, and not for any greater amount. Accordingly, if any obligation under any provision under this Section 29 shall be declared to be invalid or unenforceable in any respect or to any extent, it is the stated intention and agreement of the Guarantor, 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 Guarantor under this Section 29 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 Guarantor, as the case may be.

(f) The provisions of this Section 29 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 Guarantor 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 Guarantor or to exhaust any remedies available to them against the Borrower or the Guarantor or to resort to any other source or means of obtaining payment of any of the obligations hereunder or to elect any other remedy. The provisions of this Section 29 shall remain in effect until all of the Guaranteed Obligations shall have been paid in full or otherwise fully satisfied and the 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 the Guarantor, or otherwise, the provisions of this Section 29 will forthwith be reinstated in effect, as though such payment had not been made.

SECTION 29.7. WAIVER. Until the final payment and performance in full of all of the Obligations, the Guarantor shall not exercise and the Guarantor hereby waives any rights the Guarantor may have against the Borrower arising as a result of payment by the 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; the Guarantor will not claim any setoff, recoupment or counterclaim against the Borrower in respect of any liability of the Borrower to the Guarantor; and the 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 29.8. 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 the Guarantor is hereby subordinated to the prior payment in full of all of the Obligations. The Guarantor agrees that, after the occurrence of any default in the payment or performance of any of the Obligations, the Guarantor will not demand, sue for or otherwise attempt to collect any such indebtedness of the Borrower to the Guarantor until all of the Obligations shall have been paid in full. If, notwithstanding the foregoing sentence, the Guarantor 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 the 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 the Guarantor under the other provisions hereof.

SECTION 30. PARI PASSU TREATMENT.

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

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

(b) Following the occurrence and during the continuance of any Event of Default, each Bank agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against any Borrower (pursuant to Section 14 or otherwise), including a secured claim under Section 506 of the Bankruptcy Code or other security or interest arising from or in lieu of, such secured claim, received by such Bank under any applicable bankruptcy, insolvency or other similar law or otherwise, obtain payment (voluntary or involuntary) in respect of the Notes, Loans, Reimbursement Obligations and other Obligations held by it (other than pursuant to Section 6.4, Section 6.5 or Section 6.7) as a result of which the unpaid principal portion of the Notes and the Obligations held by it shall be proportionately less than the unpaid principal portion of the Notes and Obligations held by any other Bank, it shall be deemed to have simultaneously purchased from such other Bank a participation in the Notes and Obligations held by such other Bank, so that the aggregate unpaid principal amount of the Notes, Obligations and participations in Notes and Obligations held by each Bank shall be in the same proportion to the aggregate unpaid principal amount of the Notes and Obligations then outstanding as the principal amount of the Notes and other Obligations held by it prior to such exercise of banker's lien, setoff or counterclaim was to the principal amount of all Notes and other Obligations outstanding prior to such exercise of banker's lien, setoff or counterclaim; provided, however, that if any such purchase or purchases or adjustments shall be made pursuant to this Section 30 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustments restored without interest. 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 31. FINAL AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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

THE BORROWER:

WASTE MANAGEMENT, INC. (f/k/a USA Waste Services, Inc.)

By: /s/ EARL E. DEFRATES

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Name: Earl E. DeFrates  
Title: Executive VP & CFO

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THE GUARANTOR:

WASTE MANAGEMENT HOLDINGS, INC. (f/k/a  
Waste Management, Inc.)

By: /s/ RONALD H. JONES

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Name: Ronald H. Jones  
Title: Vice President & Treasurer

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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: Managing Director

CHASE BANK OF TEXAS, N.A.

By: /s/ MICHAEL ONDRUCH

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

THE CHASE MANHATTAN BANK

By:

-----  
Name:  
Title:

DEUTSCHE BANK AG, NEW YORK BRANCH,  
AND/OR CAYMAN ISLANDS BRANCH,  
individually and as Documentation Agent

By: /s/ JEAN M. HANNIGAN

-----  
Name: Jean M. Hannigan  
Title: Vice President

By: /s/ SUSAN L. PEARSON

-----  
Name: Susan L. Pearson  
Title: Director



ABN AMRO BANK, N.A.

By: /s/ LAURIE C. TUZO

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

By: /s/ ERIC R. HOLLINGSWORTH

-----  
Name: Eric R. Hollingsworth  
Title: Assistant Vice President

BANCA DI ROMA

By: /s/ AURORA PENZA / /s/ LUCA BALESTRA

-----  
Name: Aurora Pensa / Luca Balestra  
Title: V.P. / V.P.

BANK HAPOALIM

By: /s/ CONRAD WAGNER / /s/ ROBERT J. WAGMAN

-----  
Name: Conrad Wagner / Robert J. Wagman  
Title: First Vice President /  
Assistant Vice President

BANK OF MONTREAL

By: /s/ LEON H. SINCLAIR

-----  
Name: Leon H. Sinclair  
Title: Director

THE BANK OF NEW YORK

By: /s/ HELEN L. SARRO

-----  
Name: Helen L. Sarro  
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

BANKBOSTON, N.A.

By: /s/ ARTHUR J. OBERHEIM

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

BANQUE NATIONALE DE PARIS

By: /s/ MIKE SHRYOCK

-----  
Name: Mike Shryock  
Title: Vice President

CARIPLLO-CASSA DI RISPARMIO DELLE  
PROVINCIE LOMBARDE SPA

By: /s/ ANTHONY F. GIOBBI

-----  
Name: Anthony F. Giobbi  
Title: First Vice President

By: /s/ MARIA ELENA GREENE

-----  
Name: Maria Elena Greene  
Title: Assistant Treasurer

COMERICA BANK

By: /s/ REGINALD M. GOLDSMITH, III

-----  
Name: Reginald M. Goldsmith, III  
Title: Vice President

COMMERZBANK AG, ATLANTA AGENCY

By: /s/ W. DAVID SUTTLES

-----  
Name: W. David Suttles  
Title: Vice President

By: /s/ D.L. WARD, JR.

-----  
Name: D.L. Ward, Jr.  
Title: Asst. Treasurer

CREDIT ITALIANO

By: /s/ GIANFRANCO BISAGNI / /s/ SAIYED A. ABBAS

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Name: Gianfranco Bisagni / Saiyed A. Abbas  
Title: First Vice President / Assistant Vice  
President

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ ROBERT IVOSEVICH

-----  
Name: Robert Ivosevich  
Title: Senior Vice President

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ KRZYSZTOF J. SZREMSKI

-----  
Name: Krzysztof J. Szremski  
Title: Vice President

FIRST UNION NATIONAL BANK

By: /s/ SCOTT SANTA CRUZ

-----  
Name: Scott Santa Cruz  
Title: VP

FLEET BANK, N.A.

By: /s/ CHRISTOPHER MAYROSE

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

THE INDUSTRIAL BANK OF JAPAN  
TRUST COMPANY

By: /s/ KAZUTOSHI KUWAHARA

-----  
Name: Kazutoshi Kuwahara  
Title: Executive Vice President

KBC BANK N.V.

By: /s/ ROBERT SNAUFFER

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

By: /s/ MICHAEL V. CURRAN

-----  
Name: Michael V. Curran  
Title: Vice President

LEONIA BANK PLC, NEW YORK BRANCH

By: /s/ PEKKA VATAJA

-----  
Name: Pekka Vataja  
Title: General Manager

By: /s/ ARI KAARAKAINEN

-----  
Name: Ari Kaarakainen  
Title: Vice President

MELLON BANK, N.A.

By: /s/ RYAN F. BUSCH

-----  
Name: Ryan F. Busch  
Title: Assistant Vice President

NORDDEUTSCHE LANDESBANK GIROZENTRALE,  
NEW YORK BRANCH

By: /s/ STEPHEN K. HUNTER

-----  
Name: Stephen K. Hunter  
Title: SVP

By: /s/ STEPHANIE FINNEN

-----  
Name: Stephanie Finnen  
Title: VP

PNC BANK, NATIONAL ASSOCIATION

By: /s/ ERIC C. JOHNSON

-----  
Name: Eric C. Johnson  
Title: Senior Vice President

ROYAL BANK OF CANADA

By: /s/ GORDON MACARTHUR

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

SUNTRUST BANK, ATLANTA

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

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

By: /s/ STEVEN J. NEWBY

-----  
Name: Steven J. Newby  
Title: Corporate Banking Officer

TORONTO DOMINION (TEXAS), INC.

By: /s/ DEBBIE A. GREENE

-----  
Name: Debbie A. Greene  
Title: Vice President

WACHOVIA BANK, N.A.

By: /s/ STEVEN M. TAKEI

-----  
Name: Steven M. Takei  
Title: Senior Vice President

WESTDEUTSCHE LANDESBANK GIROZENTRALE,  
NEW YORK BRANCH

By: /s/ FELICIA LA FORGIA

-----  
Name: Felicia La Forgia  
Title: Vice President

By: /s/ THOMAS LEE

-----  
Name: Thomas Lee  
Title: Associate

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

JULY 6, 1998

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WASTE MANAGEMENT, INC.

1993 STOCK INCENTIVE PLAN

ARTICLE I. GENERAL

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

Section 1.2. ADMINISTRATION.

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

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

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

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

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

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

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

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

Section 1.4. TYPES OF AWARDS UNDER PLAN. Awards under the Plan may be in the form of any one or more of the following:

- (i) Stock Options, as described in Article II;
- (ii) Incentive Stock Options, as described in Article III;
- (iii) Reload Options, as described in Article IV;
- (iv) Alternate Appreciation Rights, as described in Article V;
- (v) Limited Rights, as described in Article VI;
- (vi) Alternate Stock Awards, as described in Article VII; and/or
- (vii) Stock Bonus Awards, as described in Article VIII.

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

Section 1.5. AGGREGATE LIMITATION ON AWARDS.

(a) Shares of stock which may be issued under the Plan shall be authorized and unissued or treasury shares of Common Stock \$.01 par value, of the Company ("Common Stock"). Subject to the further provisions of this Section 1.5 and Section 9.10, the maximum number of shares of Common Stock which may be issued under the Plan shall be 26,500,000.

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

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

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

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

provided, however, in all events the maximum number of shares of Common Stock that may be issued pursuant to Incentive Stock Options is 26,500,000.

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

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

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

#### Section 1.6. EFFECTIVE DATE AND TERM OF PLAN.

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

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

## ARTICLE II. STOCK OPTIONS

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

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

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

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

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

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

Section 2.7. DEATH, RETIREMENT AND TERMINATION OF EMPLOYMENT OF OPTIONEE. Unless otherwise provided in an Award Agreement or otherwise agreed to by the Committee:

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

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

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

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

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

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

#### ARTICLE III. INCENTIVE STOCK OPTIONS

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

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

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

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

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

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

Section 3.6. DEATH OF OPTIONEE. Unless otherwise provided in an Award Agreement:

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

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

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

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

Section 3.9. APPLICABILITY OF STOCK OPTIONS SECTIONS. Sections 2.5, Manner of Payment; 2.6, Delivery of Shares; 2.8, Tax Elections and 2.9, Effect of Exercise,



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

#### ARTICLE IV. RELOAD OPTIONS

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

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

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

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

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

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

#### ARTICLE V. ALTERNATE APPRECIATION RIGHTS

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

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

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

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

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

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

Section 5.7. TERMINATION OF EMPLOYMENT, RETIREMENT, DEATH OR DISABILITY. Unless otherwise provided in an Award Agreement or agreed to by the Committee:

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

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

#### ARTICLE VI. LIMITED RIGHTS

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

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

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

Section 6.4. AMOUNT OF PAYMENT. The amount of payment to which an Optionee shall be entitled upon the exercise of each Limited Right shall be equal to 100% of the amount, if any, which is equal to the difference between the Option Price per share of Common Stock covered by the related Option and the Market Price of a share of such Common Stock. "Market Price" is defined to be the greater of (i) the highest price per share of the Company's Common Stock paid in connection with any Change in Control and (ii) the highest price per

share of the Company's Common Stock reflected in the consolidated trading tables of THE WALL STREET JOURNAL (presently the New York Stock Exchange - Composite Transactions) during the 60-day period prior to the Change in Control.

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

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

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

Section 6.8. DEATH OF OPTIONEE OR TERMINATION FOR OTHER REASONS. Except as provided in Sections 6.7 and 6.9, or except as otherwise determined by the Committee, all Limited Rights granted under the Plan shall terminate upon the termination of the Optionee's employment, consulting or upon the death of the Optionee.

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

#### ARTICLE VII. SUBSTITUTION AWARDS

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

#### ARTICLE VIII. BONUS STOCK AWARDS

Section 8.1. AWARD OF BONUS STOCK. The Committee may from time to time, and subject to the provisions of this Plan and such other terms and conditions as the Committee may prescribe, grant to any Participant in the Plan shares of Common Stock ("Stock Bonus"). A Stock Bonus shall vest (i) in the case of performance-based vesting criteria, no sooner than one year following the date of the Stock Bonus grant, and (ii) in the case of time-based vesting criteria, no sooner than one-third of the grant on each subsequent anniversary of the date of grant. Notwithstanding the foregoing, the Committee may grant a fully vested Stock Bonus in lieu of an earned cash bonus.

Section 8.2. STOCK BONUS AGREEMENTS. The grant of a Stock Bonus shall be evidenced by a written Award Agreement, executed by the Company and the recipient of a Stock Bonus, in such form as the Committee may from time to time determine, providing for the terms of such grant, including any vesting schedule, restrictions on the transfer of such Common Stock or other matters.

#### ARTICLE IX. MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 9.11. CHANGES IN THE COMPANY'S CAPITAL STRUCTURE.

(a) The existence of outstanding Options, Alternative Appreciation Rights, or Limited Rights shall not affect in any way the right or power of the



Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) If, while there are outstanding Options, the Company shall effect a subdivision or consolidation of shares or other increase or reduction of the number of shares of the Common Stock outstanding without receiving compensation therefor in money, services or property, then (i) in the event of an increase in the number of such shares outstanding, the number of shares of Common Stock then subject to Options hereunder shall be proportionately increased; and (ii) in the event of a decrease in the number of such shares outstanding the number of shares then available for Option hereunder shall be proportionately decreased.

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

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

(i) If the successor entity is willing to assume the obligation to deliver shares of stock or securities after the effective date of the merger, consolidation or sale of assets, as the case may be, each holder of an outstanding Option shall be entitled to receive, upon the exercise of such Option and payment of the Option Price, in lieu of shares of Common Stock, such shares of stock or other securities as the holder of such Option

would have been entitled to receive had such Option been exercised immediately prior to the consummation of such merger, consolidation or sale, and any related Alternate Appreciation Right and Limited Right associated with such Option shall apply as nearly as practicable to the shares of stock or other securities purchasable upon exercise of the Option following such merger, consolidation or sale of assets.

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

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

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

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

Section 9.13. AMENDMENT OF THE PLAN.

(a) The Committees may without further action by the shareholders and without receiving further consideration from the Participants, amend this Plan or condition or modify Awards under this Plan in response to changes in

securities or other laws or rules, regulations or regulatory interpretations thereof applicable to this Plan or to comply with stock exchange rules or requirements.

(b) The Committee may at any time and from time to time terminate or modify or amend the Plan in any respect, except that without shareholder approval the Committee may not (i) increase the maximum number of shares of Common Stock which may be issued under the Plan (other than increases pursuant to Section 9.10), (ii) extend the period during which any Award may be granted or exercised, (iii) extend the term of the Plan, (iv) change the class of eligible Participants in the Plan, or (v) materially increase benefits available to Participants under the Plan if such increase would require shareholder approval pursuant to the listed company rules of the New York Stock Exchange, Inc. as such rules may be amended from time to time. The termination or any modification or amendment of the Plan, except as provided in subsection (a), shall not, without the consent of a Participant, affect his or her rights under an Award previously granted to him or her.

Section 9.14. EFFECTIVE DATE. The Plan, as amended as of July 6, 1998, shall become effective as of July 6, 1998.

## WASTE MANAGEMENT, INC.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
 (IN THOUSANDS, EXCEPT RATIOS)  
 (UNAUDITED)

	Six Months Ended June 30,	
	1998	1997
Income before income taxes	\$413,450	\$243,159
Fixed charges deducted from income:		
Interest expense	91,161	41,272
Implicit interest in rents	4,540	3,158
	95,701	44,430
Earnings available for fixed charges	\$509,151	\$287,589
Interest expense	\$ 91,161	\$ 41,272
Capitalized interest	14,261	11,674
Implicit interest in rents	4,540	3,158
Total fixed charges	\$109,962	\$ 56,104
Ratio of earnings to fixed charges	4.6x	5.1x



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF WASTE MANAGEMENT, INC. FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

6-MOS		
	DEC-31-1998	
	JAN-01-1998	
	JUN-30-1998	
		44,990,000
		0
		595,133,000
		(45,291,000)
		0
		775,669
		6,119,371,000
		(996,254,000)
		8,374,800,000
575,393,000		
		4,050,989,000
		0
		0
		2,237,000
		2,947,990,000
8,374,800,000		
		1,651,484,000
		1,651,484,000
		835,255,000
		1,191,872,000
		(44,999,000)
		0
		91,161,000
		413,450,000
		165,380,000
248,070,000		
		0
		3,900,000
		0
		244,170,000
		1.12
		1.04