

Tuesday, May 26, 1998

CONFIDENTIAL

Robert Kramer II, Chief
Litigation II Section
Antitrust Division
U.S. Department of Justice
1401 H. Street, N.W., Suite 3000
Washington, D.C. 20530

In Re: USA Waste Services, Inc./WMX (Waste Management), Inc. Pending Merger

Ref: USA Waste Services, Inc.

John E. Drury, Chairman (6/95-), CEO & Director (5/94-)

Rodney Proto, President, COO & Director (8/96-)

**Donald F. Moorehead, Jr., Chairman (10/90-6/95), CEO (10/90-5/94),
Vice Chairman (6/95-9/97), Director (10/90-9/97)**

**Richard J. Heckmann, Director (1994-) (Chairman, President and CEO,
United States Filter Corporation)**

Lewis Nevins (public relations functionary)

United Waste Systems, Inc. (sold in August 1997 to USA Waste Services, Inc.)

Bradley S. Jacobs, Chairman, CEO & Director (1989-8/97)

United Rentals, Inc. (formed 9/97)

Bradley S. Jacobs, Chairman, CEO & Director (9/97-)

**Richard J. Heckmann, Director (10/97-) (Director, USA Waste Services, Inc.;
Chairman, President and CEO, United States Filter Corporation)**

Dear Mr. Kramer:

I presume that, in the course of your consideration of the pending merger of USA Waste and WMX (Waste Management), evidence of possible violations of securities' and related laws by senior management of one of the prospectively merging parties would be of relevance.

This letter, an earlier version of which has been directed to the Enforcement Division of the Securities and Exchange Commission, provides a summary of certain specific securities' transactions. I would note that all information provided in this letter is derived from public sources (primarily required filings of the above-referenced corporations with the Securities and Exchange Commission). I would also emphasize that I make no allegations but simply note certain "coincidences" which are consistent with (but do not necessarily imply) illegality.

To indicate clearly a possible scenario consistent with the observed securities' transactions, I first offer the following hypothetical:

Hypothetical:

Corporation A acquires Corporation B. The officers of Corporation B then create Corporation C. In the negotiation of the price to be paid by Corporation A for Corporation B, the officers of Corporation B offer to include certain officers, directors and employees of Corporation A in a private placement of preregistration stock in Corporation C at a price anticipated to be far below the price which will be established when this stock becomes publicly traded. In exchange for their personal-account acquisitions of Corporation C stock at deeply discounted prices, the officers of

Corporation A raise the price at which Corporation A acquires Corporation B (a significant fraction of the stock of which is held by officers of Corporation B). In effect, Corporation A has paid an inflated price for Corporation B, a large part of the excess price inures to the benefit of the officers of Corporation B, who transfer some part of the benefit which they derive from the inflated price to the officers of Corporation A in the form of deeply discounted stock in Corporation C. The victims of these transactions are the shareholders of Corporation A, which has paid an excessive price for Corporation B. For personal, private gain the officers of Corporation A have violated their fiduciary responsibilities to the shareholders of Corporation A.

I do not assert that the **Actual** situation conforms to this **Hypothetical** situation, but the basic facts of the actual are consistent with the hypothetical:

Actual:

In August 1997 USA Waste Services, Inc., acquired United Waste Systems, Inc. In September 1997 Bradley S. Jacobs, who had been chairman, CEO and director of United Waste, and other United Waste officers incorporated United Rentals, Inc. Also in September 1997 John E. Drury (chairman and CEO of USA Waste), Proto Family Trust and Proto Investments (a limited partnership, a general partner of which is Rodney Proto, since August 1996 president, COO and director of USA Waste), Moorehead Property Company (a limited partnership, a general partner of which is Donald F. Moorehead, Jr., until August 1997 vice chairman of USA Waste, and its chairman from 1990 to 1995) and Lewis Nevins (a public-relations functionary for USA Waste) acquired stock in United Rentals, Inc., through a private placement at \$3.50 per share, with Drury acquiring 230,000 shares, Proto acquiring 142,858 shares, Moorehead Property Company acquiring 100,000 shares, and Nevins acquiring 4,286 shares.

In October 1997 Richard J. Heckmann, a director of USA Waste and chairman of United States Filter Corporation, was appointed a director of United Rentals. At that time Heckmann acquired 20,000 shares of United Rentals at a price of \$10 per share and an option to purchase at additional 20,000 shares at \$10 per share.

In December 1997 stock of United Rentals became publicly traded (NYSE symbol URI) and has traded at prices between \$14 and \$35. With a current price of \$34 per share, the following identifies implications for persons affiliated with USA Waste (Drury, Proto, Moorehead, Heckmann and Nevins):

	Shares	Acq. Price	Current Market Price	Current Aggregate Profit
Drury	230,000	\$3.50/share	\$34/share	\$7.015 million
Proto ¹	142,858	\$3.50/share		\$4.357 million
Moorehead ²	100,000	\$3.50/share		\$3.050 million
Heckmann ³	40,000	\$10/share		\$1.220 million
Nevins ⁴	4,286	\$3.50/share		\$0.131 million

¹Proto shares include Proto Investments (71,429 shares) and 1997 Proto Family Trust (71,429). Proto Investments is registered with the Texas Secretary of State as a domestic limited partnership, the general partners of which are Rodney Raymond Proto and Linda Louise Campbell Proto.

²Moorehead shares are in the name of Moorehead Property Company, registered with the Texas Secretary of State as a domestic limited partnership, the general partners of which are Donald F. Moorehead, Jr., and Shelly B. Moorehead.

³Heckmann shares include 20,000 purchased at \$10 per share and an option for 20,000 at \$10 per share.

⁴Nevins shares are in the names of Lewis Nevins and Linda Nevins (4,286 shares).

I would note that other persons affiliated with USA Waste may yet be found among the 50+ parties acquiring preregistration shares in United Rentals. In any event, the aggregate profits to date of these USA Waste insiders exceed \$15 million.

As noted, I do not assert that the Hypothetical and Actual situations in fact correspond. However, the coincidence of facts is interesting.

I would appreciate your inquiry into this matter in conjunction with your review of the proposed merger of USA Waste and Waste Management. Should you have any questions, feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen P. Dresch". The signature is written in a cursive style with a large, prominent initial 'S'.

Stephen P. Dresch